

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

FORM 20-F

(Mark One)

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

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2017

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

OR

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

Date of event requiring this shell company report

Commission file number: 001-34656

China Lodging Group, Limited

(Exact name of Registrant as specified in its charter)

Not Applicable

(Translation of Registrant's name into English)

CAYMAN ISLANDS

(Jurisdiction of incorporation or organization)

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(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
American Depositary Shares, each representing four ordinary shares, par value US\$0.0001 per share	NASDAQ Global Select Market

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

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Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.
290,943,470 Ordinary Shares.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act.

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

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

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.
 Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes No

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CERTAIN CONVENTIONS

Unless otherwise indicated, all translations from U.S. dollars to RMB in this annual report were made at a rate of US\$1.00 to RMB6.5063, the exchange rate as set forth in the H.10 statistical release of the U.S. Federal Reserve Board on December 29, 2017. No representation is made that the RMB amounts referred to herein could have been or could be converted into U.S. dollars at any particular rate or at all. On April 13, 2018, the exchange rate was US\$1.00 to RMB6.2725. Any discrepancies in any table between totals and sums of the amounts listed are due to rounding.

Unless otherwise indicated, in this annual report,

- “*ADRs*” are to the American depositary receipts that may evidence our ADSs;
- “*ADSs*” are to our American depositary shares, each representing four ordinary shares;
- “*China*” or the “*PRC*” are to the People’s Republic of China, excluding, for purposes of this annual report, Hong Kong, Macau and Taiwan;
- “*leased hotels*” are to leased-and-operated hotels;
- “*manachised hotels*” are to franchised-and-managed hotels;
- “*Ordinary shares*” are to our ordinary shares, par value US\$0.0001 per share;
- “*RMB*” and “*Renminbi*” are to the legal currency of China;
- “*US\$*” and “*U.S. dollars*” are to the legal currency of the United States; and
- “*We*,” “*us*,” “*our company*,” “*our*” and “*China Lodging*” are to China Lodging Group, Limited, a Cayman Islands company, and its predecessor entities and subsidiaries.

PART I

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

Not applicable.

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

Not applicable.

ITEM 3. **KEY INFORMATION**

3.A. Selected Financial Data

The selected consolidated statements of comprehensive income data and selected consolidated cash flow data for the years ended December 31, 2015, 2016 and 2017 and the selected consolidated balance sheet data as of December 31, 2016 and 2017 are derived from our audited consolidated financial statements included herein, which were prepared in accordance with accounting principles generally accepted in the United States, or U.S. GAAP. The selected consolidated statements of comprehensive income data and selected consolidated cash flow data for the years ended December 31, 2013 and 2014 and the selected consolidated balance sheet data as of December 31, 2013, 2014 and 2015 are derived from our audited consolidated financial statements that have not been included herein and were prepared in accordance with U.S. GAAP. The selected financial data set forth below should be read in conjunction with "Item 5. Operating and Financial Review and Prospects" and the consolidated financial statements and the notes to those statements included herein. The historical results presented below are not necessarily indicative of financial results to be achieved in future periods.

	Year Ended December 31,					(US\$)
	2013 (RMB)	2014 (RMB)	2015 (RMB)	2016 (RMB)	2017 (RMB)	
(In thousands, except per share and per ADS data)						
Selected Consolidated Statement of Comprehensive Income Data:						
Net revenues	4,168,629	4,964,728	5,774,624	6,538,631	8,170,196	1,255,736
Operating costs and expenses ⁽¹⁾	3,815,835	4,593,915	5,204,734	5,650,292	6,803,858	1,045,734
Income from operations	380,544	389,364	601,154	870,899	1,437,513	220,942
Income before income taxes	388,515	413,631	638,805	1,077,445	1,608,388	247,205
Net income	283,695	302,391	439,380	796,482	1,236,647	190,069
Less: net income (loss) attributable to noncontrolling interest	3,837	(4,957)	2,780	(8,133)	(555)	(86)
Net income attributable to China Lodging Group, Limited	279,858	307,348	436,600	804,615	1,237,202	190,155
Earnings per share:						
Basic	1.14	1.23	1.74	2.92	4.43	0.68
Diluted	1.12	1.21	1.70	2.84	4.24	0.65
Earnings per ADS ⁽²⁾ :						
Basic	4.57	4.94	6.97	11.70	17.72	2.72
Diluted	4.49	4.86	6.82	11.38	16.95	2.60
Weighted average number of shares used in computation:						
Basic	245,187	248,958	250,533	275,139	279,272	279,272
Diluted	249,486	253,004	256,104	282,889	293,074	293,074

Notes:

(1) Includes share-based compensation expenses as follows:

	Year Ended December 31,					
	2013	2014	2015	2016	2017	
	(RMB)	(RMB)	(RMB)	(RMB)	(US\$)	
	(In thousands)					
Share-based compensation expenses	30,468	31,937	52,535	55,436	66,367	10,200

(2) Each ADS represents four ordinary shares.

The following table presents a summary of our selected consolidated balance sheet data as of December 31, 2013, 2014, 2015, 2016 and 2017:

	As of December 31,					
	2013	2014	2015	2016	2017	
	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)	(US\$)
	(In thousands)					
Selected Consolidated Balance Sheet						
Data:						
Cash and cash equivalents	397,435	808,865	1,237,838	3,235,007	3,474,719	534,054
Restricted cash	3,317	—	360,500	500	481,348	73,982
Prepaid rent	363,581	385,158	429,588	446,127	659,973	101,436
Property and equipment, net	3,634,039	3,907,343	3,805,886	3,710,468	4,522,878	695,154
Intangible assets, net	101,845	104,537	144,812	342,694	1,643,972	252,674
Long-term investments	90,517	223,865	344,242	1,064,321	2,361,969	363,028
Goodwill	64,842	64,654	108,344	171,504	2,264,758	348,087
Total assets	5,185,052	6,182,906	7,693,521	9,993,364	17,427,442	2,678,549
Accounts payable	677,305	640,691	585,347	584,731	766,565	117,819
Long-term debt	—	—	—	—	4,921,774	756,463
Deferred rent — long-term	653,831	830,414	945,192	1,023,843	1,380,484	212,177
Deferred revenue	416,102	669,663	886,468	916,756	1,003,756	154,273
Total liabilities	2,357,261	2,964,193	4,252,773	4,577,207	10,953,162	1,683,470
Total equity	2,827,791	3,218,713	3,440,748	5,416,157	6,474,280	995,079

The following table presents a summary of our selected consolidated statements of cash flow data for the years ended December 31, 2013, 2014, 2015, 2016 and 2017:

	Year Ended December 31,					
	2013	2014	2015	2016	2017	
	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)	(US\$)
	(In thousands)					
Selected Consolidated Statement of Cash Flow Data:						
Net cash provided by operating activities	1,084,752	1,465,712	1,762,511	2,066,301	2,452,596	376,955
Net cash provided by (used in) investing activities	(1,152,248)	(1,063,186)	(1,550,357)	183,762	(6,716,254)	(1,032,268)
Net cash provided by (used in) financing activities	16,063	9,986	219,443	(266,194)	4,536,103	697,186

Exchange Rate Information

This annual report contains translations of RMB amounts into U.S. dollars at specific rates solely for the convenience of the reader. The exchange rate refers to the exchange rate as set forth in the H.10 statistical release of the Federal Reserve Board. Unless otherwise indicated, conversions of RMB into U.S. dollars in this annual report are based on the exchange rate on December 29, 2017. We make no representation that any RMB or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or RMB, as the case may be, at any particular rate, or at all. The PRC government imposes control over its foreign currency reserves in part through direct regulation of the conversion of RMB into foreign exchange and through restrictions on foreign trade. On April 13, 2018, the daily exchange rate reported by the Federal Reserve Board was US\$1.00 to RMB6.2725.

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The following table sets forth information concerning exchange rates between the RMB and the U.S. dollar for the periods indicated. These rates are provided solely for your convenience and are not necessarily the exchange rates that we used in this annual report or will use in the preparation of our periodic reports or any other information to be provided to you.

Period	Noon Buying Rate			
	Period End	Average ⁽¹⁾	Low	High
		(RMB per US\$1.00)		
2013	6.0537	6.1412	6.2438	6.0537
2014	6.2046	6.1704	6.2591	6.0402
2015	6.4778	6.2869	6.4896	6.1870
2016	6.9430	6.6549	6.9580	6.4480
2017	6.5063	6.7350	6.9575	6.4773
October	6.6328	6.6254	6.6533	6.5712
November	6.6090	6.6200	6.6385	6.5967
December	6.5063	6.5932	6.6210	6.5063
2018				
January	6.2841	6.4233	6.5263	6.2841
February	6.3280	6.3183	6.3471	6.2649
March	6.2726	6.3174	6.3565	6.2685
April (through April 13, 2017)	6.2725	6.2889	6.3045	6.2655

⁽¹⁾ Averages for a period are calculated by using the average of the exchange rates at the end of each month during the period. Monthly averages are calculated by using the average of the daily rates during the relevant period.

3.B. Capitalization and Indebtedness

Not applicable.

3.C. Reason for the Offer and Use of Proceeds

Not applicable.

3.D. Risk Factors

Risks Related to Our Business

Our operating results are subject to conditions affecting the lodging industry in general.

Our operating results are subject to conditions typically affecting the lodging industry, which include:

- changes and volatility in national, regional and local economic conditions in China;
- competition from other hotels, the attractiveness of our hotels to customers, and our ability to maintain and increase sales to existing customers and attract new customers;
- adverse weather conditions, natural disasters or travelers' fears of exposure to contagious diseases and social unrest;
- changes in travel patterns or in the desirability of particular locations;
- increases in operating costs and expenses due to inflation and other factors;
- local market conditions such as an oversupply of, or a reduction in demand for, hotel rooms;
- the quality and performance of managers and other employees of our hotels;

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- the availability and cost of capital to fund construction and renovation of, and make other investments in, our hotels;
- seasonality of the lodging business and national or regional special events;
- the possibility that leased properties may be subject to challenges as to their compliance with the relevant government regulations; and
- maintenance and infringement of our intellectual property.

Changes in any of these conditions could adversely affect our occupancy rates, average daily rates and revenues generated per available room, or RevPAR, or otherwise adversely affect our results of operations and financial condition.

Our business is sensitive to Chinese and global economic conditions. A severe or prolonged downturn in the Chinese or global economy could materially and adversely affect our revenues and results of operations.

Our business and operations are primarily based in China and we depend on domestic business and leisure traveler customers for a significant majority of our revenues. Accordingly, our financial results have been, and we expect will continue to be, affected by developments in the Chinese economy and travel industry. As the travel industry is highly sensitive to business and personal discretionary spending levels, it tends to decline during general economic downturns. The growth rate of China's GDP decreased from 2012 to 2016. Though the growth rate of China's GDP increased in 2017, it is uncertain whether the growth of the Chinese economy will slow down again in the future. A prolonged slowdown in the Chinese economy could erode consumer confidence which could result in changes to consumer spending patterns for travel and lodging-related products and services.

There is a possibility that China's economic growth rate may materially decline in the near future, which may have adverse effects on our financial condition and results of operations. Risk of a material slowdown in China's economic growth rate is based on several current or emerging factors including: (i) overinvestment by the government and businesses and excessive credit offered by banks; (ii) a rudimentary monetary policy; (iii) excessive privileges to state-owned enterprises at the expense of private enterprises; (iv) the dwindling supply of surplus labor; (v) a decrease in exports due to weaker overseas demand; and (vi) failure to boost domestic consumption.

The global financial markets experienced significant disruptions in 2008 and the United States, Europe and other economies went into recession. The recovery from the lows of 2008 and 2009 was uneven and it is facing new challenges, including sanctions against Russia over the Ukraine crisis since 2014, shadows of international terrorism spread by Islamic State of Iraq and al-Sham, which has been particularly intensified since the Paris terror attacks in November 2015, the uncertainty associated with the United Kingdom leaving the European Union, or EU, since the referendum in June 2016, the impact of the election of Donald Trump as President of the United States and his tax reform plan, the trade war between the United States and China and the Syrian airstrike in 2018. It is unclear whether such challenges will be contained or resolved and what effects they may have. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies that have been adopted by the central banks and financial authorities of some of the world's leading economies, including China's. There have also been concerns over unrest in the Middle East and Africa, which have resulted in significant market volatility, and over the possibility of a war involving Iran or North Korea. In addition, there have been concerns about the economic effect of the earthquake, tsunami and nuclear crisis in Japan and the tensions between Japan and its neighboring countries. Economic conditions in China are sensitive to global economic conditions.

Any prolonged slowdown in the Chinese or global economy may have a negative impact on our business, results of operations and financial condition, and continued turbulence in the international markets may adversely affect our ability to access the capital markets to meet liquidity needs.

The lodging industry in China is competitive, and if we are unable to compete successfully, our financial condition and results of operations may be harmed.

The lodging industry in China is highly fragmented. As a multi-brand hotel group we believe that we compete primarily based on location, room rates, brand recognition, quality of accommodations, geographic coverage, service quality, range of services, guest amenities and convenience of the central reservation system. We primarily compete with other hotel groups as well as various stand-alone lodging facilities in each of the markets in which we operate. Our HanTing Hotels, Orange Hotels and Ibis Hotels mainly compete with Home Inns, Jinjiang Inn, 7 Days Inn, various regional hotel groups and stand-alone hotels, and certain international brands such as Super 8. HanTing Hotels, Orange Hotels and Ibis Hotels also compete with two- and three-star hotels, as they offer rooms with amenities comparable to many of those hotels. Our JI Hotels, Starway Hotels, Orange Hotels Select, HanTing Premium Hotels, Ibis Styles Hotels, Mercure Hotels and Novotel Hotels face competition from existing three-star and certain four-star hotels, boutique hotels whose price could be comparable and a few hotel chains such as Vienna Hotels, Atour Hotels, Hampton Hotels and Holiday Inn Express. Our Hi Inns compete mainly with stand-alone guest houses, low-price hotels and budget hotel chains such as Pod Inns, 99 Inns and 100 Inns. Our Joya Hotels, Manxin Hotels and Grand Mercure Hotels compete with existing four-star and five-star hotels. Our Manxin Hotels and Crystal Orange Hotels also compete with boutique resort hotels. Our Elan Hotels compete with existing economy hotel chains such as 7 Days Inn, Home Inn or GreenTree Inn. New and existing competitors may offer more competitive rates, greater convenience, services or amenities or superior facilities, which could attract customers away from our hotels and result in a decrease in occupancy and average daily rates for our hotels. Competitors may also outbid us for new leased hotel conversion sites, negotiate better terms for potential franchised or franchised hotels or offer better terms to our existing franchised or franchised hotel owners, thereby slowing our anticipated pace of expansion. Furthermore, our typical guests may change their travel, spending and consumption patterns and choose to stay in other kinds of hotels, especially given the increase in our hotel room rates to keep pace with inflation. Any of these factors may have an adverse effect on our competitive position, results of operations and financial condition.

Our financial and operating performance may be adversely affected by epidemics, adverse weather conditions, natural disasters and other catastrophes.

Our financial and operating performance may be adversely affected by epidemics, adverse weather conditions, natural disasters and other catastrophes, particularly in locations where we operate a large number of hotels.

Our business could be materially and adversely affected by the outbreak of swine influenza, avian influenza, severe acute respiratory syndrome or other epidemics. In recent years, there have reports on the occurrences of avian influenza in various parts of China, including hundreds of confirmed human deaths. Any prolonged recurrence of such contagious disease or other adverse public health developments in China may have a material and adverse effect on our operations. For example, if any of our employees or customers is suspected of having contracted any contagious disease while he or she has worked or stayed in our hotels, we may under certain circumstances be required to quarantine our employees that are affected and the affected areas of our premises.

Losses caused by epidemics, adverse weather conditions, natural disasters and other catastrophes, including earthquakes or typhoons, are either uninsurable or too expensive to justify insuring against in China. In the event an uninsured loss or a loss in excess of insured limits occurs, we could lose all or a portion of the capital we have invested in a hotel, as well as the anticipated future revenues from the hotel. In that event, we might nevertheless remain obligated for any financial commitments related to the hotel.

Similarly, war (including the potential of war), terrorist activity (including threats of terrorist activity), social unrest and heightened travel security measures instituted in response, travel-related accidents, as well as geopolitical uncertainty and international conflict, will affect travel and may in turn have a material adverse effect on our business and results of operations. In addition, we may not be adequately prepared in contingency planning or recovery capability in relation to a major incident or crisis, and as a result, our operational continuity may be adversely and materially affected and our reputation may be harmed.

Seasonality of our business and national or regional special events may cause fluctuations in our revenues, cause our ADS price to decline, and adversely affect our profitability

The lodging industry is subject to fluctuations in revenues due to seasonality and national or regional special events. The seasonality of our business may cause fluctuations in our quarterly operating results. Generally, the first quarter, in which both the New Year and Spring Festival holidays fall, accounts for a lower percentage of our annual revenues than other quarters of the year. We typically have a lower RevPAR in the fourth quarter, as compared to the second and third quarters, due to reduced travel activities in the winter. In addition, national or regional special events that attract large numbers of people to travel may also cause fluctuations in our operating results in particular for the hotel locations where those events are held. For example, the 2016 G20 Hangzhou summit led to the decreased occupancy rates for our hotels in Hangzhou in September 2016. The 19th National Congress of the Communist Party of China led to the increased occupancy rates for our hotels in Beijing in October 2017. Therefore, you should not rely on our operating or financial results for prior periods as an indication of our results in any future period. As our revenues may vary from quarter to quarter, our business is difficult to predict and our quarterly results could fall below investor expectations, which could cause our ADS price to decline. Furthermore, the ramp-up process of our new hotels can be delayed during the low season, which may negatively affect our revenues and profitability.

Our relatively limited operating history makes it difficult to evaluate our future prospects and results of operations.

Our operations commenced, through Powerhill Holdings Limited, or Powerhill, with midscale limited service hotels and commercial property development and management in 2005, and we began migrating to our current business of operating and managing a multi-brand hotel group in 2007. See “Item 4. Information on the Company — A. History and Development of the Company.” Accordingly, you should consider our future prospects in light of the risks and challenges encountered by a company with a relatively limited operating history. These risks and challenges include:

- continuing our growth while trying to achieve and maintain our profitability;
- preserving and enhancing our competitive position in the lodging industry in China;
- offering innovative products to attract recurring and new customers;
- implementing our strategy and modifying it from time to time to respond effectively to competition and changes in customer preferences and needs;
- increasing awareness of our brands and products and continuing to develop customer loyalty;
- attracting, training, retaining and motivating qualified personnel; and
- renewing leases for our leased hotels on commercially viable terms after the initial lease terms expire.

If we are unsuccessful in addressing any of these risks or challenges, our business may be materially and adversely affected.

Our new leased and owned hotels typically incur significant pre-opening expenses during their development stages and generate relatively low revenues during their ramp-up stages, which may have a significant negative impact on our financial performance.

The operation of each of our leased and owned hotel goes through three stages: development, ramp-up and mature operations. During the development stage, leased and owned hotels generally incur pre-opening expenses ranging from approximately RMB1.5 million to RMB10.0 million per hotel. During the ramp-up stage, when the occupancy rate is relatively low, revenues generated by these hotels may be insufficient to cover their operating costs, which are relatively fixed in nature. As a result, these newly opened leased and owned hotels may not achieve profitability during the ramp-up stage. As we continue to expand our leased and owned hotel portfolio, the significant pre-opening expenses incurred during the development stage and the relatively low revenues during the ramp-up stage of our newly opened leased and owned hotels may have a significant negative impact on our financial performance.

A significant portion of our costs and expenses may remain constant or increase even if our revenues decline, which would adversely affect our net margins and results of operations.

A significant portion of our operating costs, including rent and depreciation and amortization, is fixed. Accordingly, a decrease in revenues could result in a disproportionately higher decrease in our earnings because our operating costs and expenses are unlikely to decrease proportionately. For example, the New Year and Spring Festival holiday periods generally account for a lower portion of our annual revenues than other periods. However, our expenses do not vary as significantly with changes in occupancy and revenues as we need to continue to pay rent and salary and to make regular repairs, maintenance and renovations and invest in other capital improvements throughout the year to maintain the attractiveness of our hotels. Our property development and renovation costs may increase as a result of increasing costs of materials. However, we have a limited ability to pass increased costs to customers through room rate increases. Therefore, our costs and expenses may remain constant or increase even if our revenues decline, which would adversely affect our net margins and results of operations.

We may not be able to manage our planned growth, which could adversely affect our operating results.

Our hotel group has been growing rapidly since we began migrating to our current business of operating and managing a multi-brand hotel group. In 2007, we launched our economy hotel product, HanTing Express Hotel, which was subsequently rebranded as *HanTing Hotel*, and our midscale limited service hotel product, *HanTing Hotel*, which was subsequently rebranded first as *HanTing Seasons Hotel* and then as *Ji Hotel*. In May 2012, we completed the acquisition of a 51% equity interest in Starway Hotels (Hong Kong) Limited, or Starway HK, and in December 2013, we acquired the remaining 49% equity interest of Starway HK from C-Travel. We have retained the *Starway Hotel* brand. In addition, we launched Manxin Hotels & Resorts in October 2013, which was subsequently rebranded as *Manxin Hotel*, *Joya Hotel*, a new hotel brand targeting the upscale market, in December 2013 and *Elan Hotel*, a new economy hotel brand targeting business travelers, young customers and urban tourists, in September 2014. In January 2016, we completed strategic alliance transactions with Accor S.A. ("Accor") to join forces in the Pan-China region to develop Accor brands and to form an extensive and long-term alliance with Accor. In May 2017, we completed the acquisition of all of the equity interests in Crystal Orange Hotel Holdings Limited ("Crystal Orange"), which holds hotels under the brands of *Crystal Orange Hotel*, *Orange Hotel Select* and *Orange Hotel*. We launched *HanTing Premium* brand in 2017. Through such organic growth and acquisitions, we increased the number of our hotels in operation in China from 26 hotels as of January 1, 2007 to 3,746 hotels as of December 31, 2017, and we intend to continue to develop and operate additional hotels in different geographic locations in China. Such expansions have placed, and will continue to place, substantial demands on our managerial, operational, technological and other resources. Our planned expansion will also require us to maintain the consistency of our products and the quality of our services to ensure that our business does not suffer as a result of any deviations, whether actual or perceived, in our quality standards. In order to manage and support our growth, we must continue to improve our existing operational, administrative and technological systems and our financial and management controls, and recruit, train and retain qualified hotel management personnel as well as other administrative and sales and marketing personnel, particularly as we expand into new markets. We cannot assure you that we will be able to effectively and efficiently manage the growth of our operations, recruit and retain qualified personnel and integrate new hotels into our operations. Any failure to effectively and efficiently manage our expansion may materially and adversely affect our ability to capitalize on new business opportunities, which in turn may have a material adverse effect on our results of operations.

Expansion into new geographic markets and addition of new hotel products for which we have limited operating experience and brand recognition may present operating and marketing challenges that are different from those we currently encounter in our existing markets. Our expansion within existing markets may cannibalize our existing hotels in those markets and, as a result, negatively affect our overall results of operations. Our inability to anticipate the changing demands that expanding operations will impose on our management and information and operational systems, or our failure to quickly adapt our systems and procedures to the new markets, could result in declines of revenues and increases in expenses or otherwise harm our results of operations and financial condition. Expansion through the introduction of new hotel products or brands may also present operating and marketing challenges. There can be no assurance that any new hotel products or brands we introduce will be well received by our customers and become profitable, and if it becomes profitable, it will be achieved in a timely fashion. If a new product or brand is not well received by our customers, we may not be able to generate sufficient revenue to offset related costs and expenses, and our overall financial performance and condition may be adversely affected.

Our multi-brand business strategy exposes us to potential risks and its execution may divert management attention and resources from our established brand, and if any of the new hotel brands are not well received by the market, we may not be able to generate sufficient revenue to offset related costs and expenses, and our overall financial performance and condition may be adversely affected.

We rebranded our *HanTing Express Hotel* as *HanTing Hotel*, our *HanTing Seasons Hotel* as *Ji Hotel* and our *HanTing Hi Inn* as *Hi Inn* in 2012. In the same year we also acquired the *Starway Hotel* brand. In addition, we launched *Manxin Hotels & Resorts* in October 2013, which was subsequently rebranded as *Manxin Hotel*, *Joya Hotel*, a new hotel brand targeting the upscale market, in December 2013 and *Elan Hotel*, a new economy hotel brand targeting business travelers, young customers and urban tourists, in September 2014. We acquired Crystal Orange in May 2017, which holds hotels under the brands of *Crystal Orange Hotel*, *Orange Hotel Select* and *Orange Hotel*. We launched *HanTing Premium* brand in 2017. We are still in the process of developing the *Elan Hotel*, *Joya Hotel*, *Manxin Hotel*, *Starway Hotel*, *Hi Inn*, *HanTing Premium*, *Crystal Orange Hotel* and *Orange Hotel Select* brands on top of our established brands of *HanTing Hotel* and *Ji Hotel*. In addition to the hotel brands owned by us, we entered into strategic alliance transactions with Accor in January 2016, and are developing Accor's certain hotel brands in PRC, Taiwan and Mongolia.

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We cannot guarantee the size and profitability of the various market segments that each new brand is targeting. The business models of these new brands are not proven and we cannot guarantee that they can generate return comparable to the established *HanTing Hotel* and *JJ Hotel* brands. The process of developing new brands may divert management attention and resources from our established *HanTing Hotel* and *JJ Hotel* brands. We may not be able to find competent management staff to lead and manage the execution of the multi-brand business strategy. If we are unable to successfully execute our multi-brand strategy to target various market segments, we may be unable to generate revenues from these market segments in the amounts and by the times we anticipate, or at all, and our business, competitive position, financial condition and prospects may be adversely affected.

We may not be able to successfully identify, secure and develop in a timely fashion additional hotel properties under the lease and ownership model or develop hotel properties on a timely or cost-efficient basis, which may adversely affect our growth strategy and business.

We plan to open more hotels to grow our business. Under our lease and ownership model, we may not be successful in identifying and leasing or acquiring additional hotel properties at desirable locations and on commercially reasonable terms or at all. Even if we are able to successfully identify and acquire new hotel properties, new hotels may not generate the returns we expect. We may also incur costs in connection with evaluating hotel properties and negotiating with property owners, including properties that we are subsequently unable to lease or own. In addition, we may not be able to develop additional hotel properties in a timely fashion due to construction or regulatory delays. If we fail to successfully identify, secure or develop in a timely fashion additional hotel properties, our ability to execute our growth strategy could be impaired and our business and prospects may be materially and adversely affected.

We develop all of our leased and owned hotels directly. Our involvement in the development of properties presents a number of risks, including construction delays or cost overruns, which may result in increased project costs or lost revenue. We may be unable to recover development costs we incur for projects that do not reach completion. Properties that we develop could become less attractive due to market saturation or oversupply, and as a result we may not be able to recover development costs at the expected rate, or at all. Furthermore, we may not have available cash to complete projects that we have commenced, or we may be unable to obtain financing for the development of future properties on favorable terms, or at all. If we are unable to successfully manage our hotel development to minimize these risks, our growth strategies and business prospects may be adversely affected.

Our leases could be terminated early, we may not be able to renew our existing leases on commercially reasonable terms and our rents could increase substantially in the future, which could materially and adversely affect our operations.

The lease agreements between our lessors and us typically provide, among other things, that the leases could be terminated under certain legal or factual conditions. If our leases were terminated early, our operation of such properties may be interrupted or discontinued and we may incur costs in relocating our operations to other locations. Furthermore, we may have to pay losses and damages and incur other liabilities to our customers and other vendors due to our default under our contracts. As a result, our business, results of operations and financial condition could be materially and adversely affected.

We plan to retain the operation of our leased hotels upon lease expiration through (i) renewal of existing leases or (ii) execution of franchise agreements with the lessors. We cannot assure you, however, that we will be able to retain our hotel operation on satisfactory terms, or at all. In particular, we may experience an increase in our rent payments and cost of revenues in connection with renegotiating our leases. If we fail to retain our hotel operation on satisfactory terms upon lease expiration, our costs may increase and our profit generated from the hotel operation may decrease in the future. If we are unable to pass the increased costs on to our customers through room rate increases, our operating margins and earnings could decrease and our results of operations could be materially and adversely affected.

We may not be able to successfully compete for franchise agreements and, as a result, we may not be able to achieve our planned growth.

Our growth strategy includes expanding through manachising and franchising, by entering into franchise agreements with our franchisees. We believe that our ability to compete for franchise agreements primarily depends on our brand recognition and reputation, the results of our overall operations in general and the success of the hotels that we currently manachise and franchise. Other competitive factors for franchise agreements include marketing support, capacity of the central reservation channel and the ability to operate hotels cost-effectively. The terms of any new franchise agreements that we obtain also depend on the terms that our competitors offer for those agreements. In addition, if the availability of suitable locations for new properties decreases, or governmental planning or other local regulations change, the supply of suitable properties for our manachise and franchise models could be diminished. If the hotels that we manachise or franchise perform less successfully than those of our competitors or if we are unable to offer terms as favorable as those offered by our competitors, we may not be able to compete effectively for new franchise agreements. As a result, we may not be able to achieve our planned growth and our business and results of operations may be materially and adversely affected.

We may have disputes with our franchisees and they may terminate the franchise agreements with us earlier if the franchised hotels' performance is worse than they expected.

We may have disputes with our franchisees with respect to the performance of the franchise agreements. For example, we have in the past closed certain manachised and franchised hotels as a result of disputes with the franchisees regarding our measures to avoid competition between the franchisees, including keeping appropriate distances between the manachised and franchised hotels. In addition, our franchise agreements with franchisees typically provide that the franchise agreements could be terminated under certain circumstances. If franchise agreements are terminated early, we lose the franchise fees and related management fees. Furthermore, we may have to pay losses and damages to our guests, and our brand image may be adversely impacted. As a result, our business and results of operations and financial conditions may be adversely affected by early termination of our franchise agreements.

We plan to renew our existing franchise agreements upon expiration. However, we may be unable to retain our franchisees on satisfactory terms, or at all. If a significant number of our existing franchise agreements are terminated early or are not renewed on satisfactory terms upon expiration, our revenue and profit may decrease in the future. If we cannot get new franchisees to cover those expired or terminated franchises, our results of operations could be materially and adversely affected.

Acquisitions, financial investment or strategic investment may have an adverse effect on our ability to manage our business and harm our results of operations and financial condition.

If we are presented with appropriate opportunities, we may acquire or invest in businesses or assets. For example, we invested in UBOX International Holdings Co Limited in 2012, in China Quanjude (Group) Co., Ltd. and Beijing GOOAGOO Technology Service Co., Ltd. in 2014, in Homeinns Hotel Group ("HMIN"), Shanghai Founder Service Co., Ltd. and Beijing Qingpu Tourism Culture Development Co., Ltd. in 2015, in AAPC Hotel Management Limited ("AAPC LUB"), China Young Professionals Apartment Management Limited, Chengjia (Shanghai) Apartment Management Co., Limited ("Cjia") and Shanghai CREATER Industrial Co., Ltd. ("CREATER") in 2016, and in Mobike Ltd. ("Mobike"), Blossom Hill Hotel Investment & Management (Kunshan) Co., Ltd. and some securities in the hotel industry in 2017. We completed the acquisition of all of the equity interests in Crystal Orange in May 2017. As of December 31, 2017, Crystal Orange had 153 hotels in operation located primarily in tier 1 and tier 2 cities in China. In addition, we entered into a five-year memorandum of understanding in September 2017 with Oravel Stays Private Ltd. ("OYO"), where we agreed to make a US\$10 million equity investment in OYO to become a minority shareholder (less than 5%). In January 2018, we announced we have formed a joint venture with TPG Capital Asia ("TPG") which is 20% owned by us and 80% owned by TPG. The joint venture has entered into a share purchase agreement to acquire 100% equity interest of two hotel properties in Beijing, Novotel Beijing Sanyuan and Ibis Beijing Sanyuan, at a cash consideration of RMB1.18 billion from Ascendas Hospitality Trust (Singapore), subject to customary post-closing adjustments. The acquisition is subject to regulatory approvals and is expected to close in the first half of 2018. After the closing of this acquisition, the joint venture will renovate the hotels and we will continue to serve as operator.

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The existing and future acquisitions or investments may expose us to potential risks, including risks associated with unforeseen or hidden liabilities, risks that acquired or invested companies will not achieve anticipated performance levels, diversion of management attention and resources from our existing business, difficulty in integrating the acquired businesses with our existing operational infrastructure, and inability to generate sufficient revenues to offset the costs and expenses of acquisitions or investments. In addition, following completion of an acquisition or investment, our management and resources may be diverted from their core business activities due to the integration process, which diversion may harm the effective management of our business. Furthermore, it may not be possible to achieve the expected level of benefits after integration and the actual cost of delivering such benefits may exceed the anticipated cost. Any difficulties encountered in the acquisition or investment and integration process may have an adverse effect on our ability to manage our business and harm our results of operations and financial condition. If a financial or strategic investment is unsuccessful, then in addition to the diversion of management attention and resources from our existing business we may lose the value of our investment, which could have a material adverse effect on our financial condition and results of operations.

Our legal right to lease certain properties could be challenged or affected adversely by property owners or other third parties or subject to government regulation.

A substantial part of our business model relies on leases with third parties who either own or lease the properties from the ultimate property owners. We also grant franchises to hotel operators who may or may not own their hotel properties. The land use rights and other property rights with respect to properties we currently lease, franchise or franchise for our existing hotels could be challenged. For example, as of December 31, 2017, our lessors failed to provide the property ownership certificates and/or the land use rights certificates for 74 properties that we lease for our hotel operations. While we have performed due diligence to verify the rights of our lessors to lease such properties, including inspecting documentation issued by competent government authorities evidencing these lessors' land use rights and other property rights with respect to these properties, our rights under those leases could be challenged by other parties including government authorities. We also cannot assure you that we can always keep good title of the properties we lease currently or will lease in the future, free and clear of all liens, encumbrances and defects before the lease agreements are terminated. If the ultimate owner of the property changes after the original owner of such property mortgages such property to any third party, our legal rights under the lease agreement may be affected adversely and we may not rank senior in the right of continuing occupying the property.

Under PRC law, all lease agreements are required to be registered with the local housing bureau. While the majority of our standard lease agreements require the lessors to make such registrations, some of our leases have not been registered as required, which may expose both our lessors and us to potential monetary fines. Some of our rights under the unregistered leases may also be subordinated to the rights of other interested third parties. In addition, in several instances where our immediate lessors are not the ultimate owners of hotel properties, no consents or permits were obtained from the owners, the primary lease holders or competent government authorities, as applicable, for the subleases of the hotel properties to us, which could potentially invalidate our leases or lead to the renegotiation of such leases that result in terms less favorable to us. Some of the properties we lease from third parties were also subject to mortgages at the time the leases were signed. Where consent to the lease was not obtained from the mortgage holder in such circumstances, the lease may not be binding on the transferee of the property if the mortgage holder forecloses on the mortgage and transfers the property. Moreover, the property ownership or leasehold in connection with our franchised and franchised hotels could be subject to similar third-party challenges.

Any challenge to our legal rights to the properties used for our hotel operations, if successful, could impair the development or operations of our hotels in such properties. We are also subject to the risk of potential disputes with property owners or third parties who otherwise have rights to or interests in our hotel properties. Such disputes, whether resolved in our favor or not, may divert management's attention, harm our reputation or otherwise disrupt our business.

Any failure to comply with land- and property-related PRC laws and regulations may negatively affect our ability to operate our hotels and we may suffer significant losses as a result.

Our lessors are required to comply with various land- and property-related laws and regulations to enable them to lease effective titles of their properties for our hotel use. For example, properties used for hotel operations and the underlying land should be approved for commercial use purposes by competent government authorities. In addition, before any properties located on state-owned land with allocated or leased land use rights or on land owned by collective organizations may be leased to third parties, lessors should obtain appropriate approvals from the competent government authorities. As of December 31, 2017, the lessors of approximately 30% of our executed lease agreements subject to this approval requirement did not obtain the required governmental approvals. Such failure may subject the lessors or us to monetary fines or other penalties and may lead to the invalidation or termination of our leases by competent government authorities, and therefore may adversely affect our ability to operate our leased hotels. While many of our lessors have agreed to indemnify us against our losses resulting from their failure to obtain the required approvals, we cannot assure you that we will be able to successfully enforce such indemnification obligations against our lessors. As a result, we may suffer significant losses resulting from our lessors' failure to obtain required approvals to the extent that we are not fully indemnified by our lessors.

Our success could be adversely affected by the performance of our manachised and franchised hotels and defaults or wrongdoings of our franchisees may affect our reputation, which would adversely affect the results of our operations.

Our success could be adversely affected by the performance of our manachised and franchised hotels, over which we have less control compared to our leased and owned hotels. As of December 31, 2017, we manachised and franchised approximately 82.1% of our hotels, and we plan to further increase the number of manachised and franchised hotels to increase our national presence in China. Our franchisees for both our manachised and franchised hotels may not be able to develop hotel properties on a timely basis, which could adversely affect our growth strategy and may impact our ability to collect fees from them on a timely basis. Furthermore, given that our franchisees are typically responsible for the costs of developing and operating the hotels, including renovating the hotels to our standards, and all of the operating expenses, the quality of our manachised and franchised hotel operations may be diminished by factors beyond our control.

Our franchisees may not successfully operate hotels in a manner consistent with our standards and requirements. Our manachised and franchised hotels are also operated under our brand names. If our brands are misused by any of our franchisees, there may be an adverse impact on our business reputation and brand image. In addition, like any operators in service-oriented industries, we are subject to customer complaints and we may face complaints from unsatisfied customers who are unhappy with the standard of service offered by our franchisees. Any complaints, regardless of their nature and validity, may affect our reputation, thereby adversely affecting the results of our operations. We may also have to incur additional costs in placating any customers or salvaging our reputation. For example, in 2017, we closed 57 manachised and franchised hotels that did not comply with our brand and operating standards.

If any of our franchisees defaults or commits wrongdoing, there could be situations where the franchisee is not in a position to sufficiently compensate us for losses which we have suffered as a result of such defaults or wrongdoings. While we ultimately can take action to terminate our franchisees that do not comply with the terms of our franchise agreements or commit wrongdoing, we may not be able to identify problems and make timely responses and, as a result, our image and reputation may suffer, which may have a material adverse effect on our results of operations.

If we are unable to access funds to maintain our hotels' condition and appearance, or if our franchisees fail to make investments necessary to maintain or improve their properties, the attractiveness of our hotels and our reputation could suffer and our hotel occupancy rates may decline.

In order to maintain our hotels' condition and appearance, ongoing renovations and other leasehold improvements, including periodic replacement of furniture, fixtures and equipment, are required. In particular, we manachise and franchise properties leased or owned by franchisees under the terms of franchise agreements, substantially all of which require our franchisees to comply with standards that are essential to maintaining the relevant product integrity and our reputation. We depend on our franchisees to comply with these requirements by maintaining and improving properties through investments, including investments in furniture, fixtures, amenities and personnel.

Such investments and expenditures require ongoing funding and, to the extent we or our franchisees cannot fund these expenditures from existing cash or cash flow generated from operations, we or our franchisees must borrow or raise capital through financing. We or our franchisees may not be able to access capital and our franchisees may be unwilling to spend available capital when necessary, even if required by the terms of our franchise agreements. If we or our franchisees fail to make investments necessary to maintain or improve the properties, our hotel's attractiveness and reputation could suffer, we could lose market share to our competitors and our hotel occupancy rates and RevPAR may decline.

Interruption or failure of our information systems could impair our ability to effectively provide our services, which could damage our reputation.

Our ability to provide consistent and high-quality services and to monitor our operations on a real-time basis throughout our hotel group depends on the continued operation of our information technology systems, including our web property management, central reservation and customer relationship management systems. Certain damage to or failure of our systems could interrupt our inventory management, affect the manner of our services in terms of efficiency, consistency and quality, and reduce our customer satisfaction.

Our technology platform plays a central role in our management of inventory, revenues, loyalty program and franchisees. We also rely on our website, call center and mobile application to facilitate customer reservations. Our systems remain vulnerable to damage or interruption as a result of power loss, telecommunications failures, computer viruses, fires, floods, earthquakes, interruptions in access to our toll-free numbers, hacking or other attempts to harm our systems, and other similar events. Our servers, which are maintained in Shanghai, may also be vulnerable to break-ins, sabotage and vandalism. Some of our systems are not fully redundant, and our disaster recovery planning does not account for all possible scenarios.

Furthermore, our systems and technologies, including our website and database, could contain undetected errors or “bugs” that could adversely affect their performance, or could become outdated and we may not be able to replace or introduce upgraded systems as quickly as our competitors or within budgeted costs for such upgrades. If we experience frequent, prolonged or persistent system failures, our quality of services, customer satisfaction, and operational efficiency could be severely harmed, which could also adversely affect our reputation. Steps we take to increase the reliability and redundancy of our systems may be costly, which could reduce our operating margin, and there can be no assurance that whatever increased reliability may be achievable in practice or would justify the costs incurred.

Failure to maintain the integrity of internal or customer data could result in harm to our reputation or subject us to costs, liabilities, fines or lawsuits.

Our business involves collecting and retaining large volumes of internal and customer data, including credit card numbers and other personal information as our various information technology systems enter, process, summarize and report such data. We also maintain information about various aspects of our operations as well as regarding our employees. The integrity and protection of our customer, employee and company data is critical to our business. Our customers and employees expect that we will adequately protect their personal information. We are required by applicable laws to keep strictly confidential the personal information that we collect, and to take adequate security measures to safeguard such information. Our current security measures and those of our third-party service providers may not be adequate for the protection of our customer, employee or company data. For instance, we were involved in a law suit where a customer alleged that we disclosed his personal information, although the court eventually ruled in our favor. We may face similar litigation in the future.

As of May 25, 2018, the Regulation (EU) 2016/679 of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (general data protection regulation, “GDPR”), will impose certain requirements on the processing of personal data relating to natural persons. GDPR requirements will apply both to companies established in the EU and to companies, such as us, that are not established in the EU but process personal data of individuals who are in the EU (and in the European Economic Area subject to the enactment of implementation procedures), where the processing activities relate to: (a) the offering of goods or services, irrespective of whether a payment of the data subject is required, to such data subjects in the EU; or (b) the monitoring of their behavior as far as their behavior takes place within the EU. See “item 4. Information on the Company — 4.B. Business Overview - Regulation - Regulation on Information Protection on Networks.” Compliance with the GDPR will be a rigorous and time-intensive process that may increase our cost of doing business, and the failure to comply with the GDPR could expose us to sanctions from both a financial and business operations perspective. In addition, in case of control, non-compliance with the GDPR may expose us to damage to our reputation.

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In addition, computer hackers, foreign governments or cyber terrorists may attempt to penetrate our network security and our website. Unauthorized access to our proprietary internal and customer data may be obtained through break-ins, sabotage, breach of our secure network by an unauthorized party, computer viruses, computer denial-of-service attacks, employee theft or misuse, breach of the security of the networks of our third-party service providers, or other misconduct. Because the techniques used by computer programmers who may attempt to penetrate and sabotage our proprietary internal and customer data change frequently and may not be recognized until launched against a target, we may be unable to anticipate these techniques. Unauthorized access to our proprietary internal and customer data may also be obtained through inadequate use of security controls. The laws and regulations applicable to security and privacy are becoming increasingly important in China. Any theft, loss, fraudulent, unlawful use or disclosure of customer, employee or company data could harm our reputation or result in remedial and other costs, liabilities, fines or lawsuits.

If the value of our brand or image diminishes, it could have a material and adverse effect on our business and results of operations.

We offer multiple hotel products that are designed to target distinct segments of customers. Our continued success in maintaining and enhancing our brands and image depends, to a large extent, on our ability to satisfy customer needs by further developing and maintaining our innovative and distinctive products and maintaining consistent quality of services across our hotel group, as well as our ability to respond to competitive pressures. If we are unable to do so, our occupancy rates may decline, which could in turn adversely affect our results of operations. Our business may also be adversely affected if our public image or reputation were to be diminished by the operations of any of our hotels, whether due to unsatisfactory service, accidents or otherwise. If the value of our products or image is diminished or if our products do not continue to be attractive to customers, our business and results of operations may be materially and adversely affected.

Failure to protect our trademarks and other intellectual property rights could have a negative impact on our brands and adversely affect our business.

The success of our business depends in part upon our continued ability to use our brands, trade names and trademarks to increase brand awareness and to further develop our products. The unauthorized reproduction of our trademarks could diminish the value of our brands and their market acceptance, competitive advantages or goodwill. In addition, we consider our proprietary information systems and operational system to be key components of our competitive advantage and our growth strategy. As of March 31, 2018, we have received copyright registration certificates for 46 of our major proprietary information systems and for our operating system. However, none of our other proprietary information system have been patented, copyrighted or otherwise registered as our intellectual property.

Monitoring and preventing the unauthorized use of our intellectual property is difficult. The measures we take to protect our brands, trade names, trademarks and other intellectual property rights may not be adequate to prevent their unauthorized use by third parties. Furthermore, the application of laws governing intellectual property rights in China and abroad is evolving and could involve substantial risks to us. In particular, the laws and enforcement procedures in the PRC are uncertain and do not protect intellectual property rights to the same extent as do the laws and enforcement procedures in the United States and other developed countries. If we are unable to adequately protect our brands, trade names, trademarks and other intellectual property rights, we may lose these rights and our business may suffer materially.

We may also be subject to claims for infringement, invalidity, or indemnification relating to third parties' intellectual property rights. Such third party claims may be time-consuming and costly to defend, divert management attention and resources, or require us to enter into licensing agreements, which may not be available on commercially reasonable terms, or at all.

If we are not able to retain, hire and train qualified managerial and other employees, our business may be materially and adversely affected.

Our managerial and other employees manage our hotels and interact with our customers on a daily basis. They are critical to maintaining the quality and consistency of our services as well as our established brands and reputation. In general, employee turnover, especially in lower-level positions, is relatively high in the lodging industry. As a result, it is important for us to retain as well as attract qualified managerial and other employees who are experienced in lodging or other consumer-service industries. There is a limited supply of such qualified individuals in some of the cities in China where we have operations and other cities into which we intend to expand. In addition, we need to hire qualified managerial and other employees on a timely basis to keep pace with our rapid growth while maintaining consistent quality of services across our hotels in various geographic locations. We must also provide training to our managerial and other employees so that they have up-to-date knowledge of various aspects of our hotel operations and can meet our demand for high-quality services. If we fail to do so, the quality of our services may decrease, which in turn, may have a material and adverse effect on our business.

Our current employment practices may be adversely impacted under the labor contract law of the PRC.

The PRC National People's Congress promulgated the labor contract law in 2008, and amended it on December 28, 2012. The labor contract law imposes requirements concerning, among others, the execution of written contracts between employers and employees, the time limits for probationary periods, and the length of fixed-term employment contracts. Because the PRC governmental authorities have introduced various new labor-related regulations since the effectiveness of the labor contract law, and the interpretation and implementation of these regulations are still evolving, our employment practices could violate the labor contract law and related regulations and could be subject to related penalties, fines or legal fees. If we are subject to severe penalties or incur significant legal fees in connection with labor law disputes or investigations, our business, financial condition and results of operations may be adversely affected. In addition, a significant number of our employees are dispatched from third-party human resources companies, which are responsible for managing, among others, payrolls, social insurance contributions and local residency permits of these employees. According to a new regulation on labor dispatch, which was promulgated in December 2013 to implement the provisions of the labor contract law, a company is permitted to use dispatched employees for only up to 10% of its labor force after February 29, 2016. To comply with the labor dispatch regulation, we have reduced the percentage of dispatched employees since December 2013 by using service outsourcing arrangement. Under the service outsourcing arrangement, we have entered into service outsourcing agreements with a service outsourcing firm and relevant employees are deemed as employees of this service outsourcing firm. However, since the current labor dispatch regulation does not clearly define the distinction of labor dispatch and service outsourcing, our service outsourcing arrangement may be considered as labor dispatch by the relevant PRC government.

In addition, according to the Labor Contract Law and its implementing rules, if we intend to enforce the non-compete provision with our employees in the employment contracts or confidentiality agreements, we have to compensate our employees on a monthly basis during the term of the restriction period after the termination or ending of the employment contract, which may cause extra expenses to us.

Failure to retain our management team could harm our business.

We place substantial reliance on the experience and the institutional knowledge of members of our current management team. Mr. Qi Ji, our founder and executive chairman, Ms. Min (Jenny) Zhang, our chief executive officer, and other members of the management team are particularly important to our future success due to their substantial experiences in lodging and other consumer-service industries. Finding suitable replacements for Mr. Qi Ji, Ms. Min (Jenny) Zhang and other members of our management team could be difficult, and competition for such personnel of similar experience is intense. The loss of the services of one or more members of our management team due to their departures or otherwise could hinder our ability to effectively manage our business and implement our growth strategies.

We are subject to various franchise, hotel industry, construction, hygiene, health and safety and environmental laws and regulations that may subject us to liability.

Our business is subject to various compliance and operational requirements under PRC laws. For example, we are required to obtain the approval from, and file initial and annual reports with, the PRC Ministry of Commerce, or the MOC, to engage in the hotel franchising business. In addition, each of our hotels is required to obtain a special industry license and a fire control approval issued by the local public security bureau, to have hotel operations included in the business scope of its business license, to obtain hygiene permits and environmental impact assessment approvals, and to comply with license requirements and laws and regulations with respect to construction permit, zoning, fire prevention, public area hygiene, food safety, public safety and environmental protection. See "Item 4. Information on the Company — B. Business Overview — Regulation — Regulations on Hotel Operation." If we fail to comply with any applicable construction, hygiene, health and safety, and environmental laws and regulations related to our business, we may be subject to potentially significant monetary damages and fines or the suspension of our operations or development activities. Furthermore, new regulations could also require us to retrofit or modify our hotels or incur other significant expenses.

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New zoning plans or regulations applicable to a specific location may cause us to relocate our hotel(s) in that location, or require additional approvals and licenses that may not be granted to us promptly or at all, which may adversely affect our operating results. Any failure by us to control the use of, or to adequately restrict the discharge of, hazardous substances in our development activities, or to otherwise operate in compliance with environmental laws could also subject us to potentially significant monetary damages and fines or the suspension of our hotel development activities or hotel operations, which could materially adversely affect our financial condition and results of operations. Some of our hotels are not in full compliance with all of the applicable requirements. Such failure to comply with applicable construction permit, environmental, health and safety laws and regulations related to our business and hotel operation may subject us to potentially significant monetary damages and fines or the suspension of operations and development activities of our company or related hotels. We could be subject to any challenges or other actions with respect to such noncompliance.

Owners of our manachised and franchised hotels are subject to these same permit and safety requirements. Although our franchise agreements require these owners to obtain and maintain all required permits or licenses, we have limited control over these owners. Any failure to obtain and maintain the required permits or licenses by any owner of a manachised or franchised hotel may require us to delay opening of the manachised or franchised hotel or to forgo or terminate our franchise agreement, which could harm our brand, result in lost revenues and subject us to potential indirect liability.

Our limited insurance coverage may expose us to losses, which may have a material adverse effect on our reputation, business, financial condition and results of operations.

We carry all mandatory and certain optional commercial insurance, including property, business interruption, construction, third-party liability, public liability, product's liability and employer's liability insurance for our leased and owned hotel operations. We also require our lessors and franchisees to purchase customary insurance policies. Although we are able to require our franchisees to obtain the requisite insurance coverage through our franchisees management, we cannot guarantee that our lessors will adhere to such requirements. In particular, there are inherent risks of accidents or injuries in hotels. One or more accidents or injuries at any of our hotels could adversely affect our safety reputation among customers and potential customers, decrease our overall occupancy rates and increase our costs by requiring us to take additional measures to make our safety precautions even more visible and effective. In the future, we may be unable to renew our insurance policies or obtain new insurance policies without increases in cost or decreases in coverage levels. We may also encounter disputes with insurance providers regarding payments of claims that we believe are covered under our policies. Furthermore, if we are held liable for amounts and claims exceeding the limits of our insurance coverage or outside the scope of our insurance coverage, our reputation, business, financial condition and results of operations may be materially and adversely affected.

If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results or prevent fraud.

We are subject to reporting obligations under the U.S. securities laws. The Securities and Exchange Commission, or the SEC, as required by Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, adopted rules requiring every public company to include in its annual report a management report on such company's internal control over financial reporting containing management's assessment of the effectiveness of its internal control over financial reporting. In addition, an independent registered public accounting firm must attest to and report on the effectiveness of such company's internal control over financial reporting except where the company is a non-accelerated filer. We currently are a large accelerated filer.

In connection with the preparation of this annual report, we carried out an evaluation of the effectiveness of our internal control over financial reporting. Our management excluded Crystal Orange from our assessment of the internal control over financial reporting, which was acquired on May 24, 2017 and whose financial statements constitute 12.6% and 7.8% of net assets and total assets, respectively, 9.5% of revenues and 8.1% of net income of our consolidated financial statement amounts as of and for the year ended December 31, 2017. Based on this assessment and evaluation, our management has concluded that our internal control over financial reporting was effective as of December 31, 2017. See "Item 15. Controls and Procedures." Our independent registered public accounting firm has issued an attestation report as of December 31, 2017. See "Item 15. Controls and Procedures—Attestation Report of the Registered Public Accounting Firm." However, if we fail to maintain effective internal control over financial reporting in the future, our management and our independent registered public accounting firm may not be able to conclude that we have effective internal control over financial reporting. This could in turn result in the loss of investor confidence in the reliability of our financial statements and negatively impact the trading price of our ADSs. Furthermore, we have incurred and anticipate that we will continue to incur considerable costs, management time and other resources in an effort to continue to comply with Section 404 and other requirements of the Sarbanes-Oxley Act.

We may not be able to develop hotel properties on a timely or cost-efficient basis, which may adversely affect our growth strategy and business.

We develop all of our leased and owned hotels directly. Our involvement in the development of properties presents a number of risks, including construction delays or cost overruns, which may result in increased project costs or forgone revenue. We may be unable to recover development costs we incur for projects that do not reach completion. Properties that we develop could become less attractive due to market saturation or oversupply, and as a result we may not be able to recover development costs at the expected rate, or at all. Furthermore, we may not have available cash to complete projects that we have commenced, or we may be unable to obtain financing for the development of future properties on favorable terms, or at all. If we are unable to successfully manage our hotel development to minimize these risks, our growth strategy and business prospects may be adversely affected.

We, our directors, management and employees may be subject to certain risks related to legal proceedings filed by or against us, and adverse results may harm our business.

We cannot predict with certainty the cost of defense, the cost of prosecution or the ultimate outcome of litigation and other proceedings filed by or against us, our directors, management or employees, including remedies or damage awards, and adverse results in such litigation and other proceedings may harm our business or reputation. Such litigation and other proceedings may include, but are not limited to, actions relating to intellectual property, commercial arrangements, leased properties, share transfer, employment, non-competition and labor law, fiduciary duties, personal injury, death, property damage or other harm resulting from acts or omissions by individuals or entities outside of our control, including franchisees and third-party property owners. For example, our PRC subsidiary, Huazhu Hotel Management Co., Ltd., has a pending arbitration with two third parties in China for dispute over the effectiveness of a share transfer agreement entered into in October 2015. The case is currently pending before the arbitration tribunal. Moreover, in the case of intellectual property litigation and proceedings, adverse outcomes could include the cancellation, invalidation or other loss of material intellectual property rights used in our business and injunctions prohibiting our use of business processes or technology that is subject to third-party patents or other third-party intellectual property rights.

We generally are not liable for the willful actions of our franchisees and property owners; however, there is no assurance that we would be insulated from liability in all cases.

Risks Related 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.

We conduct substantially all of our operations in China. As the lodging industry is highly sensitive to business and personal discretionary spending levels, it tends to decline during general economic downturns. Accordingly, our results of operations, financial condition and prospects are subject to a significant degree to economic developments in China. China's economy differs from the economies of most developed countries in many respects, including with respect to the amount and degree of government involvement and influence on the level of development, growth rate, control of foreign exchange and allocation of resources. While the PRC economy has experienced significant growth in the past over 30 years, growth has been uneven across different regions and among various economic sectors of China. The PRC government has implemented various measures to encourage economic development and guide the allocation of resources. While some of these measures benefit the overall PRC economy, they may also have a negative effect on us. For example, our results of operations and financial condition may be adversely affected by government control over capital investments or changes in environmental, health, labor or tax regulations that are applicable to us.

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As the PRC economy is increasingly intricately linked to the global economy, it is affected in various respects by downturns and recessions of major economies around the world, such as the global financial crisis and sovereign debt crisis in Europe. Stimulus measures designed to help China weather the global financial crisis may contribute to higher inflation, which could adversely affect our results of operations and financial condition. For example, certain operating costs and expenses, such as employee compensation and hotel operating expenses, may increase as a result of higher inflation. Measures to control the pace of economic growth may cause a decrease in the level of economic activity in China, which in turn could adversely affect our results of operations and financial condition. The PRC economy has been transitioning from a planned economy to a more market-oriented economy. Although the PRC government has implemented measures since the late 1970s 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 is still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies.

The PRC government also exercises significant control over China's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Certain measures adopted by the PRC government, such as changes of the People's Bank of China's statutory deposit reserve ratio and lending guideline imposed on commercial banks, may restrict loans to certain industries. The State Administration of Foreign Exchange, or "SAFE", and the relevant Chinese banks where our operating subsidiaries in China opened bank accounts may adopt restrictions on the cross-border payment obligations and dividends repatriation made by these subsidiaries by way of "window guidance" measures. These actions, as well as future actions and policies of the PRC government, could materially affect our liquidity and access to capital and our ability to operate our business.

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 and increasing salaries. Salary increases could potentially increase discretionary spending on travel, but general inflation may also erode disposable incomes and consumer spending. Furthermore, certain components of our operating costs, including personnel, food, laundry, consumables and property development and renovation costs, may increase as a result of an increase in the cost of materials and labor resulting from general inflation. However, we cannot guarantee that we can pass increased costs to customers through room rate increases. This could adversely impact our business, financial condition and results of operations.

Uncertainties with respect to the Chinese legal system could limit the legal protections available to us and our investors and have a material adverse effect on our business and results of operations.

The PRC legal system is a civil law system based on written statutes. Unlike in common law systems, prior court decisions may be cited for reference but have limited precedential value. Since the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involves uncertainties, which may limit legal protections available to us. For example, we may have to resort to administrative and court proceedings to enforce the legal protection that we enjoy either by law or contract. However, since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult than in more developed legal systems to evaluate the outcomes of administrative and court proceedings and the level of legal protection we enjoy. These uncertainties may impede our ability to enforce the contracts we have entered into. In addition, such uncertainties, including the inability to enforce our contracts, could materially and adversely affect our business. Accordingly, we cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the preemption of local regulations by national laws. These uncertainties could limit the legal protections available to us and other foreign investors, including you. In addition, any litigation in China may be protracted and result in substantial costs and diversion of our resources and management attention.

Rapid urbanization and changes in zoning and urban planning in China may cause our leased and owned hotels to be demolished, removed or otherwise affected and our franchise agreements to terminate.

China is undergoing a rapid urbanization process, and zoning requirements and other governmental mandates with respect to urban planning of a particular area may change from time to time. When there is a change in zoning requirements or other governmental mandates with respect to the areas where our hotels are located, the affected hotels may need to be demolished or removed. We have experienced such demolition and relocation in the past and we may encounter additional demolition and relocation cases in the future. For example, in 2017, we were obligated to demolish three leased hotels due to local government zoning requirements. As a result, we wrote off property and equipment of RMB2.8 million associated with these hotels and, after netting off RMB1.9 million cash received, recognized a loss of RMB0.9 million. In addition, as of December 31, 2017, we were notified by local government authorities that we may have to demolish seven additional leased hotels due to local zoning requirements. Our franchise agreements typically provide that if the manachised or franchised hotels are demolished, the franchise agreements will terminate. In 2017, we demolished seven manachised hotels due to local government zoning requirements. Similar demolitions, termination of franchise agreements or interruptions of our hotel operations due to zoning or other local regulations could occur in the future. Any such further demolition and relocation could cause us to lose primary locations for our hotels and we may not be able to achieve comparable operation results following the relocations. While we may be reimbursed for such demolition and relocation, we cannot assure you that the reimbursement, as determined by the relevant government authorities, will be sufficient to cover our direct and indirect losses. Accordingly, our business, results of operations and financial condition could be adversely affected.

Governmental control of currency conversion may limit our ability to pay dividends in foreign currencies to our shareholders and therefore adversely affect the value of your investment.

We are a company incorporated in the Cayman Islands. Our ability to pay dividends depends upon, among other things, our PRC subsidiaries' ability to obtain and remit sufficient foreign currency. Our PRC subsidiaries must present certain documents to SAFE, its authorized branch, or the designated foreign exchange bank, for approval before they can obtain and remit foreign currencies out of the PRC, including evidence that the relevant PRC taxes have been paid. If our PRC subsidiaries, for any reason, fail to satisfy any of the PRC legal requirements for remitting foreign currency, our ability to pay dividends would be adversely affected.

The PRC government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of China. See "Item 4. Information on the Company — B. Business Overview — Regulation — Regulations on Foreign Currency Exchange" for discussions of the principal regulations and rules governing foreign currency exchange in China. We receive substantially all of our revenues in RMB. For most capital account items, approval from appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of bank loans denominated in foreign currencies. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our shareholders, including holders of our ADSs, which would adversely affect the value of your investment.

Fluctuation in the value of the Renminbi may have a material adverse effect on your investment.

The value of the Renminbi against the U.S. dollar, Euro and other currencies is affected by, among other things, changes in China's political and economic conditions and China's foreign exchange policies.

Our revenues and costs are mostly denominated in the Renminbi, and a significant portion of our financial assets are also denominated in the Renminbi. We rely substantially on dividends paid to us by our operating subsidiaries in China. Any significant depreciation of the Renminbi against the U.S. dollar may have a material adverse effect on our revenues, and the value of, and any dividends payable on, our ADSs and ordinary shares. If we decide to convert our Renminbi into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or for other business purposes, depreciation of the Renminbi against the U.S. dollar would reduce the U.S. dollar amount available to us. On the other hand, to the extent that we need to convert U.S. dollars into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we receive from the conversion. See "Item 11. Quantitative and Qualitative Disclosures about Market Risk — Foreign Exchange Risk" for discussions of our exposure to foreign currency risks. In summary, fluctuation in the value of the Renminbi in either direction could have a material adverse effect on the value of our company and the value of your investment.

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

On July 4, 2014, SAFE issued the *Notice on Issues Relating to the Administration of Foreign Exchange for Overseas Investment and Financing and Reverse Investment by Domestic Residents via Special Purpose Vehicles*, or Circular 37, which replaced the *Notice on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Corporate Financing and Roundtrip Investment Through Offshore Special Purpose Vehicles* issued by SAFE in October 2005, or Circular 75. Pursuant to Circular 37, any PRC residents, including both PRC institutions and individual residents, are required to register with the local SAFE branch before making contribution to a company set up or controlled by the PRC residents outside of the PRC for the purpose of overseas investment or financing with their legally owned domestic or offshore assets or interests, referred to in this circular as a "special purpose vehicle." In addition, such PRC residents or entities must update their SAFE registrations when the offshore special purpose vehicle undergoes material events relating to any change of basic information (including change of such PRC citizens or residents, name and operation term), increases or decreases in investment amount, transfers or exchanges of shares, or mergers or divisions. In February 2015, SAFE promulgated the *Notice on Further Simplifying and Improving the Administration of the Foreign Exchange Concerning Direct Investment*, which took effect on June 1, 2015. This notice has amended SAFE Circular 37, requiring PRC residents or entities to register with qualified banks rather than SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. See "Item 4. Information on the Company — B. Business Overview — Regulation — Regulations on Offshore Financing" for discussions of the registration requirements and the relevant penalties.

We attempt to comply, and attempt to ensure that our shareholders and beneficial owners of our shares who are subject to these rules comply, with the relevant requirements. We cannot provide any assurance that our shareholders and beneficial owners of our shares who are PRC residents have complied or will comply with the requirements imposed by Circular 37 or other related rules. Any failure by any of our shareholders and beneficial owners of our shares who are PRC residents to comply with relevant requirements under this regulation could subject such shareholders, beneficial owners and us to fines or sanctions imposed by the PRC government, including limitations on our relevant subsidiary's ability to pay dividends or make distributions to us and our ability to increase our investment in China, or other penalties that may adversely affect our operations.

We rely principally on dividends and other distributions on equity paid by our subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our subsidiaries to make payments to us could have a material adverse effect on our ability to conduct our business.

We are a holding company, and we rely principally on dividends from our subsidiaries in China for our cash requirements, including any debt we may incur. Current PRC regulations permit our subsidiaries to pay dividends to us only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, each of our subsidiaries in China is required to set aside a certain amount of its after-tax profits each year, if any, to fund certain statutory reserves. These reserves are not distributable as cash dividends. As of December 31, 2017, a total of RMB378.6 million (US\$58.2 million) was not distributable in the form of dividends to us due to these PRC regulations. Furthermore, if our subsidiaries in China incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other payments to us. The inability of our subsidiaries to distribute dividends or other payments to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our businesses, pay dividends, or otherwise fund and conduct our business.

PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds from offerings of the ADSs, ordinary shares or other 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. 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 ADSs, ordinary shares or other securities to make loans or additional capital contributions to our PRC operating subsidiaries, and impair our ability to fund and expand our business which may adversely affect our business, financial condition and result of operations. For example, SAFE promulgated the Circular of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts, or Circular 16, on June 9, 2016. Under Circular 16, registered capital of a foreign-invested company settled in RMB converted from foreign currencies shall be subject to certain limitations prescribed under Circular 16. In addition, foreign-invested companies may not change how they use such capital without SAFE's approval, and may not in any case use such capital to repay RMB loans if they have not used the proceeds of such loans.

Furthermore, any offshore funds that we use to finance our PRC entities, including the net proceeds from the offering of the ADSs, ordinary shares or other securities, are subject to the foreign investment regulations and foreign exchange regulations in the PRC. We may make loans to our PRC entities, but they are subject to approval by or registration with relevant governmental authorities in the PRC. Furthermore, the application of the proceeds under the ADSs, ordinary shares or other securities is subject to the foreign exchange regulations in the PRC. We may also decide to finance our entities by means of capital contributions. According to the relevant PRC regulations on foreign-invested enterprises in China, depending on the total amount of investment, capital contributions to our PRC operating subsidiaries is no longer subject to the approval of the PRC Ministry of Commerce or its local branches. Instead, we are required to file and submit required information and documents online within 30 days of such event. However, we cannot assure you that the regulations will always remain favorable to us. If the regulations are revised in the future or we fail to complete such registration or obtain such approvals on time, our ability to use the proceeds of the ADSs, ordinary shares or other securities and to capitalize our operations in PRC may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business.

We may be subject to fines and legal sanctions imposed by SAFE or other Chinese government authorities and our ability to further grant shares or share options to, and to adopt additional share incentive plans for, our directors and employees may be restricted if we or the participants of our share incentive plans fail to comply with PRC regulations relating to employee shares or share options granted by offshore special purpose companies or offshore listed companies to PRC participants.

In February 2012, the SAFE issued the *Notice on Relevant Issues Concerning Foreign Exchange Control on Domestic Individuals Participating in the Stock Incentive Plan of An Overseas Listed Company*, or Circular 7, which requires PRC individual participants of stock incentive plans to register with the SAFE and to comply with a series of other requirements. See “Item 4. Information on the Company — B. Business Overview — Regulation — Regulations on Foreign Currency Exchange.” We are an offshore listed company and as a result we and the participants of our share incentive plans who are PRC citizens or foreigners having lived within the territory of the PRC successively for at least one year, or, collectively, the PRC participants, are subject to Circular 7. While we completed the foreign exchange registration procedures and complied with other requirements according to Circular 7 in June 2012, we cannot provide any assurance that we or the PRC individual participants of our share incentive plans have complied or will comply with the requirements imposed by Circular 7. If we or the PRC participants of our share incentive plans fail to comply with Circular 7, we or the PRC participants of our share incentive plans may be subject to fines or other legal sanctions imposed by SAFE or other PRC government authorities and our ability to further grant shares or share options under our share incentive plans to, and to adopt additional share incentive plans for, our directors and employees may be restricted. Such events could adversely affect our business operations.

It is unclear whether we will be considered as a PRC “resident enterprise” under the Enterprise Income Tax Law of the PRC, and depending on the determination of our PRC “resident enterprise” status, if we are not treated as a PRC resident enterprise, dividends paid to us by our PRC subsidiaries will be subject to PRC withholding tax; if we are treated as a PRC resident enterprise, we may be subject to 25% PRC income tax on our worldwide income, and holders of our ADSs or ordinary shares may be subject to PRC withholding tax on dividends on and gains realized on their transfer of our ADSs or ordinary shares.

On March 16, 2007, the PRC National People’s Congress passed the *Enterprise Income Tax Law*, and the PRC State Council subsequently issued the *Implementation Regulations of the Enterprise Income Tax Law* (the “Implementing Regulations”). The Enterprise Income Tax Law (amended in 2017) and its Implementation Regulations, or the “EIT Law”, provides that enterprises established outside of China whose “*de facto* management bodies” are located in China are considered “resident enterprises” and are therefore subject to PRC enterprise income tax at the rate of 25% with respect to their income sourced from both within and outside of China. The Implementing Regulations defines the term “*de facto* management body” as a management body that exercises substantial and overall control and management over the production and operations, personnel, accounting and properties of an enterprise.

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On April 22, 2009, the State Administration of Taxation, or the “SAT” issued the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies, or Circular 82. Circular 82 provides certain specific criteria for determining whether the “de facto management body” of a Chinese-controlled offshore-incorporated enterprise is located in China. In addition, the SAT issued Public Announcement [2011] No. 45 in 2011 and Public Announcement [2014] No.9 in 2014, providing clarification for resident status determination and competent tax authorities. However, the above-mentioned tax circulars apply only to offshore enterprises controlled by PRC enterprises, not those invested in or controlled by PRC individuals, like our company. Currently, there are no further detailed rules or precedents applicable to us regarding the procedures and specific criteria for determining “de facto management body” for a company like us. It is still unclear if the PRC tax authorities would determine that we should be classified as a PRC “resident enterprise.”

Although we have not been notified that we are treated as a PRC resident enterprise, we cannot assure you that we will not be treated as a “resident enterprise” under the EIT Law, any aforesaid circulars or any amended regulations in the future. If we are treated as a PRC resident enterprise for PRC enterprise income tax purposes, among other things, we would be subject to the PRC enterprise income tax at the rate of 25% on our worldwide taxable income. Furthermore, if we are treated as a PRC resident enterprise, payments of dividend by us may be regarded as derived from sources within the PRC and therefore we may be obligated to withhold PRC income tax at 10% on payments of dividend on the ADSs or shares to non-PRC resident enterprise investors. In the case of non-PRC resident individual investors, the tax may be withheld at a rate of 20%.

In addition, if we are treated as a PRC resident enterprise, any gain realized on the transfer of the ADSs and/or shares by non-PRC resident investors may be regarded as derived from sources within the PRC and accordingly may be subject to a 10% PRC income tax in the case of non-PRC resident enterprises or 20% in the case of non-PRC resident individuals. The PRC tax on dividends and/or gains may be reduced or exempted under applicable tax treaties between the PRC and the ADS holder’s home country. See “Item 10. Additional Information — E. Taxation — PRC Taxation.”

The audit report included in this annual report was prepared by auditors who are not inspected by the Public Company Accounting Oversight Board and, as such, you are deprived of the benefits of such inspection.

Our independent registered public accounting firm that issues the audit reports included in our annual reports filed with the SEC, as auditors of companies that are traded publicly in the United States and a firm registered with the United States Public Company Accounting Oversight Board, or the PCAOB, is required by the laws of the United States to undergo regular inspections by the PCAOB to assess its compliance with the laws and professional standards of the United States. Because our auditors are located in the PRC, a jurisdiction where the PCAOB is currently unable to conduct inspections without the approval of the Chinese authorities, our auditors are not currently inspected by the PCAOB.

Inspections of other firms that the PCAOB has conducted outside China have identified deficiencies in those firms’ audit procedures and quality control procedures, which may be addressed as part of the inspection process to improve future audit quality. The lack of PCAOB inspections in China prevents the PCAOB from regularly evaluating our auditor’s audits and its quality control procedures. As a result, investors may be deprived of the benefits of PCAOB inspections.

The inability of the PCAOB to conduct inspections of auditors in China makes it more difficult to evaluate the effectiveness of our auditor’s audit procedures and quality control procedures as compared to auditors outside of China that are subject to PCAOB inspections. As a result, investors may lose confidence in our reported financial information and procedures and the quality of our financial statements.

If additional remedial measures are imposed on the Big Four PRC-based accounting firms, including our independent registered public accounting firm, in administrative proceedings brought by the SEC alleging the firms' failure to meet specific criteria set by the SEC, with respect to requests for the production of documents, we could be unable to timely file future financial statements in compliance with the requirements of the Securities Exchange Act of 1934.

Starting in 2011, the Chinese affiliates of the “big four” accounting firms, (including our independent registered public accounting firm) were affected by a conflict between US law and Chinese law. Specifically, for certain US listed companies operating and audited in mainland China, the SEC and the PCAOB sought to obtain from the Chinese firms access to their audit work papers and related documents. The firms were, however, advised and directed that under Chinese law they could not respond directly to the US 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 late 2012 this impasse led the SEC to commence administrative proceedings under Rule 102(e) of its Rules of Practice and also under the Sarbanes-Oxley Act of 2002 against the Chinese accounting firms, (including our independent registered public accounting firm). A first instance trial of the proceedings in July 2013 in the SEC's internal administrative court resulted in an adverse judgment against the firms. The administrative law judge proposed penalties on the firms including a temporary suspension of their right to practice before the SEC, although that proposed penalty did not take effect pending review by the Commissioners of the SEC. On February 6, 2015, before a review by the Commissioner had taken place, the firms reached a settlement with the SEC. Under the settlement, the SEC accepts that future requests by the SEC for the production of documents will normally be made to the CSRC. The firms will receive matching Section 106 requests, and are required to abide by a detailed set of procedures with respect to such requests, which in substance require them to facilitate production via the CSRC. If they fail to meet specified criteria, the SEC retains authority to impose a variety of additional remedial measures on the firms depending on the nature of the failure. Remedies for any future noncompliance could include, as appropriate, an automatic six-month bar on a single firm's performance of certain audit work, commencement of a new proceeding against a firm, or in extreme cases the resumption of the current proceeding against all four firms.

In the event that the SEC restarts the administrative proceedings, depending upon the final outcome, listed companies in the United States with major PRC operations may find it difficult or impossible to retain auditors in respect of their operations in the PRC, which could result in financial statements being determined to not be in compliance with the requirements of the Exchange Act, including possible delisting. Moreover, any negative news about any such future proceedings against these audit firms may cause investor uncertainty regarding China-based, United States-listed companies and the market price of our ADSs may be adversely affected.

If our independent registered public accounting firm were denied, even temporarily, the ability to practice before the SEC and we were unable to timely find another registered public accounting firm to audit and issue an opinion on our financial statements, our financial statements could be determined not to be in compliance with the requirements of the Securities Exchange Act of 1934, as amended. Such a determination could ultimately lead to the delisting of our ordinary shares from the Nasdaq Global Market or deregistration from the SEC, or both, which would substantially reduce or effectively terminate the trading of our ADSs in the United States.

Risks Related to Our ADSs and Our Trading Market

The market price for our ADSs has been and may continue to be volatile.

The market price for our ADSs has been volatile and has ranged from a low of US\$47.72 to a high of US\$146.25 on the NASDAQ Global Select Market in 2017. The market price is subject to wide fluctuations in response to various factors, including the following:

- actual or anticipated fluctuations in our quarterly operating results;
- changes in financial estimates by securities research analysts;
- conditions in the travel and lodging industries;
- changes in the economic performance or market valuations of other lodging companies;
- announcements by us or our competitors of new products, acquisitions, strategic partnerships, joint ventures or capital commitments;

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- addition or departure of key personnel;
- fluctuations of exchange rates between the RMB and U.S. dollar or other foreign currencies;
- potential litigation or administrative investigations;
- release of lock-up or other transfer restrictions on our outstanding ADSs or ordinary shares or sales of additional ADSs; and
- general economic or political conditions in China.

In addition, the market prices for companies with operations in China in particular have experienced volatility that might have been unrelated to the operating performance of such companies. The securities of some China-based companies that have listed their securities in the United States have experienced significant volatility, including, in some cases, substantial declines in the market prices of their securities. The performance of the securities of these China-based companies after their offerings may affect the attitudes of investors toward Chinese companies listed in the United States, which consequently may impact the performance of our ADSs, regardless of our actual operating performance. In addition, any negative news or perceptions about inadequate corporate governance practices or fraudulent accounting, corporate structure or other matters of other China-based companies may also negatively affect the attitudes of investors towards China-based companies in general, including us, regardless of whether we have engaged in any inappropriate activities.

The global financial crisis and the ensuing economic recessions in many countries have contributed and may continue to contribute to extreme volatility in the global stock markets, such as the large declines in share prices in the United States, China and other jurisdictions at various times since 2008. These broad market and industry fluctuations may adversely affect the price of our ADSs, regardless of our operating performance.

We may need additional capital, and the sale of additional ADSs or other equity securities could result in additional dilution to our shareholders and the incurrence of additional indebtedness could increase our debt service obligations.

We believe that our current cash and cash equivalents, anticipated cash flow from operations, and funds available from borrowings under our bank facilities (including the undrawn bank facilities currently available to us and bank facilities we plan to obtain in 2018) will be sufficient to meet our anticipated working capital cash needs for at least the next 12 months. We may, however, require additional cash resources due to changed business conditions, strategic acquisitions or other future developments, including expansion through leased and owned hotels and 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 additional credit facilities. The sale of additional equity and equity-linked securities could result in additional dilution to our shareholders. The sale of substantial amounts of our ADSs could dilute the interests of our shareholders and ADS holders and adversely impact the market price of our ADSs. As of December 31, 2017, we had approximately 158,429,684 ordinary shares outstanding held as ADSs, options to purchase approximately 2.0 million ordinary shares (of which approximately 2.0 million were exercisable as of that date) and approximately 12.5 million nonvested restricted stocks outstanding. The conversion of some or all of the convertible senior notes will dilute the ownership interests of existing shareholders and holders of the ADSs. 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.

Future sales or issuances, or perceived future sales or issuances, of substantial amounts of our ordinary shares or ADSs could adversely affect the price of our ADSs.

If our existing shareholders sell, or are perceived as intending to sell, substantial amounts of our ordinary shares or ADSs, including those issued upon the exercise of our outstanding stock options, the market price of our ADSs could fall. Such sales, or perceived potential sales, by our existing shareholders might make it more difficult for us to issue new equity or equity-related securities in the future at a time and place we deem appropriate. Shares held by our existing shareholders may be sold in the public market in the future subject to the restrictions contained in Rule 144 and Rule 701 under the Securities Act and the applicable lock-up agreements. If any existing shareholder or shareholders sell a substantial amount of ordinary shares after the expiration of the lock-up period, the prevailing market price for our ADSs could be adversely affected.

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In addition, certain of our shareholders or their transferees and assignees will have the right to cause us to register the sale of their shares under the Securities Act upon the occurrence of certain circumstances. Registration of these shares under the Securities Act would result in these shares becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of the registration. Sales of these registered shares in the public market could cause the price of our ADSs to decline.

As our founder and co-founders collectively hold a controlling interest in us, they have significant influence over our management and their interests may not be aligned with our interests or the interests of our other shareholders.

As of March 31, 2018, our founder, Mr. Qi Ji, who is also our executive chairman, and our co-founders, Ms. Tong Tong Zhao and Mr. John Jiong Wu, in total beneficially own approximately 37.5% of our outstanding ordinary shares on an as-converted basis. See “Item 7. Major Shareholders.” The interests of these shareholders may conflict with the interests of our other shareholders. Our founder and co-founders have significant influence over us, including on matters relating to mergers, consolidations and the sale of all or substantially all of our assets, election of directors and other significant corporate actions. This concentration of ownership may discourage, delay or prevent a change in control of us, which could deprive our shareholders of an opportunity to receive a premium for their shares as part of a sale of us or of our assets and might reduce the price of our ADSs. These actions may be taken even if they are opposed by our other shareholders, including holders of our ADSs.

ADS holders may not have the same voting rights as the holders of our ordinary shares and generally have fewer rights than our ordinary shareholders, and must act through the depository to exercise those rights.

Holders of ADSs do not have the same rights as our ordinary shareholders and may only exercise voting and other shareholder rights with respect to the underlying ordinary shares in accordance with the provisions of the deposit agreement. Except as described in the deposit agreement, holders of our ADSs may not be able to exercise voting rights attaching to the shares evidenced by our ADSs on an individual basis. Holders of our ADSs appoint the depository or its nominee as their representative to exercise the voting rights attaching to the shares represented by the ADSs. ADS holders may not receive voting materials in time to instruct the depository to vote, and it is possible that they may not have the opportunity to exercise a right to vote and/or may lack recourse if the ADSs are not voted as you requested.

ADS holders may not be able to participate in rights offerings and may experience dilution of his, her or its holdings as a result.

We may from time to time distribute rights to our shareholders, including rights to acquire our securities. Under the deposit agreement for the ADSs, the depository will not offer those rights to ADS holders unless both the rights and the underlying securities to be distributed to ADS holders are either registered under the Securities Act, or exempt from registration under the Securities Act with respect to all holders of ADSs. We are under no obligation to file a registration statement with respect to any such rights or underlying securities or to endeavor to cause such a registration statement to be declared effective. In addition, we may not be able to take advantage of any exemptions from registration under the Securities Act. Accordingly, holders of our ADSs may be unable to participate in our rights offerings and may experience dilution in their holdings as a result.

ADS holders may be subject to limitations on transfer of their ADSs.

Our 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 deem it advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason.

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As a foreign private issuer, we are permitted to, and we will, rely on exemptions from certain NASDAQ corporate governance standards applicable to U.S. issuers, including the requirement regarding the implementation of a nominations committee. This may afford less protection to holders of our ordinary shares and ADSs.

The NASDAQ Marketplace Rules in general require listed companies to have, among other things, a nominations committee consisting solely of independent directors. As a foreign private issuer, we are permitted to, and we will, follow home country corporate governance practices instead of certain requirements of the NASDAQ Marketplace Rules, including, among others, the implementation of a nominations committee. The corporate governance practice in our home country, the Cayman Islands, does not require the implementation of a nominations committee. We currently intend to rely upon the relevant home country exemption in lieu of the nominations committee. As a result, the level of independent oversight over management of our company may afford less protection to holders of our ordinary shares and ADSs.

Our articles of association contain anti-takeover provisions that could have a material adverse effect on the rights of holders of our ordinary shares and ADSs.

Our amended and restated articles of association contain provisions that have potential to limit the ability of others to acquire control of our company or cause us to enter into change-of-control transactions. These provisions could have the effect of depriving our shareholders of opportunities to sell their shares at a premium over prevailing market prices by discouraging third parties from seeking to obtain control of our company in a tender offer or similar transaction.

For example, our board of directors has the authority, without further action by our shareholders, to issue preferred shares in one or more classes or series and to fix their designations, powers, preferences, and relative participating, optional or other rights and the qualifications, limitations or restrictions, including, without limitation, dividend rights, conversion rights, voting rights, terms of redemption privileges and liquidation preferences, any or all of which may be greater than the rights associated with our ordinary shares, in the form of ADSs or otherwise. In the event these preferred shares have better voting rights than our ordinary shares, in the form of ADSs or otherwise, they could be issued quickly with terms calculated to delay or prevent a change in control of our company or make removal of management more difficult. If our board of directors decides to issue preferred shares, the price of our ADSs may decline and the voting and other rights of the holders of our ordinary shares and ADSs may be materially and adversely affected.

The provisions of our articles of association may encourage potential acquirers to negotiate with us and allow our board of directors the opportunity to consider alternative proposals in the interest of maximizing shareholder value. However, these provisions may also discourage acquisition proposals or delay or prevent a change in control that could be beneficial to holders of our ordinary shares and ADSs.

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

We are incorporated in the Cayman Islands, and conduct substantially all of our operations in China through our subsidiaries in China. Most of our officers reside outside the United States and some or all of the assets of those persons are located outside of the United States. As a result, it may be difficult or impossible for you to bring an action against us or against these individuals in the Cayman Islands or in China in the event that you believe that your rights have been infringed under the securities laws or otherwise. Even if you are successful in bringing an action of this kind outside the Cayman Islands or China, the laws of the Cayman Islands and of China may render you unable to effect service of process upon, or to enforce a judgment 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, although the courts of the Cayman Islands will generally recognize and enforce a judgment of a foreign court of competent jurisdiction for a liquidated sum, other than a sum payable in respect of taxes, fines, penalties or similar fiscal or revenue obligations, and which was neither obtained in a manner nor is of a kind enforcement of which is contrary to natural justice or the public policy of the Cayman Islands and which is not inconsistent with a Cayman Islands judgment in respect of the same matters and which is not impeachable on grounds of fraud, without retrial on the merits under the common law by an action commenced on the judgment in the Grand Court of the Cayman Islands. A judgment of a court of another jurisdiction may be reciprocally recognized or enforced if the jurisdiction has a treaty with China or if judgments of the PRC courts have been recognized before in that jurisdiction, subject to the satisfaction of other requirements. However, China does not have treaties providing for the reciprocal enforcement of judgments of courts with Japan, the United Kingdom, the United States and most other Western countries.

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Our corporate affairs are governed by our memorandum and articles of association and by the Companies Law (2016 Revision) and the common law of the Cayman Islands. The rights of shareholders to take legal action against our directors and us, actions by minority shareholders and the fiduciary responsibilities of our directors to us under Cayman Islands law 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 has persuasive, but not binding, authority on a court in the Cayman Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedents in the United States. In particular, the Cayman Islands has a less developed body of securities laws as compared to the United States, and provides significantly less protection to investors. In addition, Cayman Islands companies may not have standing to initiate a shareholder derivative action before the federal courts of the United States.

As a result of all of the above, our public shareholders may have more difficulty in protecting their interests through actions against our management, directors or major shareholders than would shareholders of a corporation incorporated in a jurisdiction in the United States.

We may be classified as a passive foreign investment company, which could result in adverse United States federal income tax consequences for U.S. Holders of our ADSs or ordinary shares.

Based on our audited financial statements and relevant market and shareholder data, we believe that we should not be treated as a passive foreign investment company (a "PFIC") for U.S. federal income tax purposes with respect to the 2016 and 2017 taxable years. In addition, based on our audited financial statements and our current expectations regarding the value and nature of our assets, the sources and nature of our income, and relevant market and shareholder data, we do not anticipate becoming a PFIC for our 2018 taxable year. The application of the PFIC rules is subject to ambiguity in several respects and, in addition, we must make annual separate determination each year as to whether we are a PFIC (after the close of each taxable year). The determination of whether we are or will become a PFIC will depend in part upon the value of our goodwill and other unbooked intangibles (which will depend upon the market price of our ADSs from time to time, which may be volatile). Among other matters, if our market capitalization declines, we may be or become a PFIC for the current or future taxable years. It is also possible that the Internal Revenue Service may challenge our classification or valuation of our goodwill and other unbooked intangibles, which may result in our company being or becoming a PFIC for the current or one or more future taxable years. Accordingly, we cannot assure you of our PFIC status for our current taxable year ending December 31, 2018 or for any future taxable year. If we were treated as a PFIC for any taxable year during which a U.S. Holder held an ADS or an ordinary share, certain adverse United States federal income tax consequences could apply to the U.S. Holder (as defined herein). For a more detailed discussion of United States federal income tax consequences to U.S. Holders, see "Item 10. Additional Information—E. Taxation—U.S. Federal Income Taxation—Passive Foreign Investment Company."

ITEM 4. INFORMATION ON THE COMPANY

4.A. History and Development of the Company

Powerhill was incorporated in accordance with the laws of the British Virgin Islands in December 2003, and commenced operation with midscale limited service hotels and commercial property development and management in 2005. Limited service hotels do not contain restaurants and all amenities are provided by the staff at the front desk or housekeeping. Powerhill conducted its operations through three wholly-owned subsidiaries in the PRC, namely Shanghai HanTing Hotel Management Group, Ltd., or Shanghai HanTing, HanTing Xingkong (Shanghai) Hotel Management Co., Ltd., or HanTing Xingkong, and Lishan Property (Suzhou) Co., Ltd., or Suzhou Property. In August 2006, Suzhou Property transferred its equity interests in three leased hotels to Shanghai HanTing in exchange for Shanghai HanTing's equity interest in Shanghai Shuyu Co., Ltd., which was primarily engaged in the business of sub-leasing and managing real estate properties in technology parks.

China Lodging Group, Limited, or China Lodging, was incorporated in the Cayman Islands in January 2007. In February 2007, Powerhill transferred all of its ownership interests in HanTing Xingkong and Shanghai HanTing to China Lodging in exchange for preferred shares of China Lodging. After such exchange, each of HanTing Xingkong and Shanghai HanTing became a wholly-owned subsidiary of China Lodging. In addition, in February 2007, Powerhill and its subsidiary, Suzhou Property, were spun off in the form of a dividend distribution to the shareholders.

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In 2007, China Lodging began our current business of operating and managing a multi-brand hotel group. In 2007, we first launched our economy hotel product, *HanTing Express Hotel*, which was subsequently rebranded as *HanTing Hotel*, targeting knowledge workers and value- and quality-conscious travelers. In the same year, we introduced our midscale limited service hotel product, *HanTing Hotel*, which was subsequently rebranded first as *HanTing Seasons Hotel* and then as *Ji Hotel*. In 2008, we launched our budget hotel product, *HanTing Hi Inn*, which was subsequently rebranded as *Hi Inn*. In April 2007, China Lodging acquired Yiju (Shanghai) Hotel Management Co., Ltd. from Crystal Water Investment Holdings Limited, a British Virgin Islands company wholly owned by Mr. John Jiong Wu, a co-founder of our company. In January 2008, China Lodging incorporated HanTing (Tianjin) Investment Consulting Co., Ltd. in China and in October 2008, established China Lodging Holdings (HK) Limited, or China Lodging HK, in Hong Kong, under which HanTing Technology (Suzhou) Co., Ltd. was subsequently established in China in December 2008.

In March 2010, we completed our initial public offering. We issued and sold 10,350,000 ADSs, representing 41,400,000 of our ordinary shares at a public offering price of US\$12.25 per ADS. Our ADSs have been listed on the NASDAQ Global Select Market since March 26, 2010. Our ordinary shares are not listed or publicly traded on any trading markets.

In May 2012, we acquired a 51% equity interest in Starway HK, a midscale hotel chain and increased our hotel brands to four brands. In December 2013, we acquired the remaining 49% equity interest of Starway HK from C-Travel. In addition, we launched *Manxin Hotels & Resorts* in October 2013, which was subsequently rebranded as *Manxin Hotel*, *Joya Hotel*, a new hotel brand targeting the upscale market, in December 2013, and *Elan Hotel*, a new economy hotel brand targeting business travelers, young customers and urban tourists, in September 2014. In November 2012, we changed the Chinese trade name of our company from “HanTing Hotel Group” to “HuaZhu Hotel Group”.

In late 2014, we established Chengjia Hotel Management Co., Ltd. (“Chengjia”) in Shanghai, which started operation in the second quarter of 2015. Since then, it has maintained a professional apartment service management team and provided apartment rental service that covers leases for a term from one month up to twelve months. In 2016, we sold Chengjia to Cjia, our equity investee. As of December 31, 2017, we held approximately 17% equity interest of Cjia.

In December 2014, we entered into agreements with Accor to join forces in the Pan-China region to develop Accor brand hotels and to form an extensive and long-term alliance with Accor. The transactions with Accor were completed in the first quarter of 2016. Pursuant to the amended and restated master purchase agreement with Accor, we acquired from Accor (i) all of the issued and outstanding shares of certain wholly-owned subsidiaries of Accor engaged in the business of owning, leasing, franchising, operating and managing hotels under Accor brands in the midscale and economy market in the PRC, Taiwan and Mongolia, and (ii) approximately 28% of the issued and outstanding shares of AAPC LUB, a Hong Kong subsidiary of Accor that engages in the business of owning, leasing, franchising, operating and managing hotels under Accor brands (x) in the luxury and upscale market in Hong Kong, Macau, Taiwan, the PRC and Mongolia, and (y) in the midscale and economy market in Hong Kong and Macau and, pursuant to certain arrangements for specified brands, the PRC, Mongolia and Taiwan. Pursuant to the amended and restated securities purchase agreement, we issued 24,895,543 ordinary shares to Accor, which represented 9.0% of our ordinary shares outstanding after issuance, and granted to Accor a right to nominate one director to our board of directors.

In connection with the amended and restated master purchase agreement and the amended and restated securities purchase agreement, we and Accor also entered into a number of additional agreements, including, among others: (i) a master brand agreement and brand franchise agreements, pursuant to which Accor granted to us exclusive franchise rights in respect of “*Mercure*”, “*Ibis*” and “*Ibis Styles*” in the PRC, Taiwan and Mongolia, and non-exclusive franchise rights in respect of “*Grand Mercure*” and “*Novotel*” in the PRC, Taiwan and Mongolia (AAPC LUB being the only other entity with non-exclusive franchise rights in respect of “*Grand Mercure*” and “*Novotel*” in the same territories); all hotels under these brands will continue to be managed under Accor’s brand standards and have all benefits of Accor’s international distribution and loyalty platforms, and will also participate in our loyalty and distribution platforms and benefit from our on-the-ground support; (ii) a shareholders’ agreement in relation to the governance of AAPC LUB and our rights and obligations as shareholder of the company; (iii) a registration rights agreement in favor of Accor in respect of our ordinary shares that it acquired under the amended and restated securities purchase agreement; (iv) an amended and restated non-competition agreement that sets out certain business restrictions on us and Accor, and imposes certain lockup and standstill restrictions on Accor with respect to our equity securities; and (v) a deed of voting and ROFR, pursuant to which, among other things, (x) Accor has a right of first refusal in respect of transfers of our securities by Qi Ji or his affiliates, and (y) we and Qi Ji agreed to procure the appointment of a nominee of Accor to our board of directors (for so long as Accor and its affiliates own our ordinary shares or ADSs representing at least 8% of a pro forma number of our outstanding share capital, and subject to certain termination events described in the deed of voting and ROFR); and our articles of association were also amended and restated effective as of January 25, 2016 to give effect to Accor’s rights as described in the foregoing.

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In May 2017, we completed the acquisition of all of the equity interests in Crystal Orange, which holds hotels under the brands *Crystal Orange Hotel*, *Orange Hotel Select* and *Orange Hotel*. As of December 31, 2017, Crystal Orange had 153 hotels in operation located primarily in tier 1 and tier 2 cities in China.

In November 2017, we issued US\$475.0 million of convertible senior notes (“the Notes”). The Notes will mature on November 1, 2022 and bear interest at a rate of 0.375% per annum, payable in arrears semi-annually on May 1 and November 1, beginning May 1, 2018. The Notes can be converted into our ADSs at an initial conversion rate of 5.4869 of our ADSs per US\$1,000 principal amount of the Notes (equivalent to an initial conversion price of US\$182.25 per ADS).

Our principal executive offices are located at No. 2266 Hongqiao Road, Changning District, Shanghai 200336, People’s Republic of China. Our telephone number at this address is +86 (21) 6195-2011. Our registered office in the Cayman Islands is located at the offices of Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. Our agent for service of process in the United States is CT Corporation System, located at 111 Eighth Avenue, 13th Floor, New York, New York 10011.

Investors should contact us for any inquiries through the address and telephone number of our principal executive offices. Our website is <http://www.huazhu.com>. The information contained on our website is not a part of this annual report.

4.B. Business Overview

We are a leading and fast-growing multi-brand hotel group in China and China’s second largest hotel operator in terms of the number of hotels in operation as of December 31, 2017 according to public data. We operate under leased and owned, manachised and franchised models. Under the lease and ownership model, we directly operate hotels located primarily on leased or owned properties. Under the manachise model, we manage manachised hotels through the on-site hotel managers we appoint and collect fees from franchisees. Under the franchise model, we provide training, reservation and support services to the franchised hotels and collect fees from franchisees but do not appoint on-site hotel managers. We apply a consistent standard and platform across all of our hotels. As of December 31, 2017, we had 671 leased and owned hotels, 2,874 manachised hotels and 201 franchised hotels in operation, 37 leased and owned hotels and 659 manachised and franchised hotels under development.

As of the date of this annual report, we own 11 hotel brands that are designed to target distinct segments of customers:

- *Hi Inn*, our budget hotel product which targets practical and price-conscious travelers, originally marketed under the name of *HanTing Hi Inn*;
- *HanTing Hotel*, our economy hotel product which targets knowledge workers and value- and quality-conscious travelers, originally marketed under the name of *HanTing Express Hotel*;
- *Elan Hotel*, our economy hotel product which targets business travelers, young customers and urban tourists. *Elan Hotel* is committed to provide a unique business and travel life experience for its guests;
- *Orange Hotel*, our economy brand, features three-star standard facilities at affordable prices;

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- *HanTing Premium*, our entry level midscale hotel brand targeting middle class leisure travelers and midscale corporate events;
- *Starway Hotel*, our midscale limited service hotel product with variety in design and consistency in quality which targets middle class travelers who seek a spacious room, reasonable price and guaranteed quality;
- *Ji Hotel*, our standardized midscale limited service hotel product which targets mature and experienced travelers who seek a quality experience in hotel stays, previously marketed first under the name of *HanTing Hotel* and then HanTing Seasons Hotel;
- *Orange Hotel Select*, our midscale hotel brand, is the mini version of our *Crystal Orange Hotel*;
- *Manxin Hotel*, our mid-to-upscale hospitality brand including city hotels and resorts. *Manxin Hotel* targets business travelers, leisure travelers, families and corporate events.
- *Crystal Orange Hotel*, our mid-to-upscale hotel brand, features boutique design hotels equipped with advanced, five-star standard facilities; and
- *Joya Hotel*, our upscale brand concept targeting affluent travelers and corporate events. Joya hotels are typically located in central business districts.

In addition to the 11 hotel brands owned by us, we have also entered into brand franchise agreements with Accor and enjoyed exclusive franchise rights in respect of “*Mercure*”, “*Ibis*” and “*Ibis Styles*” in the PRC, Taiwan and Mongolia and non-exclusive franchise rights in respect of “*Grand Mercure*” and “*Novotel*” in the PRC, Taiwan and Mongolia:

- *Grand Mercure*, a brand that offers a upscale network of hotels and apartments that combine local culture with world-class services;
- *Novotel*, a mid-to-upscale brand that provides a multi-service offer for both business and leisure guests;
- *Mercure*, a midscale hotel brand that targets business and leisure travelers around the world;
- *Ibis Styles*, a midscale brand that offers comfortable, designer hotels at an all-inclusive rate; and
- *Ibis*, an economy hotel brand that is recognized across the world for its quality, reliability and commitment to the environment.

As a result of our customer-oriented approach, we have developed strong brand recognition and a loyal customer base. In 2017, approximately 76% of our room nights were sold to individual and corporate members of HUAZHU Rewards, our loyalty program.

Our operations commenced with midscale limited service hotels and commercial property development and management in 2005. We began our current business of operating and managing a multi-brand hotel group in 2007. Our net revenues grew from RMB5,774.6 million in 2015 to RMB6,538.6 million in 2016, and further to RMB8,170.2 million (US\$1,255.7 million) in 2017. We had net income attributable to our company of RMB436.6 million, RMB804.6 million and RMB1,237.2 million (US\$190.2 million) in 2015, 2016 and 2017, respectively. We had net cash provided by operating activities of RMB1,762.5 million, RMB2,066.3 million and RMB2,452.6 million (US\$377.0 million) in 2015, 2016 and 2017, respectively.

We have received many awards for our business performance, including the “Hotels 50 - Top 50 Most Valuable Hotel Brands in 2017” for *HanTing Hotel* from Brand Finance in 2018, the “Top 100 Most Valuable Chinese Brands in 2017” for *HanTing Hotel* from Brandz in 2017, the “Golden Horse Awards of China Hotel” and the “National Brand of China in 2016 and 2017” awards for *HanTing Hotel* from the Review Committee of Golden Horse Awards of China Hotel in 2017, the “Top 300 Corporate Hotel Companies” award from the HOTELS magazine, the “Top 60 Hotel Groups in China in 2015” award from China Tourist Hotels Association, the “Best Hotel Management Groups of China” award at the 2015 Asia Hotel Forum Annual Meeting and the tenth China Hotel Starlight Awards in 2015, the “2015 China’s Best Local Emerging Hotel Brand” award for our *Joya Hotel* and the “2015 The Most Popular Newly opened Business Hotel in Northeast China” award for our *Joya Hotel Dalian* at the Twelfth Golden-Pillow Award of China Hotels in 2015, the “Top 100 Employers” certified by 61HR.COM in 2015, the “2015 Best Practice of Public Interest Award” at the Fifth China Charity Festival in 2015, the “Top 60 China’s Hotel Group in 2013” award from China Tourist Hotels Association in 2014, the “Industry’s Most Influential Brand” award from the Third China Finance Summit in 2014, the “China’s Outstanding Midscale Hotel brand of 2013” award for our *Ji Hotel* from Hotel Modernization magazine in 2013, the “Chinese Hotel Industry’s Influential Brand” award from China Brand Leaders Alliance, the “Hotel Chain Brand with the Most Value of Investment and Development in 2013” and the “Hotel Chain Brand with the Highest Consumer Satisfaction in 2013” awards from the Global Times, the “Top One Enterprise in the Sixth High Growth Enterprises Selection” organized by the Entrepreneur Magazine in 2013.

Our Hotel Network

As of December 31, 2017, we operated 3,746 hotels in China. We have adopted a disciplined return-driven development model aimed at achieving high growth and profitability. As of December 31, 2017, our hotel network covered 378 cities in 33 provinces and municipalities across China. As of December 31, 2017, we had an additional 696 leased and owned, manachised and franchised hotels under development.

The following table sets forth a summary of all of our hotels as of December 31, 2017.

	Leased and Owned Hotels	Manachised Hotels	Franchised Hotels	Leased and Owned Hotels Under Development ⁽¹⁾	Manachised and Franchised Hotels Under Development ⁽¹⁾
Shanghai, Beijing, Guangzhou, Shenzhen and Hangzhou	222	773	56	18	117
Other cities	449	2,101	145	19	542
Total	671	2,874	201	37	659

(1) Include hotels for which we have entered into binding leases or franchise agreements but that have not yet commenced operations. The inactive projects are excluded from this list according to management judgment. None of our owned hotels was under development as of December 31, 2017.

The following table sets forth the status of our hotels under development as of December 31, 2017.

	Pre-conversion Period ⁽¹⁾	Conversion Period ⁽²⁾	Total
Leased and owned hotels	5	32	37
Manachised and franchised hotels	258	401	659
Total	263	433	696

(1) Includes hotels for which we have entered into binding leases or franchise agreements but of which the property has not been delivered by the respective lessors or property owners, as the case may be. The inactive projects are excluded from this list according to management judgment.

(2) Includes hotels for which we have commenced conversion activities but that have not yet commenced operations. The inactive projects are excluded from this list according to management judgment.

Among the 37 leased and owned hotels under development as of December 31, 2017, we had 5 leased and owned hotels during pre-conversion period, for which we have entered into binding leases but of which the property has not been delivered by the respective lessors, and had 32 leased and owned hotels during conversion period, for which we have commenced conversion activities but that have not yet commenced operations. The anticipated completion dates for these leased and owned hotels during conversion period range from January 2018 to August 2018. Total budgeted development costs for these leased and owned hotels during conversion period, which primarily include construction costs for leasehold improvement and the furniture and equipment for hotel operation, were RMB850.5 million (US\$130.7 million), of which RMB332.9 million (US\$51.2 million) was incurred as of December 31, 2017. The average development costs per square meter for completed leased and owned hotels in 2017 were approximately RMB2,300 (US\$354). The franchisees are responsible for development costs for our manachised hotels and franchised hotels.

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Leased and owned hotels

As of December 31, 2017, we had 664 leased hotels and seven owned hotels, accounting for approximately 17.9% of our hotels in operation. We manage and operate each aspect of these hotels and bear all of the accompanying expenses. We are responsible for recruiting, training and supervising the hotel managers and employees, paying for leases and costs associated with construction and renovation of these hotels, and purchasing all supplies and other required equipment.

Our leased hotels are located on leased properties. The terms of our leases typically range from ten to 20 years. We generally enjoy an initial two- to six-month rent-free period. We generally pay fixed rent on a quarterly or biannual basis for the first three to five years of the lease term, after which we are generally subject to a 3% to 5% increase every three to five years. Our leases usually allow for extensions by mutual agreement. In addition, our lessors are typically required to notify us in advance if they intend to sell or dispose of their properties, in which case we have a right of first refusal to purchase the properties on equivalent terms and conditions. 24 of our leases expired in 2017, among which 13 were renewed, three were converted to manachised and franchised hotels and eight were closed. As of December 31, 2017, 24 of our leases were expected to expire in 2018. Six of these 24 leases have been renewed, six of these 24 leases have been terminated and the rest of these 24 leases are subject to negotiation as of the date of this annual report.

The following table sets forth the number of our leases for hotels in operation and under development due to expire in the periods indicated as of December 31, 2017.

	Number of Leases
2018	24
2019	24
2020	45
2021	49
2022	72
2023-2025	167
2026-2028	178
2029 and onward	105
Total	<u>664</u>

Manachised hotels

As of December 31, 2017, we had 2,874 manachised hotels, accounting for approximately 76.7% of our hotels in operation. The franchisees of our manachised hotels either lease or own their hotel properties and are required to invest in the renovation of their properties according to our product standards. We manage our manachised hotels and impose the same standards on all manachised hotels to ensure product quality and consistency across our hotel network. We appoint and train hotel managers who are responsible for hiring hotel staff and managing daily operation. We also provide our franchisees with services such as central reservation, sales and marketing support, quality assurance inspections and other operational support and information. Our franchisees are responsible for the costs of developing and operating the hotels, including renovating the hotels to our standards, and all of the operating expenses. We believe the manachise model has enabled us to quickly and effectively expand our geographical coverage and market share in a less capital-intensive manner through leveraging the local knowledge and relationships of our franchisees.

We collect fees from the franchisees of our manachised hotels and do not bear any loss or share any profit incurred or realized by our franchisees. They are also responsible for all costs and expenses related to hotel construction and refurbishing. Our franchise and management agreements for our manachised hotels typically run for an initial term of eight to ten years.

Our franchisees are generally required to pay us a one-time franchise fee typically ranging between RMB80,000 and RMB500,000. In general, we charge a monthly franchise fee of approximately 5% of the gross revenues generated by each manachised hotel. We also collect from franchisees a reservation fee for using our central reservation system and a membership registration fee to service customers who join our HUAZHU Rewards loyalty program at the manachised hotels. Furthermore, we employ, appoint and train hotel managers for our manachised hotels and charge the franchisees a monthly fee for services we provide.

Franchised hotels

As of December 31, 2017, we had 201 franchised hotels, accounting for approximately 5.4% of our hotels in operation. We collect fees from the franchisees of our franchised hotels and do not bear any loss or share any profit incurred or realized by our franchisees. Services we provide to our franchised hotels generally include training, central reservation, sales and marketing support, quality assurance inspections and other operational support and information. We do not appoint hotel managers for our franchised hotels.

Our hotel chain has grown rapidly since we began migrating to our current business of operating and managing a multi-brand hotel group in 2007. The following table sets forth the number of hotels we operated as of the dates indicated.

	As of December 31,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Leased and owned hotels	145	173	243	344	465	565	611	616	624	671
Manachised hotels	22	63	195	295	516	835	1,376	2,067	2,471	2,874
Franchised hotels	—	—	—	—	54	25	8	80	174	201
Total	167	236	438	639	1,035	1,425	1,995	2,763	3,269	3,746

Our Products

We began our current business of operating and managing a multi-brand hotel group in 2007. As of the date of this annual report, we own 11 hotel brands that are designed to target distinct segments of customers:

- *Hi Inn*, our budget hotel product which targets practical and price-conscious travelers, originally marketed under the name of *HanTing Hi Inn*;
- *HanTing Hotel*, our economy hotel product which targets knowledge workers and value- and quality-conscious travelers, originally marketed under the name of HanTing Express Hotel;
- *Elan Hotel*, our economy hotel product which targets business travelers, young customers and urban tourists. *Elan Hotel* is committed to provide a unique business and travel life experience for its guests;
- *Orange Hotel*, our economy brand, features three-star standard facilities at affordable prices;
- *HanTing Premium*, our entry-level midscale hotel brand targeting middle class leisure travelers and midscale corporate events;
- *Starway Hotel*, our midscale limited service hotel product with variety in design and consistency in quality which targets middle class travelers who seek a spacious room, reasonable price and guaranteed quality;
- *Ji Hotel*, our standardized midscale limited service hotel product which targets mature and experienced travelers who seek a quality experience in hotel stays, previously marketed first under the name of *HanTing Hotel* and then HanTing Seasons Hotel;
- *Orange Hotel Select*, our midscale hotel brand, is the mini version of our *Crystal Orange Hotel*;
- *Manxin Hotel*, our mid-to-upscale hospitality brand including city hotels and resorts. Manxin Hotel targets business travelers, leisure travelers, families and corporate events;
- *Crystal Orange Hotel*, our mid-to-upscale hotel brand, features boutique design hotels equipped with advanced, five-star standard facilities; and

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- *Joya Hotel*, our upscale brand concept targeting affluent travelers and corporate events. Joya hotels are typically located in central business districts.

In addition to the 11 hotel brands owned by us, we have also entered into brand franchise agreements with Accor and enjoyed exclusive franchise rights in respect of “*Mercure*”, “*Ibis*” and “*Ibis Styles*” in the PRC, Taiwan and Mongolia and non-exclusive franchise rights in respect of “*Grand Mercure*” and “*Novotel*” in the PRC, Taiwan and Mongolia:

- *Grand Mercure*, a brand that offers a upscale network of hotels and apartments that combine local culture with world-class services;
- *Novotel*, a mid-to-upscale brand that provides a multi-service offer for both business and leisure guests;
- *Mercure*, a midscale hotel brand that targets business and leisure travelers around the world;
- *Ibis Styles*, a midscale brand that offers comfortable, designer hotels at an all-inclusive rate; and
- *Ibis*, an economy hotel brand that is recognized across the world for its quality, reliability and commitment to the environment.

We believe that our multi-brand strategy provides us with a competitive advantage by (i) enabling us to open a larger number of hotels in attractive markets, (ii) capturing a greater share of the spending of customers whose lodging needs may change from occasion to occasion or evolve over time, and (iii) providing us a greater benefit of economy of scale through shared platforms.

Hi Inn

Launched in late 2008 and originally marketed under the name of *HanTing Hi Inn*, Hi Inns target rational and price-conscious travelers. These hotels offer compact rooms with comfortable beds and shower facilities and complimentary wireless Internet access throughout the premises. These hotels provide basic and clean accommodations. As of December 31, 2017, we had 396 Hi Inns in operation and an additional 32 Hi Inns under development.

HanTing Hotel

Launched in 2007 and originally marketed under the name of *HanTing Express Hotel*, *HanTing Hotel* is our economy hotel product with the value proposition of “Quality, Convenience and Value.” These hotels are typically located in areas close to major business and commercial districts. The *HanTing Hotel* targets knowledge workers and value- and quality-conscious travelers. These hotels are equipped with complimentary wireless Internet access and laser printers, and a cafe serving breakfast and simple meals. As of December 31, 2017, we had 2,244 *HanTing Hotels* in operation and an additional 161 *HanTing Hotels* under development.

Elan Hotel

In September 2014, we launched *Elan Hotel*. *Elan Hotel* is our economy hotel product which targets business travelers, young customers and urban tourists, and is committed to provide a unique business and leisure life experience for the hotel guests. The hotels’ modern and nature design elements create a fresh and refreshing atmosphere for the hotel guests. *Elan Hotel* brand conveys the concept of enjoyment of life and nature. As of December 31, 2017, we had 226 *Elan Hotels* in operation and an additional 19 *Elan Hotels* under development.

Orange Hotel

Orange Hotel is our economy brand. These hotels feature three-star standard facilities at affordable prices. As of December 31, 2017, we had eight *Orange Hotels* in operation.

HanTing Premium

Upgraded from *HanTing Hotel*, *HanTing Premium* is our entry-level midscale hotel brand targeting middle class leisure travelers. These hotels offer 24/7 “Niice Cafe”, ready-to-go breakfast and a variety of self-service facilities, including self-check-in/self-check-out kiosks, self-service lockers and self-service laundry facilities, providing convenience at both leisure and corporate levels. As of December 31, 2017, we had five *HanTing Premium Hotels* in operation and an additional 39 *HanTing Premium Hotels* under development.

Starway Hotel

Starway Hotel features hotels with varied designs and targets middle class travelers who seek a spacious room, reasonable price and guaranteed quality. Starway Hotels offer rooms with a quality comparable to three- to four-star hotels, but are priced at competitive rates. In addition, these hotels typically offer complimentary Internet access throughout the premises, spacious lobbies and meeting areas with complimentary tea and coffee. As of December 31, 2017, we had 174 Starway Hotels in operation and an additional 34 Starway Hotels under development.

JJ Hotel

JJ Hotel, which was previously marketed first under the name of *HanTing Hotel* and then *HanTing Seasons Hotels*, features hotels typically located in city centers or central business districts. These hotels target travelers who seek a quality experience in hotel stays. JJ Hotels offer rooms with a quality comparable to three- to four-star hotels, but are priced at competitive rates. In addition, these hotels offer complimentary wireless Internet access throughout the premises, spacious lobbies with laser printers, computers, free drinks, and a cafe serving breakfast and simple meals. As of December 31, 2017, we had 390 JJ Hotels in operation and an additional 186 JJ Hotels under development.

Orange Hotel Select

Orange Hotel Select is our midscale hotel brand. These hotels are mini versions of our Crystal Orange Hotels with advanced sound-proof design. As of December 31, 2017, we had 103 hotels branded *Orange Hotel Select* in operation and an additional 74 hotels branded *Orange Hotel Select* under development.

Manxin Hotel

Manxin Hotels & Resorts was launched as a brand of resorts in October 2013, and was subsequently rebranded as *Manxin Hotel*. Nowadays *Manxin Hotel* is becoming a brand with city hotels and resorts. These hotels are typically located in city center or business districts and holiday resort areas. *Manxin Hotel* offers high quality rooms, intelligent service system, rich breakfast, lunch, afternoon tea, dinner and even coffee and drinks. Moreover, *Manxin Hotel* is aimed to bring the guests a distinct experience by presenting amazing space design and attractive activities. Live Lively is *Manxin Hotel's* proposition. As of December 31, 2017, we had 11 Manxin Hotels in operation and an additional 16 Manxin Hotels under development.

Crystal Orange Hotel

Crystal Orange Hotel is our mid-to-upscale hotel brand featuring boutique design hotels. These hotels are equipped with advanced, five-star standard facilities, including free high-speed wireless internet access, intelligent lighting system, wireless speakers and sound-proof design. As of December 31, 2017, we had 42 Crystal Orange Hotels in operation and an additional 20 Crystal Orange Hotels under development.

Joya Hotel

In December 2013, we launched *Joya Hotel*. These hotels are typically located in areas close to major business and commercial districts in first and second tier cities and target affluent travelers and corporate events. *Joya Hotel* is designed for guests to enjoy an all-inclusive service, including complimentary breakfast, afternoon tea, healthy snack, mini bar free drinks, gym, automatic massage cabins and other premium services. The rooms are equipped with high-speed fiber access, full wireless coverage and Bluetooth speakers. As of December 31, 2017, we had six Joya Hotels in operation and an additional three Joya Hotels under development.

Grand Mercure Hotel

Grand Mercure is a brand that offers an upscale network of hotels and apartments that combine local culture with world-class services. With hotels that are uniquely adapted to each market, the brand helps guests "discover a new authentic". As of December 31, 2017, we had four Grand Mercure Hotels in operation and additional four Grand Mercure Hotels under development.

Novotel Hotel

Novotel is a mid-to-upscale brand that provides a multi-service offer for both business and leisure guests, with spacious, modular rooms, 24/7 catering offers with balanced meals, meeting rooms, attentive and proactive staff, kid areas, a multi-purpose lobby and fitness centers. These hotels are typically located in the heart of major international cities, business districts and tourist destinations. As of December 31, 2017, we had four Novotel Hotels in operation and an additional seven Novotel Hotels under development.

Mercure Hotel

Mercure is a midscale hotel brand that combines the strength of an international network with a strong quality commitment with the warm experience of hotels that are rooted in their local community, targeting business and leisure travelers around the world. These hotels are typically located in city centers, by the sea or in the mountains. As of December 31, 2017, we had 20 Mercure Hotels in operation and an additional 33 Mercure Hotels under development.

Ibis Styles Hotel

Ibis Styles is a midscale brand that offers comfortable, designer hotels typically located in city centers or close to activity centers. The brand's distinctive all-inclusive package includes the room, all-you-can-eat breakfast buffet and broadband Internet connection, plus a host of little extras. As of December 31, 2017, we had 13 Ibis Styles Hotels in operation and an additional 14 Ibis Styles Hotels under development.

Ibis Hotel

Ibis is an economy hotel brand that is recognized across the world for its quality, reliability and commitment to the environment. It created the revolutionary bedding concept Sweet Bed™ by *ibis* and features welcoming, designer common areas and the modern food and beverage offer, *ibis* kitchen. As of December 31, 2017, we had 100 Ibis Hotels in operation and an additional 54 Ibis Hotels under development.

Hotel Development

We mainly use the manachise and franchise models to expand our network in a less capital-intensive manner. We also lease the properties of the hotels we operate. Other than the properties we acquired as part of our strategic alliance with Accor in 2016, we typically do not acquire properties ourselves, as owning properties is generally much more capital intensive. We have adopted a systematic process with respect to the planning and execution of new development projects. Our development department analyzes economic data by city, field visit reports and market intelligence information to identify target locations in each city and develop a three-year development plan for new hotels on a regular basis. The plan is subsequently reviewed and approved by our investment committee. Once a property is identified in the targeted location, staff in our development department analyzes the business terms and formulates a proposal for the project. In the case of a lease opportunity, the investment committee evaluates each proposed project based on several factors, including the length of the investment payback period, the rate of return on the investment, the amount of net cash flow projected during the operating period and the impact on our existing hotels in the vicinity. When evaluating potential manachising and franchising opportunities, the investment committee considers the attractiveness of the location as well as additional factors such as quality of the prospective franchisee and product consistency with our standards. Our investment committee weighs each investment proposal carefully to ensure that we can effectively expand our coverage while concurrently improving our profitability.

The following is a description of our hotel development process.

Manachised and franchised hotels

We open manachised and franchised hotels to expand our geographical coverage or to deepen penetration of existing markets. Manachised and franchised hotels provide us valuable operating information in assessing the attractiveness of new markets, and supplement our coverage in areas where the potential franchisees can have access to attractive locations by leveraging their own assets and local network. As is the case with leased and owned hotels, we generally look to establish manachised and franchised hotels near popular commercial and office districts that tend to generate stronger demand for hotel accommodations. Manachised and franchised hotels must also meet certain specified criteria in connection with the infrastructure of the building, such as adequate water, electricity and sewage systems.

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We typically source potential franchisees through word-of-mouth referrals, applications submitted via our website and industry conferences. Some of our franchisees operate several of our manachised and franchised hotels. In general, we seek franchisees who share our values and management philosophies.

We typically supervise the franchisees in designing and renovating their properties pursuant to the same standards required for our leased and owned hotels, and provide assistance as required. We also provide technical expertise and require the franchisees to follow a pre-selected list of qualified suppliers. In addition, we appoint or train hotel managers and help train other hotel staff for our manachised hotels to ensure that high quality and consistent service is provided throughout all our hotels.

Leased and owned hotels

We seek properties that are in central or highly accessible locations in economically more developed cities in order to maximize the room rates that we can charge. In addition, we typically seek properties that will accommodate hotels of 80 to 300 rooms.

After identifying a proposed site, we conduct thorough due diligence and typically negotiate leases concurrently with the lessors. All leases and development plans are subject to the final approval of our investment committee. Once a lease agreement has been executed, we then engage independent design firms and construction companies to begin work on leasehold improvement. Our construction management team works closely with these firms on planning and architectural design. Our contracts with construction companies typically contain warranties for quality and requirements for timely completion of construction. Contractors or suppliers are typically required to compensate us in the event of delays or poor work quality. A majority of the construction materials and supplies used in the construction of our new hotels are purchased by us through a centralized procurement system.

Hotel Management

Our management team has accumulated significant experience with respect to the operation of hotels. Building on this experience, our management team has developed a robust operational platform for our nationwide operations, implemented a rigorous budgeting process, and utilized our information systems to monitor our hotel performance. We believe the system is critical in maximizing our revenues and profitability. The following are some of the key components of our hotel management system:

Budgeting. Our budget and analysis team prepares a detailed annual cost and revenue budget for each of our leased and owned hotels, and an annual revenue budget for each of our manachised and franchised hotels. The hotel budget is prepared based on, among other things, the historical operating performance of each hotel, the performance of comparable hotels and local market conditions. We may adjust the budget upon the occurrence of unexpected events that significantly affect a specific hotel's operating performance. In addition, our compensation scheme for managers in each hotel is directly linked to its performance against the annual budget.

Pricing. Our room rates are determined using a centralized system and are based on the historical operating performance of each of our leased and owned and manachised hotels, our competitors' room rates and local market conditions. We adjust room rates regularly based on seasonality and market demand. We also adjust room rates for certain events, such as the China Import and Export Fair held twice a year in Guangzhou and the World Expo in Shanghai in 2010. We believe our centralized pricing system enhances our ability to adjust room rates in a timely fashion with a goal of optimizing average daily rates and occupancy levels across our network. Room rates for our franchised hotels are determined by the franchisees based on local market condition.

Monitoring. Through the use of our web-based property management system, we are able to monitor each hotel's occupancy status, average daily rates, RevPAR and other operating data on a real-time basis. Real-time hotel operating information allows us to adjust our sales efforts and other resources to rapidly capitalize on changes in the market and to maximize operating efficiency.

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Centralized cash management. Our leased and owned hotels deposit cash into our central account several times a week. We also generally centralize all payments for expenditures. Our manachised and franchised hotels manage their cash separately.

Centralized procurement system. Our centralized procurement system has enabled us to efficiently manage our operating costs, especially with respect to supplies used in large quantities. Given the scale of our hotel network and our centralized procurement system, we have the purchasing power to secure favorable terms from suppliers for all of our hotels.

Quality assurance. We have developed an operating manual to which our staff closely adhere to ensure the consistency and quality of our customer experience. We conduct periodic internal quality checks of our hotels to ensure that our operating policies and procedures are followed. We also engage “mystery guests” from time to time to ensure that we are providing consistent quality services. Furthermore, we actively solicit customer feedbacks by conducting outbound e-mail surveys and monitor customer messages left in hotel guestbooks as well as comments posted on our website and third-party websites.

Training. We view the quality and skill sets of our employees as essential to our business and thus have made employee training one of our top priorities. Our HuaZhu University, previously known as HanTing College, together with our regional management teams, offers structured training programs for our hotel managers, other hotel-based staff and corporate staff. Our hotel managers are required to attend a three-week intensive training program, covering topics such as our corporate culture, team management, sales and marketing, customer service, hotel operation standards and financial and human resource management. Approximately 80% of our hotel managers have received training completion certificates. Our HuaZhu University also rolled out a new-hire training package in October 2009 to standardize the training for hotel-based staff across our hotel group. In addition, we provide our corporate staff with various training programs, such as managerial skills, office software skills and corporate culture. In 2017, our hotel-based staff and corporate staff on average have received approximately 60 and 48 hours of training, respectively.

Hotel Information Platform and Operational Systems

We have successfully developed and implemented an advanced operating platform capable of supporting our nationwide operations. This operating platform enables us to increase the efficiency of our operations and make timely decisions. The following is a description of our key information and management systems.

Web property management system (Web-PMS). Our Web-PMS is a web-based, centralized application that integrates all the critical operational information in our hotel network. This system enables us to manage our room inventory, reservations and pricing for all of our hotels on a real-time basis. The system is designed to enable us to enhance our profitability and compete more effectively by integrating with our central reservation system and customer relationship management system. We believe our Web-PMS enables our management to more effectively assess the performance of our hotels on a timely basis and to efficiently allocate resources and effectively identify specific market and sales targets.

Central reservation system. We have a real-time central reservation system available 24 hours a day, seven days a week. Our central reservation system allows reservations through multiple channels including our website, mobile apps, call center, third-party travel agents and online reservation partners. The real-time inventory management capability of the system improves the efficiency of reservations, enhances customer satisfaction and maximizes our profitability.

Customer relationship management (CRM) system. Our integrated CRM system maintains information of our HUAZHU Rewards members, including reservation and consumption history and pattern, points accumulated and redeemed, and prepayment and balance. By closely tracking and monitoring member information and behavior, we are able to better serve the members of our loyalty program and offer targeted promotions to enhance customer loyalty. The CRM system also allows us to monitor the performance of our corporate client sales representatives.

Internet service system. Our Internet service system consists of our website (www.huazhu.com), our mobile website (m.huazhu.com) and our mobile apps for smart phones running iOS, Android or other systems. The system provides our HUAZHU Rewards members and the general public with convenient, friendly and updated services, including information and search services for our hotels, such as location, amenities and pricing, reservation services, online payment and online room selection functions, membership registration and management and member community services. Our members can reload their individual account balance through the system as well. Our mobile apps also provide location-based services, including search services for our nearby hotels.

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Multi-functional HUAZHU Rewards Membership Card. The HUAZHU Rewards membership card is a multi-functional card that is available to our HUAZHU Rewards members. The HUAZHU Rewards membership cards represent the membership identity and offer a variety of functions for our HUAZHU Rewards members to utilize hotel facilities. For example, our HUAZHU Rewards members can use it as a pre-paid card for in-hotel purchases and are entitled to free beverage and Internet access when using it in the business areas. It also enables elevator and room access, easy check-in and express check-out. We also roll out HUAZHU Rewards membership cards in innovative formats, such as the co-branded card with Voice of China, a popular televised singing competition in China, so that our HUAZHU Rewards members can enjoy benefits offered by third parties, and cards in the form of cell phone covers which combine membership cards and cell phone covers in one.

Sales and Marketing

Our marketing strategy is designed to enhance our brand recognition and customer loyalty. Building and differentiating the brand image of each of our hotel products is critical to increasing our brand recognition. We focus on targeting the distinct guest segments that each of our hotel products serves and adopting effective marketing measures based on thorough analysis and application of data and analytics. In 2017, approximately 87% of our room nights were sold through our own sales platforms and the remaining 13% of our room nights through intermediaries.

We use our Web-PMS system to conduct pricing management for all of our hotels except for our franchised hotels. We review our hotel pricing regularly and adjust room rates as needed based on local market conditions and the specific location of each hotel, focusing mainly on three factors: (i) optimum occupancy rate of the hotel and our other hotels nearby, (ii) seasonal demand for the hotel and (iii) event-driven demand for the hotel.

A key component of our marketing efforts is the HUAZHU Rewards, our loyalty program, which covers all of our brands. We believe the HUAZHU Rewards loyalty program allow us to build customer loyalty and conduct lower-cost, targeted marketing campaigns. A majority of individual members of the HUAZHU Rewards pay to enroll in the program. As of December 31, 2017, our HUAZHU Rewards had more than 103 million members. In 2017, approximately 76% of our room nights were sold to our HUAZHU Rewards members. Members of the HUAZHU Rewards are provided with discounts on room rates, free breakfasts (for gold and platinum members), more convenient check-out procedures and other benefits. HUAZHU Rewards members can also accumulate points through stays in our hotels or by purchasing products and services provided at our hotels. These points can be redeemed for offset the room charges in our hotels, or used to buy products in Hua Zhu mall. We also have joint promotional programs with leading financial institutions and airlines to recruit new members of our loyalty program. The HUAZHU Rewards includes five levels of membership: star, silver, rose gold, gold and platinum. Star membership is the entry level and can be obtained from online registration for free. We charge RMB49 as the one-time membership fee for the silver membership. The one-time membership fee for the gold membership is RMB219 or RMB170, if purchased as an existing silver member. Star members and silver members may obtain gold membership by recharging their HUAZHU Rewards accounts, or binding their corporate membership cards to their existing membership. Rose gold membership is for employees of the corporate members of the HUAZHU Rewards and can be obtained by binding their respective corporate membership cards. Memberships can be upgraded to the next level or renewed upon the satisfaction of certain conditions. HUAZHU Rewards was previously known as HanTing Club and HuaZhu Club.

Our marketing activities also include Internet advertising, press and sponsored activities held jointly with our corporate partners and advertisements on travel and business magazines.

Competition

The lodging industry in China is highly fragmented. A significant majority of the room supply has come from stand-alone hotels, guest houses and other lodging facilities. In recent years hotel groups emerged and began to consolidate the market by converting standalone hotels into members of their hotel groups. As a multi-brand hotel group we believe that we compete primarily based on location, room rates, brand recognition, quality of accommodations, geographic coverage, service quality, range of services, guest amenities and convenience of the central reservation system. We primarily compete with other hotel groups as well as various stand-alone lodging facilities in each of the markets in which we operate. Our HanTing Hotels, Orange Hotels and Ibis Hotels mainly compete with Home Inns, Jinjiang Inn, 7 Days Inn, various regional hotel groups and stand-alone hotels, and certain international brands such as Super 8. HanTing Hotels, Orange Hotels and Ibis Hotels also compete with two- and three-star hotels, as they offer rooms with amenities comparable to many of those hotels. Our Ji Hotels, Starway Hotels, Orange Hotels Select, HanTing Premium Hotels, Ibis Styles Hotels, Mercure Hotels and Novotel Hotels face competition from existing three-star and certain four-star hotels, boutique hotels whose price could be comparable and a few hotel chains such as Vienna Hotels, Atour Hotels, Hampton Hotels and Holiday Inn Express. Our Hi Inns compete mainly with stand-alone guest houses, low-price hotels and budget hotel chains such as Pod Inns, 99 Inns and 100 Inns. Our Joya Hotels, Manxin Hotels and Grand Mercure Hotels compete with existing four-star and five-star hotels. Our Manxin Hotels and Crystal Orange hotels also compete with boutique resort hotels. Our Elan Hotels compete with existing economy hotel chains such as 7 Days Inn, Home Inn or GreenTree Inn.

Intellectual Property

We regard our trademarks, copyrights, domain names, trade secrets and other intellectual property rights as critical to our business. We rely on a combination of copyright and trademark law, trade secret protection and confidentiality agreements with our employees, lecturers, business partners and others, to protect our intellectual property rights.

As of March 31, 2018, we have registered 569 trademarks and logos with the China Trademark Office. The trademarks and logos used in our current hotels are under protection of the registered trademarks and logos. An additional 107 trademark applications are under review by the authority. We have also registered ten trademarks in South Korea, seven trademarks in Taiwan, four trademarks in Hong Kong, six trademarks in each of Malaysia and New Zealand, four trademarks in each of Japan and Australia and one trademark in each of Singapore and Macau. We have filed eight trademark applications in Macau, 12 trademark applications in Thailand, six trademark applications in each of Australia, Malaysia and Singapore. As of March 31, 2018, we have received nine patents; another 12 patents were applied and are under review in the PRC. We have also received copyright registration certificates for 46 software programs developed by us as of March 31, 2018. In addition, we have registered 131 national and international top-level domain names, including www.htinns.com, www.hantinghotels.com and www.huazhu.com as of March 31, 2018.

Our intellectual property is subject to risks of theft and other unauthorized use, and our ability to protect our intellectual property from unauthorized use is limited. In addition, we may be subject to claims that we have infringed the intellectual property rights of others. See “Item 3. Key Information — D. Risk Factors — Risks Related to Our Business — Failure to protect our trademarks and other intellectual property rights could have a negative impact on our brand and adversely affect our business.”

Insurance

We believe that our hotels are covered by adequate property and liability insurance policies with coverage features and insured limits that we believe are customary for similar companies in China. We also require our franchisees to carry adequate property and liability insurance policies. We carry property insurance that covers the assets that we own at our hotels. Although we require our franchisees to purchase customary insurance policies, we cannot guarantee that they will adhere to such requirements. If we were held liable for amounts and claims exceeding the limits of our insurance coverage or outside the scope of our insurance coverage, our business, results of operations and financial condition may be materially and adversely affected. See “Item 3. Key Information — D. Risk Factors — Risks Related to Our Business — Our limited insurance coverage may expose us to losses, which may have a material adverse effect on our reputation, business, financial condition and results of operations.”

Legal and Administrative Proceedings

In the ordinary course of our business, we, our directors, management and employees are subject to periodic legal or administrative proceedings. Although we cannot predict with certainty the ultimate resolution of lawsuits, investigations and claims asserted against us, our directors, management and employees, we do not believe that any currently pending legal or administrative proceeding to which we, our directors, management and employees are a party will have a material adverse effect on our business or reputation. See “Item 3. Key Information — D. Risk Factors — Risks Related to Our Business — We, our directors, management and employees may be subject to certain risks related to legal proceedings filed by or against us, and adverse results may harm our business.” As of December 31, 2017, we had several pending legal and administrative proceedings, including lease contract terminations and disputes and construction contract disputes. As of the same date, our accrued contingencies remained RMB41.0 million (US\$6.3 million).

Regulation

The hotel industry in China is subject to a number of laws and regulations, including laws and regulations relating specifically to hotel operation and management and commercial franchising, as well as those relating to environmental and consumer protection. The principal regulation governing foreign ownership of hotel businesses in the PRC is the *Foreign Investment Industrial Guidance Catalogue* issued by the National Development and Reform Commission and the PRC Ministry of Commerce, or the MOC, which was most recently updated on June 28, 2017. Pursuant to this regulation, there are no restrictions on foreign investment in limited service hotel businesses in China aside from business licenses and other permits that every hotel must obtain. Relative to other industries in China, regulations governing the hotel industry in China are still developing and evolving. As a result, most legislative actions have consisted of general measures such as industry standards, rules or circulars issued by different ministries rather than detailed legislations. This section summarizes the principal PRC regulations currently relevant to our business and operations.

Regulations on Hotel Operation

The Ministry of Public Security issued the *Measures for the Control of Security in the Hotel Industry* in November 1987 and amended it in 2011, and the State Council promulgated the *Decision of the State Council on Establishing Administrative License for the Administrative Examination and Approval Items Really Necessary To Be Retained* in June 2004 and amended it in January 2009 and August 2016, respectively. Under these two regulations, anyone who applies to operate a hotel is subject to examination and approval by the local public security authority and must obtain a special industry license. The Measures for the Control of Security in the Hotel Industry impose certain security control obligations on the operators. For example, the hotel must examine the identification card of any guest to whom accommodation is provided and make an accurate registration. The hotel must also report to the local public security authority if it discovers anyone violating the law or behaving suspiciously or an offender wanted by the public security authority. Pursuant to the *Measures for the Control of Security in the Hotel Industry*, hotels failing to obtain the special industry license may be subject to warnings or fines of up to RMB200. In addition, pursuant to various local regulations, hotels failing to obtain the special industry license may be subject to warnings, orders to suspend or cease continuing business operations, confiscations of illegal gains or fines.

The State Council promulgated the *Public Area Hygiene Administration Regulation* in April 1987 and amended it in February 2016, according to which, a hotel must obtain a public area hygiene license before opening for business. Pursuant to this regulation, hotels failing to obtain a public area hygiene license may be subject to the following administrative penalties depending on the seriousness of their respective activities: (i) warnings; (ii) fines; or (iii) orders to suspend or cease continuing business operations. In March 2011, the Ministry of Health promulgated the *Implementation Rules of the Public Area Hygiene Administration Regulation*, which was amended in January 2016 and December 2017, according to which, starting from May 1, 2011, hotel operators shall establish hygiene administration system and keep records of hygiene administration. The Standing Committee of the National People's Congress, or the SCNPC enacted the *PRC Law on Food Safety* in February 2009 and amended it in April 2015, according to which any hotel that provides food must obtain a food service license China Food and Drug Administration, or the CFDA, enacted the *Regulation on Administration of Food Business Permit* in August 2015 and amended it in November 2017, according to which any entity involving sales of food or food services must obtain a food business license, and any food service license which had obtained prior to October 1, 2015 will be replaced upon expiry by the food business license. Pursuant to this law, hotels failing to obtain the food business license (or formerly the food service license) may be subject to: (i) confiscation of illegal gains, food illegally produced for sale and tools, facilities and raw materials used for illegal production; or (ii) fines between RMB50,000 and RMB100,000 if the value of food illegally produced is less than RMB10,000 or fines equal to 1000% to 2000% of the value of food if such value is equal to or more than RMB10,000.

The *Fire Prevention Law*, as amended by the SCNPC in October 2008, and the *Provisions on Supervision and Inspection on Fire Prevention and Control*, promulgated by the Ministry of Public Security and effective as of May 1, 2009 and was amended on November 1, 2012, require that public gathering places such as hotels submit a fire prevention design plan to apply for the completion acceptance of fire prevention facilities for their construction projects and to pass a fire prevention safety inspection by the local public security fire department, which is a prerequisite for opening business. Pursuant to these regulations, hotels failing to obtain approval of fire prevention design plans or failing fire prevention safety inspections may be subject to: (i) orders to suspend the construction of projects, use or operation of business; and (ii) fines between RMB30,000 and RMB300,000.

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In January 2006, the State Council promulgated the *Regulations for Administration of Entertainment Places*, which was amended in February 2016. The Ministry of Culture issued the *Circular on Carrying Out the Regulations for Administration of Entertainment Places* in March 2006 and the *Administrative Measures for Entertainment Places* in February 2013 (amended in December 2017). Under these regulations, hotels that provide entertainment facilities, such as discos or ballrooms, are required to obtain a license for entertainment business operations.

On October 18, 2010, the General Administration of Quality Supervision, Inspection and Quarantine and Standardization Administration approved and issued *Classification and Accreditation for Star-rated Tourist Hotels* (GB/T14308-2010), which became effective on January 1, 2011. On November 19, 2010, the National Tourist Administration promulgated the *Implementation Measures of Classification and Accreditation for Star-rated Tourist Hotels*, which became effective on January 1, 2011. Under these regulations, all hotels with operations of over one year are eligible to apply for a star rating assessment. There are five ratings from one star to five stars for tourist hotels, assessed based on the level of facilities, management standards and quality of service. A star rating, once granted, is valid for three years.

On September 21, 2012, the Ministry of Commerce promulgated the *Provisional Administrative Measures for Single-purpose Commercial Prepaid Cards*, according to which, if an enterprise engaged in retail, accommodation and catering, or residential services issues any single-purpose commercial prepaid card to its customers, it shall undergo a record-filing procedure. For a hotel primarily engaged in the business of accommodation, the aggregate balance of the advance payment under the single-purpose commercial prepaid cards it issued shall not exceed 40% of its income from its primary business in the previous financial year.

On April 25, 2013, the Standing Committee of the National People's Congress issued the *Tourism Law of the People's Republic of China*, which became effective on October 1, 2013 and was amended on November 7, 2016. According to this law, the accommodation operators shall fulfill their obligations under the agreements with consumers. If the accommodation operators subcontract part of their services to any third party or involve any third party to provide services to customers, the accommodation operators shall assume the joint and several liabilities with the third parties for any damage caused to the customers.

Regulations on Leasing

Under the *Law on Urban Real Estate Administration* promulgated by the SCNPC, which took effect as of January 1995 and was amended in August 2007 and August 2009, respectively, and the *Administrative Measures for Commodity House Leasing* promulgated by the Ministry of Housing and Urban-rural Construction, which took effect as of February 1, 2011, when leasing premises, the lessor and lessee are required to enter into a written lease contract, prescribing such provisions as the leasing term, use of the premises, rental and repair liabilities, and other rights and obligations of both parties. Both lessor and lessee are also required to go through registration procedures to record the lease with the real estate administration department. Pursuant to these laws and regulations and various local regulations, if the lessor and lessee fail to go through the registration procedures, both lessor and lessee may be subject to fines, and the leasing interest will be subordinated to an interested third party acting in good faith.

In March 1999, the National People's Congress, the China legislature, passed the *PRC Contract Law*, of which Chapter 13 governs lease agreements. According to the *PRC Contract Law*, subject to consent of the lessor, the lessee may sublease the leased item to a third party. Where the lessee subleases the lease item, the leasing contract between the lessee and the lessor remains valid. The lessor is entitled to terminate the contract if the lessee subleases the lease item without the consent of the lessor.

In March 16, 2007, the National People's Congress passed the *PRC Property Law*, pursuant to which where a mortgagor leases the mortgaged property before the mortgage contract is concluded, the previously established leasing relation shall not be affected; and where a mortgagor leases the mortgaged property after the creation of the mortgage interest, the leasing interest will be subordinated to the registered mortgage interest.

Regulations on Consumer Protection

In October 1993, the SCNPC promulgated the *Law on the Protection of the Rights and Interests of Consumers*, or the Consumer Protection Law, which became effective on January 1, 1994 and was amended on March 15, 2014. Under the Consumer Protection Law, a business operator providing a commodity or service to a consumer is subject to a number of requirements, including the following:

- to ensure that commodities and services meet with certain safety requirements;
- to protect the safety of consumers;
- to disclose serious defects of a commodity or a service and to adopt preventive measures against damage occurrence;
- to provide consumers with accurate information and to refrain from conducting false advertising;
- to obtain consents of consumers and to disclose the rules for the collection and/or use of information when collecting data or information from consumers; to take technical measures and other necessary measures to protect the personal information collected from consumers; not to divulge, sell, or illegally provide consumers' information to others; not to send commercial information to consumers without the consent or request of consumers or with a clear refusal from consumers;
- not to set unreasonable or unfair terms for consumers or alleviate or release itself from civil liability for harming the legal rights and interests of consumers by means of standard contracts, circulars, announcements, shop notices or other means;
- to remind consumers in a conspicuous manner to pay attention to the quality, quantity and prices or fees of commodities or services, duration and manner of performance, safety precautions and risk warnings, after-sales service, civil liability and other terms and conditions vital to the interests of consumers under a standard form of agreement prepared by the business operators, and to provide explanations as required by consumers; and
- not to insult or slander consumers or to search the person of, or articles carried by, a consumer or to infringe upon the personal freedom of a consumer.

Business operators may be subject to civil liabilities for failing to fulfill the obligations discussed above. These liabilities include restoring the consumer's reputation, eliminating the adverse effects suffered by the consumer, and offering an apology and compensation for any losses incurred. The following penalties may also be imposed upon business operators for the infraction of these obligations: issuance of a warning, confiscation of any illegal income, imposition of a fine, an order to cease business operation, revocation of its business license or imposition of criminal liabilities under circumstances that are specified in laws and statutory regulations.

In December 2003, the Supreme People's Court in China enacted the *Interpretation of Some Issues Concerning the Application of Law for the Trial of Cases on Compensation for Personal Injury*, which further increases the liabilities of business operators engaged in the operation of hotels, restaurants, or entertainment facilities and subjects such operators to compensatory liabilities for failing to fulfill their statutory obligations to a reasonable extent or to guarantee the personal safety of others.

Regulations on Environmental Protection

In February 2012, the SCNPC issued the newly amended *Law on Promoting Clean Production*, which regulates service enterprises such as restaurants, entertainment establishments and hotels and requires them to use technologies and equipment that conserve energy and water, serve other environmental protection purposes, and reduce or stop the use of consumer goods that waste resources or pollute the environment.

According to the *Environmental Protection Law of the People's Republic of China and the Environmental Impact Assessment Law of the People's Republic of China* promulgated by the SCNPC and latest amended on July 2, 2016, the *Regulations Governing Environmental Protection in Construction Projects* promulgated by the State Council on November 29, 1998 and amended July 16, 2017, and the *Regulations Governing Completion Acceptance of Environmental Protection in Construction Projects* promulgated by the Ministry of Environmental Protection on December 27, 2001, hotels shall submit a Report/Form on Environmental Impact Assessment and an Application Letter for Acceptance of Environmental Protection Facilities in Construction Projects to competent environmental protection authorities for approvals before commencing the operation. Pursuant to the *Environmental Impact Assessment Law of the People's Republic of China*, any hotel failing to obtain the approval of the Report/Form of Environmental Impact Assessment may be ordered to cease construction and restore the property to its original state, and according to the violation activities committed and the harmful consequences thereof, be subject to fines of no less than 1% but no more than 5% of the total investment amount for the construction project of such hotel. The person directly responsible for the project may be subject to certain administrative penalties. Pursuant to the *Regulations Governing Completion Acceptance of Environmental Protection in Construction Projects*, any hotel failing to obtain an Acceptance of Environmental Protection Facilities in Construction Projects may be subject to fines and an order to obtain approval within a specified time limit.

Regulations on Commercial Franchising

Franchise operations are subject to the supervision and administration of the MOC, and its regional counterparts. Such activities are currently regulated by the *Regulations for Administration of Commercial Franchising*, which was promulgated by the State Council on February 6, 2007 and became effective on May 1, 2007. The *Regulations for Administration of Commercial Franchising* were subsequently supplemented by the *Administrative Measures for Archival Filing of Commercial Franchises*, which was newly amended and promulgated by the MOC on December 12, 2011 and became effective on February 1, 2012, and the newly amended *Administrative Measures for Information Disclosure of Commercial Franchises*, which was promulgated by the MOC on February 23, 2012 and became effective on April 1, 2012.

Under the above applicable regulations, a franchisor must have certain prerequisites including a mature business model, the capability to provide long-term business guidance and training services to franchisees and ownership of at least two self-operated storefronts that have been in operation for at least one year within China. Franchisors engaged in franchising activities without satisfying the above requirements may be subject to penalties such as forfeit of illegal income and imposition of fines between RMB100,000 and RMB500,000 and may be bulletined by the MOC or its local counterparts. Franchise contracts shall include certain required provisions, such as terms, termination rights and payments.

Franchisors are generally required to file franchise contracts with the MOC or its local counterparts. Failure to report franchising activities may result in penalties such as fines up to RMB100,000. Such noncompliance may also be bulletined. In the first quarter of every year, franchisors are required to report to the MOC or its local counterparts any franchise contracts they executed, canceled, renewed or amended in the previous year.

The term of a franchise contract shall be no less than three years unless otherwise agreed by franchisees. The franchisee is entitled to terminate the franchise contract in his sole discretion within a set period of time upon signing of the franchise contract.

Pursuant to the *Administrative Measures for Information Disclosure of Commercial Franchises*, 30 days prior to the execution of franchise contracts, franchisors are required to provide franchisees with copies of the franchise contracts, as well as written true and accurate basic information on matters including:

- the name, domiciles, legal representative, registered capital, scope of business and basic information relating to its commercial franchising;
- basic information relating to the registered trademark, logo, patent, know-how and business model;
- the type, amount and method of payment of franchise fees (including payment of deposit and the conditions and method of refund of deposit);
- the price and conditions for the franchisor to provide goods, service and equipment to the franchisee;
- the detailed plan, provision and implementation plan of consistent services including operational guidance, technical support and business training provided to the franchisee;

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- detailed measures for guiding and supervising the operation of the franchisor;
- investment budget for all franchised hotels of the franchisee;
- the current numbers, territory and operation evaluation of the franchisees within China;
- a summary of accounting statements audited by an accounting firm and a summary of audit reports for the previous two years;
- information on any lawsuit in which the franchisor has been involved in the previous five years;
- basic information regarding whether the franchisor and its legal representative have any record of material violation; and
- other information required to be disclosed by the MOC.

In the event of failure to disclose or misrepresentation, the franchisee may terminate the franchise contract and the franchisor may be fined up to RMB100,000. In addition, such noncompliance may be bulletined.

According to the 2008 *Handbook of Market Access of Foreign Investment* promulgated by the MOC in December 2008, if an existing foreign-invested company wishes to operate a franchise in China, it must apply to the MOC or its local counterparts to expand its business scope to include “engaging in commercial activities by way of franchise.”

Regulations on Trademarks

Both the *PRC Trademark Law* adopted by the SCNPC on August 23, 1982 and revised on August 30, 2013 and the *Implementation Regulation of the PRC Trademark Law* adopted by the State Council on August 3, 2002 and revised on April 29, 2014 give protection to the holders of registered trademarks and trade names. The Trademark Office under the State Administration for Industry and Commerce, or the SAIC, handles trademark registrations and grants a term of ten years to registered trademarks. Trademark license agreements must be filed with the Trademark Office.

Regulations on Foreign Currency Exchange

The principal regulations governing foreign currency exchange in China are the *Foreign Exchange Administration Regulations* promulgated by the State Council, as amended on August 5, 2008, or the Foreign Exchange Regulations. Under the Foreign Exchange Regulations, the RMB is freely convertible for current account items, 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, repatriation of investments and investments in securities outside of China, unless the prior approval of the State Administration of Foreign Exchange, or the SAFE, is obtained and prior registration with the SAFE is made.

On August 29, 2008, the SAFE promulgated the *Notice on Perfecting Practices Concerning Foreign Exchange Settlement Regarding the Capital Contribution by Foreign-invested Enterprises*, or Circular 142, regulating the conversion by a foreign-invested company of foreign currency into RMB by restricting how the converted RMB may be used. Circular 142 requires that the registered capital of a foreign-invested enterprise settled in RMB converted from foreign currencies may only be used for purposes within the business scope approved by the applicable governmental authority and may not be used for equity investments within the PRC. In addition, the SAFE strengthened its oversight of the flow and use of the registered capital of foreign-invested enterprises settled in RMB converted from foreign currencies. The use of such RMB capital may not be changed without the SAFE’s approval, and may not in any case be used to repay RMB loans if the proceeds of such loans have not been used. Violations of Circular 142 will result in severe penalties, such as heavy fines.

On March 30, 2015, SAFE issued the *Notice of the State Administration of Foreign Exchange on Reforming the Administrative Approach Regarding the Settlement of the Foreign Exchange Capitals of Foreign-invested Enterprises*, or Circular 19. Circular 19 has superseded Circular 142 by restating certain restrictions on use of registered capital in foreign currency by a foreign-invested company. Nevertheless, Circular 19 specifies that the registered capital of a foreign-invested company in foreign currency can be converted into RMB voluntarily and be allowed to use for equity investment in PRC subject to certain reinvestment registration with local SAFE. However, the interpretation and enforcement of Circular 19 by local SAFE remain significant uncertainties in practice.

On December 25, 2006, the People's Bank of China issued the *Administration Measures on Individual Foreign Exchange Control* and its Implementation Rules were issued by the SAFE on January 5, 2007, both of which became effective on February 1, 2007. Under these regulations, all foreign exchange matters involved in the employee stock ownership plan, stock option plan and other similar plans, participated by onshore individuals shall be transacted upon approval from the SAFE or its authorized branch. On February 25, 2012, the SAFE promulgated the *Notice on Relevant Issues Concerning Foreign Exchange Control on Domestic Individuals Participating in the Stock Incentive Plan of An Overseas Listed Company*, or Circular 7, to replace the *Operating Procedures for Administration of Domestic Individuals Participating in the Employee Stock Option Plan or Stock Option Plan of An Overseas Listed Company*. Under Circular 7, the board members, supervisors, officers or other employees, including PRC citizens and foreigners having lived within the territory of the PRC successively for at least one year of a PRC entity, who participate in stock incentive plans or equity compensation plans by an overseas publicly listed company, or the PRC participants, are required, through a PRC agent or PRC subsidiaries of such overseas publicly-listed company, to complete certain foreign exchange registration procedures with respect to the plans upon the examination by, and approval of, the SAFE. We and our PRC participants who have been granted stock options are subject to Circular 7. If our PRC participants who hold such options or our PRC subsidiary fail to comply with these regulations, such participants and their PRC employer may be subject to fines and legal sanctions.

Regulations on Share Capital

In October 2005, the SCNPC issued the amended *Company Law of the People's Republic of China*, which became effective on January 1, 2006 and was amended in December 2013. In April 2006, the SAIC, the MOC, the General Administration of Customs and the SAFE jointly issued the *Implementation Opinions on Several Issues regarding the Laws Applicable to the Administration of Approval and Registration of Foreign-invested Companies*. Pursuant to the above regulations, shareholders of a foreign-invested company are obligated to make full and timely contribution to the registered capital of the foreign-invested company. On June 17, 2014, the MOC issued the *Notice of the Ministry of Commerce on Improving the Administration of Foreign Investment Review*. Pursuant to which, restrictions or requirements on the percentage of initial capital contribution, the percentage of cash contribution and the period of contribution imposed on foreign-invested companies (including companies invested by investors from Taiwan, Hong Kong and Macao regions) are abolished. A company which proposes to reduce its registered capital shall prepare a balance sheet and a list of assets. The company shall notify its creditors within ten days from the date of resolution on reduction of registered capital and publish an announcement on the newspapers within 30 days. The creditors may, within 30 days from receipt of the notice or within 45 days from the announcement date, require the company to settle the debts or provide corresponding guarantee.

Regulations on Dividend Distribution

The principal regulations governing distribution of dividends of foreign-invested enterprises include the *Foreign-invested Enterprise Law* promulgated by the SCNPC, as amended on October 31, 2000 and September 3, 2016, respectively, and the *Implementation Rules of the Foreign-invested Enterprise Law* issued by the State Council, as amended on February 19, 2014.

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

Regulations on Offshore Financing

On October 21, 2005, the SAFE issued *Notice on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Corporate Financing and Roundtrip Investment Through Offshore Special Purpose Vehicles*, or Circular 75, which became effective as of November 1, 2005. Under Circular 75, if PRC residents use assets or equity interests in their PRC entities as capital contributions to establish offshore companies or inject assets or equity interests of their PRC entities into offshore companies to raise capital overseas, they are required to register with local SAFE branches with respect to their overseas investments in offshore companies. PRC residents are also required to file amendments to their registrations if their offshore companies experience material events involving capital variation, such as changes in share capital, share transfers, mergers and acquisitions, spin-off transactions, long-term equity or debt investments or uses of assets in China to guarantee offshore obligations.

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Moreover, Circular 75 applies retroactively. As a result, PRC residents who have established or acquired control of offshore companies that have made onshore investments in the PRC in the past were required to complete the relevant registration procedures with the local SAFE branch by March 31, 2006. Under the relevant rules, failure to comply with the registration procedures set forth in Circular 75 may result in restrictions being imposed on the foreign exchange activities of the relevant onshore company, including the increase of its registered capital, the payment of dividends and other distributions to its offshore parent or affiliate and the capital inflow from the offshore entity, and may also subject relevant PRC residents to penalties under PRC foreign exchange administration regulations. PRC residents who control our company are required to register periodically with the SAFE in connection with their investments in us.

The SAFE issued a series of guidelines to its local branches with respect to the operational process for SAFE registration, including the *Notice of the State Administration of Foreign Exchange on Further Improving and Adjusting Foreign Exchange Administration Policies for Direct Investment*, or Circular 59, which came into effect as of December 17, 2012. The guidelines standardized more specific and stringent supervision on the registration required by Circular 75. For example, the guidelines impose obligations on onshore subsidiaries of an offshore entity to make true and accurate statements to the local SAFE authorities in case any shareholder or beneficial owner of the offshore entity is a PRC citizen or resident. Untrue statements by the onshore subsidiaries will lead to potential liability for the subsidiaries, and in some instances, for their legal representatives and other individuals.

On July 4, 2014, the SAFE issued the *Notice on Issues Relating to the Administration of Foreign Exchange for Overseas Investment and Financing and Reverse Investment by Domestic Residents via Special Purpose Vehicles*, or Circular 37, which became effective and suspended Circular 75 on the same date, and Circular 37 shall prevail over any other inconsistency between itself and relevant regulations promulgated earlier. Pursuant to Circular 37, any PRC residents, including both PRC institutions and individual residents, are required to register with the local SAFE branch before making contribution to a company set up or controlled by the PRC residents outside of the PRC for the purpose of overseas investment or financing with their legally owned domestic or offshore assets or interests, referred to in this circular as a “special purpose vehicle”. Under Circular 37, the term “PRC institutions” refers to entities with legal person status or other economic organizations established within the territory of the PRC. The term “PRC individual residents” includes all PRC citizens (also including PRC citizens abroad) and foreigners who habitually reside in the PRC for economic benefit. A registered special purpose vehicle is required to amend its SAFE registration or file with respect to such vehicle in connection with any change of basic information including PRC individual resident shareholder, name, term of operation, or PRC individual resident’s increase or decrease of capital, transfer or exchange of shares, merger, division or other material changes. In addition, if a non-listed special purpose vehicle grants any equity incentives to directors, supervisors or employees of domestic companies under its direct or indirect control, the relevant PRC individual residents could register with the local SAFE branch before exercising such options. The SAFE simultaneously issued a series of guidance to its local branches with respect to the implementation of Circular 37. Under Circular 37, failure to comply with the foreign exchange registration procedures may result in restrictions being imposed on the foreign exchange activities of the relevant onshore company, including restrictions on the payment of dividends and other distributions to its offshore parent company and the capital inflow from the offshore entity, and may also subject the relevant PRC residents and onshore company to penalties under the PRC foreign exchange administration regulations. See “Risk Factors—Risks related to our business—PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident shareholders to personal liability and limit our ability to inject capital into our PRC subsidiaries, limit our PRC subsidiaries’ ability to distribute profits to us, or otherwise adversely affect us.”

Regulations on Merger and Acquisition and Overseas Listing

On August 8, 2006, six PRC regulatory agencies, namely the MOC, the State Assets Supervision and Administration Commission, the State Administration of Taxation, the SAIC, the China Securities Regulatory Commission, or the CSRC, and the SAFE, jointly adopted the *Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors*, or the New M&A Rule, which became effective on September 8, 2006. This New M&A Rule, as amended on June 22, 2009, purports, among other things, to require offshore special purpose vehicles, or SPVs, formed for overseas listing purposes through acquisitions of PRC domestic companies and controlled by PRC companies or individuals, to obtain the approval of the CSRC prior to publicly listing their securities on an overseas stock exchange. On September 21, 2006, the CSRC published a notice on its official website specifying documents and materials required to be submitted to it by SPVs seeking the CSRC approval of their overseas listings.

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While the application of this new regulation remains unclear, we believe, based on the advice of our PRC counsel, that CSRC approval is not required in the context of our initial public offering because we established our PRC subsidiaries by means of direct investment other than by merger or acquisition of domestic companies, and we started to operate our business in the PRC through foreign invested enterprises before September 8, 2006, the effective date of the New M&A Rule. However, we cannot assure you that the relevant PRC government agency, including the CSRC, would reach the same conclusion as our PRC counsel. If the CSRC or other PRC regulatory body subsequently determines that CSRC's approval was required for our initial public offering, we may face sanctions by the CSRC or other PRC regulatory agencies, which could have a material adverse effect on our business, financial condition, results of operations, reputation and prospects, as well as the trading price of our ADSs.

The New M&A Rule also 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 MOC be notified in advance of any change of control transaction in which a foreign investor takes control of a PRC domestic enterprise.

On July 30, 2017, for the purpose of promoting the reform of the foreign investment administrative system and simplifying the administrative procedures, MOC amended the *Interim Measures for the Record-filing Administration of the Incorporation and Change of Foreign-invested Enterprises* which was promulgated in October 2016. According to the amended interim measures, a record-filing administration system shall apply to foreign investors' mergers and acquisitions of domestic non-foreign-invested enterprises and strategic investments in listed companies, provided that they do not involve the implementation of special access administrative measures prescribed by the state or involve the mergers and acquisitions of affiliates. To be specific, under the record-filing administration system, where a new foreign-invested enterprise is incorporated or a non-foreign invested enterprise changes to a foreign-invested enterprise through acquisition, merger or other means, such incorporation or change no longer requires pre-approval of MOC but should, prior to registration with SAIC or within 30 days after the updated business license issued by SAIC, be filed online on a foreign investment comprehensive administration information system operated by MOC.

Regulation on Security Review

In August 2011, the MOC promulgated the *Rules of Ministry of Commerce on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors*, or the MOC Security Review Rule, which came into effect on September 1, 2011, to implement the *Notice of the General Office of the State Council on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors* promulgated on February 3, 2011. Under these regulations, a security review is required for foreign investors' mergers and acquisitions having "national defense and security" implications and mergers and acquisitions by which foreign investors may acquire "de facto control" of domestic enterprises having "national security" implications. In addition, when deciding whether a specific merger or acquisition of a domestic enterprise by foreign investors is subject to a security review, the MOC will look into the substance and actual impact of the transaction. The MOC Security Review Rule further prohibits foreign investors from bypassing the security review requirement by structuring transactions through proxies, trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions.

Regulations on Labor Contracts

The labor contract law that became effective on January 1, 2008, as amended on December 28, 2012, seeks to clarify the responsibilities of both employers and employees and codifies certain basic rights and protections of employees. Among others, the labor contract law provides that after completing two fixed-term employment contracts, an employee that desires to continue working for an employer is entitled to require a non-fixed-term employment contract. In addition, employees who have been employed for more than ten years by the same employer are entitled to require a non-fixed-term contract. The labor contract law also requires that the employees dispatched from human resources outsourcing firms or labor agencies be limited to temporary, auxiliary or substitute positions. Furthermore, an employer may be held jointly liable for any damages to its dispatched employees caused by its human resources outsourcing firm or labor agency if it hired such employees through these entities. According to the *Interim Provisions on Labor Dispatch*, which was promulgated in December 2013 to implement the provisions of the labor contract law regarding labor dispatch, a company is permitted to use dispatched employees for up to 10% of its labor force and the companies currently using dispatched employees are given a two-year grace period after March 1, 2014 to comply with this limit.

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Considering the PRC governmental authorities have continued to introduce various new labor-related regulations since the effectiveness of the labor contract law, and the interpretation and implementation of these regulations are still evolving, we cannot assure you that our employment practice will at all times be deemed in compliance with the new regulations. If we are subject to severe penalties or incur significant liabilities in connection with labor disputes or investigations, our business and results of operations may be adversely affected. See “Item 3. Key Information — D. Risk Factors — Risks Related to Our Business — Our current employment practices may be adversely impacted under the labor contract law of the PRC.”

Regulation on Information Protection on Networks

On December 28, 2012, SCNPC issued *Decision of the Standing Committee of the National People’s Congress on Strengthening Information Protection on Networks*, pursuant to which network service providers and other enterprises and institutions shall, when gathering and using electronic personal information of citizens in business activities, publish their collection and use rules and adhere to the principles of legality, rationality and necessarily, explicitly state the purposes, manners and scopes of collecting and using information, and obtain the consent of those from whom information is collected, and shall not collect and use information in violation of laws and regulations and the agreement between both sides; and the network service providers and other enterprises and institutions and their personnel must strictly keep such information confidential and may not divulge, alter, damage, sell, or illegally provide others with such information.

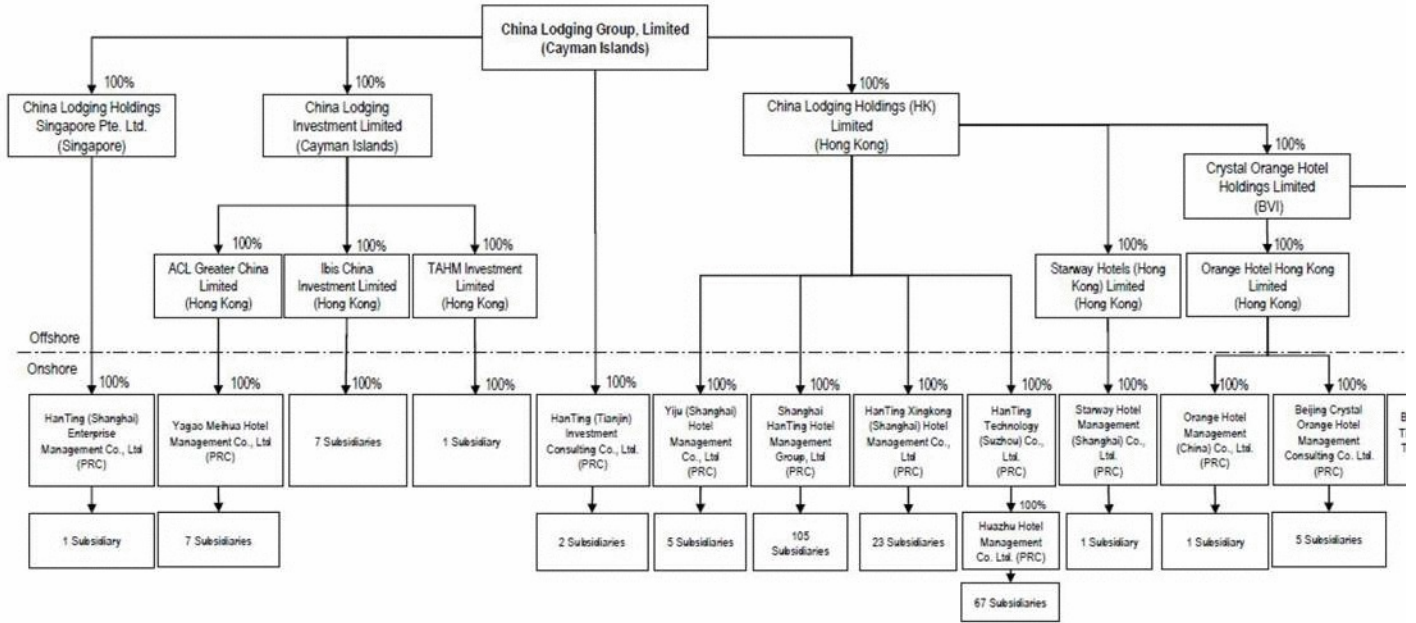
On July 16, 2013, the Ministry of Industry and Information Technology, or the MIIT, issued the *Order for the Protection of Telecommunication and Internet User Personal Information*. The requirements under this order are stricter and wider compared to the above decision issued by the National People’s Congress. According to this order, if a network service provider wishes to collect or use personal information, it may do so only if such collection is necessary for the services it provides. Furthermore, it must disclose to its users the purpose, method and scope of any such collection or usage, and must obtain consent from the users whose information is being collected or used. Network service providers are also required to establish and publish their protocols relating to personal information collection or usage, keep any collected information strictly confidential and take technological and other measures to maintain the security of such information. Network service providers are required to cease any collection or usage of the relevant personal information, and de-register the relevant user account, when a user stops using the relevant Internet service. Network service providers are further prohibited from divulging, distorting or destroying any such personal information, or selling or providing such personal information unlawfully to other parties. In addition, if a network service provider appoints an agent to undertake any marketing or technical services that involve the collection or usage of personal information, the network service provider is required to supervise and manage the protection of the information. The order states, in broad terms, that violators may face warnings, fines, public exposure and, in the most severe cases, criminal liability.

On June 1, 2017, the *Cybersecurity Law of the People’s Republic of China* promulgated in November, 2016 by SCNPC became effective. This law also absorbed and restated the principles and requirements mentioned in the aforesaid decision and order, and further provides that, where an individual finds any network operator collects or uses his or her personal information in violation of the provisions of any law, regulation or the agreement of both parties, the individual shall be entitled to request the network operator to delete his or her personal information; if the individual finds that his or her personal information collected or stored by the network operator has any error, he or she shall be entitled to request the network operator to make corrections, and the network operator shall take measures to do so. Pursuant to this law, the violators may be subject to: (i) warning; (ii) confiscation of illegal gains and fines equal to 100% to 1000% of the illegal gains; or if without illegal gains, fines up to RMB1,000,000; or (iii) an order to shut down the website, suspend the business operation for rectification, or revoke business license. Besides, responsible persons may be subject to fines between RMB10,000 and RMB100,000.

On May 25, 2018, the Regulation (EU) 2016/679 of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC GDPR, will impose certain requirements on the processing of personal data relating to natural persons. GDPR requirements will apply both to companies established in the EU and to companies, such as us, that are not established in the EU but process personal data of individuals who are in the EU (and in the EEA subject to the enactment of implementation procedures), where the processing activities relate to: (a) the offering of goods or services, irrespective of whether a payment of the data subject is required, to such data subjects in the EU; or (b) the monitoring of their behavior as far as their behavior takes place within the EU. The GDPR imposes on concerned companies a large number of obligations, which relate for example, but are not limited, to (i) the principles applying to the processing of personal data: e.g. lawfulness, fairness, transparency, purpose limitation, data minimization and “privacy by design”, accuracy, storage limitation, security, confidentiality; (ii) the ability of the controller to demonstrate compliance with such principles (accountability); (iii) the obligation to identify a legal basis before the processing (special requirements apply to certain specific categories of data such as sensitive data); and (iv) data subjects rights (e.g. transparency, right of access, right to rectification, right to erasure, right to restrict processing, right to data portability, right to object to a processing). This leads to companies being under the obligation to implement a number of formal processes and policies reviewing and documenting the privacy implications of the development, acquisition, or use of all new products and services, technologies, or types of data. The GDPR provides for substantial fines for breaches of data protection requirements, which, depending on the infringed provisions of the GDPR, can go up to either: (i) 2% of the annual worldwide turnover of the preceding financial year or EUR10 million, whichever is greater, or (ii) 4% of the annual worldwide turnover of the preceding financial year or EUR20 million, whichever is greater. The fine may be imposed instead of, or in addition to, measures that may be ordered by supervisory authorities (e.g. request to cease the processing). The GDPR and EU Member States law also provide for private enforcement mechanisms and, in the most severe cases, criminal liability.

4.C. Organizational Structure

The following diagram illustrates our corporate and ownership structure, the place of formation and the ownership interests of our subsidiaries as of March 31, 2018.



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The following table sets forth summary information for our significant subsidiaries as of March 31, 2018.

Major Subsidiaries	Percentage of Ownership	Date of Incorporation/Acquisition	Place of Incorporation
China Lodging Holdings (HK) Limited	100%	October 22, 2008	Hong Kong
China Lodging Holdings Singapore Pte. Ltd.	100%	April 14, 2010	Singapore
Shanghai HanTing Hotel Management Group, Ltd. ¹	100%	November 17, 2004	PRC
HanTing Xingkong (Shanghai) Hotel Management Co., Ltd. ¹	100%	March 3, 2006	PRC
HanTing (Tianjin) Investment Consulting Co., Ltd.	100%	January 16, 2008	PRC
Yiju (Shanghai) Hotel Management Co., Ltd. ¹	100%	April 12, 2007	PRC
HanTing Technology (Suzhou) Co., Ltd.	100%	December 3, 2008	PRC
HanTing (Shanghai) Enterprise Management Co., Ltd.	100%	December 14, 2010	PRC
Starway Hotels (Hong Kong) Limited	100%	May 1, 2012	Hong Kong
Starway Hotel Management (Shanghai) Co., Ltd.	100%	May 1, 2012	PRC
HuaZhu Hotel Management Co., Ltd. ²	100%	August 16, 2012	PRC
Jizhu Information Technology (Shanghai) Co., Ltd. ³	100%	February 26, 2014	PRC
Mengguang Information Technology Co., Ltd.	100%	November 7, 2013	PRC
ACL Greater China Limited	100%	May 9, 2016	Hong Kong
Ibis China Investment Limited	100%	April 22, 2016	Hong Kong
TAHM Investment Limited	100%	August 4, 2016	Hong Kong
Yagao Meihua Hotel Management Co., Ltd.	100%	February 16, 2015	PRC
Crystal Orange Hotel Holdings Limited	100%	May 25, 2017	BVI
Orange Hotel Hong Kong Limited	100%	May 25, 2017	Hong Kong
Orange Hotel Management (China) Co., Ltd.	100%	May 25, 2017	PRC
Beijing Crystal Orange Hotel Management Consulting Co., Ltd.	100%	May 25, 2017	PRC

1. Shanghai HanTing Hotel Management Group, Ltd., HanTing Xingkong (Shanghai) Hotel Management Co., Ltd. and Yiju (Shanghai) Hotel Management Co., Ltd., which were the subsidiaries of China Lodging Group, Limited, have been subsidiaries of China Lodging Holdings (HK) Limited since April 2017.

2. In April 2017, HuaZhu Hotel Management Co., Ltd. reduced its registered capital from RMB300 million to RMB297 million.

3. Jizhu Information Technology (Shanghai) Co., Ltd. was previously known as Mengguang Information Technology (Shanghai) Co., Ltd.

4.D. Property, Plants and Equipment

Our headquarters are located in Shanghai, China and occupy nearly 10,900 square meters of office space, about 1,500 square meters of which is owned by us and the rest is leased. As of December 31, 2017, we leased 664 out of our 3,746 hotel facilities with an aggregate size of approximately 3.6 million square meters, including approximately 83,300 square meters subleased to third parties. As of December 31, 2017, we owned seven out of our 3,746 hotel facilities with an aggregate size of approximately 53,900 square meters, of which less than 1,000 square meters subleased to third parties. For detailed information about the locations of our hotels, see “Item 4. Information on the Company — B. Business Overview — Our Hotel Network.”

ITEM 4A. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

5.A. Operating Results

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements and the related notes included elsewhere in this annual report on Form 20-F. This discussion may contain forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under “Item 3. Key Information — D. Risk Factors” or in other parts of this annual report on Form 20-F.

Overview

We are a leading and fast-growing multi-brand hotel group in China with leased and owned, manachised and franchised models. Under the lease and ownership model, we directly operate hotels located primarily on leased properties. Under the manachise model, we manage manachised hotels through the on-site hotel managers we appoint and collect fees from franchisees. Under the franchise model, we provide training, reservation and support services to the franchised hotels and collect fees from franchisees but do not appoint on-site hotel managers. We apply a consistent standard and platform across all of our hotels. As of December 31, 2017, we had 671 leased and owned, 2,874 manachised and 201 franchised hotels in operation and 37 leased and owned hotels and 659 manachised and franchised hotels under development.

As of the date of this annual report, we own 11 hotel brands that are designed to target distinct segments of customers:

- *Hi Inn*, our budget hotel product which targets practical and price-conscious travelers, originally marketed under the name of *HanTing Hi Inn*;
- *HanTing Hotel*, our economy hotel product which targets knowledge workers and value- and quality-conscious travelers, originally marketed under the name of *HanTing Express Hotel*;
- *Elan Hotel*, our economy hotel product which targets business travelers, young customers and urban tourists. *Elan Hotel* is committed to provide a unique business and travel life experience for its guests;
- *Orange Hotel*, our economy brand, features three-star standard facilities at affordable prices;
- *HanTing Premium*, our entry level midscale hotel brand targeting middle class leisure travelers and midscale corporate events;
- *Starway Hotel*, our midscale limited service hotel product with variety in design and consistency in quality which targets middle class travelers who seek a spacious room, reasonable price and guaranteed quality;
- *Ji Hotel*, our standardized midscale limited service hotel product which targets mature and experienced travelers who seek a quality experience in hotel stays, previously marketed first under the name of *HanTing Hotel* and then *HanTing Seasons Hotel*;
- *Orange Hotel Select*, our midscale hotel brand, is the mini version of our *Crystal Orange Hotel*;
- *Manxin Hotel*, our mid-to-upscale hospitality brand including city hotels and resorts. *Manxin Hotel* targets business travelers, leisure travelers, families and corporate events;
- *Crystal Orange Hotel*, our mid-to-upscale hotel brand, features boutique design hotels equipped with advanced, five-star standard facilities; and
- *Joya Hotel*, our upscale brand concept targeting affluent travelers and corporate events. Joya hotels are typically located in central business districts.

In addition to the 11 hotel brands owned by us, we entered into brand franchise agreements with Accor and enjoyed exclusive franchise rights in respect of “*Mercure*”, “*Ibis*” and “*Ibis Styles*” in the PRC, Taiwan and Mongolia and non-exclusive franchise rights in respect of “*Grand Mercure*” and “*Novotel*” in the PRC, Taiwan and Mongolia:

- *Grand Mercure*, a brand that offers a upscale network of hotels and apartments that combine local culture with world-class services;

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- *Novotel*, a mid-to-upscale brand that provides a multi-service offer for both business and leisure guests;
- *Mercure*, a midscale hotel brand that targets business and leisure travelers around the world;
- *Ibis Styles*, a midscale brand that offers comfortable, designer hotels at an all-inclusive rate; and
- *Ibis*, an economy hotel brand that is recognized across the world for its quality, reliability and commitment to the environment.

As a result of our customer-oriented approach, we have developed strong brand recognition and a loyal customer base. In 2017, approximately 76% of our room nights were sold to members of HUAZHU Rewards, our loyalty program.

Our operations commenced with midscale limited service hotels and commercial property development and management in 2005. We began our current business of operating and managing a multi-brand hotel group in 2007. Our net revenues grew from RMB5,774.6 million in 2015 to RMB6,538.6 million in 2016, and further to RMB8,170.2 million (US\$1,255.7 million) in 2017. We had net income attributable to our company of RMB436.6 million, RMB804.6 million and RMB1,237.2 million (US\$190.2 million) in 2015, 2016 and 2017, respectively. We had net cash provided by operating activities of RMB1,762.5 million, RMB2,066.3 million and RMB2,452.6 million (US\$377.0 million) in 2015, 2016 and 2017, respectively.

Specific factors affecting our results of operations

While our business is affected by factors relating to general economic conditions and the lodging industry in China (see “Item 3. Key Information — D. Risk Factors — Risks Related to Our Business — Our operating results are subject to conditions affecting the lodging industry in general.”), we believe that our results of operations are also affected by company-specific factors, including, among others:

- *The total number of hotels and hotel rooms in our hotel network.* Our revenues largely depend on the size of our hotel network. Furthermore, we believe the expanded geographic coverage of our hotel network will enhance our brand recognition. Whether we can successfully increase the number of hotels and hotel rooms in our hotel group is largely affected by our ability to effectively identify and lease, own, manage or franchise additional hotel properties at desirable locations on commercially favorable terms and the availability of funding to make necessary capital investments to open these new hotels.
- *The fixed-cost nature of our business.* A significant portion of our operating costs and expenses, including rent and depreciation and amortization, is relatively fixed. As a result, an increase in our revenues achieved through higher RevPAR generally will result in higher profitability. Vice versa, a decrease in our revenues could result in a disproportionately larger decrease in our earnings because our operating costs and expenses are unlikely to decrease proportionately.
- *The number of new leased and owned hotels under development.* Generally, the operation of each leased and owned hotel goes through three stages: development, ramp-up and mature operations. During the development stage, leased and owned hotels generally incur pre-opening expenses ranging from approximately RMB1.5 million to RMB10.0 million per hotel and generate no revenue. During periods when a large number of new leased and owned hotels are under development, the pre-opening expenses incurred may have a significant negative impact on our financial performance.
- *The mix of mature leased and owned hotels, new leased and owned hotels, managed hotels and franchised hotels.* When a new hotel starts operation and goes through the ramp-up stage, the occupancy rate is relatively low and the room rate may be subject to discount. Revenues generated by these hotels are lower than those generated by mature hotels and may be insufficient to cover their operating costs, which are relatively fixed in nature and are similar to those of mature hotels. The lower profitability during the ramp-up stage for leased and owned hotels may have a significant negative impact on our financial performance. The length of ramp-up stage may be affected by factors such as hotel size, seasonality and location. New hotels opened in lower-tier cities generally have longer ramp-up period. On average, it takes our hotels approximately six months to ramp up. We define mature leased and owned hotels as those that have been in operation for more than six months. Our mature leased and owned hotels have been and will continue to be the main contributor to our revenues.

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Under the manachise and franchise models, we generate revenues from fees we charge to each manachised and franchised hotel while the franchisee bears substantially all the capital expenditures, pre-opening and operational expenses. The hotel operating costs relating to manachised hotels are mainly costs for hotel managers as we hire and send them to manachised hotels.

Key Performance Indicators

We utilize a set of non-financial and financial key performance indicators which our senior management reviews frequently. The review of these indicators facilitates timely evaluation of the performance of our business and effective communication of results and key decisions, allowing our business to react promptly to changing customer demands and market conditions.

Non-financial Key Performance Indicators

Our non-financial key performance indicators consist of (i) change in the total number of hotels and hotel rooms in our hotel group, (ii) RevPAR, especially RevPAR achieved by our leased and owned hotels and (iii) same-hotel RevPAR change.

Change in the total number of hotels and hotel rooms. We track the change in the total number of hotels and hotel rooms in operation to monitor our business expansion. Our total hotels in operation increased from 2,763 in 2015 to 3,746 in 2017 and our total hotel room-nights available for sale increased from 88.4 million in 2015 to 128.8 million in 2017. The following table sets forth various measures of changes in the total number of hotels and hotel rooms as of and for the dates and periods indicated.

	As of December 31,		
	2015	2016	2017
Total hotels in operation	2,763	3,269	3,746
Leased and owned hotels	616	624	671
Manachised hotels	2,067	2,471	2,874
Franchised hotels	80	174	201
Total hotel rooms in operation	278,843	331,347	379,675
Leased and owned hotels	75,436	78,160	85,018
Manachised hotels	196,737	237,094	275,065
Franchised hotels	6,670	16,093	19,592
Total hotel room-nights available for sale	88,384,653	112,937,662	128,761,738
Leased and owned hotels	27,093,439	28,346,421	30,198,307
Manachised hotels	60,244,011	80,161,362	92,582,541
Franchised hotels	1,047,203	4,429,879	5,980,890
Number of cities	352	367	378

RevPAR. RevPAR is a commonly used operating measure in the lodging industry and is defined as the product of average occupancy rates and average daily rates achieved. Occupancy rates of our hotels mainly depend on the locations of our hotels, product and service offering, the effectiveness of our sales and brand promotion efforts, our ability to effectively manage hotel reservations, the performance of managerial and other employees of our hotels, as well as our ability to respond to competitive pressure. From year to year, occupancy of our portfolio may fluctuate as a result of change in the mix of mature and ramp-up hotels, as well as special event such as the Shanghai Expo in 2010. We set the room rates of our hotels primarily based on the location of a hotel, room rates charged by our competitors within the same locality, and our relative brand and product strength in the city or city cluster. From year to year, average daily rate of our portfolio may change due to our yield management practice, city mix change and special events such as Shanghai Expo in 2010. The following table sets forth our RevPAR, average daily room rate and occupancy rate for our leased and owned and manachised hotels for the periods indicated.

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	Year Ended December 31,		
	2015	2016	2017
RevPAR ⁽¹⁾ (in RMB)			
Leased and owned hotels	172	179	211
Manachised hotels	145	151	171
Franchised hotels	124	125	158
Total hotels in operation	153	157	180
Average daily room rate ⁽¹⁾ (in RMB)			
Leased and owned hotels	198	208	237
Manachised hotels	170	177	191
Franchised hotels	177	182	216
Total hotels in operation	179	185	203
Occupancy rate (as a percentage)			
Leased and owned hotels	87	86	89
Manachised hotels	85	85	89
Franchised hotels	70	69	73
Total hotels in operation	85	85	88
Weight of hotel room-nights available for sale contributed by leased and owned hotels less than 6 months (as a percentage)	3	3	8

⁽¹⁾ Value-added tax has been implemented for hospitality industry to replace business tax in China effective May 1, 2016. Our room rates quoted and received from customers are tax-inclusive (business tax or value-added tax) before and after the implementation of value-added tax. For comparison purposes, the RevPAR and average daily room rates disclosed in this annual report are based on the tax-inclusive room rates.

RevPAR may change from period to period due to (i) the change in the mix of our leased and owned hotels in the ramp-up and mature phases, (ii) the change in the mix of our hotels in different cities and locations, (iii) the change in the mix of our hotels of different brands, and (iv) the change in same-hotel RevPAR. The total hotel RevPAR in 2017 is higher than that in 2016, and the total hotel RevPAR in 2016 is higher than that in 2015, mainly as a result of upgrade of Hanting 2.0 and the growing demand of our midscale hotels.

The seasonality of our business may cause fluctuations in our quarterly RevPAR. We typically have the lowest RevPAR in the first quarter due to reduced travel activities in the winter and during the Spring Festival holidays, and the highest RevPAR in the third quarter due to increased travel during the summer. National and regional special events that attract large numbers of people to travel may also cause fluctuations in our RevPAR.

	For the Three Months Ended							
	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016	March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017
RevPAR (in RMB):								
Leased and owned hotels	159	182	195	181	174	211	238	219
Manachised hotels	133	150	166	152	147	171	192	170
Franchised hotels	105	128	144	123	118	151	186	167
Total hotels in operation	139	157	173	158	152	179	203	181

Same-hotel RevPAR change. Our overall RevPAR trend does not reflect the trend of a stable and mature portfolio, because it may fluctuate when city mix and mix of mature and ramp-up hotels change. We track same-hotel year-over-year RevPAR change for hotels in operation for at least 18 months to monitor RevPAR trend for our mature hotels on a comparable basis. The following table sets forth our same-hotel RevPAR for hotels in operation for at least 18 months for the periods indicated.

	For the Three Months Ended							
	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016	March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017
Number of hotels in operation for at least 18 months	1,783	1,899	2,050	2,205	2,380	2,513	2,603	2,729
RevPAR (RMB)	142	159	172	157	151	175	193	172
Same-hotel RevPAR change (as a percentage)	0	-1	1	2	6	8	10	6

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Financial Key Performance Indicators

Our financial key performance indicators consist of (i) revenues, (ii) operating costs and expenses, (iii) EBITDA and Adjusted EBITDA, and (iv) net cash provided by operating activities.

Revenues. We primarily derive our revenues from operations of our leased and owned hotels and franchise and service fees from our manachised and franchised hotels. Our revenues are subject to business tax of 5% (before May 1, 2016) and other related taxes. The following table sets forth the revenues generated by our leased and owned and manachised and franchised hotels and other revenues, each in absolute amount and as a percentage of total revenues for the periods indicated.

	Year Ended December 31,					
	2015		2016		2017	
	(RMB)	%	(RMB)	%	(RMB)	(US\$)
	(In thousands except percentages)					
Revenues:						
Leased and owned hotels	4,986,872	81.6	5,212,405	78.3	6,343,279	974,944
Manachised and franchised hotels	1,123,979	18.4	1,411,156	21.2	1,786,660	274,605
Others	—	—	31,219	0.5	40,257	6,187
Total revenues	6,110,851	100.0	6,654,780	100.0	8,170,196	1,255,736
Less: Business tax and related taxes ⁽¹⁾	336,227	5.5	116,149	1.7	—	—
Net revenues	<u>5,774,624</u>	<u>94.5</u>	<u>6,538,631</u>	<u>98.3</u>	<u>8,170,196</u>	<u>1,255,736</u>

⁽¹⁾ Value-added tax has been implemented for hospitality industry to replace business tax in China effective May 1, 2016.

- *Leased and Owned Hotels.* In 2015, we generated revenue of RMB4,986.9 million from our leased and owned hotels, which accounted for 81.6% of our total revenues for the year. In 2016, we generated revenue of RMB5,212.4 million from our leased and owned hotels, which accounted for 78.3% of our total revenues for the year. In 2017, we generated revenues of RMB6,343.3 million (US\$974.9 million) from our leased and owned hotels, which amounted for 77.6% of our total revenues for the year. We expect that revenues from our leased and owned hotels will continue to constitute a substantial majority of our total revenues in the foreseeable future. As of December 31, 2017, we had 37 leased and owned hotels under development.

For our leased hotels, we lease properties from real estate owners or lessors and we are responsible for hotel development and customization to conform to our standards, as well as for repairs and maintenance and operating costs and expenses of properties over the term of the lease. We are also responsible for substantially all aspects of hotel operations and management, including hiring, training and supervising the hotel managers and employees required to operate our hotels and purchasing supplies. Our typical lease term ranges from ten to 20 years. We typically enjoy an initial two- to six-month rent-free period. We generally pay fixed rent on a quarterly or biannual basis for the first three to five years of the lease term, after which we are generally subject to a 3% to 5% increase every three to five years.

Our owned hotels include the hotels we acquired as part of our strategic alliance with Accor in 2016.

Our revenues generated from leased and owned hotels are significantly affected by the following two operating measures:

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- *The total number of room nights available from the leased and owned hotels in our hotel group.* The future growth of revenues generated from our leased and owned hotels will depend significantly upon our ability to expand our hotel group into new locations in China and maintain and further increase our RevPAR at existing hotels. As of December 31, 2017, we had entered into binding contracts with lessors of 37 properties for our leased and owned hotels, which are currently under development.
- *RevPAR achieved by our leased and owned hotels, which represents the product of average daily rates and occupancy rates.* To understand factors impacting our RevPAR, please see “— Non-financial Key Performance Indicators — RevPAR.”
- *Manachised and Franchised Hotels.* In 2015, we generated revenues of RMB1,124.0 million from our manachised and franchised hotels, which accounted for 18.4% of our total revenues for the year. In 2016, we generated revenues of RMB1,411.2 million from our manachised and franchised hotels, which accounted for 21.2% of our total revenues for the year. In 2017, we generated revenues of RMB1786.7 million (US\$274.6 million) from our manachised and franchised hotels, which accounted for 21.9% of our total revenues for the year. We expect that revenues from our manachised and franchised hotels will increase in the foreseeable future as we add more manachised and franchised hotels in our hotel group. We also expect the number of our manachised and franchised hotels as a percentage of the total number of hotels in our network to increase. As of December 31, 2017, we had 659 manachised and franchised hotels under development.
- *Manachised Hotels.* Our franchisees either lease or own their hotel properties and also invest in the renovation of their properties according to our product standards. Our franchisees are typically responsible for the costs of developing and operating the hotels, including renovating the hotels according to our standards, and all of the operating expenses. We directly manage our manachised hotels and impose the same standards for all manachised hotels to ensure product quality and consistency across our hotel network. Management services we provide to our franchisees for our manachised hotels generally include hiring, appointing and training hotel managers, managing reservations, providing sales and marketing support, conducting quality inspections and providing other operational support and information. We believe our manachise model has enabled us to quickly and effectively expand our geographical coverage and market share in a less capital-intensive manner through leveraging the local knowledge and relationships of our franchisees.

We collect fees from our franchisees and do not bear the loss, if any, incurred by our franchisees. They are also responsible for all costs and expenses related to hotel construction and refurbishing. Our franchise and management agreements for manachised hotels typically run for an initial term of eight to ten years. Our franchisees are generally required to pay us a one-time franchise fee ranging between RMB80,000 and RMB500,000. In general, we charge a monthly franchise fee of approximately 5% of the total revenues generated by each manachised hotel. We also collect from franchisees a reservation fee for using our central reservation system and a membership registration fee to service customers who join our HUAZHU Rewards loyalty program at the manachised hotels. Furthermore, we employ and appoint hotel managers for the manachised hotels and charge the franchisees a monthly fee for such service.
- *Franchised Hotels.* Under our typical franchise agreements, we provide our franchisees with training, central reservation, sales and marketing support, quality assurance inspections and other operational support and information services. We do not appoint hotel managers for our franchised hotels. We collect fees from the franchisees of our franchised hotels and do not bear any loss or share any profit incurred or realized by our franchisees.
- *Other Revenues.* Other revenues of RMB31.2 million and RMB40.3 million (US\$6.2 million) in 2016 and 2017, respectively, represent revenues generated from other than the operation of hotel businesses, which mainly include revenues from Hua Zhu mall and the provision of IT products and services to hotels.

Operating Costs and Expenses. Our operating costs and expenses consist of costs for hotel operation, other operating cost, selling and marketing expenses, general and administrative expenses and pre-opening expenses. The following table sets forth the components of our operating costs and expenses, both in absolute amount and as a percentage of net revenues for the periods indicated.

	Year Ended December 31,						
	2015		2016		2017		
	(RMB)	%	(RMB)	%	(RMB)	(US\$)	
	(In thousands except percentages)						
Net revenues	5,774,624	100.0	6,538,631	100.0	8,170,196	1,255,736	100.0
Operating costs and expenses							
Hotel operating costs:							
Rents	1,804,532	31.2	1,870,879	28.6	2,058,954	316,455	25.2
Utilities	341,620	5.9	345,615	5.3	365,100	56,115	4.4
Personnel costs	919,555	15.9	1,088,380	16.6	1,388,284	213,376	17.0
Depreciation and amortization	645,058	11.2	676,996	10.3	773,202	118,839	9.5
Consumables, food and beverage	485,099	8.4	494,764	7.6	550,513	84,612	6.7
Others	316,283	5.5	455,539	7.0	538,098	82,704	6.6
Total hotel operating costs	4,512,147	78.1	4,932,173	75.4	5,674,151	872,101	69.4
Other operating costs	—	—	7,606	0.1	17,324	2,663	0.2
Selling and marketing expenses	179,568	3.1	146,525	2.2	214,959	33,039	2.6
General and administrative expenses	403,008	7.0	492,141	7.5	690,970	106,200	8.5
Pre-opening expenses	110,011	1.9	71,847	1.1	206,454	31,731	2.5
Total operating costs and expenses	5,204,734	90.1	5,650,292	86.3	6,803,858	1,045,734	83.2

- Hotel Operating Costs.** Our hotel operating costs consist primarily of costs and expenses directly attributable to the operation of our leased and owned and manachised hotels. Leased and owned hotel operating costs primarily include rental payments and utility costs for hotel properties, compensation and benefits for our hotel-based employees, costs of hotel room consumable products and depreciation and amortization of leasehold improvements, intangible assets and land use rights. Manachised hotel operating costs primarily include compensation and benefits for manachised hotel managers and other limited number of employees directly hired by us, which are recouped by us in the form of monthly service fees. We anticipate that our hotel operating costs in absolute amount will increase as we continue to open new hotels. Our hotel operating costs as a percentage of our net revenue may change from period to period mainly driven by three factors: (i) the hotel operating costs as a percentage of revenues from our leased and owned hotels, (ii) the operating costs, mainly personnel costs, as a percentage of revenues from the manachised and franchised business and (iii) the weight of manachised and franchised hotels in our revenue mix.
- Selling and Marketing Expenses.** Our selling and marketing expenses consist primarily of commissions to travel intermediaries, expenses for marketing programs and materials, bank fees for processing bank card payments, and compensation and benefits for our sales and marketing personnel, including personnel at our centralized reservation center. We expect that our selling and marketing expenses will increase as our sales increase and as we further expand into new geographic locations and promote our brands.
- General and Administrative Expenses.** Our general and administrative expenses consist primarily of compensation and benefits for our corporate and regional office employees and other employees who are not sales and marketing or hotel-based employees, travel and communication expenses of our general and administrative staff, costs of third-party professional services, and office expenses for corporate and regional office. We expect that our general and administrative expenses will increase in the near term as we hire additional personnel and incur additional costs in connection with the expansion of our business.
- Pre-opening Expenses.** Our pre-opening expenses consist primarily of rents, personnel cost, and other miscellaneous expenses incurred prior to the opening of a new leased and owned hotel.

Our pre-opening expenses are largely determined by the number of pre-opening hotels in the pipeline and the rental fees incurred during the development stage. Landlords typically offer a two- to six-month rent-free period at the beginning of the lease. Nevertheless, rental is booked during this period on a straight-line basis. Therefore, a portion of pre-opening expenses is non-cash rental expenses. The following table sets forth the components of our pre-opening expenses for the periods indicated.

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	Year Ended December 31,			
	2015	2016	2017	
	(RMB)	(RMB)	(RMB)	(US\$)
	(In thousands)			
Rents	95,977	67,277	191,502	29,433
Personnel cost	5,903	1,560	6,221	956
Others	8,131	3,010	8,731	1,342
Total pre-opening expenses	<u>110,011</u>	<u>71,847</u>	<u>206,454</u>	<u>31,731</u>

Our hotel operating costs, selling and marketing expenses and general and administrative expenses include share-based compensation expenses. The following table sets forth the allocation of our share-based compensation expenses, both in absolute amount and as a percentage of total share-based compensation expenses, among the cost and expense items set forth below.

	Year Ended December 31,					
	2015		2016		2017	
	(RMB)	%	(RMB)	%	(RMB)	(US\$)
	(In thousands except percentages)					
Hotel operating costs	8,835	16.8	13,603	24.5	19,725	3,031
Selling and marketing expenses	907	1.7	811	1.5	1,530	235
General and administrative expenses	42,793	81.5	41,022	74.0	45,112	6,934
Total share-based compensation expenses	<u>52,535</u>	<u>100.0</u>	<u>55,436</u>	<u>100.0</u>	<u>66,367</u>	<u>10,200</u>

We adopted our 2007 Global Share Plan and 2008 Global Share Plan in February and June 2007, respectively, expanded the 2008 Global Share Plan in October 2008, adopted the 2009 Share Incentive Plan in September 2009, and expanded the 2009 Share Incentive Plan in October 2009, August 2010 and March 2015. We have granted options to purchase 118,348, nil, and nil of our ordinary shares in 2015, 2016 and 2017, respectively. We granted 13,931,961, 1,919,791 and 493,972 shares of restricted stock in 2015, 2016 and 2017, respectively. We recognized share-based compensation as compensation expenses in the statement of comprehensive income based on the fair value of equity awards on the date of the grant, with the compensation expenses recognized over the period in which the recipient is required to provide service to us in exchange for the equity award. Share-based compensation expenses have been categorized as hotel operating costs, general and administrative expenses, or selling and marketing expenses, depending on the job functions of the grantees.

EBITDA and Adjusted EBITDA. We use earnings before interest income, interest expense, income tax expense (benefit) and depreciation and amortization, or EBITDA, a non-GAAP financial measure, to assess our results of operations before the impact of investing and financing transactions and income taxes. Given the significant investments that we have made in leasehold improvements, depreciation and amortization expense comprises a significant portion of our cost structure. We believe that EBITDA is widely used by other companies in the lodging industry and may be used by investors as a measure of our financial performance. We also use Adjusted EBITDA, another non-GAAP measure, which is defined as EBITDA before share-based compensation expenses. We present Adjusted EBITDA because it is used by our management to evaluate our operating performance. We also believe that Adjusted EBITDA provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as our management and in comparing financial results across accounting periods and to those of our peer companies.

The following tables present certain unaudited financial data and selected operating data for the years ended December 31, 2015, 2016 and 2017:

	Year Ended December 31,			
	2015	2016	2017	
	(RMB)	(RMB)	(RMB)	(US\$)
	(In thousands)			
Non-GAAP Financial Data				
EBITDA ⁽¹⁾	1,271,675	1,730,319	2,361,087	362,894
Adjusted EBITDA ⁽¹⁾	1,324,210	1,785,755	2,427,454	373,094

(1) We believe that EBITDA is a useful financial metric to assess our operating and financial performance before the impact of investing and financing transactions and income taxes. Given the significant investments that we have made in leasehold improvements, depreciation and amortization expense comprises a significant portion of our cost structure. In addition, we believe that EBITDA is widely used by other companies in the lodging industry and may be used by investors as a measure of our financial performance. We believe that EBITDA will provide investors with a useful tool for comparability between periods because it eliminates depreciation and amortization expense attributable to capital expenditures. We also use Adjusted EBITDA, which is defined as EBITDA before share-based compensation expenses. We present Adjusted EBITDA because it is used by our management to evaluate our operating performance. We also believe that Adjusted EBITDA provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as our management and in comparing financial results across accounting periods and to those of our peer companies. Our calculation of EBITDA and Adjusted EBITDA does not deduct foreign exchange gain, which was RMB7.8 million and RMB16.5 million in 2015 and 2016, respectively, and foreign exchange loss, which was RMB18.1 million (US\$2.8 million) in 2017. The presentation of EBITDA and Adjusted EBITDA should not be construed as an indication that our future results will be unaffected by other charges and gains we consider to be outside the ordinary course of our business.

The use of EBITDA and Adjusted EBITDA has certain limitations. Depreciation and amortization expense for various long-term assets, income tax, interest income and interest expense have been and will be incurred and are not reflected in the presentation of EBITDA. Share-based compensation expenses have been and will be incurred and are not reflected in the presentation of Adjusted EBITDA. Each of these items should also be considered in the overall evaluation of our results. Additionally, EBITDA or Adjusted EBITDA does not consider capital expenditures and other investing activities and should not be considered as a measure of our liquidity. We compensate for these limitations by providing the relevant disclosure of our depreciation and amortization, interest income, interest expense, income tax expense, share-based compensation expenses, capital expenditures and other relevant items both in our reconciliations to the U.S. GAAP financial measures and in our consolidated financial statements, all of which should be considered when evaluating our performance.

The terms EBITDA and Adjusted EBITDA are not defined under U.S. GAAP, and neither EBITDA nor Adjusted EBITDA is a measure of net income, operating income, operating performance or liquidity presented in accordance with U.S. GAAP. When assessing our operating and financial performance, you should not consider this data in isolation or as a substitute for our net income, operating income or any other operating performance measure that is calculated in accordance with U.S. GAAP. In addition, our EBITDA or Adjusted EBITDA may not be comparable to EBITDA or Adjusted EBITDA or similarly titled measures utilized by other companies since such other companies may not calculate EBITDA or Adjusted EBITDA in the same manner as we do.

A reconciliation of EBITDA and Adjusted EBITDA to net income, which is the most directly comparable U.S. GAAP measure, is provided below:

	For the Year Ended December 31,			
	2015 (RMB)	2016 (RMB)	2017 (RMB)	(US\$)
	(In thousands)			
Net income attributable to our company	436,600	804,615	1,237,202	190,155
Interest income	(26,712)	(67,366)	(112,645)	(17,313)
Interest expense	3,854	11,056	87,320	13,421
Income tax expense	196,529	287,120	359,958	55,325
Depreciation and amortization	661,404	694,894	789,252	121,306
EBITDA (Non-GAAP)	1,271,675	1,730,319	2,361,087	362,894
Share-based compensation expenses	52,535	55,436	66,367	10,200
Adjusted EBITDA (Non-GAAP)	1,324,210	1,785,755	2,427,454	373,094

Net Cash Provided by Operating Activities. Our net cash provided by operating activities is primarily attributable to our net income, add-backs from share-based compensation expenses, depreciation and amortization, impairment loss, deferred rent and changes in operating assets and liabilities. We use net cash provided by operating activities to assess the cash generation capability and return profile of our business. Compared with EBITDA, net cash provided by operating activities neutralizes the impact of straight-line based rental accounting and timing difference in certain areas of revenue recognition when assessing the return profile and profitability of our business. We had net cash provided by operating activities of RMB1,762.5 million, RMB2,066.3 million and RMB2,452.6 million (US\$377.0 million) in 2015, 2016 and 2017, respectively. The year-over-year increase was mainly due to the expansion of our hotel network. We expect that our net cash provided by operating activities will continue to increase as we further expand our hotel network.

Taxation

We are incorporated in the Cayman Islands. Under the current law of the Cayman Islands, China Lodging, China Lodging Investment Limited, CLG Special Investments Limited and City Home Group Limited are not subject to income or capital gains tax. In addition, dividend payments we make are not subject to withholding tax in the Cayman Islands.

China Lodging HK, Starway HK, IBIS China Investment Limited, ACL Greater China Limited, Orange Hotel Hong Kong Limited, TAHM Investment Limited, City Home Investment Limited, Huazhu Investment I Limited and Huazhu Investment II Limited are subject to a profit tax at the rate of 16.5% on assessable profit determined under relevant Hong Kong tax regulations. No Hong Kong profit tax has been provided as we have not had any assessable profit that was earned in or derived from Hong Kong during the years presented.

China Lodging Singapore is subject to Singapore corporate income tax at a rate of 17%. No Singapore profit tax has been provided as we have not had assessable profit that was earned in or derived from Singapore during the years presented.

Under the current tax laws of the British Virgin Islands, Crystal Orange Hotel Holdings Limited is not subject to tax on income or capital gain.

Under the current tax laws of Seychelles, Sheen Step Group Limited is not subject to tax on income or capital gain.

On March 16, 2007, the National People's Congress passed the Enterprise Income Tax Law, which was amended in February 2017, and on December 6, 2007, the PRC State Council issued the *Implementation Regulations of the Enterprise Income Tax Law*, both of which became effective on January 1, 2008. The Enterprise Income Tax Law and its Implementation Regulations, or the EIT Law, applies a uniform 25% enterprise income tax rate to both foreign-invested enterprises and domestic enterprises.

The EIT Law imposes a withholding tax of 10% on dividends distributed by a PRC foreign-invested enterprise to its immediate holding company outside of China, if such immediate holding company is considered a "non-resident enterprise" without any establishment or place within China or if the received dividends have no connection with the establishment or place of such immediate holding company within China, unless such immediate holding company's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding tax rate. A holding company in Hong Kong, for example, is subject to a 5% withholding tax rate if it owns at least 25% equity in the PRC subsidiary and is the beneficial owner of the dividends. See "Item 3. Key Information — D. Risk Factors — Risks Related to Doing Business in China — It is unclear whether we will be considered as a PRC 'resident enterprise' under the EIT Law, and depending on the determination of our PRC 'resident enterprise' status, if we are treated as a non-resident enterprise of the PRC, dividends paid to us by our PRC subsidiaries will be subject to PRC withholding tax; if we are treated as a PRC resident enterprise, we may be subject to 25% PRC income tax on our worldwide income, and holders of our ADSs or ordinary shares may be subject to PRC withholding tax on dividends paid by us and gains realized on their transfer of our ADSs or ordinary shares."

Critical Accounting Policies

We prepare financial statements in accordance with U.S. GAAP, which requires us to make judgments, estimates and assumptions that affect the reported amounts of our assets and liabilities and the disclosure of our contingent assets and liabilities at the end of each fiscal period and the reported amounts of revenues and expenses during each fiscal period. We continue to evaluate these judgments and estimates based on our own historical experience, knowledge and assessment of current business and other conditions, our expectations regarding the future based on available information and assumptions that we believe to be reasonable, which together form our basis for making judgments about matters that are not readily apparent from other sources. Since the use of estimates is an integral component of the financial reporting process, our actual results could differ from those estimates. Some of our accounting policies require a higher degree of judgment than others in their application.

The selection of critical accounting policies, the judgments and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors that should be considered when reviewing our financial statements. We believe the following accounting policies involve the most significant judgments and estimates used in the preparation of our financial statements.

Revenue Recognition

Our revenues from leased and owned hotels are derived from operations of leased and owned hotels, including the rental of rooms, food and beverage sales and souvenir sales. Revenues are recognized when rooms are occupied and food and beverages and souvenirs are sold.

Our revenues from manachised and franchised hotels are derived from franchise agreements where the franchisees are required to pay (i) an initial one-time franchise fee and (ii) an ongoing franchise fee, the major part of which is charged at approximately 5.0% of the revenues of the manachised and franchised hotels. Aside from the revenue-based fee, we also charge a central reservation system usage fee and a monthly system maintenance and support fee which are recognized when services are provided. The one-time franchise fee, which is non-refundable, is recognized when the manachised and franchised hotel opens for business, and we have fulfilled all our commitments and obligations, including assistance to the franchisees in property design, leasehold improvement construction project management, systems installation, personnel recruiting and training. Ongoing franchise fees are recognized when the underlying service revenues are recognized by the franchisees' operations. The system maintenance, support fee and central reservation system usage fee is recognized when services are provided.

We account for hotel manager fees related to the hotels under the manachise program as revenues. Pursuant to the franchise agreements under the manachise program, we charge the franchisees fixed hotel manager fees to cover the manachised hotel managers' salaries, social welfare benefits and certain other out-of-pocket expenses that we incur on behalf of the manachised hotels. The hotel manager fee is recognized as revenue monthly. During the years ended December 31, 2015, 2016 and 2017, the hotel manager fees that were recognized as revenue were RMB261.7 million, RMB321.3 million and RMB371.6 million (US\$57.1 million), respectively.

Revenues derived from selling membership cards at leased and owned, manachised and franchised hotels are earned on a straight-line basis over the estimated membership life which is estimated to be approximately two to five years dependent upon membership level. Membership life is estimated at the time the membership card is sold based on management's industry experience and data accumulated by our company, including usage frequency and actual attrition. These estimates are updated regularly to reflect actual membership retention.

Our other revenues are derived from other than the operation of hotel businesses, which mainly include revenues from Hua Zhu mall and the provision of IT products and services to hotels. Revenues from Hua Zhu mall are commissions charged from suppliers for goods sold through the platform and are recognized upon delivery of goods to end customers when its suppliers' obligation is fulfilled and collectability is reasonably assured. Revenues from IT products are recognized when goods are delivered revenues from IT services are recognized when services are rendered.

Long-Lived Assets

Property and equipment and intangible assets subject to amortization are reviewed for impairment in accordance with ASC 360, "Accounting for the Impairment or Disposal of Long-Lived Assets", whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. We evaluate the carrying value of our long-lived assets for impairment by comparing the expected undiscounted future cash flows of the assets to the net book value of the assets if certain trigger events occur, such as receiving government zoning notification. Inherent in reviewing the carrying amounts of the long-lived assets is the use of various estimates. First, our management must determine the usage of the asset. Impairment of an asset is more likely to be recognized where and to the extent our management decides that such asset may be disposed of or sold. Assets must be tested at the lowest level, generally the individual hotel, for which identifiable cash flows exist. If the expected undiscounted future cash flows are less than the net book value of the assets, the excess of the net book value over the estimated fair value is charged to current earnings. Fair value is based upon discounted cash flows of the assets at a rate deemed reasonable for the type of asset and prevailing market conditions, appraisals and, if appropriate, current estimated net sales proceeds from pending offers. Future cash flow estimates are, by their nature, subjective and actual results may differ materially from our estimates. If our ongoing estimates of future cash flows are not met, we may have to record additional impairment charges in future accounting periods. Our estimates of cash flow are based on the current regulatory, social and economic climates where we conduct our operations as well as recent operating information and budgets for our business. These estimates could be negatively impacted by changes in laws and regulations, economic downturns, or other events affecting various forms of travel and access to our hotels.

Intangible assets acquired in a business combination are recorded at fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Following initial recognition, intangible assets with finite lives are carried at cost less any accumulated amortization and any accumulated impairment losses. Intangible assets with an indefinite life are tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test consists of a comparison of the fair value of the intangible asset to its carrying amount. If the carrying amount exceeds the fair value, an impairment loss is recognized equal in amount to that excess.

Goodwill Impairment

Goodwill is required to be tested for impairment at least annually or more frequently if events or changes in circumstances indicate that these assets might be impaired. If we determine that the carrying value of our goodwill has been impaired, the carrying value will be written down.

We perform a two-step goodwill impairment test for each of the reporting unit we identified for goodwill impairment testing purposes. The first step compares the fair values of each reporting unit to its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill is not considered to be impaired and the second step will not be required. If the carrying value of a reporting unit exceeds its fair value, we would perform the second step in our assessment process and record an impairment loss to earnings to the extent the carrying amount of the reporting unit's goodwill exceeds its implied fair value. We estimate the fair value of each reporting unit through internal analysis and external valuations, which utilize income and market valuation approaches through the application of capitalized earnings, discounted cash flow as well as market value. These valuation techniques are based on a number of estimates and assumptions, including the projected future operating results of the reporting unit, appropriate discount rates and long-term growth rates. The significant assumptions regarding our future operating performance are revenue growth rates, discount rates and terminal values. If any of these assumptions changes, the estimated fair value of our reporting unit will change, which could affect the amount of goodwill impairment charges, if any. We perform the annual goodwill impairment test on November 30. As of November 30, 2017, we operated and managed our business as a single segment, and the acquired business had been migrated to our business. Our management reviews our consolidated results when making decisions about allocating resources and assessing our performance. Therefore, we have a single operating segment and reporting unit.

Customer Loyalty Program

HUAZHU Rewards is our customer loyalty program. Our members can earn points based on spending at our leased and owned, franchised and managed hotels and participating in certain marketing programs. These points can be redeemed for offset the room charges in our hotels or used to buy products in Hua Zhu mall within two years after the points are earned. Management determines the fair value of the future redemption obligation based on certain formulas which project the future point redemption behavior based on historical experience, including an estimate of points that will never be redeemed, and an estimate of the points that will eventually be redeemed as well as the cost to be incurred in conjunction with the point redemption. The actual expenditure may differ from the estimated liability recorded.

Income Taxes

The provision for income taxes has been determined using the asset and liability approach of accounting for income taxes. Under this approach, we recognize deferred tax assets and liabilities based on the differences between the financial statement carrying amounts and tax basis of assets and liabilities. A valuation allowance is required to reduce the carrying amounts of deferred tax assets if, based on the available evidence, it is more likely than not that such assets will not be realized. Accordingly, the need to establish valuation allowances for deferred tax assets is assessed periodically based on a more-likely-than-not realization threshold. This assessment considers, among other matters, the nature, frequency and severity of current and cumulative losses, forecasts of future profitability, the duration of statutory carryforward periods, our experience with operating loss in the China's limited service hotel industry, tax planning strategy implemented and other tax planning alternatives. Prior to 2009, we had significant operating losses attributable to rapid expansion and related pre-opening costs incurred. As of December 31, 2015, 2016 and 2017, we had deferred tax assets after valuation allowance of RMB218.7 million, RMB176.4 million and RMB325.6 million (US\$50.1 million), respectively. We expect many of our hotels that were put in operation since 2013 will mature gradually and generate sufficient taxable profit to utilize the substantial portion of the net loss carryforward. If our operating results are less than currently projected and there is no objectively verifiable evidence to support the realization of our deferred tax asset, additional valuation allowance may be required to further reduce our deferred tax asset. The reduction of the deferred tax asset could increase our income tax expenses and have an adverse effect on our results of operations and tangible net worth in the period in which the allowance is recorded.

The provision for income taxes represents income taxes paid or payable for the current year plus the change in deferred taxes during the year. Our tax rate is based on expected income, statutory tax rates and tax planning opportunities available in the various jurisdictions in which we operate. For interim financial reporting, we estimate the annual tax rate based on projected taxable income for the full year and record a quarterly income tax provision in accordance with the anticipated annual rate. As the year progresses, we refine the estimates of the year's taxable income as new information becomes available, including year-to-date financial results. This continual estimation process often results in a change to our expected effective tax rate for the year. When this occurs, we adjust the income tax provision during the quarter in which the change in estimate occurs so that the year-to-date provision reflects the expected annual tax rate. Significant judgment is required in determining our effective tax rate and in evaluating its tax positions.

We recognize a tax benefit associated with an uncertain tax position when, in our judgment, it is more likely than not that the position will be sustained upon examination by a taxing authority. For a tax position that meets the more-likely-than-not recognition threshold, we initially and subsequently measure the tax benefit as the largest amount that we judge to have a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority. Our liability associated with unrecognized tax benefits is adjusted periodically due to changing circumstances, such as the progress of tax audits, case law developments and new or emerging legislation. Such adjustments are recognized entirely in the period in which they are identified. Our effective tax rate includes the net impact of changes in the liability for unrecognized tax benefits and subsequent adjustments as considered appropriate by management. We classify interests and penalties recognized on the liability for unrecognized tax benefits as income tax expense.

Share-Based Compensation

The costs of share based payments are recognized in our consolidated financial statements based on their grant-date fair value over the vesting. We determine fair value of our share options as of the grant date using binomial option pricing model and the fair value of our nonvested restricted stocks as of the grant date based on the fair market value of the underlying ordinary shares. Under the binomial option pricing model, we make a number of assumptions regarding fair value including the expected price multiple at which employee are likely to exercise stock options, the expected volatility of our future ordinary share price, the risk free interest rate and the expected dividend yield. Determining the value of our share-based compensation expense in future periods also requires the input of subjective assumptions around estimated forfeitures of the underlying shares and likely future performance. The compensation expenses for the awards with performance conditions based upon our judgment of likely future performance and may be adjusted in future periods depending on actual performance. We estimate our forfeitures based on past employee retention rates, our expectations of future retention rates, and we will prospectively revise our forfeiture rates based on actual history. We estimate our future performance based on our historical results. Our compensation charges may change based on changes to our assumptions.

Future Adoption of Accounting Standards

See “Note 2 Summary of Principal Accounting Policies/New Accounting Pronouncement Not Yet Adopted” for our current evaluation of the impact of adopting Accounting Standards Update No. 2014-09 (“ASU 2014-09”), *Revenue from Contracts With Customers* (Topic 606), Accounting Standards Update No. 2016-02 (“ASU 2016-02”), *Leases*, and other accounting standards effective in future periods.

Results of Operations

The following table sets forth a summary of our consolidated results of operations, both 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 and related notes included elsewhere in this annual report.

We have grown rapidly since we began our current business of operating and managing a multi-brand hotel group in 2007. Our relatively limited operating history makes it difficult to predict our future operating results. We believe that the year-to-year comparison of operating results should not be relied upon as being indicative of future performance.

	Year Ended December 31,						
	2015		2016		2017		
	RMB	%	RMB	%	(RMB) (US\$)	%	
(In thousands except percentages)							
Consolidated Statement of Comprehensive Income Data:							
Revenues:							
Leased and owned hotels	4,986,872	86.3	5,212,405	79.7	6,343,279	974,944	77.6
Manachised and franchised hotels	1,123,979	19.5	1,411,156	21.6	1,786,660	274,605	21.9
Others	—	—	31,219	0.5	40,257	6,187	0.5
Total revenues	6,110,851	105.8	6,654,780	101.8	8,170,196	1,255,736	100.0
Less: Business tax and related taxes	336,227	5.8	116,149	1.8	—	—	—
Net revenues	5,774,624	100.0	6,538,631	100.0	8,170,196	1,255,736	100.0
Operating costs and expenses(1):							
Hotel operating costs	4,512,147	78.1	4,932,173	75.4	5,674,151	872,101	69.4
Other operating costs	—	—	7,606	0.1	17,324	2,663	0.2
Selling and marketing expenses	179,568	3.1	146,525	2.2	214,959	33,039	2.6
General and administrative expenses	403,008	7.0	492,141	7.5	690,970	106,200	8.5
Pre-opening expenses	110,011	1.9	71,847	1.1	206,454	31,731	2.5
Total operating costs and expenses	5,204,734	90.1	5,650,292	86.3	6,803,858	1,045,734	83.2
Other operating income (expense), net	31,264	0.5	(17,440)	(0.4)	71,175	10,940	0.8
Income from operations	601,154	10.4	870,899	13.3	1,437,513	220,942	17.6
Interest income	26,712	0.5	67,366	1.0	112,645	17,313	1.4
Interest expenses	3,854	0.0	11,056	0.2	87,320	13,421	1.1
Other income, net	6,979	0.0	133,755	2.1	163,678	25,157	2.0
Foreign exchange gain (loss)	7,814	0.1	16,481	0.3	(18,128)	(2,786)	(0.2)
Income before income taxes	638,805	11.0	1,077,445	16.5	1,608,388	247,205	19.7
Income tax expense	196,529	3.4	287,120	4.4	359,958	55,325	4.5
Income (loss) from equity method investments	(2,896)	(0.0)	6,157	0.1	(11,783)	(1,811)	(0.1)
Net income	439,380	7.6	796,482	12.2	1,236,647	190,069	15.1
Less: net income (loss) attributable to noncontrolling interest	2,780	0.0	(8,133)	(0.1)	(555)	(86)	(0.0)
Net income attributable to China Lodging Group, Limited	436,600	7.6	804,615	12.3	1,237,202	190,155	15.1

Note:

(1) Includes share-based compensation expenses as follows:

	Year Ended December 31,			
	2015 (RMB)	2016 (RMB)	2017 (RMB)	(US\$)
Share-based compensation expenses	52,535	55,436	66,367	10,200

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Net Revenues. Our net revenues increased by 25.0% from RMB6,538.6 million in 2016 to RMB8,170.2 million (US\$1,255.7 million) in 2017. The following table sets forth a breakdown of our net revenues for the periods indicated:

	Year Ended December 31,		
	2016 (RMB)	2017 (RMB)	(US\$)
Revenues			
Leased and owned hotels	5,212,405	6,343,279	974,944
Manachised and franchised hotels	1,411,156	1,786,660	274,605
Others	31,219	40,257	6,187
Total revenues	6,654,780	8,170,196	1,255,736
Less: business tax and related surcharges ⁽¹⁾	(116,149)	—	—
Net revenues	6,538,631	8,170,196	1,255,736
Net revenues from leased and owned hotels	5,121,431	6,343,279	974,944
Net revenues from manachised and franchised hotels	1,386,526	1,786,660	274,605
Others	30,674	40,257	6,187

Note:

(1) Value-added tax has been implemented for hospitality industry to replace business tax in China effective May 1, 2016. For comparison purpose, the business tax and related surcharges in 2016 are re-allocated to reflect net revenues for each business.

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- *Leased and Owned Hotels.* Net revenues from our leased and owned hotels increased by 23.9% from RMB5,121.4 million in 2016 to RMB6,343.3 million (US\$974.9 million) in 2017. This increase was primarily due to our continued expansion of leased and owned hotels from 624 hotels and 78,160 hotel rooms as of December 31, 2016 to 671 hotels and 85,018 hotel rooms as of December 31, 2017. The increase of RevPAR for our leased and owned hotels from RMB179 in 2016 to RMB211 (US\$32.4) in 2017, mainly as a result of the increase in the proportion of midscale and upscale hotels and the improved performance driven by strong travel demand.
- *Manachised and Franchised Hotels.* Net revenues from our manachised and franchised hotels increased by 28.9% from RMB1,386.5 million in 2016 to RMB1,786.7 million (US\$274.6 million) in 2017. This increase was primarily due to our continued expansion of manachised hotels from 2,471 hotels and 237,094 hotel rooms as of December 31, 2016 to 2,874 hotels and 275,065 hotel rooms as of December 31, 2017 and franchised hotels from 174 hotels and 16,093 hotel rooms as of December 31, 2016 to 201 hotels and 19,592 hotel rooms as of December 31, 2017. RevPAR for our manachised and franchised hotels increased from RMB151 and RMB125 in 2016 to RMB171 (US\$26.3) and RMB158 (US\$24.3) in 2017, respectively, mainly attributable to the upgrade of economy hotels and increasing travel demands.
- *Other Revenues.* Net other revenues increased from RMB30.7 million in 2016 to RMB40.3 million (US\$6.2 million) in 2017. This increase was primarily attributable to the increase of revenues from provision of IT products and services to hotels.

Operating Costs and Expenses. Our total operating costs and expenses increased by 20.4% from RMB5,650.3 million in 2016 to RMB6,803.9 million (US\$1,045.7 million) in 2017.

- *Hotel Operating Costs.* Our hotel operating costs increased by 15.0% from RMB4,932.2 million in 2016 to RMB5,674.2 million (US\$872.1 million) in 2017. This increase was primarily due to our expansion of leased and owned hotels from 624 hotels as of December 31, 2016 to 671 hotels as of December 31, 2017 and the increased proportion of our midscale and upscale hotels. The increase in personnel costs, part of hotel operating costs, was also attributable to our expansion of manachised hotels from 2,471 hotels as of December 31, 2016 to 2,874 hotels as of December 31, 2017. Our hotel operating costs as a percentage of net revenues decreased from 75.4% in 2016 to 69.4% in 2017. The year-over-year decrease in the percentage was mainly attributable to the improved blended RevPAR and the increased portion of manachised and franchised hotels.
- *Selling and Marketing Expenses.* Our selling and marketing expenses increased by 46.8% from RMB146.5 million in 2016 to RMB215.0 million (US\$33.0 million) in 2017. Our selling and marketing expenses as a percentage of net revenues increased from 2.2% in 2016 to 2.6% in 2017. The increase was mainly attributable to the redesign of a number of our hotel brands as well as marketing activities to promote our brands and loyalty programs.
- *General and Administrative Expenses.* Our general and administrative expenses increased from RMB492.1 million in 2016 to RMB691.0 million (US\$106.2 million) in 2017. Our general and administrative expenses as a percentage of net revenues increased from 7.5% in 2016 to 8.5% in 2017. The increase was mainly attributable to the increase of performance-related personnel costs, general and administrative expenses related to the newly acquired Crystal Orange, and one-off Crystal Orange acquisition transaction costs amounting to RMB46.2 million in the first half of 2017.
- *Pre-opening Expenses.* Our pre-opening expenses increased from RMB71.8 million in 2016 to RMB206.5 million (US\$31.7 million) in 2017. Our pre-opening expenses as a percentage of net revenues increased from 1.1% in 2016 to 2.5% in 2017. These increases were mainly attributable to more leased midscale and upscale hotels opened or under construction in 2017 than in 2016.

Other Operating Income (Expense), Net. Our other operating income was RMB71.2 million (US\$10.9 million) in 2017, which mainly included government grants. Our other operating expense was RMB17.4 million in 2016, which mainly included accrued contingencies for certain of our pending legal and administrative proceedings, partially offset by government grants.

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Income from Operations. As a result of the foregoing, we had income from operations of RMB1,437.5 million (US\$220.9 million) in 2017, compared to income from operations of RMB870.9 million in 2016.

Interest Income (Expense), Net. Our net interest income was RMB25.3 million (US\$3.9 million) in 2017. Our interest income was RMB112.6 million (US\$17.3 million) in 2017, and our interest expense was RMB87.3 million (US\$13.4 million). Our net interest income was RMB56.3 million in 2016. Our interest income was RMB67.4 million in 2016, and our interest expense was RMB11.1 million. The decrease in net interest income from 2016 to 2017 was primarily due to increased bank borrowings and issuance of convertible senior notes in 2017.

Other Income, Net. Our other income was RMB133.8 million and RMB163.7 million (US\$25.2 million) in 2016 and 2017, respectively, primarily attributable to the investment income from our equity investments.

Foreign Exchange Gain (Loss). We had foreign exchange loss of RMB18.1 million (US\$2.8 million) in 2017, compared to foreign exchange gain of RMB16.5 million in 2016. Our foreign exchange loss in 2017 was primarily attributable to the appreciation of the Renminbi against the U.S. dollar in 2017.

Income Tax Expense. Our income tax expenses increased from RMB287.1 million in 2016 to RMB360.0 million (US\$55.3 million) in 2017, primarily due to the increase in our income before income taxes from RMB1,077.4 million in 2016 to RMB1,608.4 million (US\$247.2 million) in 2017. Our effective tax rate in 2017 was 22.4%, which decreased from 26.6% in 2016, primarily due to the influence of withholding tax on cash dividend in 2016 and the effect of excess tax benefit of share-based compensation in 2017. The effect of excess tax benefit was recorded in additional paid-in capital before 2017. With the adoption of ASU 2016-09, the tax benefit for options and equity awards is recognized in the income statement that lead to a RMB46.2 million decrease in income tax expenses in 2017.

Income (Loss) from Equity Method Investments. Our loss from equity method investments was RMB11.8 million (US\$1.8 million) in 2017, compared to our income from equity method investments of RMB6.2 million in 2016, primarily due to the loss incurred by certain investees.

Net Income (Loss) Attributable to Noncontrolling Interest. Net income (loss) attributable to noncontrolling interest represents joint venture partners' share of our net income or loss based on their equity interest in the leased and owned hotels owned by the joint ventures. Net loss attributable to noncontrolling interest was RMB0.6 million (US\$0.1 million) in 2017, compared to the net loss attributable to noncontrolling interest of RMB8.1 million in 2016, primarily due to decreased losses of certain of our new joint ventures.

Net Income Attributable to China Lodging Group, Limited. As a result of the foregoing, we had net income attributable to China Lodging Group, Limited of RMB1,237.2 million (US\$190.2 million) in 2017 compared to net income attributable to China Lodging Group, Limited of RMB804.6 million in 2016.

EBITDA and Adjusted EBITDA. EBITDA (non-GAAP) was RMB2,361.1 million (US\$362.9 million) in 2017, compared with EBITDA of RMB1,730.3 million in 2016. Adjusted EBITDA (non-GAAP) increased from RMB1,785.8 million in 2016 to RMB2,427.5 million (US\$373.1 million) in 2017. This change was primarily due to the expansion of our hotel network, the improved RevPAR and the acquisition of Crystal Orange in 2017.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Net Revenues. Our net revenues increased by 13.2% from RMB5,774.6 million in 2015 to RMB6,538.6 million in 2016.

- *Leased and Owned Hotels.* Net revenues from our leased and owned hotels increased by 8.7% from RMB4,712.5 million in 2015 to RMB5,121.4 million (US\$737.6 million) in 2016. This increase was primarily due to our continued expansion of leased and owned hotels from 616 hotels and 75,436 hotel rooms as of December 31, 2015 to 624 hotels and 78,160 hotel rooms as of December 31, 2016. The slight increase of RevPAR for our leased and owned hotels from RMB172 in 2015 to RMB179 (US\$25.8) in 2016 was also attributable to the increase.

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- *Manachised and Franchised Hotels.* Net revenues from our manachised and franchised hotels increased by 30.5% from RMB1,062.1 million in 2015 to RMB1,386.5 million (US\$199.7 million) in 2016. This increase was primarily due to our continued expansion of manachised hotels from 2,067 hotels and 196,737 hotel rooms as of December 31, 2015 to 2,471 hotels and 237,094 hotel rooms as of December 31, 2016 and franchised hotels from 80 hotels and 6,670 hotel rooms as of December 31, 2015 to 174 hotels and 16,093 hotel rooms as of December 31, 2016. RevPAR for our manachised and franchised hotels increased from RMB145 and RMB124 in 2015 to RMB151 (US\$21.7) and RMB125 (US\$18.0) in 2016, respectively, mainly as a result of the upgrade of Hanting 2.0 and the growing demand of our midscale hotels.
- *Other Revenues.* Net other revenues increased from nil in 2015 to RMB30.7 million (US\$4.5 million) in 2016. This increase was primarily attributable to an increase of revenues generated from other than hotel businesses, mainly including revenues from Hua Zhu mall and the provision of IT products and services to hotels.

Operating Costs and Expenses. Our total operating costs and expenses increased by 8.6% from RMB5,204.7 million in 2015 to RMB5,650.3 million (US\$813.8 million) in 2016.

- *Hotel Operating Costs.* Our hotel operating costs increased by 9.3% from RMB4,512.1 million in 2015 to RMB4,932.2 million (US\$710.4 million) in 2016. This increase was primarily due to our expansion of leased and owned hotels from 616 hotels as of December 31, 2015 to 624 hotels as of December 31, 2016. The increase in personnel costs, part of hotel operating costs, was also attributable to our expansion of manachised hotels from 2,067 hotels as of December 31, 2015 to 2,471 hotels as of December 31, 2016. Our hotel operating costs as a percentage of net revenues decreased from 78.1% in 2015 to 75.4% in 2016. The year-over-year decrease in the percentage was mainly attributable to the improved blended RevPAR and VAT deductions.
- *Selling and Marketing Expenses.* Our selling and marketing expenses decreased by 18.4% from RMB179.6 million in 2015 to RMB146.5 million (US\$21.1 million) in 2016. Our selling and marketing expenses as a percentage of net revenues decreased from 3.1% in 2015 to 2.2% in 2016. The decrease was mainly attributable to the adjustment related to membership point cost due to the difference between actual and estimated membership point redemptions in 2016.
- *General and Administrative Expenses.* Our general and administrative expenses increased from RMB403.0 million in 2015 to RMB492.1 million (US\$70.9 million) in 2016, primarily as a result of our business expansion. Our general and administrative expenses as a percentage of net revenues increased from 7.0% in 2015 to 7.5% in 2016. The increase was mainly attributable to the increase of personnel costs and professional fees.
- *Pre-opening Expenses.* Our pre-opening expenses decreased from RMB110.0 million in 2015 to RMB71.8 million (US\$10.3 million) in 2016. Our pre-opening expenses as a percentage of net revenues decreased from 1.9% in 2015 to 1.1% in 2016. These decreases were primarily due to fewer leased and owned hotels opened or under construction in 2016 than in 2015.

Other Operating Income (Expense), Net. Our other operating income was RMB31.3 million in 2015, which mainly includes government grants and gain or loss arising from the write-off of property and equipment associated with the leased and owned hotels demolished. Our other operating expense was RMB17.4 million (US\$2.5 million) in 2016, which mainly included accrued contingencies for certain of our pending legal and administrative proceedings, partially offset by government grants.

Income from Operations. As a result of the foregoing, we had income from operations of RMB870.9 million (US\$125.4 million) in 2016, compared to income from operations of RMB601.2 million in 2015.

Interest Income (Expense), Net. Our net interest income was RMB56.3 million (US\$8.1 million) in 2016. Our interest income was RMB67.4 million (US\$9.7 million) in 2016, and our interest expense was RMB11.1 million (US\$1.6 million). Our net interest income was RMB22.8 million in 2015. Our interest income was RMB26.7 million in 2015, and our interest expense was RMB3.9 million. The increase in interest income from 2015 to 2016 was primarily due to the increase in our cash and cash equivalents and loans to franchisees.

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Other Income, Net. Our other income was RMB7.0 million and RMB133.8 million (US\$19.3 million) in 2015 and 2016, respectively, primarily attributable to the gain on sale of ADS of HMIN and deconsolidation of a subsidiary.

Foreign Exchange Gain (Loss). We had foreign exchange gain of RMB16.5 million (US\$2.4 million) in 2016, compared to foreign exchange gain of RMB7.8 million in 2015. Our foreign exchange gain in 2016 was primarily attributable to the depreciation of the Renminbi against the U.S. dollar in 2016.

Income Tax Expense. Our income tax expenses increased from RMB196.5 million in 2015 to RMB287.1 million (US\$41.4 million) in 2016, primarily due to the increase in our income before income taxes from RMB638.8 million in 2015 to RMB1,077.4 million (US\$155.2 million) in 2016. Our effective tax rate in 2016 was 26.6%, which decreased from 30.8% in 2015, primarily due to influence of tax holiday and change in valuation allowance.

Income (Loss) from Equity Method Investments. Our income from equity method investments was RMB6.2 million (US\$0.9 million) in 2016, compared to our loss from equity method investments of RMB2.9 million in 2015, primarily due to income or loss incurred by certain investees.

Net Income (Loss) Attributable to Noncontrolling Interest. Net income (loss) attributable to noncontrolling interest represents joint venture partners' share of our net income or loss based on their equity interest in the leased and owned hotels owned by the joint ventures. Net loss attributable to noncontrolling interest was RMB8.1 million (US\$1.2 million) in 2016, compared to the net income attributable to noncontrolling interest of RMB2.8 million in 2015, primarily due to losses of certain of our new joint ventures.

Net Income Attributable to China Lodging Group, Limited. As a result of the foregoing, we had net income attributable to China Lodging Group, Limited of RMB804.6 million (US\$115.9 million) in 2016 compared to net income attributable to China Lodging Group, Limited of RMB436.6 million in 2015.

EBITDA and Adjusted EBITDA. EBITDA (non-GAAP) was RMB1,730.3 million (US\$249.2 million) in 2016, compared with EBITDA of RMB1,271.7 million in 2015. Adjusted EBITDA (non-GAAP) increased from RMB1,324.2 million in 2015 to RMB1,785.8 million (US\$257.2 million) in 2016. This change was primarily due to the expansion of our hotel network, the improved RevPAR and the increased investment gain in 2016.

Outstanding Indebtedness

In February 2017, we entered into a three-year revolving general credit facility with China Merchants Bank under which we can borrow up to RMB500 million by February 2020. The interest rate for each draw-down will be established in each draw-down agreement. As of December 31, 2017, we had not drawn down any amount under this contract.

In April 2017, we entered into a three-year bank loan contract with Industrial and Commercial Bank of China under which we can borrow up to US\$40 million by September 30, 2017, and we had a RMB307 million deposit pledged accordingly. The interest rate is based on the three-month Libor on draw-down date plus 1.4%. In 2017, we had drawn down US\$40 million under this agreement and repaid US\$0.01 million. As of December 31, 2017, according to the contract, there were US\$0.02 million needed to be repaid within one year, which belonged to the current portion of our long-term bank borrowings. The weighted average interest rate of borrowings drawn under this agreement was 2.68% in 2017.

In May 2017, we entered into an US\$250 million term facility and US\$250 million revolving credit facility agreement. The US\$250 million revolving credit facility is available for 35 months after the date of the agreement. The interest rate on the loan is Libor plus 1.75%. There are some financial covenants including interest cover, leverage and tangible net worth related to this facility. In 2017, we had drawn down US\$250 million under the term facility agreement and repaid nil. For revolving credit facility agreement, we had drawn down US\$250 million in May 2017 and fully repaid the amount in November 2017. The weighted average interest rate of borrowings drawn under this agreement was 3.04% in 2017.

In June 2017, we entered into a one-year bank loan contract with China CITIC Bank under which we can borrow up to US\$20 million for the period ended May 31, 2018, and we had a RMB160 million deposit pledged accordingly. The interest rate is based on the twelve-month Libor on draw-down date plus 1.5%. In 2017, we had drawn down US\$20 million under this agreement and repaid nil. The weighted average interest rate of borrowings drawn under this agreement was 3.22% in 2017.

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In November 2017, we issued US\$475 million of the Notes. The Notes will mature on November 1, 2022 and bear interest at a rate of 0.375% per annum, payable in arrears semi-annually on May 1 and November 1, beginning May 1, 2018. The Notes can be converted into our ADSs at an initial conversion rate of 5.4869 of our ADSs per US\$1,000 principal amount of the Notes (equivalent to an initial conversion price of US\$182.25 per ADS).

5.B. Liquidity and Capital Resources

Our principal sources of liquidity have been cash generated from operating activities, borrowings from commercial banks and issuance of convertible senior notes. Our cash and cash equivalents consist of cash on hand and liquid investments which have maturities of three months or less when acquired and are unrestricted as to withdrawal or use. As of December 31, 2017, we had entered into binding contracts with lessors of 37 properties for our leased and owned hotels under development. As of December 31, 2017, we expected to incur approximately RMB1,222.4 million of capital expenditures in connection with certain recently completed leasehold improvements and to fund the leasehold improvements of these 37 leased and owned hotels. We intend to fund this planned expansion with our operating cash flow, our cash balance and our credit facilities.

We have been able to meet our working capital needs, and we believe that we will be able to meet our working capital needs for at least the next 12 months with our operating cash flow, existing cash balance and our credit facilities (including the undrawn bank facilities currently available to us and bank facilities we plan to obtain in 2017).

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

	Year Ended December 31,			
	2015 (RMB)	2016 (RMB)	2017 (RMB)	(US\$)
	(In thousands)			
Net cash provided by operating activities	1,762,511	2,066,301	2,452,596	376,955
Net cash provided by (used in) investing activities	(1,550,357)	183,762	(6,716,254)	(1,032,268)
Net cash provided by (used in) financing activities	219,443	(266,194)	4,536,103	697,186
Effect of exchange rate changes on cash and cash equivalents	(2,624)	13,300	(32,733)	(5,031)
Net increase in cash and cash equivalents	428,973	1,997,169	239,712	36,842
Cash and cash equivalents at the beginning of the year	808,865	1,237,838	3,235,007	497,212
Cash and cash equivalents at the end of the year	1,237,838	3,235,007	3,474,719	534,054

Operating Activities

In 2015, 2016 and 2017, we financed our operating activities primarily through cash generated from operations.

Net cash provided by operating activities amounted to RMB2,452.6 million (US\$377.0 million) in 2017, primarily attributable to (i) our net income of RMB1,236.6 million (US\$190.1 million), (ii) an add-back of RMB789.3 million (US\$121.3 million) in depreciation and amortization, (iii) an increase of RMB288.2 million (US\$44.3 million) in accrued expenses and other current liabilities, (iv) an add-back of RMB209.1 million (US\$32.1 million) in the deferred rent because rental accrued on a straight-line basis exceeded rental paid out of our contractual liabilities and (v) an add-back of RMB169.2 million (US\$26.0 million) of impairment loss.

Net cash provided by operating activities amounted to RMB2,066.3 million in 2016, primarily attributable to (i) our net income of RMB796.5 million in 2016, (ii) an add-back of RMB694.9 million in depreciation and amortization, (iii) an increase of RMB202.4 million in accrued expenses and other current liabilities, (iv) an add-back of RMB153.7 million of impairment loss, (v) an add-back of RMB103.3 million in deferred rent because rental accrued on a straight-line basis exceeded rental paid out of our contractual liabilities.

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Net cash provided by operating activities amounted to RMB1,762.5 million in 2015, primarily attributable to (i) our net income of RMB439.4 million in 2015, (ii) an add-back of RMB661.4 million in depreciation and amortization in 2015, (iii) our deferred revenue of RMB216.8 million primarily attributable to one-time membership fees in connection with our HUAZHU Rewards loyalty program as well as advances received from customers and franchisees, (iv) an add-back of RMB130.3 million in deferred rent because rental accrued on a straight-line basis exceeded rental paid out of our contractual liabilities and (v) an increase of RMB121.5 million in accrued expenses and other current liabilities, partially offset by an increase of RMB44.4 million in prepaid rent.

Net cash provided by operating activities increased from RMB2,066.3 million in 2016 to RMB2,452.6 million (US\$377.0 million) in 2017, primarily due to (i) an increase in our net income from RMB796.5 million in 2016 to RMB1,236.6 million (US\$190.1 million) in 2017, (ii) an increase in the add-back of our deferred rent from RMB103.3 million in 2016 to RMB209.1 million (US\$32.1 million) in 2017, and (iii) an increase in accrued expenses and other current liabilities from RMB202.4 million in 2016 to RMB288.2 million (US\$44.3 million) in 2017, partially offset by an increase in our prepaid rent from RMB25.4 million in 2016 to RMB188.7 million (US\$29.0 million) in 2017.

Net cash provided by operating activities increased from RMB1,762.5 million in 2015 to RMB2,066.3 million in 2016, primarily due to (i) an increase in our net income from RMB439.4 million in 2015 to RMB796.5 million in 2016, (ii) an increase in accrued expenses and other current liabilities from RMB121.5 million in 2015 to RMB202.4 million in 2016 and (iii) an increase in the add-back of our impairment loss from RMB95.6 million in 2015 to RMB153.7 million in 2016.

Investing Activities

Our cash used in investing activities in 2017 is primarily related to our leasehold improvements, purchase of equipment, fixtures in leased and owned hotels, acquisition of Crystal Orange, investment in Cjia, CREATER, Mobike and OYO, and purchase of marketable securities from the open market.

Net cash used in investing activities was RMB6,716.3 million (US\$1,032.3 million) in 2017, compared to net cash provided by investing activities of RMB183.8 million in 2016, primarily due to (i) a change in acquisitions, net of cash received from positive RMB131.5 million in 2016 to negative RMB3,745.6 million (US\$575.7 million) in 2017, mainly due to the acquisition of Crystal Orange (ii) an increase in our purchase of long-term investments from RMB293.1 million in 2016 to RMB1,327.5 million (US\$204.0 million) in 2017, (iii) a change in our restricted cash from a decrease of RMB360.0 million in 2016 to an increase of RMB480.8 million (US\$73.9 million) in 2017, (iv) a decrease in our proceeds from maturity/sale of short-term investments from RMB526.4 million in 2016 to nil in 2017, mainly due to the disposal of all our investment in Home Inns in 2016 (v) an increase in our payment for the origination of loan receivables from RMB36.4 million in 2016 to RMB 445.9 million (US\$68.5 million) in 2017 and (vi) an increase in our purchases of property and equipment from RMB503.1 million in 2016 to RMB819.5 million (US\$126.0 million) in 2017.

Net cash provided by investing activities was RMB183.8 million in 2016, compared to net cash used in investing activities of RMB1,550.4 million in 2015, primarily due to (i) a change in our restricted cash from an increase of RMB360.5 million in 2015 to a decrease of RMB360.0 million in 2016, (ii) an increase in our proceeds from maturity/sale of short-term investments from nil in 2015 to RMB526.4 million in 2016, and (iii) a decrease in our purchases of short-term investments from RMB434.8 million in 2015 to nil in 2016, partially offset by an increase in our purchases of long-term investments from RMB105.7 million in 2015 to RMB293.1 million in 2016.

Financing Activities

Our major financing activities since 2012 consist of loans with commercial banks, entrusted loans from related parties, repurchase of shares, issuance of convertible senior notes and payment of dividends. Net cash provided by financing activities was RMB4,536.1 million (US\$ 697.2 million) in 2017, compared to net cash used in financing activities of RMB266.2 million in 2016. Net cash provided by financing activities in 2017 primarily consisted of (i) proceeds of RMB3,633.2 million (US\$558.4 million) from long-term debt, (ii) proceeds of RMB2,925.2 million (US\$ 449.6 million) from issuance of convertible senior notes, net of issuance cost and capped call option, (iii) proceeds of RMB136.5 million (US\$21.0 million) from short-term debt, partially offset by (i) repayment of long-term debt of RMB1,650.9 million (US\$253.7 million), (ii) dividend payment of RMB306.3 million (US\$47.1 million), (iii) repayment of short-term debt of RMB294.7 million (US\$45.3 million).

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Net cash used in financing activities in 2016 primarily consisted of (i) repayment of RMB332.6 million from short-term debt, and (ii) dividend paid of RMB276.3 million, partially offset by (i) proceeds of RMB281.7 million from short-term debt, (ii) contribution from noncontrolling interest holders in the amount of RMB45.6 million, (iii) net proceeds of RMB12.2 million from issuance of ordinary shares upon exercise of options, and (iv) funds advanced from noncontrolling interest holders in the amount of RMB11.5 million.

Restrictions on Cash Transfers to Us

We are a holding company with no material operations of our own. We conduct our operations primarily through our subsidiaries in China. As a result, our ability to pay dividends and to finance any debt we may incur depends upon dividends paid to us by our subsidiaries. If our subsidiaries or any newly formed subsidiaries 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 subsidiaries 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. Pursuant to laws applicable to entities incorporated in the PRC, our subsidiaries in the PRC must make appropriations from after-tax profit to non-distributable reserve funds. These reserve funds include one or more of the following: (i) a general reserve, (ii) an enterprise expansion fund and (iii) a staff bonus and welfare fund. Subject to certain cumulative limits, the general reserve fund requires an annual appropriation of 10% of after-tax profit (as determined under accounting principles generally accepted in the PRC at each year-end) until the accumulative amount of such reserve fund reaches 50% of its registered capital; the other fund appropriations are at the subsidiaries' discretion. These reserve funds can only be used for the specific purposes of enterprise expansion, staff bonus and welfare, and are not distributable as cash dividends. In addition, due to restrictions on the distribution of share capital from our PRC subsidiaries, the share capital of our PRC subsidiaries is considered restricted. As a result of the PRC laws and regulations, as of December 31, 2017, approximately RMB3,481.2 million (US\$535.0 million) was not available for distribution to us by our PRC subsidiaries in the form of dividends, loans, or advances.

Furthermore, under regulations of the SAFE, the Renminbi is not convertible into foreign currencies for capital account items, such as loans, repatriation of investments and investments outside of China, unless the prior approval of the SAFE is obtained and prior registration with the SAFE is made.

The EIT Law provides that enterprises established outside of China whose “de facto management bodies” are located in China are considered “resident enterprises.” Currently, it is still unclear whether the PRC tax authorities would determine that we should be classified as a PRC “resident enterprise”. See “Item 10. Additional Information — E. Taxation — PRC Taxation.”

The EIT Law imposes a withholding tax of 10% on dividends distributed by a foreign-invested enterprise to its immediate holding company outside of China, if such immediate holding company is considered a “non-resident enterprise” without any establishment or place within China or if the received dividends have no connection with the establishment or place of such immediate holding company within China, unless such immediate holding company's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding tax rate. A holding company in Hong Kong, for example, is subject to a 5% withholding tax rate if it owns at least 25% equity in the PRC subsidiary and is the beneficial owner of the dividends.

The EIT Law provides that PRC “resident enterprises” are generally subject to the uniform 25% enterprise income tax rate on their worldwide income. Therefore, if we are treated as a PRC “resident enterprise,” we will be subject to PRC income tax on our worldwide income at the 25% uniform tax rate, which could have an impact on our effective tax rate and an adverse effect on our net income and results of operations, although we would be exempted from enterprise income tax on dividends distributed from our PRC subsidiaries to us, since such income received by PRC resident enterprise is tax exempted under the EIT Law.

We do not expect any of such restrictions or taxes to have a material impact on our ability to meet our cash obligations.

Capital Expenditures

Our capital expenditures were incurred primarily in connection with leasehold improvements, investments in furniture, fixtures and equipment and technology, information and operational software. Our capital expenditures totaled RMB655.4 million, RMB494.8 million and RMB1,069.2 million (US\$164.3 million) in 2015, 2016 and 2017, respectively. Our capital expenditures in 2017 consist of RMB1,060.2 million (US\$162.9 million) in property and equipment and RMB9.0 million (US\$1.4 million) in software. We will continue to make capital expenditures to meet the expected growth of our operations and expect our cash balance, cash generated from our operating activities and credit facilities will meet our capital expenditure needs in the foreseeable future.

5.C. Research and Development, Patents and Licenses, etc.

See “Item 4. Information on the Company — B. Business Overview — Hotel Information Platform and Operational Systems” and “— Intellectual Property”.

5.D. Trend Information

Two of our wholly-owned subsidiaries, Han ting Technology (Suzhou) Co., Ltd. (“Han ting Suzhou”) and Jizhu Information and Technology (Shanghai) Co., Ltd (“Jizhu Shanghai”), which once called Mengguang Information and Technology (Shanghai) Co., Ltd, as recognized software development entities located in Suzhou and Shanghai of PRC, are entitled to a two-year exemption and three-year 50% reduction starting from the first profit making year after absorbing all prior years’ tax losses. Han ting Suzhou has entered into the first tax profitable year for the year ended December 31, 2011. Therefore, Han ting Suzhou applied tax exemption from 2011 to 2012, and was subject to a preferential tax rate of 12.5% from 2013 to 2015. Since 2016, Han ting Suzhou is entitled to a preferential tax rate of 15% as it is qualified as high and new tech enterprise. The high and new tech enterprise qualification expired in September 2017. Jizhu Shanghai has entered into the first tax profitable year for the year ended December 31, 2014. Therefore, Jizhu Shanghai applied tax exemption from 2014 to 2015, and was subject to a preferential tax rate of 12.5% from 2016 to 2018. The aggregate amount and per share effect of tax holidays were as follows:

	Year Ended December 31,		
	2015 (RMB)	2016 (RMB)	2017 (RMB)
	(In thousands, except per share data)		
Aggregate amount	41,288	27,224	24,424
Per share effect—basic	0.16	0.10	0.09
Per share effect—diluted	0.16	0.10	0.08

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events for the current fiscal year that are reasonably likely to have a material adverse effect on our net revenues, income, profitability, liquidity or capital resources, or that caused the disclosed financial information to be not necessarily indicative of future operating results or financial conditions.

5.E. Off-Balance Sheet Arrangements

Other than operating lease and purchase obligations set forth in the table under “Item 5. Operating and Financial Review and Prospects — F. Tabular Disclosure of Contractual Obligations,” we have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as shareholder’s equity, or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

5.F. Tabular Disclosure of Contractual Obligations

The following table sets forth our contractual obligations as of December 31, 2017:

	Payment Due in the Year Ending December 31,					Payment Due Thereafter	
	Total	2018	2019	2020	2021		2022
	(In RMB millions)						
Operating Lease Obligations	25,088	1,824	2,539	2,518	2,414	2,284	13,509
Purchase Obligations	160	160	—	—	—	—	—
Long-term Debt Obligations, with Principal and Interest	2,044	66	60	1,918	—	—	—
Convertible Senior Notes with Principal and Interest	3,162	12	12	12	12	3,114	—
Total	30,454	2,062	2,611	4,448	2,426	5,398	13,509

Our operating lease obligations related to our obligations under lease agreements with lessors of our leased hotels. Our purchase obligations primarily consisted of contractual commitments in connection with leasehold improvements and installation of equipment for our leased hotels.

As of December 31, 2017, we recorded liabilities of uncertain tax benefits of approximately RMB26.4 million (US\$4.1 million) associated with the interests on intercompany loans.

In April 2017, we obtained a long-term debt of US\$40.0 million collateralized by an RMB307.0 million bank deposit which classified as restricted cash. The annual interest rate of the borrowings was approximately 2.68%. In May 2017, we also obtained one long-term debt of US\$250.0 million with some financial covenants including interest cover, leverage and tangible net worth. The annual interest rate of the borrowings was approximately 3.04%.

Our note is in the aggregate principal amount of US\$475.0 million and will mature in November 2022, unless earlier repurchased or converted into our ADSs based on an initial conversion rate of 5.4869 of our ADSs per US\$1,000 principal amount of the notes. The conversion rate is subject to adjustment upon occurrence of certain events. The holders may require us to repurchase all or portion of the Notes for cash on November 3, 2020, or upon a fundamental change, at a repurchase price equal to 100% of the principal amount, plus accrued and unpaid interest. The notes bear interest at a rate of 0.375% per annum, payable in arrears semi-annually on May 1 and November 1, beginning May 1, 2018.

5.G. Safe Harbor

This annual report on Form 20-F contains forward-looking statements that are based on our management's beliefs and assumptions and on information currently available to us. These statements relate to future events or to our future financial performance and involve known and unknown risks, uncertainties, and other factors that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Forward-looking statements include, but are not limited to, statements about:

- our anticipated growth strategies, including developing new hotels at desirable locations in a timely and cost-effective manner and launching a new hotel brand;
- our future business development, results of operations and financial condition;
- expected changes in our revenues and certain cost or expense items;
- our ability to attract customers and leverage our brand; and
- trends and competition in the lodging industry.

In some cases, you can identify forward-looking statements by terms such as “may,” “could,” “will,” “should,” “would,” “expect,” “plan,” “intend,” “anticipate,” “believe,” “estimate,” “predict,” “potential,” “future,” “is/are likely to,” “project” or “continue” or the negative of these terms or other comparable terminology. These statements are only predictions. You should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties and other factors, which are, in some cases, beyond our control and which could materially affect results. Factors that may cause actual results to differ materially from current expectations include, among other things, those listed under “Item 3. Key Information — D. Risk Factors” and elsewhere in this annual report. If one or more of these risks or uncertainties occur, or if our underlying assumptions prove to be incorrect, actual events or results may vary significantly from those implied or projected by the forward-looking statements. No forward-looking statement is a guarantee of future performance.

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The forward-looking statements made in this annual report relate only to events or information as of the date on which the statements are made in this annual report. We undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date on which the statements are made or to reflect the occurrence of unanticipated events.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**6.A. Directors and Senior Management**

The following table sets forth the name, age and position of each of our directors and executive officers as of the date of this annual report. The business address of all of our directors and executive officers is No. 2266 Hongqiao Road, Changning District, Shanghai 200336, People's Republic of China.

Directors and Executive Officers	Age	Position/Title
Qi Ji	51	Founder, Executive Chairman of the Board of Directors
John Jiong Wu	50	Co-founder, Independent Director
Tong Tong Zhao	51	Co-founder, Independent Director
Xiaofan Wang	42	Director
Shangzhi Zhang	64	Director
Jian Shang	50	Independent Director
Sébastien Bazin	56	Director
Gaurav Bhushan	46	Alternate Director to Sébastien Bazin
Min (Jenny) Zhang	44	Chief Executive Officer
Teo Nee Chuan	47	Chief Financial Officer
Hui Jin	40	President

Qi Ji is our founder and has also served as the executive chairman of our board since February 2007. He also served as our chief executive officer from January 2012 to May 2015 and from 2007 to August 2009. He co-founded Home Inns & Hotels Management Inc., or Home Inns, and served as its chief executive officer from January 2001 to January 2005. He also co-founded Ctrip, one of the largest online travel services providers in China, in 1999, acted as its chief executive officer and president until December 2001, and currently serves on Ctrip's board as an independent director. Prior to founding Ctrip, Mr. Ji was the chief executive officer of Shanghai Sunflower High-Tech Group, which he founded in 1997. He headed the East China Division of Beijing Zhonghua Yinghua Intelligence System Co., Ltd. from 1995 to 1997. Mr. Ji received both his Master's and Bachelor's degrees from Shanghai Jiao Tong University.

John Jiong Wu, a co-founder of our company, has served as our director since January 2007. He is the founder and Managing Partner of F&H Fund Management Pte. Ltd. He served as the Venture Partner of Northern Light Venture Capital from 2008 to 2010 and was an angel investor and the Chief Technology Officer of Alibaba Group from 2000 to 2007. Prior to joining Alibaba Group, he worked as an engineer or manager in several companies in the Silicon Valley, including Oracle and Yahoo! Inc. Mr. Wu received his Bachelor of Science in Computer Science degree from the University of Michigan.

Tong Tong Zhao, a co-founder of our company, has served as our director since February 2007. She also serves as a member of the board of directors of China Education & Technology Group Limited. She was the General Manager of Shanghai Asia-Tang Health Technology Development Co., Ltd. from 2004 to 2006, the General Manager of Shanghai Hong Ying Hi-Tech Co., Ltd. from 1999 to 2001, and the Deputy General Manager of Shanghai Xie Cheng Science and Technology Co., Ltd. from 1997 to 1998. Ms. Zhao received her Master of Science degree from Shanghai Jiao Tong University and obtained her Master of Business Administration degree from McGill University.

Xiaofan Wang has served as our director since January 2018. She has served as Chief Financial Officer of Ctrip since November 2013 and Executive Vice President of Ctrip since May 2016. Ms. Wang joined Ctrip in 2001 and has held a number of managerial positions at Ctrip. Prior to joining Ctrip, she served as finance manager in China eLabs, a venture capital firm from 2000 to 2001. Previously, Ms. Wang worked with PricewaterhouseCoopers Zhong Tian CPAs Limited Company. Ms. Wang received a Master of Business Administration from Massachusetts Institute of Technology and obtained her Bachelor's degree from Shanghai Jiao Tong University. Ms. Wang is a Certified Public Accountant (CPA).

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Shangzhi Zhang has served as our director since June 2016. He has more than 30 years of experience in hotel industry and foreign trade. Mr. Zhang has been President of Tianjin Amis Hotel Management Company since 2009. He acted as General Delegate of Accor Hotel Group in China and President of Ibis in China from 1999 to 2008. He served as Deputy General Manager at China Export Commodity Base Development Corporation from 1993 to 1998. Prior to that, Mr. Zhang held senior positions at Ministry of Foreign Trade and Economic Cooperation. He was Third Secretary of Commercial Bureau of Chinese Embassy in Zaire from 1981 to 1985. Mr. Zhang graduated from Beijing Institute of Foreign Trade. He studied at General Department of Interpretation of European Communities in Brussels and French National School of Administration. In 2014, Mr. Zhang received medal award of “Chevalier de Legion d’honneur” from French government.

Jian Shang has served as our independent director since May 2014. He has over 16 years of experience in corporate management and financial innovation. He served as Managing Director of UBS Global Asset Management and as chief executive officer of UBS SDIC Fund Management Company from 2006 to 2012. Prior to that, he served as chief executive officer of Yin Hua Fund Management Company, deputy chief executive officer of Hua An Fund Management Company, and head of strategic planning of Shanghai Stock Exchange respectively from 2001 to 2006. Previously, he was a deputy Division Director of China Securities Regulatory Commission from 1997 to 2000. Mr. Shang obtained his PhD in Finance and MA in Economics from University of Connecticut, and his Bachelor’s degree in engineering from Shanghai Jiao Tong University.

Sébastien Bazin has served as our director since January 2016. He is acting as the Chairman and Chief Executive Officer of Accor S.A. since 2013, where he has served as a director since January 9, 2006. Prior to that, he served as a member of the Supervisory Board of Accor S.A. since May 3, 2005. He is also the Vice-Chairman of the Supervisory Board of Gustave Roussy Foundation and non-executive Director of General Electric since 2016. Previously, Mr. Bazin was with Colony Capital, a private-equity firm, from 1997 to 2012, during which time he managed and participated in a large number of investments in the hospitality industry. Mr. Bazin has earned his Masters in Business Management from Paris-Sorbonne University in 1985.

Gaurav Bhushan has been an alternate director to Sébastien Bazin since March 2016. He is the Global Chief Development Officer of AccorHotels, responsible for overseeing the group’s hotel development strategy worldwide. Mr. Bhushan began his career with Accor in 1995 in Australia, where he held various posts in operations and finance. From 2006 he headed the Asia Pacific development teams. He was promoted to Global Chief Development Officer role in July 2015. He has a Master of Business Administration degree from the Royal Melbourne Institute of Technology (RMIT University) and a Postgraduate Diploma in Applied Finance & Investments from the Securities Institute of Australia.

Min (Jenny) Zhang has served as our chief executive officer since May 2015. She also served as our president from January 2015 to May 2015, our chief financial officer from March 2008 to May 2015 and our chief strategic officer from November 2013 to January 2015. Prior to joining us, she served as the Finance Director of Eli Lilly (Asia) Inc., Thailand Branch and the Chief Financial Officer of ASIMCO Casting (Beijing) Company, Ltd. She also worked previously with McKinsey & Company, Inc. as a consultant. Ms. Zhang has served on the board as a director for Genscript Biotech Corporation since May 2015, and she has serviced as a director of Oravel Stays Private Limited since January 2018. She obtained her Master of Business Administration degree from Harvard Business School and received both Master’s and Bachelor’s degrees from the University of International Business and Economics.

Teo Nee Chuan joined us in November 2015 as Deputy Chief Financial Officer and has served as our Chief Financial Officer since March 2016. He has more than 20 years of experience in financial areas in multinational corporations. Prior to joining us, he was Chief Financial Officer of Rnomac International Group, the largest Volvo construction equipment distributor in China. He also served as Chief Financial Officer and Director of Operation in DDB Greater China Group and Financial Controller in Focus Media Group. Prior to that, Mr. Teo worked at Ernst & Young as Associate Director of Transaction Advisory Services in Kuala Lumpur, Toronto and Shanghai. Mr. Teo received his Bachelor of Science in Accounting and Financial Analysis from Warwick University, the United Kingdom. He is a Chartered Certified Accountant in the United Kingdom and a Certified Public Accountant in the United States and Hong Kong.

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Hui Jin joined us in 2005 and has served as director of our Development Department, Vice President and Executive Vice President of our Group, respectively. Mr. Jin is currently our President mainly responsible for overseeing the work of hotel development and property related investment. Prior to joining us, Mr. Jin worked with Home Inns & Hotels Management Inc. Mr. Jin received his Executive Master's degree from China Europe International Business School and a Bachelor of Science degree in Psychology from the East China Normal University.

Employment Agreements

We have entered into an employment agreement with each of our named executive officers. Each of our named executive officers is employed for a specified time period, which will be automatically extended unless either we or the named executive officer gives prior notice to terminate such employment. We may terminate the employment for cause, at any time, without notice or remuneration, for certain acts, including but not limited to the conviction of a criminal offence and negligent or dishonest acts to our detriment. A named executive officer may terminate his or her employment at any time with a one-month prior written notice.

Each named executive officer has agreed to hold, both during and after the termination or expiry of his or her employment agreement, in strict confidence, and not to use, except as required in the performance of his or her duties in connection with the employment, any of our confidential information or trade secrets or the confidential or proprietary information of any third party received by us and for which we have confidential obligations. In addition, each named executive officer has agreed to be bound by non-competition restrictions. Specifically, each named executive officer has agreed not to, during his or her employment with us and for a period of two years following his or her termination with our company, be engaged as employee or in another capacity to participate directly or indirectly in any business that is in competition with ours. Each named executive officer also agrees to comply with all material applicable laws and regulations related to his or her responsibilities at our company as well as all material written corporate and business policies and procedures of our company.

6.B. Compensation

For the fiscal year ended December 31, 2017, the aggregate cash compensation and benefits that we paid to our directors and executive officers were approximately RMB7.2 million (US\$1.1 million). No pension, retirement or similar benefits have been set aside or accrued for our executive officers or directors. We have no service contracts with any of our directors providing for benefits upon termination of employment.

Share Incentive Plans

In February 2007, our board of directors and our shareholders adopted our 2007 Global Share Plan to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentives to selected employees, directors, and consultants and to promote the success of our business. Our 2007 Global Share Plan was subsequently amended in December 2007. Ten million ordinary shares may be issued under our amended and restated 2007 Global Share Plan, or the Amended and Restated 2007 Plan.

In June 2007, our board of directors and our shareholders adopted our 2008 Global Share Plan with the same purpose as our 2007 Global Share Plan. Our 2008 Global Share Plan was subsequently amended in October 2008. Seven million ordinary shares may be issued under our amended and restated 2008 Global Share Plan, or the Amended and Restated 2008 Plan.

In September 2009, our board of directors and our shareholders adopted our 2009 Share Incentive Plan with purposes similar to our 2007 Global Share Plan and 2008 Global Share Plan. Our 2009 Share Incentive Plan was subsequently amended in October 2009, August 2010 and March 2015. 43 million ordinary shares may be issued under our amended 2009 Share Incentive Plan, or the Amended 2009 Plan.

Plan Administration. The compensation committee appointed by our board administers all of our share incentive plans. Mr. Qi Ji has been delegated the authority to grant, in his sole discretion, option and restricted stock to be issued under our share incentive plans to any of our employees and consultants except for our directors and executive officers. The aggregate number of shares covered by any single grant he makes shall not exceed 500,000 ordinary shares.

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Types of Awards. The following briefly describes the principal features of the various awards that may be granted under our Amended and Restated 2007 and 2008 Plans.

- *Options.* Each option agreement must specify the exercise price. The exercise price of an option must not be less than 100% of the fair market value of the underlying shares on the option grant date, and a higher percentage may be required. The term of an option granted under the Amended and Restated 2007 and 2008 Plans must not exceed ten years from the date the option is granted, and a shorter term may be required.
- *Share Purchase Rights.* A share purchase right is a right to purchase restricted stock. Each share purchase right under the Amended and Restated 2007 and 2008 Plans must be evidenced by a restricted stock purchase agreement between the purchaser and us. The purchase price will be determined by the administrator. The share purchase rights will automatically expire if not exercised by the purchaser within 30 days after the grant date.

The following briefly describes the principal features of the various awards that may be granted under our Amended 2009 Plan:

- *Options.* The purchase price per share under an option will be determined by a committee appointed by our board and set forth in the award agreement. The term of an option granted under the Amended 2009 Plan must not exceed ten years from the grant date, and a shorter term may be required.
- *Restricted Stock and Restricted Stock Units.* An award of restricted stock is a grant of our ordinary shares subject to restrictions the committee appointed by our board may impose. A restricted stock unit is a contractual right that is denominated in our ordinary shares, each of which represents a right to receive the value of a share or a specified percentage of such value upon the terms and conditions set forth in the Amended 2009 Plan and the applicable award agreement.
- *Other Stock-based Awards.* The committee is authorized to grant other stock-based awards that are denominated or payable in or otherwise related to our ordinary shares such as stock appreciation rights and rights to dividends and dividend equivalents. Terms and conditions of such awards will be determined by the committee appointed by our board. Unless the awards are granted in substitution for outstanding awards previously granted by an entity that we acquired or combined, the value of the consideration for the ordinary shares to be purchased upon the exercise of such awards shall not be less than the fair market value of the underlying ordinary shares on the grant date.

Vesting Schedule. As of the date of this annual report, we have entered into option agreements and restricted stock award agreements respectively under our Amended and Restated 2007 and 2008 Plans and our Amended 2009 Plan. Pursuant to our typical option agreement, 50% of the options granted shall vest on the second anniversary of the vesting commencement date specified in the corresponding option agreement, and 1/48 of the options shall vest each month thereafter over the next two years on the first day of each month, subject to the optionee's continuing to provide services to us. Pursuant to our typical restricted stock award agreement, 50% of the restricted stock granted shall vest on the second anniversary of the vesting commencement date specified in the corresponding restricted stock award agreement, and 1/8 of the restricted stock shall vest each six-month period thereafter over the next two years on the last day of each six-month period, subject to the grantee's continuing to provide services to us. For certain grants, we may also apply different vesting schedules set forth in the relevant agreements between the grantees and us. For example, certain restricted stocks granted shall vest over a period of ten years in equal yearly installments.

Termination of the Amended and Restated 2007 and 2008 Plans and the Amended 2009 Plan. Our Amended and Restated 2007 Plan terminated in 2017, and our Amended and Restated 2008 Plan and our Amended 2009 Plan will terminate in 2018 and 2019, respectively, unless extended pursuant to the relevant provisions therein. Our board of directors may amend, suspend, or terminate our Amended and Restated 2008 Plans and our Amended 2009 Plan at any time. No amendment, alteration, suspension, or termination of these plans shall materially and adversely impair the rights of any participant with respect to an outstanding award, unless mutually agreed otherwise between the participant and the administrator.

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The following tables summarize options and restricted stocks that we have granted to our directors and executive officers and to other individuals as a group under our share incentive plans as of December 31, 2017.

Name	Ordinary Shares Underlying Options Awarded	Exercise Price (US\$/Share)	Date of Grant	Date of Expiration
Qi Ji	400,000	1.53	October 1, 2009	October 1, 2019
	436,348	2.7525	July 17, 2012	July 17, 2018
Tong Tong Zhao	100,000	1.53	October 1, 2009	October 1, 2019
John Jiong Wu	100,000	1.53	October 1, 2009	October 1, 2019
Min (Jenny) Zhang	1,470,000	1.40	October 1, 2007	October 1, 2017
	300,000	1.53	November 20, 2009	November 20, 2019
	207,784	2.7525	July 17, 2012	July 17, 2018
Hui Jin	*	0.50	February 4, 2007	February 4, 2017
	*	4.265	March 31, 2011	March 31, 2017
	*	5.415	May 13, 2014	May 13, 2020
	*	4.925	March 31, 2015	March 31, 2021
Other individuals as a group	16,979,237	0.50-5.415	February 4, 2007 – April 1, 2015	February 4, 2017 – April 1, 2021

Name	Ordinary Shares Underlying Restricted Stocks Awarded	Date of Grant
Qi Ji	200,000	August 6, 2011
	897,880	July 17, 2012
	1,697,187	March 17, 2015
	1,098,224	March 26, 2015
Shangzhi Zhang	*	January 18, 2012
	*	January 10, 2013
	*	December 10, 2014
	*	March 13, 2017
Min (Jenny) Zhang	313,944	July 17, 2012
	73,188	March 16, 2015
	1,697,187	March 17, 2015
	1,098,224	March 26, 2015
Hui Jin	*	March 31, 2011
	*	July 2, 2012
	*	July 1, 2013
	*	July 17, 2014
	*	March 26, 2015
Jian Shang	*	May 5, 2014
Teo Nee Chuan	*	January 15, 2016
Other individuals as a group	10,950,690	February 7, 2011 – December 31, 2017

* Upon exercise of all options granted and vesting restricted stock granted, would beneficially own less than 1% of our outstanding ordinary shares.

6.C. Board Practices

General

Our board of directors currently consists of seven directors and one alternative director. Under our amended and restated memorandum and articles of association, which came into effect upon our initial public offering, our board of directors shall consist of at least two directors. Our directors shall be elected by the holders of ordinary shares. There is no shareholding requirement for qualification to serve as a member of our board of directors.

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Our board of directors may exercise all the powers of our company to borrow money, mortgage or charge its undertaking, property and uncalled capital, and issue debentures, debenture stock and other securities whenever money is borrowed or as security for any debt, liability or obligation of our company or of any third party.

We believe that each of Ms. Tong Tong Zhao, Mr. John Jiong Wu and Mr. Jian Shang is an “independent director” as that term is used in NASDAQ corporate governance rules.

Duties of Directors

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

Terms of Directors and Executive Officers

Each of our directors holds office until a successor has been duly elected and qualified. All of our executive officers are appointed by and serve at the discretion of our board of directors.

Board Committees

We have established two committees under the board of directors — the audit committee and the compensation committee. We have adopted a charter for each of the board committees. Each committee’s members and functions are described below. We currently do not plan to establish a nominations committee. As a foreign private issuer, we are permitted to follow home country corporate governance practices under Rule 5615(a)(3) of the NASDAQ Marketplace Rules. This home country practice of ours differs from Rule 5605(e) of the NASDAQ Marketplace Rules regarding implementation of a nominations committee, because there are no specific requirements under Cayman Islands law on the establishment of a nominations committee.

Audit Committee

Our audit committee consists of two directors, namely Mr. John Jiong Wu and Mr. Jian Shang. Both directors satisfy the “independence” requirements of the NASDAQ Global Select Market and the SEC regulations. In addition, our board of directors has determined that Mr. Jian Shang is qualified as an audit committee financial expert within the meaning of the SEC regulations. The audit committee oversees our accounting and financial reporting processes and the audits of the financial statements of our company. The audit committee is responsible for, among other things:

- selecting the independent auditors and pre-approving all auditing and non-auditing services permitted to be performed by the independent auditors;
- setting clear hiring policies for employees or former employees of the independent auditors;
- reviewing with the independent auditors any audit problems or difficulties and management’s response;
- reviewing and approving all proposed related-party transactions;
- discussing the annual audited financial statements with management and the independent auditors;
- discussing with management and the independent auditors major issues regarding accounting principles and financial statement presentations;
- reviewing reports prepared by management or the independent auditors relating to significant financial reporting issues and judgments;

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- reviewing with management and the independent auditors related-party transactions and off-balance sheet transactions and structures;
- reviewing with management and the independent auditors the effect of regulatory and accounting initiatives and actions;
- reviewing policies with respect to risk assessment and risk management;
- reviewing our disclosure controls and procedures and internal control over financial reporting;
- timely reviewing reports from the independent auditors regarding all critical accounting policies and practices to be used by our company, all alternative treatments of financial information within GAAP that have been discussed with management and all other material written communications between the independent auditors and management;
- establishing procedures for the receipt, retention and treatment of complaints received from our employees regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters;
- annually reviewing and reassessing the adequacy of our audit committee charter;
- such other matters that are specifically delegated to our audit committee by our board of directors from time to time; and
- meeting separately, periodically, with management, the internal auditors and the independent auditors.

Compensation Committee

Our compensation committee consists of Mr. John Jiong Wu and Mr. Jian Shang. Both directors satisfy the “independence” requirements of NASDAQ Marketplace Rules and the SEC regulations. Our compensation committee assists the board in reviewing and approving the compensation structure of our directors and executive officers, including all forms of compensation to be provided to our directors and executive officers. The compensation committee is responsible for, among other things:

- reviewing and approving the compensation for our senior executives;
- reviewing and evaluating our executive compensation and benefits policies generally;
- reporting to our board of directors periodically;
- evaluating its own performance and reporting to our board of directors on such evaluation;
- periodically reviewing and assessing the adequacy of the compensation committee charter and recommending any proposed changes to our board of directors; and
- such other matters that are specifically delegated to the compensation committee by our board of directors from time to time.

6.D. Employees

We had 10,282, 10,507 and 13,525 employees as of December 31, 2015, 2016 and 2017, respectively. We recruit and directly train and manage all of our employees. We believe that we maintain a good working relationship with our employees and we have not experienced any significant labor disputes. Our employees have not entered into any collective bargaining agreements.

6.E. Share Ownership

The following table sets forth information with respect to the beneficial ownership, within the meaning of Rule 13d-3 under the Exchange Act, of our ordinary shares, as of March 31, 2018 by:

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- each of our directors and executive officers; and
- each person known to us to own beneficially more than 5% of our ordinary shares.

Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and includes voting or investment power with respect to the ordinary shares. Except as indicated below, and subject to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all ordinary shares shown as beneficially owned by them.

	Ordinary Shares Beneficially Owned ⁽¹⁾	
	Number	%
Directors and Executive Officers:		
Qi Ji	100,820,533 ⁽²⁾	34.5
Tong Tong Zhao	26,374,652 ⁽³⁾	9.0
John Jiong Wu	8,753,145 ⁽⁴⁾	3.0
Xiaofan Wang	—	—
Shangzhi Zhang	*	*
Jian Shang	*	*
Sébastien Bazin	—	—
Gaurav Bhushan	—	—
Min (Jenny) Zhang	*	*
Hui Jin	*	*
Teo Nee Chuan	*	*
All Directors and Executive Officers as a Group	137,434,298 ⁽⁵⁾	38.0
Principal Shareholders:		
Winner Crown Holdings Limited	73,144,905 ⁽⁶⁾	25.1
Accor	29,875,543 ⁽⁷⁾	10.3
East Leader International Limited	26,274,652 ⁽⁸⁾	9.0
OppenheimerFunds, Inc.	24,745,396 ⁽⁹⁾	8.5
Ctrip.com International, Ltd.	22,049,446 ⁽¹⁰⁾	7.6

* Less than 1%.

(1) The number of ordinary shares outstanding in calculating the percentages for each listed person or group includes the ordinary shares underlying options held by such person or group exercisable within 60 days after March 31, 2018. Percentage of beneficial ownership of each listed person or group is based on (i) 291,437,906 ordinary shares outstanding as of March 31, 2018, and (ii) the ordinary shares underlying share options exercisable by such person within 60 days after March 31, 2018.

(2) Includes (i) 72,344,905 ordinary shares held by Winner Crown Holdings Limited, or Winner Crown, a British Virgin Islands company wholly owned by Sherman Holdings Limited, a Bahamas company, which is in turn wholly owned by Credit Suisse Trust Limited, or CS Trustee. CS Trustee acts as trustee of the Ji Family Trust, of which Mr. Qi Ji and his family members are the beneficiaries, (ii) 200,000 ADS representing 800,000 ordinary shares held by Winner Crown, charged to Morgan Stanley & Co. International plc, (iii) 836,348 ordinary shares issuable upon exercise of options held by Mr. Qi Ji that are exercisable within 60 days after March 31, 2018, (iv) 564,628 ordinary shares held by Mr. Qi Ji, and (v) 4,000,000 Restricted ADSs representing 16,000,000 ordinary shares, and 10,274,652 ordinary shares held by East Leader, over which Mr. Ji has voting power pursuant to a power of attorney dated November 27, 2014. East Leader is wholly owned by Perfect Will Holdings Limited, or Perfect Will, a British Virgin Islands company, which is in turn wholly owned by Asia Square Holdings Ltd., or Asia Square, as nominee for J. Safra Sarasin Trust Company (Singapore) Ltd., or Sarasin Trust. Sarasin Trust acts as trustee of the Tanya Trust, of which Ms. Tong Tong Zhao and her family members are the beneficiaries.

(3) Includes (i) 100,000 ordinary shares issuable upon exercise of options held by Ms. Tong Tong Zhao that are exercisable within 60 days after March 31, 2018, and (ii) 4,000,000 Restricted ADSs representing 16,000,000 ordinary shares and 10,274,652 ordinary shares held by East Leader, a British Virgin Islands company wholly owned by Perfect Will, a British Virgin Islands company, which is in turn wholly owned by Asia Square, as nominee for Sarasin Trust. Sarasin Trust acts as trustee of the Tanya Trust, of which Ms. Tong Tong Zhao and her family members are the beneficiaries. Ms. Zhao is the sole director of East Leader.

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- (4) Includes (i) 100,000 ordinary shares issuable upon exercise of options held by Mr. John Jiong Wu that are exercisable within 60 days after March 31, 2018, and (ii) 68,286 ADSs representing 273,144 ordinary shares and 8,380,001 ordinary shares held by Mr. John Jiong Wu.
- (5) Includes ordinary shares and ordinary shares issuable upon exercise of all of the options that are exercisable within 60 days after March 31, 2018 held by all of our directors and executive officers as a group.
- (6) Winner Crown is a British Virgin Islands company wholly owned by Sherman Holdings Limited, a Bahamas company, which is in turn wholly owned by Credit Suisse Trust Limited, or CS Trustee. CS Trustee acts as trustee of the Ji Family Trust, of which Mr. Qi Ji, our founder and executive chairman, and his family members, are the beneficiaries. Mr. Ji is the sole director of Winner Crown. The address of Winner Crown is Vistra Corporate Service Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.
- (7) Includes (i) 24,895,543 ordinary shares issued to AAPC Hong Kong Limited, an indirect wholly owned subsidiary of Accor (“AAPC”), as reported in a Schedule 13D filed by Accor and AAPC on January 25, 2016, and (ii) 1,245,000 ADSs representing 4,980,000 ordinary shares that Accor acquired in the open market between December 14, 2014 and May 7, 2015 and transferred to AAPC on May 7, 2015. Accor is a company incorporated under the laws of France and its registered office is Immeuble Odyssey, 110, Avenue de France, 75210 Paris cedex 13. AAPC is a company incorporated in Hong Kong and its registered office is Room 803, 8th Floor, AXA Centre, 151, Gloucester Road, Wan Chai, Hong Kong.
- (8) East Leader is a British Virgin Islands company wholly owned by Perfect Will Holdings Limited, a British Virgin Islands company, which is in turn wholly owned by Bank Sarasin Nominees (CI) Limited, as nominee for Sarasin Trust Company Guernsey Limited, or Sarasin Trust. Sarasin Trust acts as trustee of the Tanya Trust, of which Ms. Tong Tong Zhao and her family members, are the beneficiaries. Ms. Zhao is the sole director of East Leader. The address of East Leader is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.
- (9) Based on Amendment No. 1 to Schedule 13G filed with the SEC on February 6, 2018 by OppenheimerFunds, Inc.
- (10) Includes (i) 7,202,482 ordinary shares that Ctrip purchased from us, (ii) an aggregate of 11,646,964 of our ordinary shares that Ctrip purchased from the Chengwei Funds, CDH Courtyard Limited, the IDG Funds, the Northern Light Funds and Pinpoint Capital 2006 A Limited, and (iii) 800,000 ADSs representing 3,200,000 ordinary shares that Ctrip subscribed in our initial public offering. Ctrip is a Cayman Islands company and its address is 99 Fu Quan Road, Shanghai 200335, People’s Republic of China.

As of March 31, 2018, we had 291,437,906 ordinary shares issued and outstanding. To our knowledge, we had three record shareholders in the United States, including Citibank, N.A., which is the depository of our ADS program and held approximately 49.2% of our total outstanding ordinary shares under our ADS program and the depository of our restricted ADS program and held approximately 5.5% of our total outstanding ordinary shares under our restricted ADS program. The number of beneficial owners of our ADSs in the United States is likely to be much larger than the number of record holders of our ordinary shares in the United States.

None of our existing shareholders has different voting rights from other shareholders since the closing of our initial public offering. We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

7.A. Major Shareholders

Please refer to “Item 6. Directors, Senior Management and Employees — E. Share Ownership.”

7.B. Related Party Transactions

Transactions with Ctrip

We conduct transactions in the ordinary course of our business with Ctrip.com International, Ltd., or Ctrip, an entity in which Mr. Qi Ji, our founder, is a co-founder and independent director. Ctrip rendered reservation services to us to facilitate our customers in making reservations at our hotels from Ctrip’s hotel booking system. In 2015, 2016 and 2017, the aggregate commission fees of our leased and owned hotels paid to Ctrip.com for its reservation services amounted to RMB17.7 million, RMB44.1 million and RMB76.8 million (US\$11.8 million), respectively.

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In a private placement before our initial public offering in 2010, Ctrip purchased 7,202,482 ordinary shares from us and an aggregate of 11,646,964 of our ordinary shares from the Chengwei Funds, CDH Courtyard Limited, the IDG Funds, the Northern Light Funds and Pinpoint Capital 2006 A Limited at a price equal to the initial public offering price per share. The investments by Ctrip were made pursuant to transactions exempt from registration under the Securities Act. In connection with these transactions, Ctrip was granted registration rights substantially similar to those granted to certain holders of our registrable securities under our amended and restated shareholders agreement. In addition, we have granted Ctrip the right to nominate one person to serve on our board as long as Ctrip and its affiliates continuously maintain (i) at least 5% of our total outstanding ordinary shares in the three years following the closing of our initial public offering and (ii) at least 8% of our total outstanding ordinary shares thereafter. In addition, Ctrip subscribed a total of 800,000 ADSs in our initial public offering at the initial public offering price. The ADSs issued and sold to Ctrip are on the same terms as the other ADSs being offered in our initial public offering.

In 2016 and 2017, we provided marketing and training services to Ctrip and recorded service fees amounted to RMB12.7 million and RMB23.7 million (US\$3.6 million), respectively.

Transaction with Sheen Star

In November 2013, we entered into an investment agreement to acquire 50% equity interest in Suzhou Kangdu Property Co., Limited, or Kangdu, a real estate company, for RMB100 million. Concurrently we entered into a property transfer agreement with Kangdu to acquire the property developed by Kangdu for a purchase price of RMB175 million. We injected RMB50 million in November 2013 and RMB30 million in January 2014 to Kangdu for the equity interest in Kangdu. In April 2014, we set up Sheen Star Group Limited, or Sheen Star, together with Mr. Qi Ji and an independent third party. We own 19.99% of the equity interest in Sheen Star and Mr. Qi Ji owns 50.01%. We then transferred our investment in Kangdu to Sheen Star for a consideration of RMB82.8 million, together with all of our rights and obligations under the property purchase agreement in April 2014. We had not paid any consideration to Kangdu for the property before the transfer to Sheen Star. We provided shareholder loan of RMB35.0 million to Sheen Star in 2016 and recognized interest income in the amount of RMB2.1 million in 2016.

Transaction with Accor

In January 2016, we completed strategic alliance transactions with Accor to join forces in the Pan-China region to develop Accor brands and to form an extensive and long-term alliance with Accor. After the transaction, Accor became one of our principal shareholders and was granted a right to nominate one director to our board of directors. We recorded brand use fee, reservation and other related service fee to Accor of RMB6.0 million and RMB10.8 million (US\$1.7 million) in 2016 and 2017, respectively. We also recognized service fee from Accor of RMB4.1 million and RMB7.7 million (US\$1.2 million) in 2016 and 2017, respectively.

Transaction with Cjia

Cjia is an equity investee in which we held an equity interest of 17% as of December 31, 2017. We sold goods and provided IT service to Cjia amounted to RMB0.4 million and RMB8.5 million (US\$1.3 million) in 2016 and 2017, respectively.

In 2016, we sold our subsidiary Chengjia to Cjia for consideration of RMB 10.0 million.

In 2017, we provided shareholder loan of RMB85.0 million (US\$13.1 million) to Cjia.

Transaction with CREATER

In 2017, we provided shareholder loan of RMB27.0 million (US\$4.1 million) to CREATER.

Employment Agreements

See “Item 6. Directors, Senior Management and Employees — A. Directors and Senior Management — Employment Agreements” for a description of the employment agreements we have entered into with our senior executive officers.

Share Incentives

See “Item 6. Directors, Senior Management and Employees — B. Compensation of Directors and Executive Officers — Share Incentive Plans” for a description of share options we have granted to our directors, officers and other individuals as a group.

7.C. Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

8.A. Consolidated Statements and Other Financial Information

8.A.1. See “Item 18. Financial Statements” for our audited consolidated financial statements.

8.A.2. See “Item 18. Financial Statements” for our audited consolidated financial statements, which cover the last three financial years.

8.A.3. See page F-2 for the report of our independent registered public accounting firm.

8.A.4. Not applicable.

8.A.5. Not applicable.

8.A.6. Not applicable.

8.A.7. See “Item 4. Information on the Company — B. Business Overview — Legal and Administrative Proceedings.”

8.A.8. Dividend Policy

On October 23, 2017, we declared a cash dividends of US\$0.16 per ordinary share, or US\$0.64 per ADS, each representing four ordinary shares. Cash dividends on our ordinary shares are paid in U.S. dollars, and the total amount of cash distributed for the dividend was approximately US\$44.7 million, which was paid in full by December 15, 2017.

On December 21, 2015, we declared a special cash dividend of US\$0.17 per ordinary share, or US\$0.68 per ADS, each representing four ordinary shares. Our ADS holders are entitled to such dividends to the same extent as holders of our ordinary shares, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. Cash dividends on our ordinary shares are paid in U.S. dollars, and the total amount of cash distributed for the special dividend was US\$42.5 million, which was paid in full by March 31, 2016. We had never declared or paid dividends prior to December 21, 2015.

We are a holding company with no material operations of our own. We conduct our operations primarily through our subsidiaries in China. As a result, our ability to pay dividends and to finance any debt we may incur depends upon dividends paid to us by our subsidiaries. If our subsidiaries or any newly formed subsidiaries 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 subsidiaries 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. Pursuant to laws applicable to entities incorporated in the PRC, our subsidiaries in the PRC must make appropriations from after-tax profit to non-distributable reserve funds. These reserve funds include one or more of the following: (i) a general reserve, (ii) an enterprise expansion fund and (iii) a staff bonus and welfare fund. Subject to certain cumulative limits, the general reserve fund requires an annual appropriation of 10% of after-tax profit (as determined under accounting principles generally accepted in the PRC at each year-end) until the accumulative amount of such reserve fund reaches 50% of its registered capital; the other fund appropriations are at the subsidiaries’ discretion. These reserve funds can only be used for specific purposes of enterprise expansion, staff bonus and welfare, and are not distributable as cash dividends. Our board of directors has complete discretion in deciding whether to distribute dividends. PRC dividend withholding tax of RMB30.7 million and RMB32.6 million was accrued in years 2015 and 2016, respectively, along with the declaration of special cash dividends from our PRC subsidiaries to us. As of December 31, 2017, the accrued PRC dividend withholding tax liability was RMB8.6 million. Starting 2018, we plan to maintain a moderate dividend distribution of approximately RMB300.0 million a year from current year net income. Other than these dividends distributions, we intend to indefinitely reinvest the remaining undistributed earnings of our PRC subsidiaries.

8.B. Significant Changes

Except as disclosed elsewhere in this annual report, we have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report.

ITEM 9. THE OFFER AND LISTING**9.A. Offering and Listing Details**

Our ADSs have been listed on the NASDAQ Global Select Market under the symbol "HTHT" since March 26, 2010. The table below sets forth, for the periods indicated, the high and low market prices on the NASDAQ Global Select Market for our ADSs.

	High		Low	
	US\$		US\$	
2010 (from March 26, 2010)	27.50		13.49	
2011	24.47		12.00	
2012	17.55		10.51	
2013	32.29		14.75	
2014	31.25		19.99	
2015	33.00		15.35	
2016	54.23		25.42	
First quarter	38.49		25.42	
Second quarter	39.19		31.71	
Third quarter	47.72		35.17	
Fourth quarter	54.23		41.69	
2017	146.25		47.72	
First quarter	64.32		47.72	
Second quarter	88.08		57.89	
Third quarter	126.29		76.52	
Fourth quarter	146.25		102.67	
October	142.8		117.06	
November	138.25		102.67	
December	146.25		106.06	
2018 (through April 19, 2018)	166.19		122.80	
First quarter	166.19		122.80	
Second quarter (through April 19, 2018)	138.93		126.31	
January	166.19		130.00	
February	160.90		128.60	
March	157.67		122.80	
April (through April 19, 2018)	138.93		126.31	

9.B. Plan of Distribution

Not applicable.

9.C. Markets

The principal trading market for our shares is the NASDAQ Global Select Market, on which our shares are traded in the form of ADSs.

9.D. Selling Shareholders

Not applicable.

9.E. Dilution

Not applicable.

9.F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

10.A. Share Capital

Not applicable.

10.B. Memorandum and Articles of Association

We incorporate by reference into this annual report the description of our amended and restated memorandum and articles of association contained in our registration statement on Form F-1 (File No. 333-165247) originally filed with the Securities and Exchange Commission on March 5, 2010, as amended. Our shareholders adopted our amended and restated memorandum and articles of association by a special resolution on March 12, 2010 and further amended our amended and restated memorandum and articles of association by special resolutions on November 21, 2012 and December 16, 2015, respectively.

10.C. Material Contracts

We have not entered into any material contracts other than in the ordinary course of business and other than those described in Item 4, "Information on the Company" and in Item 7, "Major Shareholders and Related Party Transactions" or elsewhere in this annual report.

10.D. Exchange Controls

See "Item 4, Information on the Company — B. Business Overview — Regulation — Regulations on Foreign Currency Exchange."

10.E. Taxation

The following summary of the material Cayman Islands, People's Republic of China and United States federal income tax consequences of an investment in our ADSs or ordinary shares is based upon laws and relevant interpretations thereof in effect as of the date of this annual report, all of which are subject to change. This summary does not deal with all possible tax consequences relating to an investment in our ADSs or ordinary shares, such as the tax consequences under state, local and other tax laws.

Cayman Islands Taxation

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 or to holders of our ADSs or ordinary shares levied by the Government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, brought to, or produced before a court of the Cayman Islands. The Cayman Islands is a party to a double taxation treaty with the United Kingdom but otherwise is not party to any double tax treaties. There are no exchange control regulations or currency restrictions in the Cayman Islands.

PRC Taxation

PRC taxation on us

- Enterprise Income Tax

On March 16, 2007, the National People's Congress, the Chinese legislature, passed the *Enterprise Income Tax Law*, which was amended in February 2017, and on December 6, 2007, the PRC State Council issued the *Implementation Regulations of the Enterprise Income Tax Law*, both of which became effective on January 1, 2008. The Enterprise Income Tax Law and its Implementation Regulations, or the EIT Law, applies a uniform 25% enterprise income tax rate to PRC resident enterprises, including both foreign-invested enterprises and domestic enterprises. The EIT Law restructures China's tax preference policy under the general principle that industries and projects that are encouraged and supported by the State may enjoy tax preferential treatment. For example, enterprises classified as "high and new technology enterprises strongly supported by the state" are entitled to a 15% enterprise income tax rate.

The EIT Law provides that enterprises established outside of China whose "de facto management bodies" are located in China are considered "resident enterprises." 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. The State Administration of Taxation, or the SAT, issued the *Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies*, or Circular 82, on April 22, 2009. Circular 82 provides certain specific criteria for determining whether the "de facto management body" of a PRC-controlled offshore incorporated enterprise is located in China, which include: (a) the location where senior management members responsible for an enterprise's daily operations discharge their duties; (b) the location where financial and human resource decisions are made or approved by organizations or persons; (c) the location where the major assets and corporate documents are kept; and (d) the location where more than half (inclusive) of all directors with voting rights or senior management have their habitual residence. In addition, the SAT issued Public Announcement [2011] No. 45 in 2011 and Public Announcement [2014] No. 9 in 2014, providing more guidance on the implementation of Circular 82 and clarifying matters including resident status determination, post-determination administration and competent tax authorities. The above-mentioned tax circulars apply only to offshore enterprises controlled by PRC enterprises or PRC enterprise groups and are not applicable to our case. But the determining criteria set forth in such tax circulars may reflect the SAT's general position on how the "de facto management body" test should be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises or PRC enterprise groups or by PRC or foreign individuals. Currently, there are no further detailed rules or precedents applicable to us regarding the procedures and specific criteria for determining "de facto management body" for a company like us. As such, it is still unclear if the PRC tax authorities would determine that, notwithstanding our status as the Cayman Islands holding company of our operating business in China, we should be classified as a PRC "resident enterprise."

The EIT Law imposes an enterprise income tax of 10% on dividends distributed by a foreign-invested enterprise to its immediate holding company outside of China, if such immediate holding company is considered a "non-resident enterprise" without any establishment or place within China or if the received dividends have no connection with the establishment or place of such immediate holding company within China, unless such immediate holding company's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding tax rate. A holding company in Hong Kong, for example, is subject to a 5% withholding tax rate if the holding company owns at least 25% equity in the PRC subsidiary and is the beneficial owner of the dividends.

The EIT Law provides that PRC "resident enterprises" are generally subject to the uniform 25% enterprise income tax rate on their worldwide income. Therefore, if we are treated as a PRC "resident enterprise," we will be subject to PRC income tax on our worldwide income at the 25% uniform tax rate, which could have an impact on our effective tax rate and an adverse effect on our net income and results of operations, although we would be exempt from enterprise income tax on dividends distributed from our PRC subsidiaries to us, since such dividend income distributed to a PRC resident enterprise is exempted from enterprise income tax under the EIT Law. However, if we are required under the EIT Law to pay income tax on any dividends we receive from our subsidiaries, our income tax expenses will increase and the amount of dividends, if any, we may pay to our shareholders and ADS holders may be materially and adversely affected.

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- Value-added Tax

On March 23, 2016, the Ministry of Finance of China and the State Administration of Taxation of China jointly issued the *Circular on the Nationwide Implementation of Pilot Program for the Collection of Value Added-Tax Instead of Business Tax*, or Circular 36, which became effective on May 1, 2016. Subsequent to the effectiveness of Circular 36, most of our PRC subsidiaries' business will be subject to value-added tax, or VAT, at a rate of 6% and they would be permitted to offset input VAT by providing valid VAT invoices received from vendors against their VAT liability.

PRC taxation of our overseas shareholders

Under the EIT Law, PRC enterprise income tax at the rate of 10% is applicable to dividends payable to investors that are "non-resident enterprises," which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends have their sources within the PRC. Similarly, any gain realized on the transfer of ADSs or ordinary shares by such investors is also subject to 10% PRC enterprise income tax if such gain is regarded as income derived from sources within the PRC. Therefore, if we are considered a PRC "resident enterprise," dividends we pay to non-resident enterprise investors with respect to our ADSs or ordinary shares and the gains realized from the transfer of our ADSs or ordinary shares may be considered as income derived from sources within the PRC and be subject to PRC enterprise income tax at a rate of 10% or lower, subject to the provisions of any applicable bilateral tax treaty. The double taxation treaty between the PRC and the United States, or the Treaty, does not reduce the 10% tax rate.

Moreover, non-resident individual investors are required to pay PRC individual income tax at the rate of 20% instead of 10% enterprise income tax on dividends payable to the investors or any capital gains realized from the transfer of ADSs or ordinary shares if such gains are deemed income derived from sources within the PRC, unless there is an applicable tax treaty providing for a lower withholding tax rate. Under the PRC Individual Income Tax Law, or IITL, non-resident individual refers to an individual who has no domicile in China and does not stay in the territory of China or who has no domicile in China and has stayed in the territory of China for less than one year. Pursuant to the IITL and its implementation rules, for purposes of the PRC capital gains tax, the taxable income will be the balance of the total income realized from the transfer of the ADSs or ordinary shares minus all the costs and expenses that are permitted under PRC tax laws to be deducted from the income. Therefore, if we are considered a PRC "resident enterprise" and dividends we pay with respect to our ADSs or ordinary shares and the gains realized from the transfer of our ADSs or ordinary shares are considered income derived from sources within the PRC by relevant competent PRC tax authorities, such dividends and gains earned by non-resident individuals may be subject to PRC individual income tax.

U.S. Federal Income Tax Considerations

The following is a description of the material U.S. federal income tax consequences to the U.S. Holders described below of owning and disposing of ordinary shares or ADSs, but it does not purport to be a comprehensive description of all tax considerations that may be relevant to a particular person's decision to own such ordinary shares or ADSs. This discussion applies only to a U.S. Holder that holds ordinary shares or ADSs as capital assets within the meaning of Section 1221 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"). In addition, it does not describe all of the tax consequences that may be relevant in light of the U.S. Holder's particular circumstances, including alternative minimum tax consequences, the Medicare tax on net investment income, and tax consequences applicable to U.S. Holders subject to special rules, such as:

- certain financial institutions;
- dealers or traders in securities who use a mark-to-market method of tax accounting;
- persons holding ordinary shares or ADSs as part of a straddle, wash sale, conversion transaction or integrated transaction or persons entering into a constructive sale with respect to the ordinary shares or ADSs;
- persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;

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- entities classified as partnerships for U.S. federal income tax purposes;
- tax-exempt entities;
- persons that own or are deemed to own ten percent or more of our stock (measured by voting power or value);
- persons who acquired our ordinary shares or ADSs pursuant to the exercise of an employee stock option or otherwise as compensation; or
- persons holding shares in connection with a trade or business conducted outside of the United States.

If an entity that is classified as a partnership for U.S. federal income tax purposes owns ordinary shares or ADSs, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Partnerships owning ordinary shares or ADSs and partners in such partnerships should consult their tax advisers as to the particular U.S. federal income tax consequences of owning and disposing of the ordinary shares or ADSs.

This discussion is based on the Code, administrative pronouncements, judicial decisions, final, temporary and proposed Treasury regulations, all as of the date hereof, any of which is subject to change, possibly with retroactive effect. It is also based in part on representations by the depository and assumes that each obligation under the deposit agreement and any related agreement will be performed in accordance with its terms.

A “U.S. Holder” is a holder who, for U.S. federal income tax purposes, is a beneficial owner of ordinary shares or ADSs and is:

- a citizen or individual resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state therein or the District of Columbia; or
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust (i) the administration of which is subject to the primary supervision of a U.S. court and which has one or more U.S. persons who have the authority to control all substantial decisions of the trust or (ii) that has otherwise elected to be treated as a U.S. person under applicable U.S. Treasury regulations.

In general, a U.S. Holder who owns ADSs will be treated as the owner of the underlying shares represented by those ADSs for U.S. federal income tax purposes. The remainder of this discussion assumes that a U.S. Holder of our ADSs will be treated as the beneficial owner of the underlying shares represented by the ADSs. Accordingly, no gain or loss will be recognized if a U.S. Holder exchanges ADSs for the underlying shares represented by those ADSs.

U.S. Holders should consult their tax advisers concerning the U.S. federal, state, local and foreign tax consequences of owning and disposing of ordinary shares or ADSs in their particular circumstances.

Taxation of Distributions

Subject to the discussion under “Passive Foreign Investment Company Rules” below, distributions paid on ordinary shares or ADSs, other than certain *pro rata* distributions of ordinary shares, will be treated as dividends to the extent paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Because we do not maintain calculations of our earnings and profits under U.S. federal income tax principles, it is expected that distributions generally will be reported to U.S. Holders as dividends.

A non-corporate recipient of dividend income from a “qualified foreign corporation” will generally be subject to tax at a reduced U.S. federal tax rate rather than the marginal tax rates generally applicable to ordinary income provided that certain holding period and other requirements are met. A non-U.S. corporation (other than a corporation that is a PFIC for the taxable year in which the dividend is paid or the preceding taxable year) will generally be considered to be a qualified foreign corporation (a) if it is eligible for the benefits of a comprehensive tax treaty with the United States which the Secretary of Treasury of the United States determines is satisfactory for purposes of this provision and which includes an exchange of information program, or (b) with respect to any dividend it pays on stock (or ADSs in respect of such stock) which is readily tradable on an established securities market in the United States. Our ADSs are listed on the NASDAQ Global Market, and will qualify as readily tradable on an established securities market in the United States so long as they are so listed. As discussed below in “Passive Foreign Investment Company Rules”, based on our audited financial statements and relevant market and shareholder data, we believe that we should not be treated as a PFIC for U.S. federal income tax purposes with respect to the 2016 or 2017 taxable year. In addition, based on our audited financial statements and our current expectations regarding the value and nature of our assets, the sources and nature of our income, and relevant market and shareholder data, we do not anticipate becoming a PFIC for our 2018 taxable year. In the event we are deemed to be a resident enterprise under the PRC Enterprise Income Tax Law, we may be eligible for the benefits of the Treaty (which the U.S. Treasury has determined is satisfactory for this purpose) and in that case we would be treated as a qualified foreign corporation with respect to dividends paid on our ordinary shares or ADSs. Since we do not expect that our ordinary shares will be listed on established securities markets, we do not believe that dividends that we pay on our ordinary shares that are not backed by ADSs currently meet the conditions required for the reduced tax rate. There can be no assurance that our ADSs will continue to be considered readily tradable on an established securities market in later years. Each non-corporate U.S. Holder is advised to consult its tax advisors regarding the availability of the reduced tax rate applicable to qualified dividend income for any dividends we pay with respect to our ADSs or ordinary shares. The amount of the dividend will be treated as foreign-source dividend income to U.S. Holders and will not be eligible for the dividends-received deduction generally available to U.S. corporations under the Code.

As discussed above, under “Item. 10. Additional Information—E. Taxation—PRC Taxation”, dividends we pay may be subject to PRC withholding tax. For U.S. federal income tax purposes, the amount of any dividend will include amounts withheld in respect of such PRC withholding tax. Subject to applicable limitations, some of which may vary depending upon a U.S. Holder’s circumstances, PRC income taxes withheld from dividends on ordinary shares or ADSs at a rate not exceeding the rate applicable under the Treaty may be creditable against the U.S. Holder’s U.S. federal income tax liability. PRC taxes withheld in excess of the rate applicable under the Treaty will not be eligible for credit against a U.S. Holder’s federal income tax liability. A U.S. Holder who does not elect to claim a foreign tax credit for foreign tax withheld may instead claim a deduction, for U.S. federal income tax purposes, in respect of such withholdings, but only for a year in which such U.S. Holder elects to do so for all creditable foreign income taxes. The rules governing foreign tax credits are complex, and U.S. Holders should consult their tax advisers regarding the creditability of foreign taxes in their particular circumstances.

Dividends will be included in a U.S. Holder’s income on the date of the U.S. Holder’s, or in the case of ADSs, the depositary’s, actual or constructive receipt of the dividend. The amount of any dividend income paid in RMB will be the U.S. dollar amount calculated by reference to the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars. If the dividend is converted into U.S. dollars on the date of receipt, a U.S. Holder should not be required to recognize foreign currency gain or loss in respect of the dividend income. A U.S. Holder may have foreign currency gain or loss, which would be U.S. source ordinary gain or loss, if the dividend is converted into U.S. dollars after the date of receipt.

Sale or Other Disposition of Ordinary Shares or ADSs

For U.S. federal income tax purposes, gain or loss realized on the sale or other disposition of ordinary shares or ADSs will be capital gain or loss, and will be long-term capital gain or loss if the U.S. Holder held the ordinary shares or ADSs for more than one year. The amount of the gain or loss will equal the difference between the U.S. Holder’s tax basis in the ordinary shares or ADSs disposed of and the amount realized on the disposition, in each case as determined in U.S. dollars. The deductibility of capital losses is subject to limitations.

As described in “Taxation — PRC Taxation — PRC taxation on us,” if we were deemed to be a tax resident enterprise under PRC tax law, gains from dispositions of our ordinary shares or ADSs may be subject to PRC withholding tax. In that case, a U.S. Holder’s amount realized would include the gross amount of the proceeds of the sale or disposition before deduction of the PRC tax. Although any such gain of a U.S. Holder would generally be characterized as U.S.-source income, a U.S. Holder that is eligible for the benefits of the Treaty may be entitled to elect to treat the gain as foreign-source income for foreign tax credit purposes. U.S. Holders should consult their tax advisers regarding their eligibility for benefits under the Treaty and the creditability of any PRC tax on dispositions with respect to their particular circumstances.

Passive Foreign Investment Company Rules

We do not believe we were a passive foreign investment company, or PFIC, for U.S. federal income tax purposes for our 2017 taxable year. However, because PFIC status depends on the composition of our income and assets and the market value of our assets from time to time, as well as our market capitalization at the close of each quarter, there can be no assurance that we will not be a PFIC for any taxable year. While we have no reason to believe we will be or become a PFIC in the current or future taxable years, the determination of whether we are or will become a PFIC will depend in part upon the value of our goodwill and other unbooked intangibles (which will depend upon the market price of our ADSs from time to time, which may be volatile). Among other matters, if our market capitalization declines, we may be or become a PFIC for the current or future taxable years. It is also possible that the IRS may challenge our classification or valuation of our goodwill and other unbooked intangibles, which may result in our company being or becoming a PFIC for the current or one or more future taxable years.

If we were a PFIC for any taxable year during which a U.S. Holder held ordinary shares or ADSs, gain recognized by a U.S. Holder on a sale or other disposition (including certain pledges) of the ordinary shares or ADSs would be allocated ratably over the U.S. Holder's holding period for the ordinary shares or ADSs. The amounts allocated to the taxable year of the sale or other disposition and to any year before we became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for individuals or corporations, as appropriate, for that taxable year, and an interest charge would be imposed on the amount allocated to that taxable year. Further, to the extent that any distribution received by a U.S. Holder on its ordinary shares or ADSs exceeds 125% of the average of the annual distributions on the ordinary shares or ADSs received during the preceding three years or the U.S. Holder's holding period, whichever is shorter, that distribution would be subject to taxation in the same manner as gain, described immediately above.

If we were a PFIC, a U.S. Holder could, if certain conditions are met, make a mark-to-market election with respect to our ADSs that would result in tax treatment different from the general tax treatment for PFICs described above. Because a mark-to-market election cannot be made for any lower-tier PFICs that a PFIC may own, a U.S. Holder who makes a mark-to-market election with respect to our ADSs will generally continue to be subject to the foregoing rules with respect to such U.S. Holder's indirect interest in any investments held by us that are treated as an equity interest in a PFIC for U.S. federal income tax purposes. If a U.S. Holder were to make an effective mark-to-market election for the first year that we are a PFIC, the holder generally would recognize as ordinary income any excess of the fair market value of the ADSs at the end of each taxable year over its adjusted tax basis, and would recognize an ordinary loss in respect of any excess of the adjusted tax basis of the ADSs over their fair market value at the end of the taxable year (but only to the extent of the net amount of income previously included as a result of the mark-to-market election). If a U.S. Holder makes the election, the holder's tax basis in the ADSs will be adjusted to reflect these income or loss amounts. If we were a PFIC, it is unclear whether our ordinary shares would be treated as "marketable stock" eligible for the mark-to-market election. Any gain recognized on the sale or other disposition of ADSs in a year when we are a PFIC would be treated as ordinary income and any loss would be treated as an ordinary loss (but only to the extent of the net amount of income previously included as a result of the mark-to-market election).

A timely election to treat us as a qualified electing fund under Section 1295 of the Code would also result in alternative treatment from the general treatment for PFICs described above (which alternative treatment could, in certain circumstances, mitigate the adverse tax consequences of holding shares in a PFIC). U.S. Holders should be aware, however, that we do not intend to satisfy record-keeping and other requirements or provide relevant information that would permit U.S. Holders to make qualified electing fund elections if we were a PFIC.

In addition, if we were a PFIC, the favorable rates discussed above with respect to dividends paid to certain non-corporate U.S. Holders would not apply. Furthermore, if we were a PFIC for any taxable year during which a U.S. Holder held ordinary shares or ADSs, such U.S. Holder may be required to file a report (IRS Form 8621 or other relevant form) containing such information as the U.S. Treasury may require. U.S. Holders should consult their tax advisers regarding the potential application of the PFIC rules, including potential reporting obligations.

Specified Foreign Financial Assets

Certain U.S. Holders that own "specified foreign financial assets" with an aggregate value in excess of USD 50,000 are generally required to file an information statement along with their tax returns, currently on Form 8938, with respect to such assets. "Specified foreign financial assets" include any financial accounts held at a non-U.S. financial institution, as well as securities issued by a non-U.S. issuer that are not held in accounts maintained by financial institutions. Higher reporting thresholds apply to certain individuals living abroad and to certain married individuals. Regulations extend this reporting requirement to certain entities that are treated as formed or availed of to hold direct or indirect interests in specified foreign financial assets based on certain objective criteria. U.S. Holders who fail to report the required information could be subject to substantial penalties. Prospective investors should consult their own tax advisors concerning the application of these rules to their investment in ADSs or ordinary shares, including the application of the rules to their particular circumstances.

Information Reporting and Backup Withholding

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

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

10.F. Dividends and Paying Agents

Not applicable.

10.G. Statement by Experts

Not applicable.

10.H. Documents on Display

We are subject to the periodic reporting and other informational requirements of the Exchange Act. Under the Exchange Act, we are required to file reports and other information with the SEC. Specifically, we are required to file annually a Form 20-F no later than four months after the close of each fiscal year, which is December 31. Copies of reports and other information, when so filed, may be inspected without charge and may be obtained at prescribed rates at the public reference facilities maintained by the Securities and Exchange Commission at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. The public may obtain information regarding the Washington, D.C. Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website at www.sec.gov that contains reports, proxy and information statements, and other information regarding registrants that make electronic filings with the SEC using its EDGAR system. As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

10.I. Subsidiary Information

Not applicable.

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

Interest Rate Risk

Our exposure to interest rate risk primarily relates to the interest rates for our outstanding debt and the interest income generated by excess cash invested in liquid investments with original maturities of three months or less. We have not used any derivative financial instruments to manage our interest risk exposure. Interest-earning instruments carry a degree of interest rate risk.

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We have not been exposed to material risks due to changes in interest rates. However, our future interest income and interest expense may be different from expected due to changes in market interest rates.

Foreign Exchange Risk

Substantially all of our revenues and most of our expenses are denominated in RMB. Our exposure to foreign exchange risk primarily relates to cash and cash equivalents and loans denominated in U.S. dollars. Although in general, our exposure to foreign exchange risks should be limited, the value of your investment in our ADSs will be affected by the foreign exchange rate between U.S. dollars and RMB because the value of our business is effectively denominated in RMB, while the ADSs will be traded in U.S. dollars.

The value of the RMB against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. The conversion of RMB into foreign currencies, including U.S. dollars, has been based on rates set by the People's Bank of China. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the RMB to the U.S. dollar. Under the new policy, the RMB is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. This change in policy caused the Renminbi to appreciate by more than 20% against the U.S. dollar between July 2005 and July 2008. Between July 2008 and June 2010, this appreciation halted and the exchange rate between the Renminbi and the U.S. dollar remained within a narrow band. Since June 2010, the RMB has fluctuated against the U.S. dollar, at times significantly and unpredictably. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the RMB and the U.S. dollar in the future. To the extent we hold assets denominated in U.S. dollars, any appreciation of the RMB against the U.S. dollar could result in a change to our statement of operations and a reduction in the value of our U.S. dollar denominated assets. On the other hand, a decline in the value of the RMB against the U.S. dollar could reduce the U.S. dollar equivalent amounts of our financial results, the value of your investment in our company and the dividends we may pay in the future, if any, all of which may have a material adverse effect on the prices of ADSs. By way of example, assuming we had converted a U.S. dollar denominated cash balance of US\$1.0 million as of December 29, 2017 into Renminbi at the exchange rate of US\$1.00 for RMB6.5063, such cash balance would have been approximately RMB6.5 million (US\$1.0 million). Assuming a 1.0% depreciation of the RMB against the U.S. dollar, such cash balance would have increased to RMB6.6 million (US\$1.0 million) as of December 29, 2017.

Inflation

Since our inception, inflation in China has not materially impacted our results of operations. According to the National Bureau of Statistics of China, consumer price index in China increased by 1.4%, 2.0% and 1.6% in 2015, 2016 and 2017, respectively. Although we have not been materially affected by inflation in the past, we may be affected if China experiences higher rates of inflation in the future.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

12.A. Debt Securities

Not applicable.

12.B. Warrants and Rights

Not applicable.

12.C. Other Securities

Not applicable.

12.D. American Depositary Shares

Fees and Charges Our ADS holders May Have to Pay

An ADS holder will be required to pay the following service fees to the depository, Citibank, N.A.:

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Service	Fees
• Issuance of ADSs	Up to U.S. 5¢ per ADS issued
• Cancellation of ADSs	Up to U.S. 5¢ per ADS canceled
• Distribution of cash dividends or other cash distributions	Up to U.S. 5¢ per ADS held
• Distribution of ADSs pursuant to stock dividends, free stock distributions or exercise of rights	Up to U.S. 5¢ per ADS held
• Distribution of securities other than ADSs or rights to purchase additional ADSs	Up to U.S. 5¢ per ADS held
• Depository Services	Up to U.S. 5¢ per ADS held on the applicable record date(s) established by the Depository (U.S. 2¢ per ADS for the year of 2017)

An ADS holder will also be responsible to pay certain fees and expenses incurred by the depository and certain taxes and governmental charges such as:

- Fees for the transfer and registration of ordinary shares charged by the registrar and transfer agent for the ordinary shares in the Cayman Islands (i.e., upon deposit and withdrawal of ordinary shares).
- Expenses incurred for converting foreign currency into U.S. dollars.
- Expenses for cable, telex and fax transmissions and for delivery of securities.
- Taxes and duties upon the transfer of securities (i.e., when ordinary shares are deposited or withdrawn from deposit).
- Fees and expenses incurred in connection with the delivery or servicing of ordinary shares on deposit.

Depository fees payable upon the issuance and cancellation of ADSs are typically paid to the depository banks by the brokers (on behalf of their clients) receiving the newly issued ADSs from the depository banks and by the brokers (on behalf of their clients) delivering the ADSs to the depository banks for cancellation. The brokers in turn charge these fees to their clients. Depository fees payable in connection with distributions of cash or securities to ADS holders and the depository services fee are charged by the depository banks to the holders of record of ADSs as of the applicable ADS record date.

The depository fees payable for cash distributions are generally deducted from the cash being distributed. In the case of distributions other than cash (i.e., stock dividend, rights), the depository banks charge the applicable fee to the ADS record date holders concurrent with the distribution. In the case of ADSs registered in the name of the investor (whether certificated or uncertificated in direct registration), the depository banks send invoices to the applicable record date ADS holders. In the case of ADSs held in brokerage and custodian accounts (via The Depository Trust Company ("DTC")), the depository banks generally collect its fees through the systems provided by DTC (whose nominee is the registered holder of the ADSs held in DTC) from the brokers and custodians holding ADSs in their DTC accounts. The brokers and custodians who hold their clients' ADSs in DTC accounts in turn charge their clients' accounts the amount of the fees paid to the depository banks.

In the event of refusal to pay the depository fees, the depository may, under the terms of the deposit agreement, refuse the requested service until payment is received or may set off the amount of the depository fees from any distribution to be made to the ADS holder.

The fees and charges an ADS holder may be required to pay may vary over time and may be changed by us and by the depository. An ADS holder will receive prior notice of such changes.

Fees and Other Payments Made by the Depositary to Us

The depositary may reimburse us for certain expenses incurred by us in respect of the ADR program established pursuant to the deposit agreement, by making available a portion of the depositary fees charged in respect of the ADR program or otherwise, upon such terms and conditions as we and the depositary may agree from time to time. For the year ended December 31, 2017, we have received a total of RMB2.4 million (US\$0.4 million) from the depositary as reimbursement for our expenses incurred in connection with investor relationship programs related to the ADS program.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None of these events occurred in any of the years ended December 31, 2015, 2016 and 2017.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

There have been no material modifications to the rights of securities holders or the use of proceeds.

ITEM 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, has performed an evaluation of the effectiveness of our disclosure controls and procedures within the meaning of Rules 13a-15(e) and 15d-15(e) of the Exchange Act as of the end of the period covered by this annual report. Based on such evaluation, our management has concluded that, as of the end of the period covered by this annual report, our disclosure controls and procedures were effective.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, for our company. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements in accordance with generally accepted accounting principles and includes those policies and procedures that (a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of a company's assets, (b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with generally accepted accounting principles and that a company's receipts and expenditures are being made only in accordance with authorizations of a company's management and directors and (c) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of a company's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, a system of internal control over financial reporting can provide only reasonable assurance with respect to consolidated financial statement preparation and presentation and may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Our management excluded Crystal Orange from our assessment of the internal control over financial reporting, which was acquired on May 24, 2017 and whose financial statements constitute 12.6% and 7.8% of net assets and total assets, respectively, 9.5% of revenues and 8.1% of net income of our consolidated financial statement amounts as of and for the year ended December 31, 2017. Based on this assessment and evaluation, our management has concluded that our internal control over financial reporting was effective as of December 31, 2017. As required by Section 404 of the Sarbanes-Oxley Act and related rules as promulgated by the SEC, our management assessed the effectiveness of the internal control over financial reporting as of December 31, 2017 using criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management has concluded that our internal control over financial reporting was effective as of December 31, 2017.

Attestation Report of the Registered Public Accounting Firm

The effectiveness of our internal control over financial reporting as of December 31, 2017 has been audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP, an independent registered public accounting firm. The attestation report issued by Deloitte Touche Tohmatsu Certified Public Accountants LLP can be found on page F-3 of this annual report on Form 20-F.

Changes in Internal Control over Financial Reporting

There were no significant changes that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting during 2017.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our board of directors has determined that Mr. Jian Shang is an audit committee financial expert, as that term is defined in Item 16A(b) of Form 20-F, and is independent for the purposes of Rule 5605(a)(2) of the NASDAQ Marketplace Rules, or the NASDAQ Rules, and Rule 10A-3 under the Exchange Act.

ITEM 16B. CODE OF ETHICS

Our board of directors adopted a code of business conduct and ethics on January 27, 2010 that applies to our directors, officers, employees and agents, including certain provisions that specifically apply to our executive officers and any other persons who perform similar functions for us. We have filed our code of business conduct and ethics as an exhibit to our registration statement on Form F-1 (File No. 333-165247) originally filed with the Securities and Exchange Commission on March 5, 2010, as amended. Our code of business conduct and ethics is publicly available on our website at <http://ir.huazhu.com/>.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Deloitte Touche Tohmatsu Certified Public Accountants LLP, or Deloitte, our independent registered public accounting firm, began serving as our auditor in August 2009.

Our audit committee is responsible for the oversight of Deloitte's work. The policy of our audit committee is to pre-approve all audit and non-audit services provided by Deloitte, including audit services, audit-related services, tax services and other services, other than those for *de minimis* services which are approved by the audit committee prior to the completion of the audit.

We paid the following fees for professional services to Deloitte for the years ended December 31, 2016 and 2017.

	Year Ended December 31,	
	2016	2017
	US\$	US\$
	(In thousands)	
Audit Fees ⁽¹⁾	1,160	1,180
Audit-Related Fees ⁽²⁾	—	484
Tax Fees	—	—
All Other Fees ⁽³⁾	338	—
Total	<u>1,498</u>	<u>1,664</u>

Note: (1) Audit Fees. This category includes the aggregate fees billed for the professional services rendered by our principal auditors for assurance and related services. Our 2016 and 2017 audit fees mainly include the audit of our annual financial statements, the services provided in connection with our compliance with the Sarbanes-Oxley Act, or services that are normally provided by the accountant in connection with statutory and regulatory filings.

(2) Audit-Related Fees. This category includes the aggregate fees billed for the professional services rendered by our principal auditors for assurance and related services that are reasonably related to the performance of the audit or review of our consolidated financial statements and are not reported under "Audit Fees." Audit-Related Fees in 2017 was to support the issuance of convertible senior notes and the agreed-upon procedures related to our acquisition transaction.

(3) All Other Fees. This category includes the aggregate fees billed for the professional services rendered by our principal auditors for tax and other related consulting services.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

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

We announced a share repurchase program approved by our board of directors on April 20, 2015, which was amended in March 2016. Under the terms of the approved program, we may repurchase up to \$80 million worth of our issued and outstanding ADSs. The repurchases have been, made from time to time on the open market at prevailing market prices and have been made subject to restrictions relating to volume, price and timing. This share repurchase plan expired on April 20, 2017. Our board of directors review the share repurchase program periodically, and may authorize adjustment of its terms and size accordingly. The share repurchase program may be suspended or discontinued at any time. We did not repurchase any ADSs under this program in 2017.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

We are a "foreign private issuer" (as such term is defined in Rule 3b-4 under the Exchange Act), and our ADSs are listed on the NASDAQ Global Select Market. The NASDAQ rules provide that foreign private issuers may follow home country practice in lieu of the corporate governance requirements of the NASDAQ Stock Market LLC, subject to certain exceptions and requirements and except to the extent that such exemptions would be contrary to U.S. federal securities laws and regulations. The significant differences between our corporate governance practices and those followed by domestic companies under the NASDAQ rules are summarized as follows:

- We follow home country practice that permits our board of directors not to have a majority of independent directors in lieu of complying with Rule 5605(b)(1) of the NASDAQ.
- We follow home country practice that permits our independent directors not to hold regularly scheduled meetings at which only independent directors are present in lieu of complying with Rule 5605(b)(2) of the NASDAQ.
- We follow home country practice that permits our board of directors not to implement a nominations committee, in lieu of complying with Rule 5605(e) of the NASDAQ Rules that requires the implementation of a nominations committee.
- We follow home country practice that permits our audit committee may comprise two directors rather than three required under Rule 5605(c)(2) of the NASDAQ.
- We followed home country practice that permits us not to disclose in our annual report or website the material terms of all agreements or arrangements between any director, nominee for director and any person or entity other than our company relating to compensation or other payment in connection with that person's candidacy or services as a director of our company, in lieu of complying with Rule 5250(b)(3) of the NASDAQ.

Other than the above, we have followed and intend to continue to follow the applicable corporate governance standards under the NASDAQ rules.

In accordance with Rule 5250(d)(1) of the NASDAQ, we will post this annual report on Form 20-F on our company website at <http://ir.huazhu.com>.

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

PART III

ITEM 17. *FINANCIAL STATEMENTS*

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

ITEM 18. *FINANCIAL STATEMENTS*

Our consolidated financial statements are included at the end of this annual report.

ITEM 19. *EXHIBITS*

<u>Exhibit Number</u>	<u>Description of Document</u>
1.1	Amended and Restated Memorandum and Articles of Association of the Registrant. (Incorporated by reference to Exhibits 3.2 from the Amendment No. 1 to our Registration Statement on Form F-1 (file no. 333-165247) filed with the Securities and Exchange Commission on March 12, 2010.)
1.2	Amendment to the Amended and Restated Articles of Association of the Registrant, adopted by the shareholders of the Registrant on November 21, 2012. (Incorporated by reference to Exhibit 1.2 from our annual report on Form 20-F filed with the Securities and Exchange Commission on April 23, 2013.)
1.3	Amendment to the Amended and Restated Articles of Association of the Registrant, adopted by the shareholders of the Registrant on December 16, 2015 and effective on January 25, 2016. (Incorporated by reference to Exhibit 1.3 from our annual report on Form 20-F filed with the Securities and Exchange Commission on April 20, 2016.)
2.1	Registrant's Specimen American Depositary Receipt (included in Exhibit 2.3).
2.2	Registrant's Specimen Certificate for Ordinary Shares. (Incorporated by reference to Exhibit 4.2 from our Registration Statement on Form F-1 (file no. 333-165247) filed with the Securities and Exchange Commission on March 5, 2010.)
2.3	Form of Deposit Agreement among the Registrant, the Depository and all Holders and Beneficial Owners of the American Depositary Shares issued thereunder. (Incorporated by reference to Exhibits 4.3 from the Amendment No. 1 to our Registration Statement on Form F-1 (file no. 333-165247) filed with the Securities and Exchange Commission on March 12, 2010.)
4.1	Amended and Restated 2007 Global Share Plan, amended and restated as of December 12, 2007. (Incorporated by reference to Exhibit 10.1 from our Registration Statement on Form F-1 (file no. 333-165247) filed with the Securities and Exchange Commission on March 5, 2010.)
4.2	Amended and Restated 2008 Global Share Plan, amended and restated as of October 31, 2008. (Incorporated by reference to Exhibit 10.2 from our Registration Statement on Form F-1 (file no. 333-165247) filed with the Securities and Exchange Commission on March 5, 2010.)
4.3	Amended and Restated 2009 Share Incentive Plan, amended and restated as of October 1, 2009. (Incorporated by reference to Exhibit 10.3 from our Registration Statement on Form F-1 (file no. 333-165247) filed with the Securities and Exchange Commission on March 5, 2010.)
4.4	Amendment to the Amended and Restated 2009 Share Incentive Plan, amended as of August 26, 2010. (Incorporated by reference to Exhibit 99.2 from our report on Form 6-K (file no. 333-34656) filed with the Securities and Exchange Commission on July 15, 2010.)
4.5	Amendment to the Amended and Restated 2009 Share Incentive Plan, amended as of March 26, 2015. (Incorporated by reference to Exhibit 99.2 from our report on Form 6-K filed with the Securities and Exchange Commission on March 27, 2015.)
4.6	Form of Indemnification Agreement with the Registrant's Directors. (Incorporated by reference to Exhibit 10.4 from our Registration Statement on Form F-1 (file no. 333-165247) filed with the Securities and Exchange Commission on March 5, 2010.)

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- 4.7 [English translation of the Form of Employment Agreement between the Registrant and Executive Officers of the Registrant. \(Incorporated by reference to Exhibit 4.6 from our annual report on Form 20-F \(File No. 001-34656\) filed with the Securities and Exchange Commission on April 12, 2012.\)](#)
- 4.8 [English translation of the Fixed Assets Loan Contract between the Industrial and Commercial Bank of China and HanTing Xingkong \(Shanghai\) Hotel Management Co., Ltd., dated March 2, 2012. \(Incorporated by reference to Exhibit 4.10 from our annual report on Form 20-F \(File No. 001-34656\) filed with the Securities and Exchange Commission on April 12, 2012.\)](#)
- 4.9 [English translation of the Facility Agreement between China Merchants Bank and HanTing Xingkong \(Shanghai\) Hotel Management Co., Ltd., dated September 25, 2012. \(Incorporated by reference to Exhibit 4.8 from our annual report on Form 20-F filed with the Securities and Exchange Commission on April 23, 2013.\)](#)
- 4.10 [Subscription Agreement between the Registrant and Ctrip.com International, Ltd., dated March 12, 2010. \(Incorporated by reference to Exhibit 10.9 from the Amendment No. 1 to our Registration Statement on Form F-1 \(file no. 333-165247\) filed with the Securities and Exchange Commission on March 12, 2010.\)](#)
- 4.11 [Investor and Registration Rights Agreement between the Registrant and Ctrip.com International, Ltd., dated March 12, 2010. \(Incorporated by reference to Exhibit 10.10 from the Amendment No. 1 to our Registration Statement on Form F-1 \(file no. 333-165247\) filed with the Securities and Exchange Commission on March 12, 2010.\)](#)
- 4.12 [Share Purchase Agreement by and between China Lodging Holdings \(HK\) Limited and C-Travel International Limited, dated April 15, 2012. \(Incorporated by reference to Exhibit 4.11 from our annual report on Form 20-F filed with the Securities and Exchange Commission on April 23, 2013.\)](#)
- 4.13 [English translation of Entrusted Loan agreement by and between HanTing Xingkong \(Shanghai\) Hotel Management Co., Ltd. Ctrip Computer Technology Co., Ltd and China Construction Bank Corporation, dated December 19, 2013 \(Incorporated by reference to Exhibit 4.12 from our annual report on Form 20-F filed with the Securities and Exchange Commission on April 17, 2014.\)](#)
- 4.14 [English translation of Letter of Guarantee by and between Ctrip.com International, Ltd. and the Registrant, dated December 19, 2013 \(Incorporated by reference to Exhibit 4.13 from our annual report on Form 20-F filed with the Securities and Exchange Commission on April 17, 2014.\)](#)
- 4.15 [Master Purchase Agreement among the Registrant, AAPC Singapore Pte. Ltd. and AAPC Hong Kong Limited dated December 14, 2014 \(Incorporated by reference to Exhibit 4.15 from our annual report on Form 20-F filed with the Securities and Exchange Commission on April 17, 2015.\)](#)
- 4.16 [Securities Purchase Agreement between the Registrant and AAPC Hong Kong Limited, dated December 14, 2014 \(Incorporated by reference to Exhibit 4.16 from our annual report on Form 20-F filed with the Securities and Exchange Commission on April 17, 2015.\)](#)
- 4.17 [Amended and Restated Master Purchase Agreement among the Registrant, AAPC Singapore Pte. Ltd. and AAPC Hong Kong Limited, dated as of December 14, 2014 and amended and restated as of January 25, 2016 \(Incorporated by reference to Exhibit 4.17 from our annual report on Form 20-F filed with the Securities and Exchange Commission on April 20, 2016.\)](#)
- 4.18 [Amended and Restated Securities Purchase Agreement between the Registrant and AAPC Hong Kong Limited, dated as of December 14, 2014 and amended and restated as of dated January 25, 2016 \(Incorporated by reference to Exhibit 4.18 from our annual report on Form 20-F filed with the Securities and Exchange Commission on April 20, 2016.\)](#)

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- 4.19 [Investor and Registration Rights Agreement between the Registrant and AAPC Hong Kong Limited, dated January 25, 2016 \(Incorporated by reference to Exhibit 4.19 from our annual report on Form 20-F filed with the Securities and Exchange Commission on April 20, 2016.\)](#)
- 4.20 [Amended and Restated Non-Competition Agreement between Accor S.A., AAPC Hong Kong Limited, the Registrant and Oi Ji dated January 25, 2016 \(Incorporated by reference to Exhibit 99.B to the Schedule 13D filed by Accor S.A. and AAPC Hong Kong Limited with the Securities and Exchange Commission on February 8, 2016.\)](#)
- 4.21 [Share Purchase Agreement related to Crystal Orange Hotel Holdings Limited between the Vendors named therein and the Registrant dated February 25, 2017 \(Incorporated by reference to Exhibit 4.21 from our annual report on Form 20-F filed with the Securities and Exchange Commission on April 21, 2017.\)](#)
- 4.22 [Underwriting Agreement among the Registrant, Deutsche Bank AG, London Branch and Deutsche Bank Securities Inc. dated October 26, 2017 \(Incorporated by reference to Exhibit 1.1 on Form 6-K filed with the Securities and Exchange Commission on October 31, 2017.\)](#)
- 4.23 [ADS Lending Agreement between the Registrant and Deutsche Bank AG, London Branch dated October 26, 2017 \(Incorporated by reference to Exhibit 99.1 on Form 6-K filed with the Securities and Exchange Commission on October 31, 2017.\)](#)
- 4.24* [Purchase Agreement between the Registrant and Deutsche Bank Securities Inc. dated October 26, 2017](#)
- 4.25* [Base Capped Call Transaction Confirmation between the Registrant and Deutsche Bank AG, London Branch dated October 26, 2017](#)
- 4.26* [Base Capped Call Transaction Confirmation between the Registrant and JPMorgan Chase Bank, National Association dated October 26, 2017](#)
- 4.27* [Base Capped Call Transaction Confirmation between the Registrant and Morgan Stanley & Co. LLC dated October 26, 2017](#)
- 4.28* [Additional Capped Call Transaction Confirmation between the Registrant and Deutsche Bank AG, London Branch dated October 31, 2017](#)
- 4.29* [Additional Capped Call Transaction Confirmation between the Registrant and JPMorgan Chase Bank, National Association dated October 31, 2017](#)
- 4.30* [Additional Capped Call Transaction Confirmation between the Registrant and Morgan Stanley & Co. LLC dated October 31, 2017](#)
- 4.31* [Indenture between the Registrant and Wilmington Trust, National Association dated November 3, 2017.](#)
- 8.1* [Subsidiaries of the Registrant.](#)
- 11.1 [Code of Business Conduct and Ethics of the Registrant \(Incorporated by reference to Exhibit 99.1 from our Registration Statement on Form F-1 \(file no. 333-165247\) filed with the Securities and Exchange Commission on March 5, 2010.\)](#)
- 12.1* [Certification of Min \(Jenny\) Zhang, Chief Executive Officer of the Registrant, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 12.2* [Certification of Teo Nee Chuan, Chief Financial Officer of the Registrant, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)

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13.1**	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
15.1*	Consent of Deloitte Touche Tohmatsu Certified Public Accountants LLP, Independent Registered Public Accounting Firm.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed with this Annual Report on Form 20-F.

** Furnished with this Annual Report on Form 20-F.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

CHINA LODGING GROUP, LIMITED

By: /s/ Min (Jenny) Zhang
Name: Min (Jenny) Zhang
Title: Chief Executive Officer

Date: April 20, 2018

CHINA LODGING GROUP, LIMITED

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DECEMBER 31, 2015, 2016 AND 2017**

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF CHINA LODGING GROUP, LIMITED

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of China Lodging Group, Limited and its subsidiaries and variable interest entities (the "Group") as of December 31, 2017 and 2016, the related consolidated statements of comprehensive income, changes in equity, and cash flows, for each of the three years in the period ended December 31, 2017, and the related notes and schedules (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of China Lodging Group, Limited and its subsidiaries and variable interest entities as of December 31, 2017 and 2016, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (the "PCAOB"), the Group's internal control over financial reporting as of December 31, 2017, based on the criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated April 20, 2018 expressed an unqualified opinion on the Group's internal control over financial reporting.

Convenience Translation

Our audits also comprehended the translation of Renminbi amounts into United States dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 2. Such United States dollar amounts are presented solely for the convenience of readers in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP
Shanghai, China
April 20, 2018

We have served as the Company's auditor since 2009.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF CHINA LODGING GROUP, LIMITED

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of China Lodging Group, Limited and its subsidiaries and variable interest entities (the "Group") as of December 31, 2017 based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Group maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements and financial statement schedules as of and for the year ended December 31, 2017 of the Group and our report dated April 20, 2018 expressed an unqualified opinion on those financial statements and financial statement schedules and included an explanatory paragraph regarding the translation of Renminbi amounts into United States dollar amounts for the convenience of readers in the United States of America.

As described in the Management's Report on Internal Controls over Financial Reporting, management excluded from its assessment the internal control over financial reporting at Crystal Orange Hotel Holdings Limited ("Crystal Orange"), which was acquired on May 24, 2017 and whose financial statements constitute 12.6% and 7.8% of net and total assets, respectively, 9.5% of revenues and 8.1% of net income of the consolidated financial statement amounts as of and for the year ended December 31, 2017. Accordingly, our audit did not include the internal control over financial reporting at Crystal Orange.

Basis for Opinion

The Group's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Group's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP
Shanghai, China
April 20, 2018

CHINA LODGING GROUP, LIMITED
CONSOLIDATED BALANCE SHEETS
(Renminbi in thousands, except share and per share data, unless otherwise stated)

	As of December 31,		
	2016	2017	2017 US\$'000 (Note 2)
ASSETS			
Current assets:			
Cash and cash equivalents	3,235,007	3,474,719	534,054
Restricted cash	500	481,348	73,982
Short-term investments measured at fair value	—	129,911	19,967
Accounts receivable, net of allowance of RMB11,424 and RMB10,277 as of December 31, 2016 and 2017, respectively	141,649	162,910	25,039
Loan receivables	22,410	380,580	58,494
Amounts due from related parties	98,453	118,537	18,219
Prepaid rent	446,127	659,973	101,436
Inventories	21,606	24,006	3,690
Other current assets	208,929	329,140	50,588
Total current assets	4,174,681	5,761,124	885,469
Property and equipment, net	3,710,468	4,522,878	695,154
Intangible assets, net	342,694	1,643,972	252,674
Land use rights	145,521	140,108	21,534
Long-term investments, including marketable securities measured at fair value of RMB204,945 and RMB907,716 as of December 31, 2016 and 2017, respectively	1,064,321	2,361,969	363,028
Goodwill	171,504	2,264,758	348,087
Loan receivables	7,269	42,330	6,506
Other assets	200,492	364,660	56,047
Deferred tax assets	176,414	325,643	50,050
Total assets	9,993,364	17,427,442	2,678,549
LIABILITIES AND EQUITY			
Current liabilities:			
Short-term debt	298,291	130,815	20,106
Accounts payable	584,731	766,565	117,819
Amounts due to related parties	11,058	36,890	5,670
Salary and welfare payables	274,259	427,070	65,640
Deferred revenue	749,793	832,021	127,879
Accrued expenses and other current liabilities	895,837	1,264,902	194,412
Income tax payable	152,112	218,238	33,542
Total current liabilities	2,966,081	3,676,501	565,068
Long-term debt	—	4,921,774	756,463
Deferred rent	1,023,843	1,380,484	212,177
Deferred revenue	166,963	171,735	26,394
Other long-term liabilities	323,991	380,578	58,494
Deferred tax liabilities	96,329	422,090	64,874
Total liabilities	4,577,207	10,953,162	1,683,470
Commitments and contingencies (Note 22)			
Equity:			
Ordinary shares (US\$0.0001 par value per share; 8,000,000,000 shares authorized; 281,379,130 and 294,040,234 shares issued as of December 31, 2016 and 2017, and 278,282,366 and 280,518,358 shares outstanding as of December 31, 2016 and 2017, respectively)	204	212	33
Treasury shares (3,096,764 and 3,096,764 shares as of December 31 2016 and 2017, respectively)	(107,331)	(107,331)	(16,496)
Additional paid-in capital	3,699,056	3,624,135	557,019
Retained earnings	1,812,174	2,753,715	423,238
Accumulated other comprehensive (loss) income	(4,503)	167,965	25,816
Total China Lodging Group, Limited shareholders' equity	5,399,600	6,438,696	989,610
Noncontrolling interest	16,557	35,584	5,469
Total equity	5,416,157	6,474,280	995,079
Total liabilities and equity	9,993,364	17,427,442	2,678,549

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

CHINA LODGING GROUP, LIMITED

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Renminbi in thousands, except share and per share data, unless otherwise stated)

	Years Ended December 31,			
	2015	2016	2017	2017
				US\$'000 (Note 2)
Revenues:				
Leased and owned hotels	4,986,872	5,212,405	6,343,279	974,944
Manachised and franchised hotels	1,123,979	1,411,156	1,786,660	274,605
Others	—	31,219	40,257	6,187
Total revenues	6,110,851	6,654,780	8,170,196	1,255,736
Less: Business tax and related taxes	336,227	116,149	—	—
Net revenues	5,774,624	6,538,631	8,170,196	1,255,736
Operating costs and expenses:				
Hotel operating costs	4,512,147	4,932,173	5,674,151	872,101
Other operating costs	—	7,606	17,324	2,663
Selling and marketing expenses	179,568	146,525	214,959	33,039
General and administrative expenses	403,008	492,141	690,970	106,200
Pre-opening expenses	110,011	71,847	206,454	31,731
Total operating costs and expenses	5,204,734	5,650,292	6,803,858	1,045,734
Other operating income (expenses), net	31,264	(17,440)	71,175	10,940
Income from operations	601,154	870,899	1,437,513	220,942
Interest income	26,712	67,366	112,645	17,313
Interest expense	3,854	11,056	87,320	13,421
Other income (expense), net	6,979	133,755	163,678	25,157
Foreign exchange gain (loss)	7,814	16,481	(18,128)	(2,786)
Income before income taxes	638,805	1,077,445	1,608,388	247,205
Income tax expense	196,529	287,120	359,958	55,325
Income (loss) from equity method investments	(2,896)	6,157	(11,783)	(1,811)
Net income	439,380	796,482	1,236,647	190,069
Less: net income (loss) attributable to noncontrolling interest	2,780	(8,133)	(555)	(86)
Net income attributable to China Lodging Group, Limited	436,600	804,615	1,237,202	190,155
Other comprehensive income				
Unrealized securities holding gains, net of tax of 7,151, (1,810) and (7,965) for 2015, 2016 and 2017	68,069	16,449	868	133
Reclassification of realized gains to net income, net of tax	—	(67,921)	(5,282)	(812)
Foreign currency translation adjustments, net of tax of nil for 2015, 2016 and 2017	3,535	(12,627)	176,882	27,186
Comprehensive income	510,984	732,383	1,409,115	216,576
Comprehensive income (loss) attributable to the noncontrolling interest	2,780	(8,133)	(555)	(86)
Comprehensive income attributable to China Lodging Group, Limited	508,204	740,516	1,409,670	216,662
Earnings per share:				
Basic	1.74	2.92	4.43	0.68
Diluted	1.70	2.84	4.24	0.65
Weighted average number of shares used in computation:				
Basic	250,533,204	275,139,070	279,272,140	279,272,140
Diluted	256,104,167	282,889,494	293,073,978	293,073,978

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

CHINA LODGING GROUP, LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Renminbi in thousands, except share data, unless otherwise stated)

	Ordinary Shares		Treasury Shares		Additional Paid-in Capital	Retained Earnings	Accumulated Other		Noncontrolling Interest	Total Equity
	Issued shares	Outstanding shares	Amount	Share			Amount	Comprehensive (Loss) Income		
Balance at January 1, 2015	250,747,255	250,747,255	184	—	—	2,381,568	847,220	(12,008)	1,749	3,218,713
Issuance of ordinary shares upon exercise of options and vesting of restricted stocks	3,231,068	3,231,068	2	—	—	23,158	—	—	—	23,160
Share-based compensation	—	—	—	—	—	52,535	—	—	—	52,535
Excess tax benefit from share-based compensation	—	—	—	—	—	12,838	—	—	—	12,838
Noncontrolling interest recognized in connection with acquisitions	—	—	—	—	—	—	—	—	8,264	8,264
Net income	—	—	—	—	—	—	436,600	—	2,780	439,380
Unrealized securities holding gains, net of tax	—	—	—	—	—	—	—	68,069	—	68,069
Dividends paid to noncontrolling interest holders	—	—	—	—	—	—	—	—	(4,604)	(4,604)
Capital contribution from noncontrolling interest holders	—	—	—	—	—	—	—	—	2,450	2,450
Repurchase of shares	—	(3,096,764)	—	3,096,764	(107,331)	—	—	—	—	(107,331)
Cash dividends declared	—	—	—	—	—	—	(276,261)	—	—	(276,261)
Foreign currency translation adjustments	—	—	—	—	—	—	—	3,535	—	3,535
Balance at December 31, 2015	253,978,323	250,881,559	186	3,096,764	(107,331)	2,470,099	1,007,559	59,596	10,639	3,440,748
Issuance of ordinary shares upon exercise of options and vesting of restricted stocks	2,505,264	2,505,264	2	—	—	10,581	—	—	—	10,583
Issuance of ordinary shares for acquisition	24,895,543	24,895,543	16	—	—	1,143,505	—	—	—	1,143,521
Share-based compensation	—	—	—	—	—	55,436	—	—	—	55,436
Excess tax benefit from share-based compensation	—	—	—	—	—	18,645	—	—	—	18,645
Net income	—	—	—	—	—	—	804,615	—	(8,133)	796,482
Unrealized securities holding gains, net of tax	—	—	—	—	—	—	—	16,449	—	16,449
Reclassification of realized gains to net income, net of tax	—	—	—	—	—	—	—	(67,921)	—	(67,921)
Dividends paid to noncontrolling interest holders	—	—	—	—	—	—	—	—	(3,677)	(3,677)
Capital contribution from noncontrolling interest holders	—	—	—	—	—	790	—	—	44,814	45,604
Dispose of noncontrolling interest for deconsolidation	—	—	—	—	—	—	—	—	(27,086)	(27,086)
Foreign currency translation adjustments	—	—	—	—	—	—	—	(12,627)	—	(12,627)
Balance at December 31, 2016	281,379,130	278,282,366	204	3,096,764	(107,331)	3,699,056	1,812,174	(4,503)	16,557	5,416,157
Issuance of ordinary shares upon exercise of options and vesting of restricted stocks	2,235,992	2,235,992	1	—	—	9,301	—	—	—	9,302
Share-based compensation	—	—	—	—	—	66,367	—	—	—	66,367

Issuance of ordinary shares under ADS lending arrangement	10,425,112	—	7	—	—	—	—	—	—	7
Capped Call options in connection with issuance of convertible senior notes	—	—	—	—	—	(177,476)	—	—	—	(177,476)
ADS lending arrangement in connection with issuance of convertible senior notes	—	—	—	—	—	26,499	—	—	—	26,499
Noncontrolling interest recognized in connection with acquisitions	—	—	—	—	—	—	—	—	4,206	4,206
Net income	—	—	—	—	—	—	1,237,202	—	(555)	1,236,647
Cash dividends paid	—	—	—	—	—	—	(295,661)	—	—	(295,661)
Unrealized securities holding gains, net of tax	—	—	—	—	—	—	—	868	—	868
Reclassification of realized gains to net income, net of tax	—	—	—	—	—	—	—	(5,282)	—	(5,282)
Dividends paid to noncontrolling interest holders	—	—	—	—	—	—	—	—	(2,810)	(2,810)
Capital contribution from noncontrolling interest holders	—	—	—	—	—	—	—	—	25,575	25,575
Noncontrolling interest recognized from partial disposal	—	—	—	—	—	—	—	—	237	237
Acquisition of noncontrolling interest	—	—	—	—	—	388	—	—	(4,138)	(3,750)
Disposal of noncontrolling interest for deconsolidation	—	—	—	—	—	—	—	—	(3,488)	(3,488)
Foreign currency translation adjustments	—	—	—	—	—	—	—	176,882	—	176,882
Balance at December 31, 2017	<u>294,040,234</u>	<u>280,518,358</u>	<u>212</u>	<u>3,096,764</u>	<u>(107,331)</u>	<u>3,624,135</u>	<u>2,753,715</u>	<u>167,965</u>	<u>35,584</u>	<u>6,474,280</u>

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

CHINA LODGING GROUP, LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Renminbi in thousands, unless otherwise stated)

	Years Ended December 31,			
	2015	2016	2017	2017 US\$'000 (Note 2)
Operating activities:				
Net income	439,380	796,482	1,236,647	190,069
Adjustments to reconcile net income to net cash provided by operating activities:				
Share-based compensation	52,535	55,436	66,367	10,200
Depreciation and amortization	661,404	694,894	789,252	121,306
Amortization of issuance cost of convertible senior notes	—	—	2,598	399
Deferred taxes	(50,149)	33,446	(76,237)	(11,717)
Bad debt expenses	1,997	1,082	2,446	376
Deferred rent	130,301	103,322	209,074	32,134
(Gain) loss from disposal of property and equipment	(5,519)	9,333	12,884	1,980
Impairment loss	95,608	153,741	169,213	26,008
Loss (Income) from equity method investments	2,896	(6,157)	11,783	1,811
Investment (income) loss	(2,767)	(116,763)	(159,974)	(24,588)
Changes in operating assets and liabilities, net of effect of acquisitions:				
Accounts receivable	(5,749)	(46,211)	4,207	647
Prepaid rent	(44,430)	(25,380)	(188,653)	(28,995)
Inventories	5,952	3,923	2,766	425
Amounts due from related parties	—	(9,314)	(31,151)	(4,788)
Other current assets	(15,518)	(40,813)	(76,320)	(11,730)
Other assets	1,787	(5,046)	(54,411)	(8,363)
Accounts payable	14,194	59,129	8,141	1,251
Amounts due to related parties	1,250	7,489	3,093	475
Salary and welfare payables	24,532	60,669	133,142	20,464
Deferred revenue	216,805	19,529	4,016	617
Accrued expenses and other current liabilities	121,502	202,351	288,185	44,293
Income tax payable	56,019	64,087	44,688	6,868
Other long-term liabilities	60,481	51,072	50,840	7,813
Net cash provided by operating activities	<u>1,762,511</u>	<u>2,066,301</u>	<u>2,452,596</u>	<u>376,955</u>
Investing activities:				
Purchases of property and equipment for hotels in operation and headquarters	(315,117)	(296,353)	(405,166)	(62,273)
Purchases of property and equipment for hotels under development	(325,105)	(206,783)	(414,357)	(63,685)
Purchases of intangibles	(8,818)	(13,557)	(7,854)	(1,207)
Amount received as a result of government zoning	6,721	2,099	2,593	399
Acquisitions, net of cash received	(19,153)	131,501	(3,745,588)	(575,686)
Proceeds from disposal of subsidiary and branch, net of cash disposed	5,000	(20,668)	13,684	2,103
Purchase of long-term investments	(105,707)	(293,125)	(1,327,508)	(204,034)
Proceeds from maturity/sale of long-term investments	14,410	14,842	128,174	19,700
Payment for shareholder loan to equity investees	(1,386)	(39,387)	(113,206)	(17,399)
Collection of shareholder loan from equity investees	1,522	9,285	119,855	18,421
Purchases of short-term investments	(434,811)	—	(95,802)	(14,724)
Proceeds from maturity/sale of short-term investments	—	526,443	—	—
Payment for the origination of loan receivables	(53,000)	(36,420)	(445,892)	(68,532)
Proceeds from collection of loan receivables	45,587	45,885	55,662	8,554
(Increase) decrease in restricted cash	(360,500)	360,000	(480,849)	(73,905)
Net cash (used in) provided by investing activities	<u>(1,550,357)</u>	<u>183,762</u>	<u>(6,716,254)</u>	<u>(1,032,268)</u>
Financing activities:				
Net proceeds from issuance of ordinary shares upon exercise of options	22,619	12,206	9,073	1,394
Payment of share repurchase	(107,331)	—	—	—
Proceeds from short-term bank borrowings	589,376	281,719	136,488	20,978
Repayment of short-term bank borrowings	(283,516)	(332,555)	(294,677)	(45,291)
Proceeds from long-term bank borrowings	—	—	3,633,174	558,409
Repayment of long-term bank borrowings	—	—	(1,650,917)	(253,741)
Funds advanced from noncontrolling interest holders	5,432	11,453	83,573	12,845
Repayment of funds advanced from noncontrolling interest holders	(900)	(600)	(8,730)	(1,342)
Acquisitions of noncontrolling interest	(4,083)	(4,083)	(3,750)	(576)
Contribution from noncontrolling interest holders	2,450	45,604	25,575	3,931
Dividends paid to noncontrolling interest holders	(4,604)	(3,677)	(2,810)	(432)
Dividends paid	—	(276,261)	(306,343)	(47,084)
Proceeds from issuance of convertible senior notes, net of issuance cost and capped call option	—	—	2,925,203	449,595
Direct financing costs paid	—	—	(9,763)	(1,501)
Proceeds from ADS lending	—	—	7	1
Net cash provided by (used in) financing activities	<u>219,443</u>	<u>(266,194)</u>	<u>4,536,103</u>	<u>697,186</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(2,624)</u>	<u>13,300</u>	<u>(32,733)</u>	<u>(5,031)</u>
Net (decrease) increase in cash and cash equivalents	428,973	1,997,169	239,712	36,842
Cash and cash equivalents at the beginning of the year	808,865	1,237,838	3,235,007	497,212
Cash and cash equivalents at the end of the year	<u>1,237,838</u>	<u>3,235,007</u>	<u>3,474,719</u>	<u>534,054</u>
Supplemental disclosure of cash flow information:				
Interest paid, net of amounts capitalized	3,854	9,415	186,648	28,687
Income taxes paid	190,660	184,414	380,272	58,447
Supplemental schedule of non-cash investing and financing activities:				
Purchases of property and equipment included in payables	513,168	453,281	612,503	94,140
Consideration payable for business acquisition	113,458	172,813	118,242	18,173
Purchase of intangible assets included in payables	7,646	7,267	6,015	924
Reimbursement of government zoning included in receivables	2,099	2,700	2,068	318
Proceeds from disposal of subsidiary and branch included in receivables	—	—	300	46

Acquisition of noncontrolling interest included in payables	4,083	—	—	—
Issuance of ordinary shares for acquisition of AccorHotels (Note 3)	—	1,143,521	—	—

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

CHINA LODGING GROUP, LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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1. ORGANIZATION AND PRINCIPAL ACTIVITIES

China Lodging Group, Limited (the “Company”) was incorporated in the Cayman Islands under the laws of the Cayman Islands on January 4, 2007. The principal business activities of the Company and its subsidiaries (the “Group”) are to develop leased and owned, manachised and franchised hotels under the “Joya Hotel”, “Crystal Orange”, “Manxin Hotel”, “Orange Hotel Select”, “Orange Hotel”, “JI Hotel”, “Starway Hotel”, “HanTing Hotel”, “HanTing Premium”, “Elan Hotel” and “Hi Inn” brands in the People’s Republic of China (“PRC”). The Group also has the rights as master franchisee for “Mercure”, “Ibis” and “Ibis Styles”, and co-development rights for “Grand Mercure” and “Novotel”, in Pan-China region.

Leased and owned hotels

The Group leases hotel properties from property owners or purchases properties directly and is responsible for all aspects of hotel operations and management, including hiring, training and supervising the managers and employees required to operate the hotels. In addition, the Group is responsible for hotel development and customization to conform to the standards of the Group brands at the beginning of the lease or the construction, as well as repairs and maintenance, operating expenses and management of properties over the term of the lease or the land and building certificate.

Under the lease arrangements, the Group typically receives rental holidays of two to six months and pays rent on a quarterly or biannual basis. Rent is typically subject to the fixed escalations of three to five percent every three to five years. The Group recognizes rental expense on a straight-line basis over the lease term.

As of December 31, 2016 and 2017, the Group had 624 and 671 leased and owned hotels in operation, respectively.

Manachised and franchised hotels

Typically the Group enters into certain franchise and management arrangements with franchisees for which the Group is responsible for providing branding, quality assurance, training, reservation, hiring and appointing of the hotel general manager and various other support services relating to the hotel renovation and operation. Those hotels are classified as manachised hotels. Under typical franchise and management agreements, the franchisee is required to pay an initial franchise fee and ongoing franchise and management service fees, the majority of which are equal to a certain percentage of the revenues of the hotel. The franchisee is responsible for the costs of hotel development, renovation and the costs of its operations. The term of the franchise and management agreements are typically eight to ten years and are renewable upon mutual agreement between the Group and the franchisee. The Group also has some franchised hotels in which cases the Group does not provide a hotel general manager. As of December 31, 2016 and 2017, the Group had 2,471 and 2,874 manachised hotels in operation and 174 and 201 franchised hotels in operation, respectively.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

Basis of presentation

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company, its majority-owned subsidiaries and consolidated variable interest entities (the “VIEs”). All intercompany transactions and balances are eliminated on consolidation.

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Variable Interest Entities

The Group evaluates the need to consolidate certain variable interest entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support.

The Company is deemed as the primary beneficiary of and consolidates variable interest entities when the Company has the power to direct the activities that most significantly impact the economic success of the entities and effectively assumes the obligation to absorb losses and has the rights to receive benefits that are potentially significant to the entities. In November 2017, the Company through one of its subsidiaries entered into a series of contractual agreements with Tianjin Mengguang Information Technology Co., Ltd. (“TJ Mengguang”), a newly established limited liability company, and its shareholder, pursuant to which the Company has obtained control over the VIE of TJ Mengguang and is entitled to receive effectively all economic benefits generated from TJ Mengguang. Accordingly, the Company consolidates TJ Mengguang in the consolidated financial statements. The Company can have assets transferred freely out of TJ Mengguang without any restrictions. Therefore, the Group considers that there is no asset of a consolidated TJ Mengguang that can be used only to settle obligations of TJ Mengguang, except for registered capital and PRC statutory reserves of TJ Mengguang amounting to a total of RMB12,059 as of December 31, 2017. As the consolidated TJ Mengguang is incorporated as a limited liability company under the PRC Company Law, creditors of TJ Mengguang do not have recourse to the general credit of the Company for any of the liabilities of the consolidated TJ Mengguang.

As of December 31, 2017, excluding inter-group balance, the assets of VIE of TJ Mengguang mainly consisted of cash and cash equivalent RMB21,353 and other current assets RMB3,095, and this VIE’s liabilities of RMB2,585 mainly consisted of deferred revenue RMB1,371 and accrued expenses and other current liabilities RMB1,032. For the year ended December 31, 2017, excluding inter-group transactions, net revenues and cost of revenues generated by this VIE of TJ Mengguang are RMB534 and RMB653, respectively.

In addition, the Group, as general partner, has the power to direct the activities that most significantly impact the economic success of the fund of Ningbo Hongting Investment Management LLP (“NB Hongting”, the “Fund”) and effectively assumes the obligation to absorb losses and has the rights to receive benefits that are potentially significant to the Fund. As of December 31, 2017, the assets of NB Hongting mainly consisted of cash and cash equivalent RMB8,816 and long term investment RMB25,000, and the Fund’s liabilities is RMB461. For the year ended December 31, 2017, the net loss of RMB398 is due to some pre-operation expenses.

The Group evaluates its business activities and arrangements with the entities that operate the manachised and franchised hotels and the funds that it serves as general partner or fund manager to identify potential variable interest entities. Generally, these entities that operate the manachised and franchised hotels qualify for the business scope exception, therefore consolidation is not appropriate under the variable interest entity consolidation guidance. For the disclosure of significant non-consolidated variable interest entities, see Note 9 Long-Term Investments.

Use of estimates

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, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Group bases its estimates on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Significant accounting estimates reflected in the Group’s consolidated financial statements include the useful lives and impairment of property and equipment and intangible assets, valuation allowance of deferred tax assets, purchase price allocation, impairment of goodwill, fair value measurement and impairment of investments, share-based compensation, costs related to its customer loyalty program and contingent liabilities.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and demand deposits, which are unrestricted as to withdrawal and use, and which have original maturities of three months or less when purchased.

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Restricted cash

Restricted cash mainly represents deposits used as security against borrowings and deposits restricted due to contract disputes or lawsuit.

Investments

Investments represent trading securities, available-for-sale securities, cost-method investments, and equity-method investments.

Investments in equity securities that have readily determinable fair values are classified as either trading securities or available-for-sale securities depending on the Group's intention. Trading securities are equity securities of public companies that are bought and held principally for the purpose of selling them in the near term, and are reported at fair value, with unrealized gains and losses included in other income (loss) in the consolidated statements of comprehensive income. The fair value of the Company's investments in trading securities is based on the quoted market price on the last business day of the fiscal year.

Available-for-sale securities are investments in equity securities that the Group does not have intention to sell in near term, reported at fair value, with unrealized gains and losses recorded as a component of other comprehensive income or loss. Realized gains or losses are recognized in the consolidated statements of comprehensive income during the period in which the gains or losses are realized. If the Group determines that a decline in the fair value of the individual available-for-sale security is other-than-temporary, the cost basis of the security is written down to the fair value as a new cost basis and the amount of the write-down is accounted for as a realized loss. The new cost basis will not be changed for subsequent recoveries in fair value. The Group reviews several factors to determine whether a loss is other-than-temporary. These factors include, but are not limited to: (1) the nature of the investment; (2) the cause and duration of the impairment; (3) the extent to which fair value is less than cost; (4) financial conditions and near term prospects of the issuers; and (5) the Group's ability to hold the security for a period of time sufficient to allow for any anticipated recovery of its amortized cost or fair value.

The Group accounts for equity investment in a private entity of which the Group owns less than 20% of the voting securities and does not have the ability to exercise significant influence over operating and financial policies of the entity as cost-method investment. The Group's cost-method investment is carried at historical cost in its consolidated financial statements and measured at fair value on a nonrecurring basis when there are events or changes in circumstances that may have a significant adverse effect. An impairment loss is recognized in the consolidated statements of comprehensive income equal to the excess of the investment's cost over its fair value when the impairment is deemed other-than-temporary.

The Group accounts for equity investment in entities with significant influence under equity-method accounting. Under this method, the Group's pro rata share of income (loss) from investment is recognized in the consolidated statements of comprehensive income. Dividends received reduce the carrying amount of the investment. When the Group's share of loss in an equity-method investee equals or exceeds its carrying value of the investment in that entity, the Group continues to report its share of equity method losses in the statements of comprehensive income to the extent and as an adjustment to the carrying amount of its other investments in the investee. Equity-method investment is reviewed for impairment by assessing if the decline in market value of the investment below the carrying value is other-than-temporary. In making this determination, factors are evaluated in determining whether a loss in value should be recognized. These include consideration of the intent and ability of the Group to hold investment and the ability of the investee to sustain an earnings capacity, justifying the carrying amount of the investment. Impairment losses are recognized in other expense when a decline in value is deemed to be other-than-temporary.

The Group also considers it has significant influence over the funds that it serves as general partner or fund manager. For funds that the Group is not deemed as the primary beneficiary, the equity method of accounting is accordingly used for these investments by the Group. In addition, the investee funds do not meet the definition of an Investment Company and are not required to report their investment assets at fair value. The Group records its equity pick-up based on its percentage ownership of the investee funds' operating result.

As a result of the impairment analysis, the Group recorded an impairment of nil, RMB3,208 and nil in 2015, 2016 and 2017, respectively.

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Accounts receivable, net of allowance

Accounts receivable mainly consist of franchise fee receivables, amounts due from corporate customers, travel agents, hotel guests and credit card receivables, which are recognized and carried at the original invoice amount less an allowance for doubtful accounts. The Group establishes an allowance for doubtful accounts primarily based on the age of the receivables and factors surrounding the credit risk of specific customers.

Loan receivables

Loan receivables are measured at amortized cost with interest accrued based on the contract rate. The Group classified loan receivables as long-term or short-term investments according to their contractual maturity or expected holding time. The Group evaluates the credit risk associated with the loans, and estimates the cash flow expected to be collected over the life of loans on an individual basis based on the Group's past experiences, the borrowers' financial position, their financial performance and their ability to continue to generate sufficient cash flows. A valuation allowance will be established for the loans unable to collect. No valuation allowance has been recorded in 2015, 2016 or 2017 based on the result of the assessment.

Inventories

Inventories mainly consist of small appliances, bedding and daily consumables. Small appliances and bedding for new hotels opened are stated at cost, less accumulated amortization, and are amortized over their estimated useful lives, generally one year, from the time they are put into use. Daily consumables and beddings replacement are expensed when used.

Property and equipment, net

Property and equipment, net are stated at cost less accumulated depreciation and amortization. The renovations, betterments and interest cost incurred during construction are capitalized. Depreciation and amortization of property and equipment is provided using the straight line method over their expected useful lives. The expected useful lives are as follows:

Leasehold improvements	Shorter of the lease term or their estimated useful lives
Buildings	20-40 years
Furniture, fixtures and equipment	3-10 years
Motor vehicles	5 years

Construction in progress represents leasehold improvements under construction or being installed and is stated at cost. Cost comprises original cost of property and equipment, installation, construction and other direct costs. Construction in progress is transferred to leasehold improvements and depreciation commences when the asset is ready for its intended use.

Expenditures for repairs and maintenance are expensed as incurred. Gain or loss on disposal of property and equipment, if any, is recognized in the consolidated statements of comprehensive income as the difference between the net sales proceeds and the carrying amount of the underlying asset.

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Intangible assets, net and unfavorable lease

Intangible assets consist primarily of brand name, master brand agreement, non-compete agreements, franchise agreements and favorable leases acquired in business combinations and purchased software. Intangible assets acquired through business combinations are recognized as assets separate from goodwill if they satisfy either the “contractual-legal” or “separability” criterion. Intangible assets, including brand name, master brand agreement, non-compete agreements, franchise agreements and favorable lease agreements acquired from business combination are recognized and measured at fair value upon acquisition.

Non-compete agreements, franchise agreements and favorable lease agreements are amortized over the expected useful life, remaining franchise contract terms and remaining operating lease terms respectively. Unfavorable lease agreements from business combination transactions are recognized as other long-term liabilities and are amortized over the remaining operating lease terms. Purchased software is stated at cost less accumulated amortization.

Brand name is considered to have an indefinite life. Master brand agreement, acquired in Accor acquisition (Note 3), granted the Group the exclusive franchise rights in respect of “Mercure”, “Ibis” and “Ibis Styles” in the PRC, Taiwan and Mongolia and the non-exclusive franchise rights in respect of “Grand Mercure” and “Novotel” in the PRC, Taiwan and Mongolia with initial term of 70 years, and can be renewed without substantial obstacles. As a result, the useful life is also determined to be indefinite. Brand name of Crystal Orange is considered to have an indefinite life which granted the Group to use for its products and provide to other market players. The Group evaluates the brand name and master brand agreement each reporting period to determine whether events and circumstances continue to support an indefinite useful life. Impairment is tested annually or more frequently if events or changes in circumstances indicate that it might be impaired. The Group measures the impairment by comparing the fair value of brand name and master brand agreement with its carrying amount. If the carrying amount of brand name and master brand agreement exceeds its fair value, an impairment loss shall be recognized in an amount equal to that excess. The Group measures the fair value of the brand name under the relief-from-royalty method, the master brand agreement under the multi-period excess earnings method. Management performs its annual brand name and master brand agreement impairment test on November 30.

Land use rights

Land use rights, which are all located in PRC, are recorded at cost and amortized on a straight-line basis over the remaining term of the land certificates, between 30 to 50 years.

Impairment of long-lived assets

The Group evaluates its long-lived assets and finite lived intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When these events occur, the Group measures impairment by comparing the carrying amount of the assets to future undiscounted net cash flows expected to result from the use of the assets and their eventual disposition. If the sum of the expected undiscounted cash flows is less than the carrying amount of the assets, the Group recognizes an impairment loss equal to the difference between the carrying amount and fair value of these assets.

The Group performed a recoverability test of its long-lived assets associated with certain hotels due to the continued underperformance relative to the projected operating results, of which the carrying amount of the property and equipment exceed the future undiscounted net cash flows, and recognized an impairment loss of RMB93,163, RMB150,533 and RMB169,213 during the years ended December 31, 2015, 2016 and 2017, respectively.

Fair value of the property and equipment was determined by the Group based on the income approach using the discounted cash flow associated with the underlying assets, which incorporated certain assumptions including projected hotels’ revenue, growth rates and projected operating costs based on current economic condition, expectation of management and projected trends of current operating results.

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Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the identifiable assets less liabilities acquired.

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. The Group completes a two-step goodwill impairment test. The first step compares the fair values of each reporting unit to its carrying amount, including goodwill. A reporting unit is identified as a component for which discrete financial information is available and is regularly reviewed by management. All the acquired business has been migrated to the Group's business, and the Group's management regularly reviews operation data including industrial metrics of revenue per available room, occupancy rate, and number of hotels by scale/brand, rather than discrete financial information for the purpose of performance evaluation and resource allocation. The Company concluded that it had only one reporting unit, and therefore the goodwill impairment testing was performed on consolidation level. If the fair value of a reporting unit exceeds its carrying amount, goodwill is not considered to be impaired and the second step will not be required. If the carrying amount of a reporting unit exceeds its fair value, the second step compares the implied fair value of goodwill to the carrying value of a reporting unit's goodwill. The implied fair value of goodwill is determined in a manner similar to accounting for a business combination with the allocation of the assessed fair value determined in the first step to the assets and liabilities of the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to the assets and liabilities is the implied fair value of goodwill. This allocation process is only performed for purposes of evaluating goodwill impairment and does not result in an entry to adjust the value of any assets or liabilities. An impairment loss is recognized in general and administrative expenses for any excess in the carrying value of goodwill over the implied fair value of goodwill. Management performs its annual goodwill impairment test on November 30.

The Group recognized goodwill impairment of RMB2,445, nil and nil for years ended December 31, 2015, 2016 and 2017, respectively.

Accruals for customer loyalty program

The Group invites its customers to participate in a customer loyalty program. The membership has an unlimited life. Members enjoy favorable treatment such as more convenient check-out procedures and late check-out, discounts on room rates and accumulate membership points for their paid stays or their purchasing of products and services provided in the hotels, which can be redeemed for offset the room charges, or used to buy products in Hua Zhu mall within two years after the points are earned. The estimated incremental costs to provide room night awards and other products are accrued and recorded as accruals for customer loyalty program as members accumulate points and are recognized as cost and expense in the accompanying consolidated statements of comprehensive income. As members redeem awards or their entitlements expire, the provision is reduced correspondingly. As of December 31, 2016 and 2017, the accruals for estimated liabilities under the customer loyalty program amounted to RMB121,066 and RMB156,092, respectively.

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Deferred revenue

Deferred revenue generally consists of non-refundable advances received from customers for rental of rooms, cash received for membership fees and initial franchise fees received prior to the Group fulfilling its commitments to the franchisees.

Revenue recognition

Revenue from leased and owned hotels is derived from hotel operations, mainly including the rental of rooms, food and beverage sales and souvenir sales. Revenue is recognized when rooms are occupied and food and beverages and souvenirs are sold.

Revenues from manachised and franchised hotels are derived from franchise agreements where the franchisees are primarily required to pay (i) an initial one-time franchise fee, and (ii) continuing franchise fees, which mainly consist of (a) on-going management and service fees mainly based on a certain percentage of the room revenues of the franchised hotels, and (b) system maintenance, support fees and central reservation system usage fees. The one-time franchise fee is recognized when the manachised and franchised hotel opens for business, the fee becomes non-refundable, and the Group has fulfilled all its commitments and obligations, including the assistance to the franchisees in property design, leasehold improvement construction project management, systems installation and personnel recruiting and training. The ongoing management and service fees are recognized when the underlying service revenue is recognized by the franchisees' operations. The system maintenance, support fee and central reservation system usage fee is recognized over the period when services are provided.

In addition, the Group accounts for hotel manager fees related to the manachised hotels under the franchise program as revenues. Pursuant to the franchise agreements, the Group charges the franchisees fixed hotel manager fees to cover the manachised hotel managers' payroll, social welfare benefits and certain other out-of-pocket expenses that the Group incurs on behalf of the manachised hotels. The hotel manager fee is recognized as revenue monthly. During the years ended December 31, 2015, 2016 and 2017, the hotel manager fees that were recognized as revenue were RMB261,743, RMB321,346 and RMB371,625, respectively.

Membership fees from the Group's customer loyalty program are earned and recognized on a straight-line basis over the expected membership duration of the different membership levels. Such duration is estimated based on the Group's and management's experience and is adjusted on a periodic basis to reflect changes in membership retention. The membership duration is estimated to be two to five years which reflects the expected membership retention. Revenues recognized from the customer loyalty program were RMB130,644, RMB145,459 and RMB160,200 for the years ended December 31, 2015, 2016 and 2017, respectively.

Other revenues are derived from activities other than the operation of hotel businesses, which mainly include revenues from Hua Zhu mall and the provision of IT products and services to hotels. Revenues from Hua Zhu mall are commissions charged from suppliers for goods sold through the platform and are recognized upon delivery of goods to end customers when its suppliers' obligation is fulfilled and collectability is reasonably assured. Revenues from IT products are recognized when goods are delivered and revenues from IT services are recognized when services are rendered.

Business tax and related taxes

The Group is subject to business tax, education surtax and urban maintenance and construction tax, on the services provided in the PRC. Such taxes are primarily levied based on revenue at applicable rates and are recorded as a reduction of revenues.

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On 24 March 2016, the Ministry of Finance (MOF) and the State Administration of Taxation (SAT) jointly published Caishui [2016] No. 36 (Circular 36), which provides the detailed implementation guidance on the further rollout of the Value-Added Tax (VAT) reform to sectors such as construction, real estate, financial services and lifestyle services. Circular 36 takes effect from 1 May 2016. Lifestyle services have a broad coverage to include a variety of services which are to meet the daily needs of the residents, and accommodation and associated services are included in such category with the applicable tax rate of 6%. As such, starting from May 2016, the accommodation services of the Group are subject to 6% of VAT.

Advertising and promotional expenses

Advertising related expenses, including promotion expenses and production costs of marketing materials, are charged to the consolidated statements of comprehensive income as incurred, and amounted to RMB47,971, RMB64,666 and RMB90,578 for the years ended December 31, 2015, 2016 and 2017, respectively.

Government grants

Government grants represent cash received by the Group in the PRC from local governments as incentives for investing in certain local districts, and are typically granted based on the amount of investments the Group made as well as income generated by the Group in such districts. Such subsidies allow the Group full discretion to utilize the funds and are used by the Group for general corporate purposes. The local governments have final discretion as to whether the Group has met all criteria to be entitled to the subsidies. Normally, the Group does not receive written confirmation from local governments indicating the approval of the cash subsidy before cash is received, and therefore cash subsidies are recognized when received and when all the conditions for their receipts have been satisfied. Government grants recognized were RMB28,188, RMB83,498 and RMB55,389 for the years ended December 31, 2015, 2016 and 2017, respectively, which were recorded as other operating income.

Leases

A lease of which substantially all the benefits and risks incidental to ownership remain with the lessor is classified as an operating lease. All leases of the Group are currently classified as operating leases. When a lease contains rent holidays or requires fixed escalations of the minimum lease payments, the Group records the total rental expense on a straight-line basis over the initial lease term and the difference between the straight-line rental expense and cash payment under the lease is recorded as deferred rent. As of December 31, 2016 and 2017, deferred rent of RMB37,648 and RMB49,857 were recorded as other current liabilities and RMB1,023,843 and RMB1,380,484 were recorded as long-term liabilities, respectively.

Capitalization of interest

Interest cost incurred on funds used to construct leasehold improvements during the active construction period is capitalized. The interest capitalized is determined by applying the borrowing interest rate to the average amount of accumulated capital expenditures for the assets under construction during the period. The interest expense incurred for the years ended December 31, 2015, 2016 and 2017 were RMB5,383, RMB11,056 and RMB87,320, of which RMB1,529, nil and nil were capitalized as additions to assets under construction, respectively.

Income taxes

Current income taxes are provided for in accordance with the relevant statutory tax laws and regulations.

Deferred income taxes are recognized for temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements. Net operating losses are carried forward and credited by applying enacted statutory tax rates applicable to future years. Deferred tax assets are reduced by a valuation allowance when, in the opinion of the Group, it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized.

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Foreign currency translation

The reporting currency of the Group is the Renminbi ("RMB"). The functional currency of the Company is the United States dollar ("US dollar"). Monetary assets and liabilities denominated in currencies other than the functional currency are translated into functional currency at the rates of exchange ruling at the balance sheet date. Transactions in currencies other than the functional currency during the year are converted into the functional currency at the applicable rates of exchange prevailing on the day transactions occurred. Transaction gains and losses are recognized in the statements of comprehensive income.

Assets and liabilities are translated into RMB at the exchange rates at the balance sheet date, equity accounts are translated at historical exchange rates and revenues, expenses, gains and losses are translated using the average rate for the year. Translation adjustments are reported as cumulative translation adjustments and are shown as a separate component of other comprehensive loss in the consolidated statements of comprehensive income.

The financial records of the Group's subsidiaries are maintained in local currencies, which are the functional currencies.

Comprehensive income

Comprehensive income includes all changes in equity except for those resulting from investments by owners and distributions to owners and is comprised of net income, foreign-currency translation adjustments and unrealized securities holding gains (losses).

Concentration of credit risk

Financial instruments that potentially expose the Group to concentration of credit risk consist primarily of cash and cash equivalents, restricted cash, short-term and long-term investments, loan receivables, amount due from related parties and accounts receivable.

All of the Group's cash and cash equivalents and restricted cash are held with financial institutions that Group management believes to be high credit quality. In addition, the Group's investment policy limits its exposure to concentrations of credit risk and the Group's short-term and long-term investments consist of equity investments in listing and private companies. The Group's loan receivables are lent to entities with high credit quality. The Group conducts credit evaluations on its group and agency customers and generally does not require collateral or other security from such customers. The Group periodically evaluates the creditworthiness of the existing customers in determining an allowance for doubtful accounts primarily based upon the age of the receivables and factors surrounding the credit risk of specific customers.

Fair value

The Group defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Group considers the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability.

The established fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of inputs may be used to measure fair value include:

Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

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Level 2 applies to assets or liabilities for which there are inputs other than quoted prices included within Level 1 that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

The Group's financial instruments include cash and cash equivalent, restricted cash, loan receivables current and non-current portion, receivables, payables, short-term debt and long-term debt. The carrying amounts of these short-term financial instruments approximates their carrying value due to their short-term nature. The long-term debt and long-term loan receivable approximate their fair values, because the bearing interest rate approximates market interest rate, and market interest rates have not fluctuated significantly since the commencement of loan contracts signed. Cost-method investments are presented at cost unless impaired based on the result of impairment assessment, as the investees are all private entities and their fair values are not practicable to obtain without undue cost. As of December 31, 2016 and 2017, cost-method investments were RMB172,571 and RMB355,717, respectively.

When available, the Group uses quoted market prices to determine the fair value of an asset or liability. If quoted market prices are not available, the Group measures fair value using valuation techniques that use, when possible, current market-based or independently sourced market parameters, such as interest rates.

As of December 31, 2016 and 2017, information about inputs into the fair value measurements of the Group's assets and liabilities that are measured at fair value on a recurring basis in periods subsequent to their initial recognition is as follows:

Years Ended December 31,	Description	Fair Value	Fair Value Measurements at Reporting Date Using		
			Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2016	Long-term available-for-sale securities	247,085	204,945	42,140	
2017	Short-term trading securities	129,911	129,911		
2017	Long-term available-for-sale securities	1,253,786	907,716	346,070	

The following table presents the Group's assets measured at fair value on a non-recurring basis for the years ended December 31, 2015, 2016 and 2017:

Years Ended December 31,	Description	Fair Value for Years Ended December 31	Fair Value Measurements at Reporting Date Using			Total Loss for the Year
			Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
2015	Property and equipment	21,879			21,879	93,163
2015	Goodwill	—			—	2,445
2016	Property and equipment	20,706			20,706	150,533
2016	Long-term investments	—			—	3,208
2017	Property and equipment	51,750			51,750	169,213

As a result of reduced expectations of future cash flows from certain leased hotels, the Group determined that the hotels property and equipment with a carrying amount of RMB115,042, RMB171,239 and RMB220,963 was not fully recoverable and consequently recorded an impairment charge of RMB93,163, RMB150,533 and RMB169,213 for the years ended December 31, 2015, 2016 and 2017, respectively. The Group also determined that the goodwill amount with a carrying amount of RMB2,445, nil and nil was impaired as a result of the impairment assessment for the years ended December 31, 2015, 2016 and 2017. As a result of the impairment assessment, the Group determined that the long term investment amount with a carrying amount of nil, RMB3,208 and nil was impaired as a result of the impairment assessment for the years ended December 31, 2015, 2016 and 2017.

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Fair value of the property and equipment as well as the reporting units for goodwill impairment testing was determined by the Group based on the income approach using the discounted cash flow associated with the underlying assets, which incorporated certain assumptions including projected hotels' revenue, growth rates and projected operating costs based on current economic condition, expectation of management and projected trends of current operating results. As a result, the Group has determined that the majority of the inputs used to value its long-lived assets held and used and its reporting units are unobservable inputs that fall within Level 3 of the fair value hierarchy. The revenue growth rate and the discount rate were the significant unobservable input used in the fair value measurement, which are 4% and 20%, respectively, for the years ended December 31, 2015, 2016 and 2017.

Share-based compensation

The Group recognizes share-based compensation in the consolidated statements of comprehensive income based on the fair value of equity awards on the date of the grant, with compensation expenses recognized over the period in which the grantee is required to provide service to the Group in exchange for the equity award. Vesting of certain equity awards are based on the performance conditions for a period of time following the grant date. Share-based compensation expense is recognized according to the Group's judgement of likely future performance and will be adjusted in future periods based on the actual performance. The share-based compensation expenses have been categorized as either hotel operating costs, general and administrative expenses or selling and marketing expenses, depending on the job functions of the grantees. For the years ended December 31, 2015, 2016 and 2017, the Group recognized share-based compensation expenses of RMB52,535, RMB55,436 and RMB66,367, respectively, which was classified as follows:

	Years Ended December 31,		
	2015	2016	2017
Hotel operating costs	8,835	13,603	19,725
Selling and marketing expenses	907	811	1,530
General and administrative expenses	42,793	41,022	45,112
Total	52,535	55,436	66,367

Earnings per share

Basic earnings per share is computed by dividing income attributable to holders of ordinary shares by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue ordinary shares were exercised or converted into ordinary shares, which consist of the ordinary shares issuable upon the conversion of the convertible senior notes (using the if-converted method) and ordinary shares issuable upon the exercise of stock options and vest of nonvested restricted stocks (using the treasury stock method).

The loaned shares under the ADS Lending Agreement are excluded from both the basic and diluted earnings per share calculation unless default of the ADS lending arrangement occurs which the Group considered the possibility is remote.

Segment reporting

The Group identifies a business as an operating segment if: i) it engages in business activities from which it may earn revenues and incur expenses; ii) its operating results are regularly reviewed by the Chief Operating Decision Maker ("CODM") to make decisions about resources to be allocated to the segment and assess its performance; and iii) it has available discrete financial information. The Group's chief operating decision maker has been identified as the chief executive officer. CODM regularly reviews the operation data, such as industrial metrics of revenue per available room, occupancy rate, and number of hotels by scale/brand, to assess the performance and allocate the resources. All the acquired business including Accor and Crystal Orange has been migrated to the Group's business, and the Group operates and manages its business as a single segment. Therefore, the Group has one single operating segment.

The Group primarily generates its revenues from customers in the PRC. Substantially all of the Group's long-lived assets are located in the PRC.

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Treasury shares

Treasury shares represent shares repurchased by the Company that are no longer outstanding and are held by the Company. Treasury shares are accounted for under the cost method. As of December 31, 2017, under the repurchase plan, the Company had repurchased an aggregate of 3,096,764 ordinary shares on the open market for total cash consideration of RMB107,331. The repurchased shares were presented as “treasury shares” in shareholders’ equity on the Group’s consolidated balance sheets.

New Accounting Pronouncements Recently Adopted

In March 2016, the FASB issued ASU 2016-07, which eliminates the requirement to retroactively adopt the equity method of accounting. The amendments require that the equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investor’s previously held interest and adopt the equity method of accounting as of the date the investment becomes qualified for equity method accounting. The amendments in this ASU are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. The amendments should be applied prospectively upon their effective date to increases in the level of ownership interest or degree of influence that result in the adoption of the equity method. The Group adopted the ASU effective January 1, 2017 and there was no impact on the Group’s consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, which simplifies several aspects of the accounting for employee share-based payment transactions for both public and nonpublic entities, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. For public entities, the ASU is effective for annual reporting periods beginning after December 15, 2016, including interim periods within those annual reporting periods. The new standard requires the recognition of the income tax effects of awards in the income statement when the awards vest or are settled, thus eliminating additional paid in capital pools, prospectively. In addition, excess tax benefits shall be classified as an operating activity rather than financing activity flows using either a prospective transition method or a retrospective transition method. The Group adopted the ASU on January 1, 2017. The adoption of ASU 2016-09 resulted in a decrease in our provision for income taxes of RMB46,235 in fiscal year 2017, due to the recognition of excess of tax benefits for options exercised and the vesting of equity awards in year 2017. The Group adopted the cash flow presentation retrospectively and accordingly, excess tax benefits from equity-based compensation of RMB46,235 in fiscal year 2017 are presented as an operating activity, and RMB12,838 and RMB18,645 for fiscal years 2015 and 2016 were reclassified from financing activities to operating activities.

New Accounting Pronouncements Not Yet Adopted

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* which amended the existing accounting standards for revenue recognition. The core principle of the new guidance is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new guidance also will result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple element arrangements. Subsequently, the FASB has issued the following standards related to ASU 2014-09: ASU 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*; ASU 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients*; and ASU 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers*. The Company must adopt ASU 2016-10, ASU 2016-12 and ASU 2016-20 with ASU 2014-09 (collectively, the “new revenue standards”). The new revenue standards may be applied retrospectively to each prior period presented (full retrospective method) or retrospectively with the cumulative effect recognized as of the date of initial application (the modified retrospective method). The new revenue standards become effective for the Group on January 1, 2018. The Group currently anticipates adopting the new revenue standards using the full retrospective method. While the Group continue to evaluate possible impacts on our consolidated financial statements, ASU 2014-09 and the related ASUs are currently expected to impact either the amount or timing of revenue recognition as follows:

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- Under existing guidance, initial one-time franchise fee was recognized when the hotels opened for business and the Group had fulfilled its commitments and obligations. Upon adoption of new revenue standards the one-time franchise fee will be recognized over the term of the franchise contract. This change is expected to reduce franchise revenue by approximately RMB17,003 for year 2017.
- Under existing guidance, the Group adopted the incremental cost model to account for customer loyalty program. The estimated incremental costs, net of the reimbursement received from the franchisees, are accrued and recorded as accruals for customer loyalty program as members accumulate points and are recognized as cost and expense in the accompanying consolidated statements of comprehensive income. Under the new revenue standards, loyalty program is considered a separate performance obligation and the consideration allocated to the loyalty program will be recognized as revenue upon point redemption, net of any cost paid to the franchisees and other third parties. These changes are expected to increase total revenues and operating expenses by RMB68,607 and RMB63,469 respectively for year 2017.

The new standard will require the Group to provide more robust disclosures than required by previous guidance, including disclosures related to disaggregation of revenue into appropriate categories, performance obligations, and the judgments made in revenue recognition determinations.

In January, 2016, the FASB issued ASU No. 2016-01, to improve the recognition and measurement of financial instruments. The new guidance requires equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income and separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (i.e., securities or loans and receivables) on the balance sheet or the accompanying notes to the financial statements. The guidance also eliminates the requirement to disclose the fair value of financial instruments measured at amortized cost for organizations that are not public business entities and the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet. The new guidance is effective for public companies for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Upon adoption, the unrealized gains (losses), net of tax, on the Available-for-Sale Securities will be reclassified from accumulated other comprehensive loss to retained earnings as of January 1, 2018. The reclassification is estimated to be approximately RMB40,640 at January 1, 2018. Subsequent changes in fair value will be recognized in net income on the consolidated statements of income. The Group does not expect that other requirements of ASU 2016-01 will have a material impact on the consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. This ASU will be effective for fiscal years beginning after December 15, 2018 for public entities, and for all other organizations, it will be effective for fiscal years beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted. The Group expects material changes to its consolidated balance sheet. As of December 31, 2017, the Group has RMB25,087,674 of future minimum operating lease commitments that are not currently recognized on its consolidated balance sheets (Note 22).

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In August, 2016, the FASB issued ASU 2016-15, which amends the guidance in ASC 230 on the classification of certain cash receipts and payments in the statement of cash flows. The primary purpose of the ASU is to reduce the diversity in practice that has resulted from the lack of consistent principles on this topic. The ASU's amendments add or clarify guidance on eight cash flow issues, including debt prepayment or debt extinguishment costs, settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies, distributions received from equity method investees, beneficial interests in securitization transactions, and separately identifiable cash flows and application of the predominance principle. For public business entities, this ASU is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted for all entities. Entities must apply the guidance retrospectively to all periods presented but may apply it prospectively from the earliest date practicable if retrospective application would be impracticable. The Group does not expect the adoption of this ASU will have a significant impact on the consolidated financial statements.

In October, 2016, the FASB issued ASU 2016-16, which removes the prohibition in ASC 740 against the immediate recognition of the current and deferred income tax effects of intra-entity transfers of assets other than inventory. The ASU, which is part of the Board's simplification initiative, is intended to reduce the complexity of U.S. GAAP and diversity in practice related to the tax consequences of certain types of intra-entity asset transfers, particularly those involving intellectual property. For public business entities, the ASU is effective for annual periods beginning after December 15, 2017, and interim periods within those annual periods. Early adoption is permitted for all entities as of the beginning of a fiscal year for which neither the annual or interim (if applicable) financial statements have been issued or made available for issuance. The Group does not expect the adoption of this ASU will have significant impact on the consolidated financial statements.

In November, 2016, the FASB issued ASU 2016-18, which amends ASC 230 to add or clarify guidance on the classification and presentation of restricted cash in the statement of cash flows. Under ASU 2016-18, restricted cash and restricted cash equivalents are included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statements of cash flows. This ASU should be applied retrospectively and becomes effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years, but early adoption is permitted. As a result of this update, restricted cash will be included within cash and cash equivalents on the statements of consolidated cash flows. The Group expects the adoption of this ASU will impact its cash flow statements to the extent of restricted cash. The balance of restricted cash of the Group are RMB500 and RMB481,348 as of December 31, 2016 and 2017, respectively.

In January 2017, the FASB issued ASU No. 2017-01, which clarifies the framework for determining whether an integrated set of assets and activities meets the definition of a business. The revised framework establishes a screen for determining whether an integrated set of assets and activities is a business and narrows the definition of a business, which is expected to result in fewer transactions being accounted for as business combinations. Acquisitions of integrated sets of assets and activities that do not meet the definition of a business are accounted for as asset acquisitions. This ASU is effective for fiscal years, and for interim periods within those fiscal years beginning after December 15, 2017. The Group does not expect the adoption of this ASU will have a significant impact on the consolidated financial statements.

In January, 2017, the FASB issued ASU 2017-04, which removes the requirement to compare the implied fair value of goodwill with its carrying amount as part of step 2 of the goodwill impairment test. As a result, under the ASU, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and 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. In addition, the ASU clarifies the requirements for excluding and allocating foreign currency translation adjustments to reporting units in connection with an entity's testing of reporting units for goodwill impairment. The ASU also clarifies that an entity should consider income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. For public business entities, the ASU is effective prospectively for fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Group is in the process of evaluating the impact on the consolidated financial statements.

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In May, 2017, the FASB issued ASU 2017-09, which provides guidance on determining which changes to the terms and conditions of share-based payment awards require an entity to apply modification accounting under Topic 718. The statement is effective for annual periods beginning after December 15, 2017. Early adoption is permitted in any interim or annual period for which financial statements have not yet been issued. The Group does not expect the adoption of this ASU will have significant impact on the consolidated financial statements.

Translation into United States Dollars

The financial statements of the Group are stated in RMB. Translations of amounts from RMB into United States dollars are solely for the convenience of the reader and were calculated at the rate of US\$1 = RMB6.5063, on December 31, 2017, as set forth in H.10 statistical release of the Federal Reserve Board. The translation is not intended to imply that the RMB amounts could have been, or could be, converted, realized or settled into United States dollars at that rate on December 31, 2017, or at any other rate.

3. ACQUISITIONS

(i) In January 2016, the Group completed the transaction of strategic alliance with AccorHotels (“Accor”). Pursuant to the master purchase agreement, the Group acquired 100% equity interest of certain wholly-owned subsidiaries of Accor engaged in the business of owning, leasing, franchising, operating and managing hotels under Accor brands in the midscale and economy market in the PRC, Taiwan and Mongolia, as well as a non-controlling stake of 28% for Accor Luxury and Upscale hotel operating platform, held by AAPC Hotel Management Limited (“AAPC LUB”) in Greater China. The total consideration consists of consideration amounted to RMB1,143,521, which was measured at the market price of the 24,895,543 ordinary shares on the issuance date and cash consideration of RMB120,439.

The net revenue and net income of the acquiree included in the consolidated statements of operations for the year ended December 31, 2016 were RMB152,595 and RMB64,047, respectively.

The following table summarizes unaudited pro forma results of operation for the years ended December 31, 2015 and 2016 assuming that the acquisition occurred as of January 1, 2015. The pro forma results have been prepared for comparative purpose only based on management’s best estimate and do not purport to be indicative of the results of operations which actually would have resulted had the acquisition occurred as of January 1, 2015.

	Year Ended December 31, 2015	Year Ended December 31, 2016
Pro forma net revenue	5,955,538	6,548,083
Pro forma net income	478,770	806,921

The following is a summary of the fair values of the assets acquired and liabilities assumed:

	2016	Amortization Period
Current assets	207,396	
Property and equipment	311,045	5-30 years
Favorable leases	3,009	remaining lease terms
Master brand agreement	192,000	
Land use rights	149,668	remaining contracts terms
Long-term investments	417,604	
Goodwill	63,160	
Other noncurrent assets	1,664	
Current liabilities	(38,634)	
Deferred tax liabilities	(42,952)	
Total	1,263,960	

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(ii) On May 25, 2017, the Group completed the acquisition of 100% of the equity interest of Crystal Orange Hotel Holdings Limited (the “Crystal Orange”) engaged in the business of owning, leasing, franchising, operating and managing hotels under Crystal Orange brands in the midscale market in the PRC, with an aggregated consideration in cash of approximately RMB3.76 billion.

The net revenue and net income of the acquiree included in the consolidated statements of operations for the year ended December 31, 2017 were RMB776,922, and RMB100,197, respectively.

The following table summarizes unaudited pro forma results of operation for the years ended December 31, 2016 and 2017 assuming that the acquisition occurred as of January 1, 2016. The pro forma results have been prepared for comparative purpose only based on management’s best estimate and do not purport to be indicative of the results of operations which actually would have resulted had the acquisition occurred as of January 1, 2016.

	Years Ended December 31,	
	2016	2017
Pro forma net revenue	7,473,851	8,571,372
Pro forma net income	858,012	1,275,788

The Group incurred transaction cost of RMB46 million for the acquisition, which was expensed in 2017. In addition, Crystal Orange incurred certain costs directly attributable to the business combination including RMB256.3 million related to the consultation services agreements and option cancellation agreement. These expenses are non-recurring in nature, and were eliminated from the calculation of pro forma net income above.

The following is a summary of the fair values of the assets acquired and liabilities assumed:

	2017	Amortization Period
	Current assets	137,314
Property and equipment	842,102	3-20 years
Favorable leases	90,704	remaining lease terms
Franchise agreement	58,691	remaining contract terms
Brand Name	1,141,793	indefinite life
Goodwill	2,093,254	
Other noncurrent assets	130,813	
Current liabilities	(222,205)	
Noncurrent liabilities	(179,985)	
Deferred tax liabilities	(322,797)	
Noncontrolling interest	(4,206)	
Total	<u>3,765,478</u>	

Goodwill was recognized as a result of expected synergies from combining operations of the Group and acquired business and other intangible assets that don’t qualify for separate recognition. Goodwill is not amortized and is not deductible for tax purposes. In accordance with ASC 350, the Group assigned and assessed goodwill for impairment at the reporting unit level. All the acquired business has been migrated to the Group’s business. The Group concluded that it had only one reporting unit. Accordingly goodwill is allocated to one single reporting unit.

(iii) During the years ended December 31, 2015, 2016 and 2017, the Group acquired one hotel chain and two individual hotels, two individual hotels, and two individual hotels for total cash consideration of RMB127,226, RMB3,000 and nil, respectively. The individual hotels were in the form of leased hotel and the hotel chain acquired contained 13 leased hotels and several manachised and franchised hotels. The business acquisitions were accounted for under purchase accounting.

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The following is a summary of the fair values of the assets acquired and liabilities assumed:

	2015	2016	2017	Amortization Period
Current assets	3,382	5,330	8,018	
Property and equipment	74,222	28,412	33,965	5-10 years
Favorable leases	41,283	5,004	31,508	remaining lease terms
Deferred tax assets	515	—	—	
Franchise agreements	3,300	—	—	remaining contracts terms
Goodwill	46,135	—	—	
Other noncurrent assets	663	—	—	
Current liabilities	(22,864)	(34,495)	(65,614)	
Deferred tax liabilities	(11,146)	(1,251)	(7,877)	
Noncontrolling interest	(8,264)	—	—	
Total	127,226	3,000	—	

4. SHORT-TERM INVESTMENTS MEASURED AT FAIR VALUE

The short-term investments measured at fair value as of December 31, 2016 and 2017 were as follows:

	As of December 31,	
	2016	2017
Hotel Group A	—	129,911

In 2015, the Group purchased 2,282,951 ADS of HOMEINNS HOTEL GROUP (“HMIN”), a hotel chain listed in NASDAQ in the USA, from open market for consideration of RMB434,811. As of December 31, 2015, the Group holds approximately 5% of HMIN’s total outstanding shares. Given the level of investment, the Group accounts for its investment in HMIN as “available-for-sale” and measured the fair value at every period end. The unrealized holding gains and losses for available-for-sale securities are reported in other comprehensive income until realized. In 2016, the Group sold all the 2,282,951 ADS and reclassified the accumulated unrealized gain of RMB67,921 from other comprehensive income to other income accordingly.

In 2017, the Group purchased 8,756,000 shares of Hotel Group A, a public listed hotel group, from open market for consideration of RMB95,802. As of December 31, 2017, the Group holds less than 1% of Hotel Group A’s total outstanding shares. Considering the purpose of the investment, the Group accounts for its investment in Hotel Group A as “trading securities” and measured the fair value at every period end. The changes of fair value for trading securities are reported in other income. As of December 31, 2017, the Group recorded the investment in Hotel Group A at the fair value of RMB129,911, with the fair value increase of RMB35,540 recorded to other income.

5. LOAN RECEIVABLES

The loan receivables, current and non-current portion, as of December 31, 2016 and 2017 were as follows:

	As of December 31,	
	2016	2017
Loan receivables, current portion		
Loan receivables from franchisees	14,649	29,754
Loan receivables from other entities	7,761	350,826
Total	22,410	380,580
Loan receivables, non-current portion		
Loan receivables from franchisees	7,269	31,534
Loan receivables from other entities	—	10,796
Total	7,269	42,330

The Group entered into entrusted loan agreements with certain franchisees with the typical terms to be two to three years and annual interest rates ranging from 8.0% to 8.5%. The Group recognized RMB2,110, RMB2,383 and RMB2,608 interest income for these entrusted loans in 2015, 2016 and 2017, respectively.

Loan receivables from other entities represent the loans the Group lent to other un-related third-parties with the annual interest rates ranging from 6% to 12%. The Group recognized RMB2,273, RMB1,186 and RMB8,471 interest income for the loans in 2015, 2016 and 2017, respectively.

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6. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consist of the following:

	As of December 31,	
	2016	2017
Cost:		
Buildings	255,646	247,406
Leasehold improvements	5,563,815	6,452,472
Furniture, fixtures and equipment	925,174	1,033,941
Motor vehicles	820	820
	<u>6,745,455</u>	<u>7,734,639</u>
Less: Accumulated depreciation	<u>(3,196,496)</u>	<u>(3,706,856)</u>
	3,548,959	4,027,783
Construction in progress	161,509	495,095
Property and equipment, net	<u>3,710,468</u>	<u>4,522,878</u>

Depreciation expense was RMB648,277, RMB673,784 and RMB752,960 for the years ended December 31, 2015, 2016 and 2017, respectively.

The Group occasionally demolishes certain leased hotels due to local government zoning requirements, which typically results in receiving compensation from the government.

The Group demolished one, two and three leased hotels due to local government zoning requirements in 2015, 2016 and 2017, respectively. As a result, the Group wrote off property and equipment of RMB2,301, RMB9,905 and RMB2,829 associated with respective hotels and recognized a gain of RMB5,519 and losses of RMB7,205 and RMB868 as other operating income (expenses) in 2015, 2016 and 2017, respectively.

As of December 31, 2017, the Group has been formally notified by local government authorities that seven additional leased hotels of the Group will be demolished due to local government zoning requirements. The aggregate carrying amount of property and equipment at the associated hotels was RMB21,792 as of December 31, 2017. Neither of the associated hotels has recorded intangible assets or goodwill. No impairment was recognized because the expected cash flow to be received as a result of the demolition will exceed the carrying value of such assets.

The Group estimated amounts to be received based on the relevant PRC laws and regulations, terms of the lease agreements, and the prevailing market practice.

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7. INTANGIBLE ASSETS, NET AND UNFAVORABLE LEASE

Intangible assets, net consist of the following:

	As of December 31,	
	2016	2017
<i>Intangible assets with indefinite life:</i>		
Brand name (Note 3)	28,600	1,170,393
Master brand agreement (Note 3)	192,000	192,000
<i>Intangible assets with definite life:</i>		
Franchise agreements	11,000	69,691
Non-compete agreement	400	400
Favorable lease agreements	135,874	255,657
Purchased software	55,101	64,694
Total	422,975	1,752,835
Less: Accumulated amortization	(80,281)	(108,863)
Total	342,694	1,643,972

Unfavorable lease

	As of December 31,	
	2016	2017
Unfavorable lease agreements	3,924	3,924
Less: Accumulated amortization	(3,102)	(3,232)
Unfavorable lease agreements, net	822	692

The values of favorable lease agreements were determined based on the estimated present value of the amount the Group has avoided paying as a result of entering into the lease agreements. Unfavorable lease agreements were determined based on the estimated present value of the acquired lease that exceeded market prices and are recognized as other long-term liabilities. The value of favorable and unfavorable lease agreements is amortized using the straight-line method over the remaining lease term.

Amortization expense of intangible assets for the years ended December 31, 2015, 2016 and 2017 amounted to RMB13,415, RMB17,173 and RMB31,009, respectively.

The annual estimated amortization expense for the above intangible assets and unfavorable lease excluding brand name and master brand agreement for the following years is as follows:

	Amortization for Intangible Assets	Amortization for Unfavorable Lease	Net Amortization
2018	33,404	(130)	33,274
2019	31,885	(130)	31,755
2020	30,830	(130)	30,700
2021	29,490	(130)	29,360
2022	27,440	(130)	27,310
Thereafter	128,530	(42)	128,488
Total	281,579	(692)	280,887

8. LAND USE RIGHTS

Land use rights consist of the following:

	As of December 31,	
	2016	2017
Land use rights (Note 3)	149,668	149,668
Less: Accumulated amortization	(4,147)	(9,560)
Total	145,521	140,108

Amortization expense of land use rights for the years ended December 31, 2016 and 2017 amounted to RMB4,147 and RMB5,413, respectively.

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9. LONG-TERM INVESTMENTS

The long-term investments as of December 31, 2016 and 2017 were as follows:

	As of December 31,			
	2016		2017	
	Ownership%	Amount	Ownership%	Amount
<i>Available-for-sale securities:</i>				
Quanjude		159,305		127,444
Tang Palace		18,856		—
Banyan Tree		26,784		—
Hotel Group B		—		780,272
Cjia		42,140		246,070
CREATER		—		100,000
<i>Cost-method investments:</i>				
UBOX/BJ UBOX	3%	48,220	2%	33,822
BJ GOOAGOO/GOOAGOO	19%	60,000	19%	60,000
Founder Service	11%	45,000	11%	45,000
Qingpu	10%	17,143	5%	17,143
Mobike	—	—	Less than 1%	66,288
Blossom Hill	—	—	11%	60,194
OYO	—	—	1%	66,467
Other investments		2,208		6,803
<i>Equity-method investments:</i>				
Sheen Star	20%	20,862	20%	20,864
Distrii	39%	28,562	18%	45,156
AAPC LUB	28%	446,100	28%	477,560
China Young	37%	43,054	37%	40,811
CREATER	20%	100,000	20%	102,709
Hitone	—	—	20%	30,300
Hanno	—	—	60%	26,000
Other investments		6,087		9,066
Total		<u>1,064,321</u>		<u>2,361,969</u>

Available-for-sale securities:

In June 2014, the Group purchased 7,241,131 ordinary shares of China Quanjude (Group) Co., Ltd. (“Quanjude”), a top restaurant brand listed in Shenzhen Stock Exchange in China, through a private placement. The purchase price was set at RMB13.81 per ordinary share and the total purchase cost was RMB100,000. Upon the closing of the transaction described above, the Group holds approximately 2% of Quanjude’s total outstanding shares.

In December 2017, the Group purchased 2,309,981 ordinary shares of Hotel Group B, a public listed hotel group, from open market for consideration of RMB760,215. As of December 31, 2017, the Group holds less than 1% of Hotel Group B’s total outstanding shares.

Given the level of investments, the Group accounts for its investments in Quanjude, Tang Palace, Banyan Tree, and Hotel Group B as “available-for-sale” and measured the fair value at every period end. The unrealized holding gains and losses for available-for-sale securities are reported in other comprehensive income until realized. For the years ended December 31, 2016 and 2017, the Group recorded RMB4,856 decrease and RMB868 increase in fair value of these available-for-sale securities, net of tax, in other comprehensive income, respectively.

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In May 2016, the Group sold its subsidiary, Chengjia Hotel Management Co., Ltd. to Chengjia (Shanghai) Apartment Management Co., Limited (“Cjia”), the Group’s equity investee. As a result, the Group recognized a gain of RMB49,630 in other income. As of December 31, 2016, the Group had approximately 23% equity interest of Cjia and a sixty-month convertible note with original value of RMB51,200. In 2017, the Group invested in Cjia for another two convertible notes totaled RMB200,300. With the injection from an unrelated investor to Cjia, the Group recognized gain on deemed disposal of RMB40,148 in other income in 2017. As of December 31, 2017, the Group had approximately 17% equity interest and three convertible notes with original value totaled RMB251,500 of Cjia. The Group accounted for the equity investment in Cjia under equity-method as the Group has the ability to exert significant influence. The convertible notes are convertible upon satisfaction of certain conditions or at the option of the Group to ordinary shares at any time, while other investors can also require the Group to convert within the last twelve months of the notes. The convertible note is recorded as an available-for-sale investment. Meanwhile, the Group recognized investment loss of RMB24,615 and RMB32,711 in income (loss) from equity method investments in 2016 and 2017, respectively. Loss from equity method investments reduced the cost of equity-method investment to zero and further adjusted the carrying amount of convertible notes balance to RMB42,140 and RMB246,070 for the years ended December 31, 2016 and 2017, respectively. The remaining carrying amount of the convertible notes approximated its fair value as of December 31, 2016 and 2017.

In September 2017, the Group invested in Shanghai CREATER Industrial Co., Ltd. (“CREATER”), a staged office space company in China, for two-year convertible notes amounted RMB100,000 with the interest rate of 10% per year. The convertible notes with equity pledge are convertible upon satisfaction of certain conditions or at the option of the Group to ordinary shares in the last month before the expiration. The convertible notes are recorded as available-for-sale investments.

Cost-method investments:

In November 2014, the Group purchased approximately 8% equity interest in Beijing GOOAGOO Technology Service Co., Ltd. (“BJ GOOAGOO”), a high-tech service provider for Offline-To-Online data processing and platform operation, for the consideration of RMB10,289. BJ GOOAGOO started restructuring process in 2015. In September 2015, the Group purchased 45,000,000 series A preferred share for the consideration of RMB45,000 and RMB4,650 convertible notes in Gooagoo Group Holdings Limited (“GOOAGOO”). Each series A preferred share and convertible note shall be convertible at the option of the holder at any time to ordinary shares. As a result of restructuring of GOOAGOO group in 2016, the Group’s investments in BJ GOOAGOO had been all converted to equity interest of GOOAGOO. As of December 31, 2016 and 2017, the Group had approximately 19% equity interest of GOOAGOO. The Group accounted for the investment under cost method since the Group does not have the ability to exert significant influence over those companies.

In January 2017, the Group purchased 1,316,205 preferred shares for consideration of US\$5.0 million and invested in convertible notes with principal amount of US\$5.0 million and interest rate of 8% of Mobike Ltd. (“Mobike”), a Chinese bike-sharing company. In May 2017, the Group converted the entire outstanding principal amount and accrued interest of the convertible notes into 648,559 preferred shares. In November 2017, the Group disposed 55,015 shares, and recognized a loss of RMB53 in other income, net. As of December 31, 2017, the Group had less than 1% equity interest of Mobike. The investment in preferred shares of Mobike is not considered to be in-substance common stock. As a result, the Group accounted the investment under cost method.

In September 2017, the Group purchased approximately 1% equity interest of Oravel Stays Private limited (“OYO”), an India leading hospitality company, for the consideration of RMB66,467. The Group accounted the investment under cost method since the Group does not have the ability to exert significant influence over OYO.

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Equity-method investments:

In January 2016, the Group set up Shanghai Distrii Technology Development Co., Ltd. (“Distrii”) together with another founder. Distrii is an office rental service company in which the Group contributed RMB35,000 and owned equity interest of 39%. In 2017, the Group sold 6% of Distrii’s equity interest for consideration of RMB18,000 and aggregately recognized gain of RMB42,097 along with the deemed disposal as a result of the capital injection from unrelated investors. As of December 31, 2017, the Group had approximately 18% equity interest of Distrii. The Group accounted for the investment in Distrii under equity-method as the Group has the ability to exert significant influence through the Group’s board member, and recognized investment loss of RMB6,438 and RMB7,503 in income (loss) from equity method investments in 2016 and 2017, respectively.

In January 2016, the Group acquired approximately 28% equity interest in AAPC LUB (Note 3). The Group accounted for the investment in AAPC LUB under equity-method as the Group has the ability to exert significant influence. The Group recognized investment income of RMB28,496 and RMB31,459 in income (loss) from equity method investments in 2016 and 2017, respectively.

In 2016, the Group accumulatively purchased 982 ordinary shares and 5,610 Series B Preferred Shares of China Young Professionals Apartment Management Limited (“China Young”), which in total accounts for approximately 37% of its equity interest, for consideration of RMB44,904. Each series B preferred shares shall be convertible at the option of the holder at any time to ordinary shares. The Group accounted for the investment in China Young under equity-method as the Group has the ability to exert significant influence. The Group recognized investment loss of RMB1,851 and RMB2,243 in income (loss) from equity method investments in 2016 and 2017, respectively.

In December 2016, the Group acquired approximately 20% equity interest in CREATER for consideration of RMB100,000. The Group accounted for the investment under equity-method because the Group has the ability to exert significant influence over CREATER. The Group recognized investment gain of nil and RMB2,709 in income (loss) from equity method investments in 2016 and 2017, respectively.

In September 2017, the Group invested approximately 20% and 60% equity interest in Shenzhen Hitone Investment Fund (“Hitone”) and Shenzhen Hanmo Investment Fund (“Hanmo”), limited partnership enterprises, for consideration of RMB30,300 and RMB26,000, respectively. Hitone and Hanmo were VIEs. However, the Group determined that they were not the primary beneficiary of this VIE since the Group did not have the power to direct the activities of these VIEs that most significantly impacted its economic performance. The Group accounted for the investment under equity-method because the Group has the ability to exert significant influence over Hitone and Hanmo. The Group recognized investment gain of nil in income (loss) from equity method investments in 2017. The maximum potential financial statement loss the Group could incur if the investment funds were to default on all of their obligations is the loss of value of the interests in such investments of RMB56,300 that the Group holds as of December 31, 2017.

Other investments included several insignificant equity investments in certain privately-held companies.

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10. GOODWILL

The changes in the carrying amount of goodwill for the years ended December 31, 2015, 2016 and 2017 were as follows:

	Gross Amount	Accumulated Impairment Loss	Net Amount
Balance at January 1, 2015	66,650	(1,996)	64,654
Increase in goodwill related to acquisitions	46,135	—	46,135
Impairment losses recognized	—	(2,445)	(2,445)
Balance at December 31, 2015	112,785	(4,441)	108,344
Increase in goodwill related to acquisitions	63,160	—	63,160
Balance at December 31, 2016	175,945	(4,441)	171,504
Increase in goodwill related to acquisitions	2,093,254	—	2,093,254
Balance at December 31, 2017	<u>2,269,199</u>	<u>(4,441)</u>	<u>2,264,758</u>

11. DEBT

The short-term and long-term debt as of December 31, 2016 and 2017 were as follows:

	As of December 31,	
	2016	2017
<i>Short-term debt:</i>		
Long-term bank borrowings, current portion	—	131
Short-term bank borrowings	298,291	130,684
Total	<u>298,291</u>	<u>130,815</u>
<i>Long-term debt:</i>		
Long-term bank borrowings, non-current portion	—	1,894,722
Convertible senior notes	—	3,027,052
Total	<u>—</u>	<u>4,921,774</u>

Bank borrowings

In September 2012, the Group entered into a three-year revolving bank credit facility under which the Group can draw-down up to RMB300,000 by October 9, 2015. In December 2013, the Group renewed the bank credit facility under which the Group can borrow up to RMB500,000 by December 11, 2016. The interest rate for this credit facility was determined on the draw-down date and the credit facility was not collateralized. From 2013 to 2015, the Group has drawn down the credit facility of RMB204,540 and repaid all of them. The weighted average interest rate for borrowings drawn under such credit facility was 6.0% and 5.61% for the years ended December 31, 2013 and 2015, respectively. This facility expired on December 11, 2016.

In July 2015, the Group entered into a one-year bank loan contract, under which the Group can borrow up to US\$50 million for the period ended June 30, 2016, and the Group had a RMB360,000 deposit pledged accordingly. The interest rate of this borrowing is based on the three-month London Interbank Offered Rate ("Libor") on draw-down date plus 1.2%. In 2015, the Group had drawn down US\$50 million under this contract and fully repaid the amount in 2016. The weighted average interest rate for borrowings drawn under such credit facility was 1.50% and 1.81% for the years ended December 31, 2015 and 2016, respectively.

In January 2016, the Group entered into a one-year bank revolving loan contract under which the Group can borrow up to US\$43 million for the period ended January 1, 2017. The interest rate is based on the one-, two- or three-month Libor on draw-down date plus no less than 2%. In 2016, the Group had drawn down US\$43 million under this agreement and fully repaid the amount in 2017. The weighted average interest rate of borrowings drawn under this agreement was 2.70% and 2.88% for the years ended December 31, 2016 and 2017, respectively.

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In May 2016, the Group entered into a one-year revolving corporation overdraft facility agreement under which the Group can borrow up to RMB50,000, of which each draw-down should last no longer than three months, by May 16, 2017. The interest rate for each draw-down is established on the draw-down date and is based on the People's Bank of China's one-year benchmark interest rate for loans on the draw-down date. As of December 31, 2016, the Group had drawn down nil under this agreement. This facility expired on May 17, 2017.

In September 2016, the Group entered into a one-year revolving general credit facility under which the Group can borrow up to RMB200,000 by September 30, 2017. The interest rate for each draw-down will be established in each draw-down agreement. In 2017, the Group had drawn down RMB1,000 under this contract and fully repaid the amount. The interest rate was 4.4%. This facility expired on September 30, 2017.

In February 2017, the Group entered into a three-year revolving general credit facility under which the Group can borrow up to RMB500,000 by February 2020. The interest rate for each draw-down will be established in each draw-down agreement. As of December 31, 2017, the Group had not drawn down any amount under this contract.

In April 2017, the Group entered into a three-year bank loan contract under which the Group can borrow up to US\$40 million by September 30, 2017, and the Group had a RMB307,000 deposit pledged accordingly. The interest rate is based on the three-month Libor on draw-down date plus 1.4%. In 2017, the Group had drawn down US\$40 million under this agreement and repaid US\$0.01 million. As of December 31, 2017, according to the contract, there are US\$0.02 million needs to be repaid within one year, which was recorded in current portion. The weighted average interest rate of borrowings drawn under this agreement was 2.68% for the years ended December 31, 2017.

In May 2017, the Group entered into an US\$250 million term facility and US\$250 million revolving credit facility agreement with several banks. The US\$250 million revolving credit facility is available for 35 months after the date of the agreement. The interest rate on the loan is Libor plus 1.75%. There are some financial covenants including interest coverage ratio, leverage and tangible net worth related to this facility and the Group was in compliance as of December 31, 2017. In 2017, the Group had drawn down US\$250 million under the term facility agreement and repaid nil. For revolving credit facility agreement, the Group had drawn down US\$250 million in May 2017 and fully repaid the amount in November 2017. The weighted average interest rate of borrowings drawn under this agreement was 3.04% for the years ended December 31, 2017.

In June 2017, the Group entered into a one-year bank loan contract under which the Group can borrow up to US\$20 million for the period ended May 31, 2018, and the Group had a RMB160,000 deposit pledged accordingly. The interest rate is based on the twelve-month Libor on draw-down date plus 1.5%. In 2017, the Group had drawn down US\$20 million under this agreement and repaid nil. The weighted average interest rate of borrowings drawn under this agreement was 3.22% for the years ended December 31, 2017.

Convertible Senior Notes due 2022

On November 3, 2017, the Company issued US\$475 million of Convertible Senior Notes ("the Notes"). The Notes mature on November 1, 2022 and bear interest at a rate of 0.375% per annum, payable in arrears semi-annually on May 1 and November 1, beginning May 1, 2018.

Holder of the Notes have the option to convert their Notes at any time prior to the close of business on the second business day immediately preceding the maturity date. The Notes can be converted into the Company's ADSs at an initial conversion rate of 5.4869 of the Company's ADSs per US\$1,000 principal amount of the Notes (equivalent to an initial conversion price of US \$182.25 per ADS). The conversion rate is subject to adjustment in some events but is not adjusted for any accrued and unpaid interest. In addition, following a make-whole fundamental change (as defined in the Indenture) that occur prior to the maturity date or following the Company's delivery of a notice of a tax redemption, the Company will increase the conversion rate for a holder who elects to convert its notes in connection with such a corporate event or such tax redemption.

The holders may require the Company to repurchase all or portion of the Notes for cash on November 3, 2020, or upon a fundamental change, at a repurchase price equal to 100% of the principal amount, plus accrued and unpaid interest. The Company believes that the likelihood of occurrence of events considered a fundamental change is remote.

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The conversion option meets the definition of a derivative. However, since the conversion option is considered indexed to the Company's own stock and classified in stockholders' equity, the scope exception is met, accordingly the bifurcation of conversion option from the Notes is not required. There is no beneficial conversion feature ("BCF") attribute to the Notes as the set conversion prices for the Notes are greater than the respective fair values of the ordinary share price at date of issuance.

The feature of mandatory redemption upon maturity is clearly and closely related to the debt host and this feature is no need to be bifurcated. Furthermore, the Company concluded that the feature of contingent put options upon tax events or fundamental changes does not need to be considered as an embedded derivative to be bifurcated.

Therefore, the Company accounted for the Notes in accordance with ASC 470, as a single instrument under long-term debt. Issuance costs related to the Notes is recorded in consolidated balance sheet as a direct deduction from the principal amount of the Notes, and is amortized over the period from November 3, 2017, the date of issuance, to November 1, 2020, the first put date of the Notes, using the effective interest method.

Proceeds to the Company were RMB3,092,850 (equivalently US\$466,866,463), net of issuance costs of RMB53,882 (equivalently US\$8,133,537).

ADS Lending Arrangement

Concurrent with the offering of the Notes, the Company entered into ADS lending agreements with the affiliates of the initial purchasers of the Notes ("ADS Borrowers"), pursuant to which the Company lent to the ADS Borrowers 2,606,278 ADSs (the "Loaned ADSs") at a price equal to par, or \$0.0004 per ADS ("ADS lending arrangement"). The purpose of the ADS lending arrangements is to facilitate privately negotiated transactions in which the ultimate holders of the Notes may elect to hedge their investment in the related notes. As of December 31, 2017, the outstanding number of Loaned ADSs was 2,606,278.

The Loaned ADSs must be returned to the Company by the earliest of (a) the maturity date of the Notes, November 1, 2022, (b) upon the Company's election to terminate the ADS lending agreement at any time after the later of (x) the date on which the entire principal amount of the Notes ceases to be outstanding, and (y) the date on which the entire principal amount of any additional convertible securities that the Company has in writing consented to permit the ADS Borrower to hedge under the ADS lending agreement ceases to be outstanding, in each case, whether as a result of conversion, redemption, repurchase, cancellation or otherwise; and (c) the termination of the ADS lending agreement. The Company is not required to make any payment to the initial purchasers or ADS Borrower upon the return of the Loaned ADSs. The ADS Borrowers do not have the choice or option to pay cash in exchange for the return of the Loaned ADSs.

No collateral is required to be posted for the Loaned ADSs. The initial purchasers are required to remit to the Company any dividends paid to the holders of the Loaned ADSs. An ADS Borrower has the ability to vote without restriction. However, the ADS Borrowers have agreed not to vote on the Loaned ADSs.

In accordance with FASB ASC Sub-topic 470-20, the Company has accounted for the ADS lending agreement initially at fair value and recognized it as an issuance cost associated with the convertible debt offering. As a result, additional debt issuance costs of RMB26,499 (equivalently US\$4,000,000) were recorded on the issuance date with a corresponding increase to additional paid-in-capital. This debt issuance costs have also been amortized from the date of issuance to the put date of Notes, using the effective interest method.

In accordance with ASC Topic 470-20, although legally issued, the Loaned ADSs are not considered outstanding, and then excluded from basic and diluted earnings per share unless default of the ADS lending arrangement occurs, at which time the Loaned ADSs would be included in the basic and diluted earnings per share calculation. As of December 31, 2017, it is not probable that the ADS Borrower or the counterparty to the ADS lending arrangement will default.

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Capped Call Options

In connection with the issuance of the Notes, the Company has entered into capped call option transactions with some of the initial purchasers or their affiliates (the "Option Counterparties") to reduce the potential dilution to existing shareholders of the Company upon conversion of the Notes. The cap price of the capped call transactions will initially be US\$221.31 per ADS, subject to adjustment under the terms of the capped call transactions. The total premium paid by the Company for the capped call transactions was RMB177,476 (equivalently US\$26,790,000) on the purchased date. The capped call option is classified in stockholders' equity, recorded at the cost with no subsequent changes in fair value be recorded.

12. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	As of December 31,	
	2016	2017
Payable for business acquisitions	171,484	117,617
Accrual for customer loyalty program	121,066	156,092
Payable to noncontrolling interest holders	34,791	86,896
Payable to franchisees	212,242	418,293
Other payables	170,944	262,086
Accrued rental	66,804	84,423
Accrued utilities	46,379	61,748
Deferred rent, current	37,648	49,857
Other accrued expenses	34,479	27,890
Total	<u>895,837</u>	<u>1,264,902</u>

From time to time, the Group receives cash advances from noncontrolling interest holders of hotels that are not wholly owned by the Group. Such advances are non-interest bearing and are payable within one year. Payable to franchisees mainly represents room charges received on behalf of franchisees and are payable within one year.

13. HOTEL OPERATING COSTS

Hotel operating costs include all direct costs incurred in the operation of the leased and owned hotels, manachised and franchised hotels and consist of the following:

	Years Ended December 31,		
	2015	2016	2017
Rents	1,804,532	1,870,879	2,058,954
Utilities	341,620	345,615	365,100
Personnel costs	919,555	1,088,380	1,388,284
Depreciation and amortization	645,058	676,996	773,202
Consumable, food and beverage	485,099	494,764	550,513
Others	316,283	455,539	538,098
Total	<u>4,512,147</u>	<u>4,932,173</u>	<u>5,674,151</u>

14. PRE-OPENING EXPENSES

The Group expenses all costs incurred in connection with start-up activities, including pre-operating costs associated with new hotel facilities and costs incurred with the formation of the subsidiaries, such as organization costs. Pre-opening expenses primarily include rental expenses and employee costs incurred during the hotel pre-opening period.

	Years Ended December 31,		
	2015	2016	2017
Rents	95,977	67,277	191,502
Personnel costs	5,903	1,560	6,221
Others	8,131	3,010	8,731
Total	<u>110,011</u>	<u>71,847</u>	<u>206,454</u>

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15. SHARE-BASED COMPENSATION

In February 2007, the Group adopted the 2007 Global Share Plan which allows the Group to offer incentive awards to employees, officers, directors and consultants or advisors (the "Participants"). Under the 2007 Global Share Plan, the Group may issue incentive awards to the Participants to purchase not more than 10,000,000 ordinary shares. In June 2007, the Group adopted the 2008 Global Share Plan which allows the Group to offer incentive awards to Participants to purchase up to 3,000,000 ordinary shares. In October 2008, the Group increased the maximum number of incentive awards available under the 2008 Global Share Plan to 7,000,000. In September 2009, the Group adopted the 2009 Share Incentive Plan which allows the Group to offer incentive awards to Participants. Under the 2009 Share Incentive Plan, the Group may issue incentive awards to purchase up to 3,000,000 ordinary shares. In August 2010, the Group increased the maximum number of incentive awards available under the 2009 Share Incentive Plan to 15,000,000. In March 2015, the Group increased the maximum number of incentive awards available under the 2009 Share Incentive Plan to 43,000,000. The 2007 and 2008 Global Share Plans and 2009 Share Incentive Plan (collectively, the "Incentive Award Plans") contain the same terms and conditions. The incentive awards granted under the Incentive Award Plans typically have a maximum life of ten years and vest in typical ways as listed below:

- a.) Vest 50% on the second anniversary of the stated vesting commencement date with the remaining 50% vesting ratably over the following two years;
- b.) Vest over a period of ten years in equal yearly installments;

As of December 31, 2017, the Group had granted 24,577,669 options and 22,256,782 nonvested restricted stocks.

Share options

In 2015, the Group granted 85,292 options with performance conditions to senior officers. The actual number of the options each grantee is entitled to is indexed to performance conditions of the grantees including various annual performance target, i.e. number of hotel rooms added, revenue etc., in the coming two years. As of December 31, 2016, the Group has adjusted the number of options granted to 88,224 based on the actual performance.

The weighted-average grant date fair value for options granted during the year ended December 31, 2015 was RMB11.73 (US\$1.88), computed using the binomial option pricing model. The binomial model requires the input of subjective assumptions including the expected stock price volatility and the expected price multiple at which employees are likely to exercise stock options. The Group uses historical data to estimate forfeiture rate. Expected volatilities are based on the average volatility of the Group and comparable companies. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

The fair value of stock options was estimated using the following significant assumptions:

	<u>2015</u>
Suboptimal exercise factor	4.16
Risk-free interest rate	1.49 to 1.74%
Volatility	38.88 to 39.25%
Dividend yield	—
Life of option	6 years

The following table summarized the Group's share option activity under the option plans:

	<u>Number of Options</u>	<u>Weighted Average Exercise Price</u> US\$	<u>Weighted Average Remaining Contractual Life</u> Years	<u>Aggregate Intrinsic Value</u> US\$'000
Share options outstanding at January 1, 2017	2,656,244	2.15		
Forfeited	(2,296)	1.82		
Exercised	(609,224)	2.25		
Share options outstanding at December 31, 2017	<u>2,044,724</u>	2.12	1.45	69,500
Share options vested or expected to vest at December 31, 2017	<u>2,026,971</u>	2.09	1.44	68,950
Share options exercisable at December 31, 2017	<u>1,969,391</u>	2.01	1.38	67,148

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As of December 31, 2017, there was RMB844 in total unrecognized compensation expense related to unvested share-based compensation arrangements, which is expected to be recognized over a weighted-average period of 1.07 years.

During the years ended December 31, 2015, 2016 and 2017, 1,528,104, 684,632 and 609,224 options were exercised having an aggregate intrinsic value of RMB46,433, RMB40,717 and RMB77,302, respectively.

Nonvested restricted stocks

The fair value of nonvested restricted stock with service conditions or performance conditions is based on the fair market value of the underlying ordinary shares on the date of grant.

In 2015 and 2016, the Group granted 6,599,106 and 1,876,975 nonvested restricted stocks, respectively to senior officers, each was in ten tranches with performance conditions. Each tranche is accounted for as a separate award with the same grant date, its own service inception date and requisite service period. The share-based compensation cost is recognized for each vesting tranche during the respective service period based on the estimated performance conditions at the service inception date. The Group reassesses the performance condition at each reporting period for true up. For each tranche, 50% vests on the second anniversary of the vesting commencement date with the remaining 50% vesting ratably over the following two years.

The following table summarized the Group's nonvested restricted stock activity in 2017.

	<u>Number of Restricted Stocks</u>	<u>Weighted Average Grant Date Fair Value</u> US\$
Nonvested restricted stocks outstanding at January 1, 2017	13,540,557	5.20
Granted	493,972	21.78
Forfeited	(174,984)	6.43
Vested	(1,626,768)	4.99
Adjusted	259,793	5.11
Nonvested restricted stocks outstanding at December 31, 2017	<u>12,492,570</u>	5.86

As of December 31, 2017, there was RMB433,474 in unrecognized compensation costs, net of estimated forfeitures, related to unvested restricted stocks, which is expected to be recognized over a weighted-average period of 4.43 years.

The total fair value of nonvested restricted stocks vested in 2015, 2016 and 2017 was RMB69,130, RMB123,129 and RMB273,800, respectively.

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16. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share for the years indicated:

	Years Ended December 31,		
	2015	2016	2017
Net income attributable to ordinary shareholders — basic	436,600	804,615	1,237,202
Eliminate the dilutive effect of interest expense of convertible senior notes	—	—	4,549
Net income attributable to ordinary shareholders — diluted	436,600	804,615	1,241,751
Weighted average ordinary shares outstanding — basic	250,533,204	275,139,070	279,272,140
Incremental weighted-average ordinary shares from assumed exercise of share options and nonvested restricted stocks using the treasury stock method	5,570,963	7,750,424	12,202,369
Dilutive effect of convertible senior notes	—	—	1,599,469
Weighted average ordinary shares outstanding — diluted	256,104,167	282,889,494	293,073,978
Basic earnings per share	1.74	2.92	4.43
Diluted earnings per share	1.70	2.84	4.24

For the years ended December 31, 2015, 2016 and 2017, the Group had no securities which could potentially dilute basic earnings per share in the future, but which were excluded from the computation of diluted earnings per share as their effects would have been anti-dilutive.

17. Cash Dividend

On December 21, 2015, the Group approved and declared a cash dividend of US\$0.17 per ordinary share on its outstanding shares as of the close of trading on December 31, 2015. Such dividend of RMB276,261 was recorded as a reduction against retained earnings as of December 31, 2015.

On October 23, 2017, the Group approved and declared a cash dividend of US\$0.16 per ordinary share on its outstanding shares as of the close of trading on December 15, 2017. Such dividend of RMB295,661 was recorded as a reduction against retained earnings, and the dividend of RMB10,682 attributable to ADS issued under the ADS lending arrangement was recorded as a receivable in other current assets as of December 31, 2017.

18. INCOME TAXES***Cayman Islands***

Under the current laws of the Cayman Islands, the Company, China Lodging Investment Limited, City Home Group Limited and CLG Special Investments Limited are not subject to tax on income or capital gain.

Hong Kong

China Lodging Holdings (HK) Limited, Starway Hotels (Hong Kong) Limited, IBIS China Investment Limited, ACL Greater China Limited, TAHM Investment Limited, City Home Investment Limited, Orange Hotel Hong Kong Limited, Huazhu Investment I Limited and Huazhu Investment II Limited are subject to Hong Kong profit tax at a rate of 16.5%. No Hong Kong profit tax has been provided as the Group has not had assessable profit that was earned in or derived from Hong Kong during the years presented.

Singapore

China Lodging Holdings Singapore Pte. Ltd. is subject to Singapore corporate income tax at a rate of 17% in 2015, 2016 and 2017. No Singapore profit tax has been provided as the Group has not had assessable profit that was earned in or derived from Singapore during the years presented.

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British Virgin Islands

Under the current tax laws of the British Virgin Islands, Crystal Orange Hotel Holdings Limited is not subject to tax on income or capital gain.

Seychelles

Under the current tax laws of Seychelles, Sheen Step Group Limited is not subject to tax on income or capital gain.

PRC

Under the Law of the People's Republic of China on Enterprise Income Tax ("EIT Law"), which was effective from January 1, 2008, domestically-owned enterprises and foreign-invested enterprises are subject to a uniform tax rate of 25%.

Hanting Technology (Suzhou) Co., Ltd ("Hanting Suzhou"), as a recognized software development entity located at Suzhou Industrial Park in Suzhou of PRC, is entitled to a two-year exemption and three-year 50% reduction starting from the first profit making year after absorbing all prior years' tax losses. Hanting Suzhou has entered into the first tax profitable year in 2011. Therefore, Hanting Suzhou applied tax exemption from 2011 to 2012, and tax rate of 12.5% from 2013 to 2015. Since 2016, Hanting Suzhou is entitled tax rate of 15% as it is qualified as high and new tech enterprise. The high and new tech enterprise qualification is expired in September, 2017, resulting Hanting Suzhou subject to a uniform tax rate of 25% in 2017.

Jizhu Information and Technology (Shanghai) Co., Ltd. ("Jizhu Shanghai"), which once called Mengguang Information and Technology (Shanghai) Co., Ltd, is a recognized software development entity located in Shanghai of PRC. Jizhu Shanghai are entitled to a two-year exemption and three-year 50% reduction starting from the first profit making year after absorbing all prior years' tax losses, and has entered into the first tax profitable year in 2014. Therefore, Jizhu Shanghai applied tax exemption from 2014 to 2015, and tax rate of 12.5% from 2016 to 2018.

Tax expense (benefit) is comprised of the following:

	Years Ended December 31.		
	2015	2016	2017
Current Tax	246,678	253,674	436,195
Deferred Tax	(50,149)	33,446	(76,237)
Total	<u>196,529</u>	<u>287,120</u>	<u>359,958</u>

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A reconciliation between the effective income tax rate and the PRC statutory income tax rate is as follows:

	Years Ended December 31,		
	2015	2016	2017
PRC statutory tax rate	25%	25%	25%
Tax effect of other expenses that are not deductible in determining taxable profit	3%	3%	1%
Effect of different tax rate of group entities operating in other jurisdictions	—	(1)%	1%
Effect of change in valuation allowance	5%	1%	—
Effect of tax holiday	(7)%	(3)%	(1)%
Effect of cash dividends	5%	3%	(1)%
Effect of disposal of subsidiary	—	(1)%	—
Effect of excess tax benefit of rewards	—	—	(3)%
Effective tax rate	<u>31%</u>	<u>27%</u>	<u>22%</u>

The aggregate amount and per share effect of the tax holidays are as follows:

	Years Ended December 31,		
	2015	2016	2017
Aggregate amount	41,288	27,224	24,424
Per share effect—basic	0.16	0.10	0.09
Per share effect—diluted	0.16	0.10	0.08

The principal components of the Group's deferred income tax assets and liabilities as of December 31, 2016 and 2017 are as follows:

	As of December 31,	
	2016	2017
Deferred tax assets:		
Net loss carryforward	97,219	139,650
Deferred revenue	71,517	78,788
Deferred rent	2,968	8,763
Long-term assets	51,579	130,112
Bad debt provision	2,856	4,437
Accrual for customer loyalty program	30,267	37,298
Accrued payroll	3,588	14,155
Other accrued expenses	17,688	20,706
Share-based compensation	10,978	13,447
Others	2,379	1,425
Valuation allowance	(114,625)	(123,138)
Total deferred tax assets	<u>176,414</u>	<u>325,643</u>
Deferred tax liabilities:		
Favorable lease, building and land use rights-fair value adjustment	67,167	398,761
Capitalized interest	3,519	2,929
Unrealized gain for investment	14,826	6,861
Others	10,817	13,539
Total deferred tax liabilities	<u>96,329</u>	<u>422,090</u>

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For the years ended December 31, 2016 and 2017, valuation allowance of RMB55,757 and RMB59,929 were provided, respectively, RMB11,724 and RMB2,963 were added due to acquisition, respectively, RMB17,064 and RMB46,903 were reversed, respectively, and RMB28,319 and RMB7,476 were written off, respectively. The Group considers positive and negative evidence to determine whether some portion or all of the deferred tax assets will more likely than not be realized. This assessment considers, among other matters, the nature, frequency and severity of recent losses, forecasts of future profitability, the duration of statutory carryforward periods, the Group's experience with tax attributes expiring unused and tax planning alternatives. Valuation allowances have been established for deferred tax assets based on a more likely than not threshold. The Group's ability to realize deferred tax assets depends on its ability to generate sufficient taxable income within the carryforward periods provided for in the tax law.

As of December 31, 2017, the Group had tax loss carryforwards of RMB558,598 which will expire between 2018 and 2022 if not used.

The Group determines whether or not a tax position is "more-likely-than-not" of being sustained upon audit based solely on the technical merits of the position. At December 31, 2016 and 2017, the Group had recorded liabilities for uncertain tax benefit of approximately RMB19,787 and RMB26,410 associated with the interests on intercompany loans, respectively. No interest or penalty expense was recorded for the years ended December 31, 2015, 2016 and 2017. The Group does not anticipate any significant changes to its liability for unrecognized tax benefits within the next 12 months.

	Years Ended December 31,		
	2015	2016	2017
Balance at January 1	8,345	14,755	19,787
Addition for tax positions	6,410	5,032	6,623
Balance at December 31	<u>14,755</u>	<u>19,787</u>	<u>26,410</u>

In accordance with the EIT Law, dividends, which arise from profits of foreign invested enterprises ("FIEs") earned after January 1, 2008, are subject to a 10% withholding income tax. A lower withholding tax rate may be applied if there is a favorable tax treaty between mainland China and the jurisdiction of the foreign holding company. For example, holding companies in Hong Kong that are also tax residents in Hong Kong are eligible for a 5% withholding tax on dividends under the Tax Memorandum between China and the Hong Kong Special Administrative Region if the holding company is the beneficial owner of the dividends. Under applicable accounting principles, a deferred tax liability should be recorded for taxable temporary differences attributable to the excess of financial reporting basis over tax basis in a domestic subsidiary. The cumulated undistributed earnings of the Group's PRC subsidiaries were RMB2,761,814 as of December 31, 2017. To facilitate the Company's declaration of a special cash dividend, PRC dividend withholding tax of RMB30,696 and RMB32,570 was accrued in years 2015 and 2016 along with the declaration of special cash dividends from the Group's PRC subsidiaries to the Company. As of December 31, 2017, the accrued PRC dividend withholding tax liability was RMB8,552. Going forward the Group plans to maintain a moderate dividend distribution of approximately RMB300,000 a year from current year net income starting from 2018. Other than these dividends distributions, the Group intends to indefinitely reinvest the remaining undistributed earnings of the Group's PRC subsidiaries, and therefore, no additional provision for PRC dividend withholding tax was accrued.

According to the PRC Tax Administration and Collection Law, the statute of limitations is three years if the underpayment of income taxes is due to computational errors made by the taxpayer. The statute of limitations will be extended to five years under special circumstances, which are not clearly defined, but an underpayment of income tax liability exceeding RMB100 is specifically listed as a special circumstance. In the case of a transfer pricing related adjustment, the statute of limitations is ten years. There is no statute of limitations in the case of tax evasion. The Group's PRC subsidiaries are therefore subject to examination by the PRC tax authorities from 2013 through 2017 on non-transfer pricing matters, and from 2008 through 2017 on transfer pricing matters.

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19. MAINLAND CHINA CONTRIBUTION PLAN

Full time employees of the Group in the PRC participate in a government-mandated defined contribution plan pursuant to which certain pension benefits, medical care, unemployment insurance, employee housing fund and other welfare benefits are provided to employees. PRC labor regulations require the Group to accrue for these benefits based on a certain percentage of the employees' salaries. The total contribution for such employee benefits were RMB182,321, RMB212,723 and RMB264,258 for the years ended December 31, 2015, 2016 and 2017, respectively. The Group has no ongoing obligation to its employees subsequent to its contributions to the PRC plan.

20. RESTRICTED NET ASSETS

Pursuant to laws applicable to entities incorporated in the PRC, the subsidiaries of the Group in the PRC must make appropriations from after-tax profit to non-distributable reserve funds. These reserve funds include one or more of the following: (i) a general reserve, (ii) an enterprise expansion fund and (iii) a staff bonus and welfare fund. Subject to certain cumulative limits, the general reserve fund requires annual appropriation of 10% of after tax profit (as determined under accounting principles generally accepted in the PRC at each year-end) until the accumulative amount of such reserve fund reaches 50% of their registered capital; the other fund appropriations are at the subsidiaries' discretion. These reserve funds can only be used for specific purposes of offsetting future losses, enterprise expansion and staff bonus and welfare and are not distributable as cash dividends and amounted to RMB209,782, RMB277,342 and RMB378,591 as of December 31, 2015, 2016 and 2017, respectively. In addition, due to restrictions on the distribution of share capital from the Company's PRC subsidiaries, the PRC subsidiaries share capital of RMB3,102,568 at December 31, 2017 is considered restricted. As a result of these PRC laws and regulations, as of December 31, 2017, approximately RMB3,481,159 is not available for distribution to the Company by its PRC subsidiaries in the form of dividends, loans or advances.

21. RELATED PARTY TRANSACTIONS AND BALANCES

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

The following entities are considered to be related parties to the Group. The related parties mainly act as service providers and service recipients to the Group. The Group is not obligated to provide any type of financial support to these related parties.

Related Party	Nature of the Party	Relationship with the Group
Ctrip.com International, Ltd. ("Ctrip")	Online travel services provider	Mr. Qi Ji is a director
Sheen Star Group Limited ("Sheen Star")	Investment holding company	Equity method investee of the Group, controlled by Mr. Qi Ji
Accor Hotels ("Accor")	Hotel Group	Shareholder of the Group
Chengjia (Shanghai) Apartment Management Co., Ltd. ("Cjia")	Apartment Management Group	Equity method investee of the Group
Shanghai CREATER Industrial Co., Ltd. ("CREATER")	Staged office space company	Equity method investee of the Group

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(a) Related party balances

Amounts due from related parties were mainly comprised of shareholder loans to Sheen Star, Cjia and CREATER, which are short-term in nature and payable on demand, and receivable for service fee from Accor, service fee and room charges withheld by Ctrip.

	As of December 31,	
	2016	2017
Sheen Star	37,060	39,172
Accor	4,052	2,040
Cjia	50,365	15,460
Ctrip	3,203	31,754
CREATER	—	26,979
Others	3,773	3,132
Total	98,453	118,537

Amounts due to related parties were mainly comprised of payables for brand use fee, reservation fee and other service fee from Ctrip and Accor, which are short-term in nature and payable on demand.

	As of December 31,	
	2016	2017
Ctrip	3,291	28,651
Accor	6,019	6,684
Others	1,748	1,555
Total	11,058	36,890

(b) Related party transactions

During the years ended December 31, 2015, 2016 and 2017, significant related party transactions were as follows:

	Years Ended December 31,		
	2015	2016	2017
Commission expenses to Ctrip	17,740	44,119	76,792
Brand use fee, reservation fee and other related service fee to Accor	—	6,019	10,786
Marketing and training fee from Ctrip	—	12,667	23,659
Service fee from Accor	—	4,052	7,729
Goods sold and service provided to Cjia	—	353	8,486
Interest income from Sheen Star	—	2,060	—
Loan payment to Sheen Star	—	35,000	—
Loan payment to Cjia	—	—	84,950
Loan payment to CREATER	—	—	26,979

In 2016, the Group sold its subsidiary Chengjia Hotel Management Co., Ltd. to Cjia for consideration of RMB10,000.

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22. COMMITMENTS AND CONTINGENCIES

(a) Operating lease commitments

The Group has entered into lease agreements for certain hotels which it operates. Such leases are classified as operating leases.

Future minimum lease payments under non-cancellable operating lease agreements at December 31, 2017 were as follows:

Year Ending December 31,	
2018	1,823,626
2019	2,539,224
2020	2,518,195
2021	2,413,641
2022	2,284,216
Thereafter	13,508,772
Total	<u>25,087,674</u>

(b) Purchase Commitments

As of December 31, 2017, the Group's commitments related to leasehold improvements and installation of equipment for hotel operations was RMB160,334, which is expected to be incurred within one year.

(c) Contingencies

The Group is subject to periodic legal or administrative proceedings in the ordinary course of our business. As of December 31, 2016, the Group had several cases outstanding, including lease contract terminations and disputes, and construction contract disputes. The Group believed it is probable that settlement liabilities will be involved, and therefore accrued contingencies of RMB66,234 in other operating expense based on the terms of contract, laws and regulations and latest negotiation result. For the year ended December 31, 2017, the Group had settled several cases and undergoes new cases. Therefore, the Group reversed contingencies of RMB35,969 and further accrued RMB10,719 based on latest negotiation or arbitration result with the remaining accrued contingencies of RMB40,984. The Group does not believe that any other currently pending legal or administrative proceeding to which the Group is a party will have a material adverse effect on the financial statements.

23. SUBSEQUENT EVENTS

In January 2018, the Group had drawn down US\$250 million under a revolving credit facility agreement signed in 2017. Further in early 2018, the Group entered into one three-year facility agreement of total amount of EUR260 million with banks, among which EUR241 million was drawn down in first quarter of 2018.

In first quarter of 2018, the Group further purchased 10,782,131 shares of Hotel Group B from public market at cash consideration of EUR489 million. As of March 31, 2018, the Group accumulatively hold 13,092,112 shares of Hotel Group B, and all of these shares was pledged by the Group for the three-year facility agreement of total amount of EUR260 million.

ADDITIONAL FINANCIAL INFORMATION — FINANCIAL STATEMENTS SCHEDULE I
CHINA LODGING GROUP, LIMITED
FINANCIAL INFORMATION FOR PARENT COMPANY

BALANCE SHEETS
(Renminbi in thousands, except share data and per share data, unless otherwise stated)

	As of December 31,		
	2016	2017	2017 US\$'000
Assets			
Current assets:			
Cash and cash equivalents	374,036	556,604	85,548
Short-term investments	—	129,911	19,967
Other current assets	173	37,030	5,691
Total current assets	374,209	723,545	111,206
Other assets	—	32,916	5,059
Investment in subsidiaries	5,512,131	10,302,818	1,583,514
Long-term investments	45,640	780,272	119,926
Total assets	5,931,980	11,839,551	1,819,705
Liabilities and equity			
Current liabilities:			
Short-term debt	298,291	130,815	20,106
Amount due to related parties	222,402	312,871	48,087
Accrued expenses and other current liabilities	11,687	35,395	5,439
Total current liabilities	532,380	479,081	73,632
Long-term debt	—	4,921,774	756,463
Total liabilities	532,380	5,400,855	830,095
Equity:			
Ordinary shares(US\$0.0001 par value per share; 8,000,000,000 shares authorized; 281,379,130 and 294,040,234 shares issued as of December 31, 2016 and 2017, and 278,282,366 and 280,518,358 shares outstanding as of December 31, 2016 and 2017, respectively)	204	212	33
Treasury shares (3,096,764 and 3,096,764 shares as of December 31 2016 and 2017, respectively)	(107,331)	(107,331)	(16,496)
Additional paid-in capital	3,699,056	3,624,135	557,019
Retained earnings	1,812,174	2,753,715	423,238
Accumulated other comprehensive (loss) income	(4,503)	167,965	25,816
Total equity	5,399,600	6,438,696	989,610
Total liabilities and equity	5,931,980	11,839,551	1,819,705

ADDITIONAL FINANCIAL INFORMATION — FINANCIAL STATEMENTS SCHEDULE I
CHINA LODGING GROUP, LIMITED
FINANCIAL INFORMATION FOR PARENT COMPANY

STATEMENTS OF COMPREHENSIVE INCOME
(Renminbi in thousands, unless otherwise stated)

	Years Ended December 31,			
	2015	2016	2017	2017
	US\$'000			
Operating costs and expenses:				
Selling and marketing expenses	157	—	—	—
General and administrative expenses	59,236	60,075	68,720	10,561
Total operating costs and expenses	<u>59,393</u>	<u>60,075</u>	<u>68,720</u>	<u>10,561</u>
Loss from operations	(59,393)	(60,075)	(68,720)	(10,561)
Interest income	30	273	1,606	247
Interest expense	3,198	10,453	86,570	13,306
Foreign exchange gain (loss)	7,477	14,750	(14,382)	(2,210)
Other income, net	2,488	69,919	43,666	6,711
Income in investment in subsidiaries	489,196	790,201	1,361,602	209,274
Net income attributable to China Lodging Group, Limited	<u>436,600</u>	<u>804,615</u>	<u>1,237,202</u>	<u>190,155</u>
Other comprehensive income				
Unrealized securities holding gains, net of tax of 7,151, (1,810) and (7,965) for 2015, 2016 and 2017	68,069	16,449	868	133
Reclassification of realized gains to net income, net of tax	—	(67,921)	(5,282)	(812)
Foreign currency translation adjustments, net of tax of nil for 2015, 2016 and 2017	3,535	(12,627)	176,882	27,186
Comprehensive income	<u>508,204</u>	<u>740,516</u>	<u>1,409,670</u>	<u>216,662</u>

ADDITIONAL FINANCIAL INFORMATION — FINANCIAL STATEMENTS SCHEDULE I
CHINA LODGING GROUP, LIMITED
FINANCIAL INFORMATION FOR PARENT COMPANY

STATEMENTS OF CASH FLOWS
(Renminbi in thousands, unless otherwise stated)

	Years Ended December 31,			2017 US\$'000
	2015	2016	2017	
Operating activities:				
Net income	436,600	804,615	1,237,202	190,155
Adjustments to reconcile net income to net cash used in operating activities:				
Share-based compensation	52,535	55,436	66,367	10,200
Income in investment in subsidiaries	(489,196)	(790,201)	(1,361,602)	(209,274)
Investment income	—	(51,123)	(40,822)	(6,274)
Amortization of issuance cost of convertible notes	—	—	2,598	399
Changes in operating assets and liabilities:				
Deferred revenue	(364)	—	—	—
Other current assets	2,312	776	(25,946)	(3,988)
Other assets	—	—	(32,916)	(5,059)
Salary and welfare payable	(86)	(25)	—	—
Accrued expenses and other current liabilities	15,463	(16,618)	23,710	3,644
Net cash provided by (used in) operating activities	<u>17,264</u>	<u>2,860</u>	<u>(131,409)</u>	<u>(20,197)</u>
Investing activities:				
Investment in subsidiaries	(168,709)	—	(3,251,346)	(499,723)
Receipt of investment in subsidiaries	—	236,238	—	—
Purchase of long-term investments	—	(47,859)	(760,215)	(116,843)
Proceeds from sale of long-term investments	—	3,845	58,264	8,955
Purchase of short-term investments	(271,630)	—	(95,802)	(14,724)
Proceeds from sale of short-term investment	—	337,189	—	—
Net cash (used in) provided by investing activities	<u>(440,339)</u>	<u>529,413</u>	<u>(4,049,099)</u>	<u>(622,335)</u>
Financing activities:				
Net proceeds from issuance of ordinary shares upon exercise of option	22,619	12,206	9,073	1,394
Payment of share repurchase	(107,331)	—	—	—
Proceeds of advances from subsidiaries	222,403	—	90,468	13,905
Proceeds from short-term bank borrowings	489,376	281,719	135,488	20,824
Repayment of short-term bank borrowings	(183,516)	(332,555)	(293,677)	(45,137)
Proceeds from long-term bank borrowings	—	—	3,633,174	558,409
Repayment of long-term bank borrowings	—	—	(1,650,917)	(253,741)
Proceeds from issuance of convertible senior notes, net of issuance cost and capped call option	—	—	2,925,203	449,595
Debt financing costs paid	—	—	(9,763)	(1,501)
Proceeds from ADS lending	—	—	7	1
Dividends paid	—	(276,261)	(306,343)	(47,084)
Net cash provided by (used in) financing activities	<u>443,551</u>	<u>(314,891)</u>	<u>4,532,713</u>	<u>696,665</u>
Effect of exchange rate changes on cash and cash equivalents	5,800	35,629	(169,637)	(26,073)
Net increase in cash and cash equivalents	26,276	253,011	182,568	28,060
Cash and cash equivalents at the beginning of the year	94,749	121,025	374,036	57,488
Cash and cash equivalents at the end of the year	<u>121,025</u>	<u>374,036</u>	<u>556,604</u>	<u>85,548</u>

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

**ADDITIONAL FINANCIAL INFORMATION — FINANCIAL STATEMENTS SCHEDULE I
CHINA LODGING GROUP, LIMITED
FINANCIAL INFORMATION FOR PARENT COMPANY**

Note to Schedule I

Schedule I has been provided pursuant to the requirements of Rule 12-04(a) and 5-04-(c) of Regulation S-X, which require condensed financial information as to the financial position, change in financial position and results of operations of a parent company as of the same dates and for the same periods for which audited consolidated financial statements have been presented when the restricted net assets of consolidated subsidiaries exceed 25 percent of consolidated net assets as of the end of the most recently completed fiscal year.

The condensed financial information has been prepared using the same accounting policies as set out in the accompanying consolidated financial statements except that the equity method has been used to account for investments in its subsidiaries. Such investments in subsidiaries are presented on the balance sheets as investment in subsidiaries and the profit of the subsidiaries is presented as income in investment in subsidiaries.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. The footnote disclosures contain supplemental information relating to the operations of the Company and, as such, these statements should be read in conjunction with the notes to the accompanying consolidated financial statements.

As of December 31, 2017, there are no material contingencies, mandatory dividend, and significant provision of long-term obligation or guarantee of the Company, except for those which have separately disclosed in the consolidated financial statements.

ADDITIONAL INFORMATION — FINANCIAL STATEMENTS SCHEDULE II

CHINA LODGING GROUP, LIMITED

This financial information has been prepared in conformity with accounting principles generally accepted in the United States.

VALUATION AND QUALIFYING ACCOUNTS

	Balance at Beginning of Year	Charge to Costs and Expenses	Addition Due to Acquisition	Charge Taken Against Allowance	Write off	Balance at End of Year
(Renminbi in thousands)						
Allowance for doubtful accounts of accounts receivables and other receivables:						
2015	6,477	1,997	—	—	(2,415)	6,059
2016	6,059	1,082	7,151	—	(2,368)	11,924
2017	11,924	2,446	—	—	(3,593)	10,777
Valuation allowance for deferred tax assets						
2015	62,868	47,122	—	(15,508)	(1,955)	92,527
2016	92,527	55,757	11,724	(17,064)	(28,319)	114,625
2017	114,625	59,929	2,963	(46,903)	(7,476)	123,138

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October 26, 2017

Deutsche Bank Securities Inc.
60 Wall Street
New York, New York 10005
United States

as Representative of the several Initial Purchasers
named in Schedule I hereto

Ladies and Gentlemen:

China Lodging Group, Limited, an exempted company incorporated in the Cayman Islands (the “**Company**”), proposes to issue and sell to the several purchasers named in Schedule I hereto (the “**Initial Purchasers**”) \$425,000,000 aggregate principal amount of the Company’s 0.375% Convertible Senior Notes due 2022 (the “**Firm Notes**”) and also proposes to grant to the Initial Purchasers an option to purchase up to \$50,000,000 aggregate principal amount of 0.375% Convertible Senior Notes due 2022 (the “**Additional Notes**”), if requested by the Initial Purchasers as provided in Section 2 hereof. The Firm Notes and the Additional Notes are herein collectively referred to as the “**Notes**”. Deutsche Bank Securities Inc. has agreed to act as the representative of the several Initial Purchasers (the “**Representative**”) in connection with the offering and sale of the Notes.

The Notes will be issued pursuant to an indenture, to be dated as of November 3, 2017 (the “**Indenture**”), between the Company and Wilmington Trust, National Association, as trustee (the “**Trustee**”). The American Depositary Shares (“**ADSs**”) to be issued upon conversion of the Notes are to be issued pursuant to the deposit agreement (together with the note conversion letter agreement to be dated November 3, 2017 between the Company and the Depository, the “**Deposit Agreement**”), dated as of March 25, 2010, among the Company, Citibank, N.A., as depository (the “**Depository**”), and all holders from time to time of the American Depositary Receipts (the “**ADRs**”) issued by the Depository and evidencing the ADSs. Each ADS will initially represent the right to receive four ordinary shares, par value US\$0.0001 per share, of the Company (the “**Ordinary Shares**”) deposited pursuant to the Deposit Agreement.

Concurrently with the issuance of the Notes, the Company is lending to Deutsche Bank AG, London Branch (the “**ADS Borrower**”), up to 2,606,278 ADSs, pursuant to an ADS lending agreement dated the date hereof between the Company and the ADS Borrower (the “**ADS Lending Agreement**”). The ADS Borrower is an affiliate of Deutsche Bank Securities Inc. The ADSs are being offered pursuant to a prospectus supplement dated October 26, 2017, to a registration statement (the “**ADS Registration Statement**”) filed with the Securities and Exchange Commission (the “**Commission**”) on October 26, 2017, in accordance with an underwriting agreement, dated the date hereof, among the ADS Borrower, Deutsche Bank Securities Inc. and the Company (the “**ADS Underwriting Agreement**”).

In connection with the offering of the Notes, the Company is separately entering into capped call transactions with one or more of the Initial Purchasers (or affiliates thereof) (the “**Capped Call Counterparties**”), in each case pursuant to capped call confirmations (the “**Base Capped Call Confirmations**”) to be dated the date hereof, and in connection with any issuance of Additional Notes, the Company and the Capped Call Counterparties may enter into additional capped call transactions pursuant to additional capped call confirmations (the “**Additional Capped Call Confirmations**”) and together with the Base Capped Call Confirmations, the “**Capped Call Confirmations**”).

The Company understands that the Initial Purchasers propose to make an offering of the Notes on the terms and in the manner set forth herein and in the Time of Sale Memorandum (as defined herein) and agrees that the Initial Purchasers may resell, subject to the conditions set forth herein, all or a portion of the Notes to purchasers (the “**Subsequent Purchasers**”) on the terms set forth in the Time of Sale Memorandum (the first time when sales of the Notes are made is referred to as the “**Time of Sale**”). The Notes will be offered without being registered under the Securities Act of 1933, as amended (the “**Securities Act**”), to qualified institutional buyers in compliance with the exemption from registration provided by Rule 144A under the Securities Act (“**Rule 144A**”) and in offshore transactions in reliance on Regulation S under the Securities Act (“**Regulation S**”).

Pursuant to the Notes and the Indenture, investors who acquire Notes shall be deemed to have agreed that Notes may only be resold or otherwise transferred, after the date hereof, if such Notes are registered for sale under the Securities Act or if an exemption from the registration requirements of the Securities Act is available (including the exemptions afforded by Rule 144A or Regulation S). The Company hereby confirms that it has authorized the use of the Time of Sale Memorandum, the Final Memorandum (as defined herein) and the Recorded Road Show (as defined herein) in connection with the offer and sale of the Notes by the Initial Purchasers.

In connection with the sale of the Notes, the Company has prepared and delivered to each Initial Purchaser copies of a preliminary offering memorandum, dated October 26, 2017 (the “**Preliminary Memorandum**”), and prepared and delivered to each Initial Purchaser copies of a pricing supplement, dated October 26, 2017 (the “**Pricing Supplement**”), describing the terms of the Notes, each for use by such Initial Purchaser in connection with its solicitation of offers to purchase the Notes. For purposes of this Agreement, “**Additional Written Offering Communication**” means any written communication (as defined in Rule 405 under the Securities Act) that constitutes an offer to sell or a solicitation of an offer to buy the Notes other than the Preliminary Memorandum, the Pricing Supplement or the Final Memorandum; “**Time of Sale Memorandum**” means the Preliminary Memorandum together with the Pricing Supplement and each Additional Written Offering Communication or other information, if any, each identified in Schedule II hereto under the caption Time of Sale Memorandum; and “**General Solicitation**” means any offer to sell or solicitation of an offer to buy the Notes by any form of general solicitation or advertising (as those terms are used in Regulation D under the Securities Act (“**Regulation D**”)).

Promptly after this Agreement is executed and delivered, the Company will prepare and deliver to each Initial Purchaser a final offering memorandum, dated the date hereof (the “**Final Memorandum**”). As used herein, the terms “Preliminary Memorandum,” “Time of Sale Memorandum” and “Final Memorandum” shall include the documents, if any, incorporated by reference therein on the date hereof. The terms “**supplement**,” “**amendment**” and “**amend**” as used herein with respect to the Preliminary Memorandum, the Time of Sale Memorandum, the Final Memorandum or any Additional Written Offering Communication shall include all documents incorporated by reference therein.

1. *Representations and Warranties.* The Company hereby represents and warrants to, and agrees with each Initial Purchaser that, as of the Time of Sale and as of the Closing Date (as defined herein):

(a) (i) Each document, if any, filed or to be filed pursuant to the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”) and incorporated by reference in the Preliminary Memorandum, the Time of Sale Memorandum or the Final Memorandum, including, but not limited to, the Company’s Annual Report on Form 20-F for the fiscal year ended December 31, 2016 filed with the Commission pursuant to the Exchange Act on April 21, 2017 (the “**Annual Report**”), complied or will comply when so filed in all material respects with the Exchange Act and the rules and regulations of the Commission thereunder, (ii) the Time of Sale Memorandum as of the Time of Sale does not, and as of the Closing Date will not, contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, (iii) any Additional Written Offering Communication prepared, used or referred to by the Company, when considered together with the Time of Sale Memorandum, at the time of its use did not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, (iv) any General Solicitation that is not an Additional Written Offering Communication, made by the Company or by the Initial Purchasers with the consent of the Company, when considered together with the Time of Sale Memorandum, at the time when made or used did not include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading and (v) the Final Memorandum as of its date and as of the Closing Date will not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that the representations and warranties set forth in this paragraph do not apply to any statements in or omissions from the Time of Sale Memorandum, the Final Memorandum, Additional Written Offering Communication or General Solicitation based upon information relating to any Initial Purchaser furnished in writing to the Company by such Initial Purchaser through the Representative expressly for use therein;

(b) Except for the Additional Written Offering Communications, if any, identified in Schedule II hereto, including electronic road shows and furnished to you before first use, the Company has not prepared, used or referred to, and will not, without your prior consent, prepare, use or refer to, any Additional Written Offering Communication;

(c) The interactive data in the eXtensible Business Reporting Language (“XBRL”) incorporated by reference in the Preliminary Memorandum, the Time of Sale Memorandum or the Final Memorandum fairly presents the information called for in all material respects and has been prepared in accordance with the Commission’s rules and guidelines applicable thereto;

(d) The Company does not own or control, directly or indirectly, any corporation, association or entity other than China Lodging Holdings (HK) Limited (“CLHK”), China Lodging Investment Limited (“CL Cayman”), China Lodging Holdings Singapore Pte. Ltd. (“CL Singapore”), City Home Group Limited (“City Home”), Sheen Step Group Limited (“Sheen Step”), CLG Special Investments Limited (“CLG”), HanTing Xingkong (Shanghai) Hotel Management Co., Ltd. (“HanTing Xingkong”), Shanghai HanTing Hotel Management Group, Ltd. (“Shanghai HanTing”), Yiju (Shanghai) Hotel Management Co., Ltd. (“Yiju”), HanTing (Tianjin) Investment Consulting Co., Ltd. (“HanTing Tianjin”), HanTing Technology (Suzhou) Co., Ltd. (“HanTing Technology”), HanTing (Shanghai) Enterprise Management Co., Ltd. (“HanTing Shanghai”), Starway Hotels (Hong Kong) Limited (“Starway Hong Kong”), Starway Hotel Management (Shanghai) Co., Ltd. (“Starway Shanghai”), HuaZhu Hotel Management Co., Ltd. (“HuaZhu”), Mengguang Information Technology (Shanghai) Co., Ltd. (“Mengguang Shanghai”), ACL Greater China Limited (“ACL”), Ibis China Investment Limited (“Ibis”), TAHM Investment Limited (“TAHM”), Yagao Meihua Hotel Management Co., Ltd. (“Yagao”), Crystal Orange Hotel Holdings Limited (“Crystal Orange”), Orange Hotel Hong Kong Limited (“Orange Hotel HK”), Orange Hotel Management (China) Co., Ltd. (“Orange Hotel Management”), Beijing Orange Crystal Hotel Management Consulting Co. Ltd. (“Beijing Orange Crystal Hotel Management”), Beijing Orange Times Software Tech. Co., Ltd. (“Beijing Orange Times Software”), Hangzhou Yilai Chain Hotels Co., Ltd (“Hangzhou Yilai”), Huazhu Investment (SH) Co. Ltd. (“Huazhu Investment”) and their respective subsidiaries. Each such subsidiary is referred to as a “subsidiary” and they are referred to collectively as the “subsidiaries”;

(e) Neither the Company nor any of its subsidiaries has sustained since the date of the latest audited financial statements included in the Time of Sale Memorandum and the Final Memorandum any material loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, otherwise than as set forth or contemplated in the Time of Sale Memorandum and the Final Memorandum; and, since the respective dates as of which information is given in the Preliminary Memorandum and Time of Sale

Memorandum, there has not been any material change in the capital stock, short-term debt or long-term debt of the Company or any of its subsidiaries or any material adverse change, or any development involving a prospective material adverse change, in or affecting the general affairs, management, financial position, shareholders' equity or results of operations of the Company and its subsidiaries taken as a whole (a "**Material Adverse Effect**"), otherwise than as set forth or contemplated in the Time of Sale Memorandum and the Final Memorandum;

(f) Each of the Company and its subsidiaries has good and marketable title to all real property (if any) and all personal property owned by them, in each case free and clear of all liens, encumbrances and defects except such as are described in the Time of Sale Memorandum and the Final Memorandum or such as do not materially affect the value of such property and do not interfere with the use made and proposed to be made of such property by the Company and its subsidiaries; and any real property and buildings held under lease by each of the Company and its subsidiaries are held by them under valid, subsisting and enforceable leases with such exceptions as are not material and do not interfere with the use made and proposed to be made of such property and buildings by the Company and its subsidiaries;

(g) The Company and its subsidiaries, and to the Company's knowledge after due inquiry, the owners of the properties leased and operated or managed by the Company, are insured by insurers with appropriately rated claims paying abilities against such losses and risks and in such amounts as are prudent and customary for the businesses in which they are engaged; all material policies of insurance insuring the Company or any of its subsidiaries, and to the Company's knowledge after due inquiry, the owners of the properties leased and operated or managed by the Company or their respective assets, are in full force and effect; the Company and its subsidiaries, and to the Company's knowledge after due inquiry, the owners of the properties leased and operated or managed by the Company, are in compliance with the terms of such policies and instruments in all material respects; and there are no claims by the Company or any of its subsidiaries, or to the Company's knowledge after due inquiry, the owners of the properties leased and operated or managed by the Company, under any such policy or instrument as to which any insurance company is denying liability or defending under a reservation of rights clause; neither the Company nor any such subsidiary has been refused any insurance coverage sought or applied for; neither the Company nor any such subsidiary has any reason to believe that it, or to the Company's knowledge after due inquiry, the owners of the properties leased and operated or managed by the Company, will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business; and the Company has obtained or will obtain directors' and officers' insurance in such amounts as is customary;

(h) The Company has been duly incorporated and is validly existing as an exempted company in good standing under the laws of the Cayman Islands, with power and authority (corporate and other) to own, lease and operate its properties and conduct its business as described in the Time of Sale Memorandum and the Final Memorandum, and has been duly qualified as a foreign corporation for the transaction of business and is in good standing under the laws of each other jurisdiction in which it owns or leases properties or conducts any business so as to require such qualification, except where the failure to be so qualified in any such jurisdiction would not, individually or in the aggregate, have a Material Adverse Effect; and each subsidiary of the Company has been duly incorporated or organized and is validly existing as a corporation or organization in good standing under the laws of its jurisdiction of incorporation or organization, with power and authority (corporate and other) to own, lease and operate its properties and conduct its business as described in the Time of Sale Memorandum and Final Memorandum, and has been duly qualified as a foreign corporation for the transaction of business and is in good standing under the laws of each other jurisdiction in which it owns or leases properties or conducts any business so as to require such qualification, except where the failure to be so qualified in any such jurisdiction would not, individually or in the aggregate, have a Material Adverse Effect; and each of the business licenses and articles of association of each of the subsidiaries formed under the laws and regulations of the People's Republic of China (the "PRC") is in full force and effect under, and in compliance with PRC law;

(i) Neither the Company nor any of its subsidiaries has sent or received any written communication regarding termination of, or intent not to renew, any of the material contracts or agreements specifically referred to or described in the Time of Sale Memorandum and the Final Memorandum, or specifically referred to or described in, or filed as an exhibit to, the Annual Report, and no such termination or non-renewal has been threatened by the Company, any of its subsidiaries or, to the Company's knowledge after due inquiry, any other party to any such contract or agreement;

(j) Except as disclosed in the Time of Sale Memorandum and Final Memorandum, each of the Company and its subsidiaries has all the necessary licenses, franchises, concessions, consents, authorizations, approvals, orders, certificates and permits of and from, and has made all declarations and filings with, all governmental agencies to own, lease, license and use its properties, assets and conduct its business in the manner described in the Time of Sale Memorandum and the Final Memorandum, except where the failure to have any such license, franchise, concession, consent, authorization, approval, order, certificate or permit would not have a Material Adverse Effect and such licenses, franchises, concessions, consents, authorizations, approvals, orders, certificates or permits contain no material restrictions or conditions not described in the Time of Sale Memorandum and the Final Memorandum; neither the Company nor any of its subsidiaries is aware that any regulatory body is considering modifying, suspending or revoking any such licenses, consents, authorizations, approvals,

orders, certificates or permits, and the Company and its subsidiaries are in compliance with the provisions of all such licenses, consents, authorizations, approvals, orders, certificates or permits in all material respects;

(k) Except as disclosed in the Time of Sale Memorandum and Final Memorandum, neither the Company nor any of its subsidiaries is (A) in breach of or in default under any laws, regulations, rules, orders, decrees, guidelines or notices of the PRC, the Cayman Islands, Hong Kong S.A.R., British Virgin Islands, Singapore or any other jurisdiction where it was incorporated or operates, (B) in breach of or in default under any approval, consent, waiver, authorization, exemption, permission, endorsement or license granted by any court or governmental agency or body of any stock exchange authorities (“**Governmental Agency**”) in the PRC, Cayman Islands, Hong Kong S.A.R., British Virgin Islands, Singapore or any other jurisdiction where it was incorporated or operates, (C) in violation of its constitutive or organizational documents or (D) in default in the performance or observance of any obligation, agreement, covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument to which it is a party or by which it or any of its properties may be bound, except in the case of (A), (B) and (D) above, where any such breach or default would not, individually or in aggregate, have a Material Adverse Effect;

(l) The Company has the authorized share capital as set forth in the Time of Sale Memorandum and the Final Memorandum and all of the issued shares of the Company have been duly and validly authorized and issued, are fully paid and non-assessable and conform in all material respects to the description thereof contained in the Time of Sale Memorandum and the Final Memorandum; and all of the issued shares of capital stock of each subsidiary of the Company have been duly and validly authorized and issued, are fully paid and non-assessable and are owned directly or indirectly by the Company, free and clear of all liens, encumbrances, equities or claims, except that the registered capital of each PRC subsidiary of the Company has been or will be validly issued and fully paid with all contributions to such registered capital within the time periods permitted under applicable PRC laws and their constitutive documents; there are no outstanding securities convertible into or exchangeable for, or warrants, rights or options to purchase from the Company, or obligations of the Company to issue, Ordinary Shares, ADSs or any other class of shares or other equity interests of the Company or the subsidiaries except as disclosed in the Time of Sale Memorandum and Final Memorandum; when the Notes are delivered and paid for pursuant to this Agreement on each Closing Date, such Notes will be convertible into Ordinary Shares in accordance with the Indenture; the Ordinary Shares, when issued upon conversion of the Notes, may be freely deposited by the Company with the Depositary against issuance of ADRs evidencing ADSs; the Notes, when issued and delivered against payment therefor, will be freely transferable by the Company to or for the account of the several Initial Purchasers and the initial purchasers thereof; and there are no restrictions on subsequent transfers of the Notes, Ordinary Shares or ADSs under the laws of the PRC, Cayman Islands,

Hong Kong S.A.R., British Virgin Islands, Singapore or United States except as described in the Time of Sale Memorandum and the Final Memorandum;

(m) Except as described in the Time of Sale Memorandum and the Final Memorandum, (A) no person has any preemptive rights, resale rights, rights of first refusal or other rights to purchase (and apart from the Notes there are no other classes or series of shares, options, warrants, rights or other securities convertible, exchangeable or exercisable for) any newly issued Ordinary Shares or ADSs or any other newly issued shares of capital stock of or other equity interests in the Company, CLHK, CL Cayman, CL Singapore, City Home, Sheen Step, CLG, HanTing Xingkong, Shanghai HanTing, Yiju, HanTing Tianjin, HanTing Technology, HanTing Shanghai, Starway Hong Kong, Starway Shanghai, HuaZhu, Mengguang Shanghai, ACL, Ibis, TAHM, Yagao, Crystal Orange, Orange Hotel HK, Orange Hotel Management, Beijing Orange Crystal Hotel Management, Beijing Orange Times Software, Hangzhou Yilai, Huazhu Investment or, to the Company's knowledge after due inquiry any of its other subsidiaries and (B) no person has the right to act as an underwriter or as a financial advisor to the Company in connection with the offer and sale of the Notes;

(n) Except as described in the Time of Sale Memorandum and the Final Memorandum, apart from the Notes, there are no other classes or series of shares, options, warrants, rights or other securities with special voting rights, veto rights, minority shareholder rights, equity interest holder rights or preemptive rights;

(o) The issuance and allotment of the Ordinary Shares and ADSs to be issued upon conversion of the Notes to be sold by the Company to the Initial Purchasers hereunder have been duly and validly authorized and such Ordinary Shares have been reserved for issuance upon such conversion, and, when issued and delivered upon conversion of the Notes as provided herein, will be validly issued and fully paid and (in the case of Ordinary Shares) non-assessable and will conform in all material respects to the descriptions of the Ordinary Shares and ADSs in the Time of Sale Memorandum and the Final Memorandum and will not be subject to any call for the payment of further capital and will rank pari passu with other Ordinary Shares of the Company including, without limitation, as to entitlement to dividends, subject to and in accordance with the terms of the Indenture and will be free and clear of any security interest, mortgage, pledge, lien, charge, claim or encumbrance of any kind;

(p) The Notes to be sold by the Company to the Initial Purchasers hereunder have been duly and validly authorized and, when executed and authenticated in accordance with the Indenture and issued and delivered against payment therefor as provided herein, will be legal, valid and binding obligations of the Company, enforceable in accordance with their terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally and

equitable principles of general applicability (collectively, the “**Enforceability Exceptions**”), and will be entitled to the benefits of the Indenture;

(q) The ADS Lending Agreement has been duly authorized, executed and delivered by the Company and, assuming due execution and delivery thereof by the other parties thereto, will constitute a valid and legally binding obligation of the Company, enforceable against the Company in accordance with its terms, subject to the Enforceability Exceptions;

(r) The Capped Call Confirmations have been duly authorized, executed and delivered by the Company and, assuming due execution and delivery thereof by the other parties thereto, are valid and legally binding obligations of the Company, enforceable against the Company in accordance with their terms, subject to the Enforceability Exceptions;

(s) The Indenture has been duly authorized and, on the First Closing Date (as defined herein), will have been duly executed and delivered by the Company, and will constitute a legal, valid and binding agreement of, the Company, enforceable in accordance with its terms, subject to the Enforceability Exceptions;

(t) The Notes to be purchased by the Initial Purchasers from the Company will on the Closing Date be in the form contemplated by the Indenture. The Notes, the Indenture, the ADS Lending Agreement and the Capped Call Confirmations will conform in all material respects to the descriptions thereof in the Time of Sale Memorandum and the Final Memorandum;

(u) Except as described in the Time of Sale Memorandum and the Final Memorandum, there are no contracts, agreements or understandings between the Company and any person granting such person the right to require the Company to file a registration statement under the Act with respect to any securities of the Company owned or to be owned by such person or to require the Company to include such securities in the securities registered pursuant to the ADS Registration Statement or in any other registration statement filed by the Company under the Act;

(v) This Agreement has been duly authorized, executed and delivered by the Company;

(w) The Deposit Agreement has been duly authorized, executed and delivered by the Company and, assuming due authorization, execution and delivery by the Depositary, constitutes a valid and legally binding agreement of the Company, enforceable in accordance with its terms, subject to the Enforceability Exceptions, and upon issuance by the Depositary of ADRs evidencing ADSs and the deposit of Ordinary Shares in respect thereof in accordance with the provisions of the Deposit Agreement, such ADRs will be duly and validly issued and the persons in whose names the ADRs are registered

will be entitled to the rights specified therein and in the Deposit Agreement; and the Deposit Agreement and the ADRs conform in all material respects to the descriptions thereof contained in the Final Memorandum;

(x) All dividends and other distributions declared and payable on the Ordinary Shares may under the current laws and regulations of the Cayman Islands be paid to the registered holder of such Ordinary Shares (including the Depositary as the registered holder thereof), and all such dividends and other distributions will not be subject to withholding or other taxes under the laws and regulations of the Cayman Islands and are otherwise free and clear of any other tax, withholding or deduction in the Cayman Islands and without the necessity of obtaining any consents, approvals, authorizations, orders, registrations, clearances or qualifications of or with any court or Governmental Agency having jurisdiction over the Company or any of its subsidiaries or any of their respective properties (hereinafter referred to as “**Governmental Authorizations**”) in the Cayman Islands;

(y) All dividends and other distributions declared and payable on the share capital of CLHK, Starway Hong Kong, ACL, Ibis, TAHM or Orange Hotel HK, or any other subsidiary incorporated in the Hong Kong S.A.R., may under the current laws and regulations of the Hong Kong S.A.R. be paid to the Company, and all such dividends and other distributions will not be subject to withholding or other taxes under the laws and regulations of the Hong Kong S.A.R. and are otherwise free and clear of any other tax, withholding or deduction in the Hong Kong S.A.R. and without the necessity of obtaining any Governmental Authorization in the Hong Kong S.A.R.;

(z) Except as described in the Time of Sale Memorandum and the Final Memorandum, all dividends and other distributions declared and payable on the share capital of any of HanTing Xingkong, Shanghai HanTing, Yiju, HanTing Tianjin, HanTing Technology, Starway Shanghai, HangTing Shanghai, Yagao, HuaZhu, Mengguang Shanghai, Orange Hotel Management, Beijing Orange Crystal Hotel Management, Beijing Orange Times Software, Hangzhou Yilai, Huazhu Investment and their respective subsidiaries may under the current laws and regulations of the PRC be freely transferred out of the PRC and may be paid in U.S. dollars, and all such dividends and other distributions will not be subject to withholding or other taxes under the laws and regulations of the PRC and are otherwise free and clear of any other tax, withholding or deduction in the PRC, and without the necessity of obtaining any Governmental Authorization in the PRC;

(aa) The issue and sale of the Notes, the conversion of the Notes, the issuance of the Ordinary Shares upon conversion of the Notes, the deposit of Ordinary Shares with the Depositary against issuance of ADRs evidencing the ADSs and the compliance by the Company with this Agreement, the Indenture, the Notes, the Deposit Agreement, the ADS Lending Agreement and the Capped Call Confirmations and the consummation of the transactions herein and therein

contemplated will not (A) conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries is bound or to which any of the property or assets of the Company or any of its subsidiaries is subject, except where a waiver or consent from the counterparty has been obtained in accordance with the terms of such indenture, mortgage, deed of trust, loan agreement or other agreement or instrument, (B) result in any violation of the provisions of the constitutive or organizational documents of the Company or any subsidiary or (C) result in any violation of any applicable statute or laws or any order, rule or regulation of any Governmental Agency having jurisdiction over the Company or any of its subsidiaries or any of their properties or assets;

(bb) No consent, approval, authorization, order, registration or qualification of or with any court or Governmental Agency is required for the issue and sale of the Notes, the conversion of the Notes into Ordinary Shares or ADSs, the deposit of Ordinary Shares with the Depositary against issuance of ADRs evidencing the ADSs to be delivered or the consummation by the Company of the transactions contemplated by this Agreement, the Indenture, the Notes, the Deposit Agreement, the ADS Lending Agreement or the Capped Call Confirmations, except (A) the registration under the Act of the ADSs under the ADS Lending Agreement and the listing of the ADSs on the NASDAQ Global Select Market, (B) such Governmental Authorizations as have been duly obtained and are in full force and effect and copies of which have been furnished to the Representative and (C) such Governmental Authorizations as may be required under state securities or Blue Sky laws or any laws of jurisdictions outside the PRC, Cayman Islands, Hong Kong S.A.R. and United States in connection with the purchase and distribution of the Notes by or for the respective accounts of the several Initial Purchasers;

(cc) Except as disclosed in the Time of Sale Memorandum and Final Memorandum, no stamp or other issuance or transfer taxes or duties and no capital gains, income, withholding or other taxes are payable by or on behalf of the Initial Purchasers to the government of the PRC, Cayman Islands or any political subdivision or taxing authority thereof or therein in connection with: (A) the deposit with the Depositary of the Ordinary Shares by the Company against the issuance of ADRs evidencing the ADSs, (B) the issuance, sale and delivery by the Company of the Notes to or for the respective accounts of the several Initial Purchasers or (C) the sale and delivery by the Initial Purchasers of the Notes to the initial purchasers thereof in the manner contemplated by this Agreement;

(dd) None of the Company or any of its subsidiaries is engaged in any trading activities involving commodity contracts or other trading contracts which are not currently traded on a securities or commodities exchange and for which the market value cannot be determined;

(ee) Neither the Company nor any of its subsidiaries has taken, directly or indirectly, any action which was designed to or which has constituted or which might reasonably be expected to cause or result in stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Notes;

(ff) The statements set forth in the Time of Sale Memorandum and the Final Memorandum under the captions “Description of the Notes”, “Description of the Registered ADS Borrow Facility”, “Description of the Concurrent Capped Call Transactions”, “Description of Share Capital” and “Description of American Depositary Shares”, insofar as they purport to constitute a summary of the terms of the Notes, ADS Lending Agreement, Capped Call Confirmations, Ordinary Shares and ADSs, respectively, and under the captions “Taxation” and “Plan of Distribution”, insofar as they purport to describe the provisions of the laws and documents referred to therein, are accurate, complete and fair in all material respects;

(gg) Other than as set forth in the Time of Sale Memorandum and the Final Memorandum, there are no legal, arbitration or governmental proceedings (including, without limitation, governmental investigations or inquiries) pending to which the Company or any of its subsidiaries or the Company’s directors and executive officers is a party or of which any property of the Company or any of its subsidiaries is the subject (A) that, if determined adversely to the Company or any of its subsidiaries, would have a Material Adverse Effect or (B) that are required to be described in the Annual Report and are not so described; and, to the Company’s knowledge after due inquiry, no such proceedings are threatened or contemplated by governmental authorities or threatened by others;

(hh) The Company is not and, after giving effect to the offering and sale of the Notes and the application of the proceeds thereof or the transactions contemplated by the ADS Lending Agreement and Capped Call Transactions, will not be an “investment company”, as such term is defined in the U.S. Investment Company Act of 1940, as amended (the “**Investment Company Act**”);

(ii) Each of this Agreement, the Indenture, the Notes, the Deposit Agreement, the ADS Lending Agreement and the Capped Call Confirmations is in proper form to be enforceable against the Company in the Cayman Islands in accordance with its terms; to ensure the legality, validity, enforceability or admissibility into evidence in the Cayman Islands of this Agreement, the Indenture, the Notes, the Deposit Agreement, the ADS Lending Agreement or the Capped Call Confirmations, it is not necessary that this Agreement, the Indenture, the Notes, the Deposit Agreement, the ADS Lending Agreement or the Capped Call Confirmations be filed or recorded with any court or other authority in the Cayman Islands or that any stamp or similar tax in the Cayman Islands be paid on or in respect of this Agreement, the Indenture, the Notes, the Deposit Agreement, the ADS Lending Agreement or the Capped Call Confirmations or any other

documents to be furnished hereunder, except for nominal stamp duty if the documents are executed in or brought into the Cayman Islands;

(jj) The Preliminary Memorandum, Time of Sale Memorandum, Final Memorandum and any Additional Written Communication and ADS Registration Statement, and the filing of the ADS Registration Statement with the Commission have been duly authorized by and on behalf of the Company, and the ADS Registration Statement has been duly executed pursuant to such authorization by and on behalf of the Company;

(kk) There are no contracts or documents which are required to be described in the Annual Report or to be filed as exhibits to the Annual Report that have not been so described and filed as required;

(ll) Except as described in the Time of Sale Memorandum and the Final Memorandum, each of the Company and its subsidiaries owns, possesses, licenses or has other rights to use all patents and patent applications, copyrights, trademarks, service marks, trade names, Internet domain names, technology, and/or know-how (including trade secrets and other unpatented and/or unpatentable proprietary rights) (collectively, “**Intellectual Property**”) that are necessary or used in any material respect to conduct their business in the manner in which it is being conducted and in the manner in which it is contemplated as set forth in the Time of Sale Memorandum and the Final Memorandum; all material copyrights and patents owned or licensed by the Company (including all material copyrights and patents owned or licensed by the Company’s subsidiaries) are valid, enforceable and not subject to any ongoing or threatened interference, reexamination, judicial or administrative proceeding pertaining to validity, enforceability or scope; neither the Company nor any of its subsidiaries has received any notice alleging infringement, violation or conflict with (and neither the Company nor any of its subsidiaries knows of any basis for alleging infringement, violation or conflict with) the Intellectual Property rights of any third party by the Company, its subsidiaries, or their products; there are no pending or, to the Company’s knowledge after due inquiry, threatened actions, suits, proceedings or claims that allege the Company or any of its subsidiaries is infringing or has infringed any Intellectual Property right of any third party; the discoveries, inventions, products or processes of the Company and its subsidiaries referenced in the Time of Sale Memorandum and the Final Memorandum, to the Company’s knowledge after due inquiry, do not violate or conflict with any Intellectual Property right of any third party including any discovery, invention, product or process that is the subject of a patent application filed by any third party; neither the Company nor any of its subsidiaries is in breach of any material license or other agreement (to which it is a party) related to the Intellectual Property rights of the Company, its subsidiaries or any third party; and except for those contracts and/or documents filed as an exhibit to or described in the Annual Report, there are no other contracts and/or documents related to Intellectual Property required to be filed as an exhibit to or described in the Annual Report;

(mm) The Company does not believe it was a passive foreign investment company within the meaning of Section 1297(a) of the United States Internal Revenue Code of 1986, as amended, for its 2016 taxable year and it does not expect to be one in the foreseeable future;

(nn) Except as described in the Time of Sale Memorandum and the Final Memorandum, the Company has not sold, issued or distributed any Notes during the six-month period preceding the date hereof, or any securities that are of the same or a similar class as the Notes, including any sales pursuant to Rule 144A, Regulation D or Regulation S, other than shares issued pursuant to the Company's existing share incentive plan or other employee benefit or compensation plans;

(oo) The Company is a "foreign private issuer" within the meaning of Rule 405 under the Act;

(pp) Except as described in the Time of Sale Memorandum and the Final Memorandum, no material indebtedness (actual or contingent) and no material contract or arrangement is outstanding between the Company or any of its subsidiaries and any director or executive officer of the Company or any of its subsidiaries or any person connected with such director or executive officer (including his/her spouse, infant children, any company or undertaking in which he/she holds a controlling interest); and there are no material relationships or transactions between the Company or any of its subsidiaries on the one hand and its affiliates, officers and directors or their shareholders, customers or suppliers on the other hand except as disclosed in the Time of Sale Memorandum and Final Memorandum;

(qq) Deloitte Touche Tohmatsu Certified Public Accountants LLP, who have certified certain financial statements of the Company, are independent public accountants as required by the Act and the rules and regulations of the Commission thereunder and are independent in accordance with the requirements of the U.S. Public Company Accounting Oversight Board;

(rr) Ernst & Young LLP, who have certified certain financial statements of Crystal Orange, are independent auditors as required by the Act and the rules and regulations of the Commission thereunder and are independent in accordance with the requirements and standards of the American Institute of Certified Public Accountants;

(ss) The Company maintains a system of internal accounting controls sufficient to provide reasonable assurance that: (A) transactions are executed in accordance with management's general or specific authorizations; (B) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles in the United States ("U.S. GAAP"); (C) access to assets is permitted only in accordance with management's general or specific authorization; (D) the recorded

accountability for assets is compared with existing assets at reasonable intervals and appropriate actions are taken with respect to any differences; and (E) the Company has made and kept books, records and accounts which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets of such entity;

(tt) The Company has established and maintains and evaluates a system of internal control over financial reporting (as such term is defined in Rule 13a-15(f) of the Exchange Act) that complies with the requirements of the Exchange Act and has been designed by the Company's principal executive officer and principal financial officer, or under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP; such internal control over financial reporting has been designed by the Company's chief executive officer and chief financial officer, or under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP; all material weaknesses, if any, in internal controls have been identified to the Company's independent auditors; since the date of the latest audited financial statements included in the Time of Sale Memorandum and the Final Memorandum there has been no change in the Company's internal control over financial reporting or in other factors that could significantly affect internal controls, including any corrective actions with regard to significant deficiencies and material weaknesses, and, except as described in the Time of Sale Memorandum and the Final Memorandum, the Company's independent public accountants have not notified the Company of any "reportable conditions" (as that term is defined under standards established by the American Institute of Certified Public Accountants) in the Company's internal accounting controls, or other weaknesses or deficiencies in the design or operation of the Company's internal accounting controls, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting, or could adversely affect the Company's ability to record, process, summarize and report financial data consistent with the assertions of the Company's management in the financial statements; and the Company has taken all necessary actions to ensure that the Company and its subsidiaries and their respective officers and directors, in their capacities as such, are in compliance in all material respects with the applicable provisions of the Sarbanes-Oxley Act of 2002 (the "**Sarbanes-Oxley Act**") and the rules and regulations promulgated thereunder. The Company has established and maintains and evaluates disclosure controls and procedures (as such term is defined in Rule 13a-15(e) of the Exchange Act) that comply with the requirements of the Exchange Act, such disclosure controls and procedures have been designed to ensure that material information relating to the Company and its subsidiaries is made known to the Company's principal executive officer and principal financial officer by others within those entities; and such disclosure controls and procedures are effective to perform the functions for which they were established;

(uu) Except as described in the Time of Sale Memorandum and the Final Memorandum, neither the Company nor any of its subsidiaries has any material obligation to provide retirement, healthcare, death or disability benefits to any of the present or past employees of the Company or any of its subsidiaries, or to any other person;

(vv) No material labor dispute, work stoppage, slow down or other conflict with the employees of the Company or any of its subsidiaries exists or, to the Company's knowledge after due inquiry, is threatened or contemplated;

(ww) The section entitled "Operating and Financial Review and Prospects — Critical Accounting Policies" in the Annual Report truly, accurately and completely in all material respects describes: (A) accounting policies which the Company believes are the most important in the portrayal of the Company's financial condition and results of operations and which require management's most difficult, subjective or complex judgments ("**Critical Accounting Policies**"); (B) judgments and uncertainties affecting the application of Critical Accounting Policies; and (C) the likelihood that materially different amounts would be reported under different conditions or using different assumptions; and the Company's Board of Directors and management have reviewed and agreed with the selection, application and disclosure of Critical Accounting Policies and have consulted with its legal counsel and independent public accountants with regard to such disclosure;

(xx) Since the date of the latest audited financial statements included in the Time of Sale Memorandum and the Final Memorandum, neither the Company nor any of its subsidiaries has: (A) entered into or assumed any contract, (B) incurred or agreed to incur any liability (including any contingent liability) or other obligation, (C) acquired or disposed of or agreed to acquire or dispose of any business or any other asset or (D) assumed or acquired or agreed to assume or acquire any liabilities (including contingent liabilities), that would, in any of clauses (A) through (D) above, be material to the Company and its subsidiaries and that are not otherwise described in the Time of Sale Memorandum and the Final Memorandum;

(yy) The section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Time of Sale Memorandum and the Final Memorandum accurately and fully describes: (A) all material trends, demands, commitments, events, uncertainties and risks, and the potential effects thereof, that the Company believes would materially affect liquidity and are reasonably likely to occur; and (B) all off-balance sheet transactions, arrangements, and obligations, including, without limitation, relationships with unconsolidated entities that are contractually limited to narrow activities that facilitate the transfer of or access to assets by the Company or any of its subsidiaries, such as structured finance entities and special purpose entities (collectively, "**off-balance sheet arrangements**") that are reasonably likely to have a material effect on the liquidity of the Company or any of its subsidiaries or

the availability thereof or the requirements of the Company or any of its subsidiaries for capital resources;

(zz) Except as disclosed in the Time of Sale Memorandum and Final Memorandum, none of the Company or any of its subsidiaries is engaged in any material transactions with its directors, officers, management, shareholders, or any other affiliate, including any person who formerly held a position as a director, officer and/or shareholder;

(aaa) No holder of any of the Notes, Ordinary Shares or ADSs after the consummation of the transactions contemplated by the Indenture, this Agreement, the Notes, the Deposit Agreement, the ADS Lending Agreement or the Capped Call Confirmations is or will be subject to any personal liability in respect of any liability of the Company by virtue only of its holding of any such Notes, Ordinary Shares or ADSs; and except as set forth in the Time of Sale Memorandum and the Final Memorandum, there are no limitations on the rights of holders of the Notes, Ordinary Shares or ADSs to hold, vote or transfer their securities;

(bbb) The audited and unaudited consolidated financial statements (and the notes thereto) of the Company and the audited consolidated financial statements (and the notes thereto) of Crystal Orange included in the Preliminary Memorandum, Time of Sale Memorandum and Final Memorandum fairly present in all material respects the consolidated financial position of the Company and Crystal Orange, as applicable, as of the dates specified and the consolidated results of operations and changes in the consolidated financial position of the Company and Crystal Orange, as applicable, for the periods specified, and such financial statements have been prepared in conformity with U.S. GAAP applied on a consistent basis throughout the periods presented (other than as described therein); the summary and selected consolidated financial data included in the Preliminary Memorandum, Time of Sale Memorandum and Final Memorandum present fairly the information shown therein and have been compiled on a basis consistent with that of the audited consolidated financial statements included therein, subject, in the case of the preliminary unaudited financial results, to the fact that such results are subject to completion of the normal period-end closing procedures of the Company and review by the Company's independent public accountants in accordance with Statement of Auditing Standards No. 4105;

(ccc) The pro forma financial information included in the Preliminary Memorandum, Time of Sale Memorandum and Final Memorandum present fairly in all material respects the information shown therein, have been properly compiled on the pro forma bases described therein, and the assumptions used in the preparation thereof are reasonable and the adjustments used therein are appropriate to give effect to the transactions or circumstances referred to therein. The pro forma financial statements included in the Preliminary Memorandum, Time of Sale Memorandum and Final Memorandum shall include adjustments that give effect to events that are (i) directly attributable to the applicable

transactions, (ii) expected to have a continuing impact on the Company and (iii) factually supportable;

(ddd) Under the laws of the Cayman Islands, each holder of ADRs evidencing ADSs issued pursuant to the Deposit Agreement shall be entitled, subject to the Deposit Agreement, to seek enforcement of its rights through the Depositary or its nominee, being the registered holder of the ADS, as representative of the holders of the ADRs in a direct suit, action or proceeding against the Company;

(eee) Except as set forth in the Time of Sale Memorandum and the Final Memorandum and this Agreement all amounts payable by the Company to an Initial Purchaser in respect of the Notes, ADRs evidencing the ADSs or the underlying Ordinary Shares shall be made free and clear of and without deduction for or on account of any taxes imposed, assessed or levied by the Cayman Islands or any authority thereof or therein (except such income taxes as may otherwise be imposed by the Cayman Islands on payments hereunder to an Initial Purchaser whose net income is subject to tax by the Cayman Islands or withholding, if any, with respect to any such income tax) nor are any taxes imposed in the Cayman Islands on, or by virtue of the execution or delivery of, such documents provided they remain outside the Cayman Islands;

(fff) All returns, reports or filings which ought to have been made by or in respect of the Company and its subsidiaries for taxation purposes as required by the law of the jurisdictions in which the Company and its subsidiaries are incorporated, managed or engage in business have been made and all such returns are correct and on a proper basis in all respects, except where failure to make such return, report or filing, or correctly and properly file any such return, report or filing would not have a Material Adverse Effect; no such returns, reports or filings are the subject of any dispute with the relevant revenue or other appropriate authorities except as may be being contested in good faith and by appropriate proceedings; the provisions included in the audited consolidated financial statements as set out in the Time of Sale Memorandum and the Final Memorandum included appropriate provisions required under U.S. GAAP for all taxation in respect of accounting periods ended on or before the accounting reference date to which such audited accounts relate for which the Company was then or might reasonably be expected thereafter to become or have become liable; and neither the Company nor any of its subsidiaries has received notice of any tax deficiency with respect to the Company or any of its subsidiaries;

(ggg) The Company has provided or made available to the Representative true, correct, and complete copies of all documentation pertaining to any extension of credit in the form of a personal loan made, directly or indirectly, by the Company or any of its subsidiaries to any director or executive officer of the Company or any of its subsidiaries; and since September 30, 2009, the Company has not, directly or indirectly, including through any of its subsidiaries: (A) extended credit, arranged to extend credit, or renewed any

extension of credit, in the form of a personal loan, to or for any director or executive officer of the Company or any of its subsidiaries, or to or for any family member or affiliate of any director or executive officer of the Company or any of its subsidiaries; or (B) made any material modification, including any renewal thereof, to any term of any personal loan to any director or executive officer of the Company or any of its subsidiaries, or any family member or affiliate of any director or executive officer, which loan was outstanding on September 30, 2009, that (x) is outstanding on the date hereof and (y) constitutes a violation of any applicable law or regulation;

(hhh) Any statistical and market-related data included in the Time of Sale Memorandum and Final Memorandum are based on or derived from sources that the Company reasonably believes to be reliable and accurate, and the Company has obtained the written consent for the use of such data from such sources to the extent required;

(iii) The application of the net proceeds from the offering of Notes, as described in the Time of Sale Memorandum and the Final Memorandum, will not (A) contravene any provision of any current and applicable laws or the current constituent documents of the Company or any of its subsidiaries, (B) contravene the terms or provisions of, or constitute a default under, any material indenture, mortgage, deed of trust, loan agreement, note, lease or other agreement or instrument currently binding upon the Company or any of its subsidiaries or (C) contravene or violate the terms or provisions of any Governmental Authorization applicable to any of the Company or any of its subsidiaries;

(jjj) There are no contracts, agreements or understandings between the Company and any person that would give rise to a valid claim against the Company or any Initial Purchaser for a brokerage commission, finder's fee or other like payment in connection with the issuance and sale of the Notes;

(kkk) Under the laws of the Cayman Islands and the Hong Kong S.A.R., the courts of the Cayman Islands and the Hong Kong S.A.R. will recognize and give effect to the choice of law provisions set forth in Section 17 hereof and enforce judgments of U.S. courts obtained against the Company to enforce this Agreement; under the laws of the PRC, the choice of law provisions set forth in Section 17 hereof will be recognized by the courts of the PRC and any judgment obtained in any state or federal court located in the Borough of Manhattan, The City of New York, New York (each, a "**New York Court**") arising out of or in relation to the obligations of the Company under this Agreement will be recognized in PRC courts subject to the discretion of the relevant courts and public policies and other principles to be considered by such courts and the other conditions described under the section titled "Enforceability of Civil Liabilities" in the Time of Sale Memorandum and the Final Memorandum;

(lll) None of the Company, any of its subsidiaries, any of the Company's directors or executive officers, or, to the Company's knowledge after

due inquiry, any agent, employee or other person associated with or acting on behalf of the Company or any of its subsidiaries, has taken any action in furtherance of an offer, payment, promise to pay, or authorization or approval of the payment or giving of money, property, gifts or anything else of value, directly or indirectly, to any “government official” (including any officer or employee of a government or government-owned or controlled entity or of a public international organization, or any person acting in an official capacity for or on behalf of any of the foregoing, or any political party or party official or candidate for political office) to influence official action or secure an improper advantage; and the Company and its subsidiaries and affiliates have conducted their businesses in compliance with applicable anti-corruption laws and have instituted and maintain and will continue to maintain policies and procedures designed to promote and achieve compliance with such laws and with the representation and warranty contained herein;

(mmm) The operations of the Company and its subsidiaries are and have been conducted at all times in compliance with applicable financial recordkeeping and reporting requirements, including those of the Currency and Foreign Transactions Reporting Act of 1970, as amended, the Bank Secrecy Act, as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), the money laundering statutes of all jurisdictions, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental agency (collectively, the “**Money Laundering Laws**”); and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator or non-governmental authority involving the Company or any of its subsidiaries with respect to the Money Laundering Laws is pending or, to the Company’s knowledge after due inquiry, threatened;

(nnn) The descriptions of the events and transactions set forth in the Annual Report in the section entitled “History and Development of the Company” are accurate, complete and fair in all material respects; and each of the events and transactions set forth therein has been duly authorized and does not (A) contravene any provision of applicable law or statute, rule or regulation of any Governmental Agency having jurisdiction over the Company or any of its subsidiaries or any of their properties (including but not limited to the Ministry of Commerce, the State Administration of Industry and Commerce and the State Administration of Foreign Exchange of the PRC), (B) contravene the articles of association, business license or other constitutive documents of the Company or any of its subsidiaries, or (C) conflict with or result in a breach of violation of any of the terms or provisions of, or constitute a default under, any license, indenture, mortgage, deed of trust, loan agreement, note, lease or other agreement or instrument to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries is bound or to which any of the property or assets of the Company or any of its subsidiaries is subject, except, in the case of

clauses (A) and (C), as would not, individually or in the aggregate, have a Material Adverse Effect;

(ooo) Each of the Company and its subsidiaries that was incorporated outside of the PRC has taken, or is in the process of taking, reasonable steps to comply with, and to ensure compliance by each of its controlling shareholders, option holders, directors, officers and employees that is, or is directly or indirectly owned or controlled by, a PRC resident or citizen with any applicable rules and regulations of the relevant PRC government agencies (including but not limited to the State Administration of Foreign Exchange) relating to overseas investment by PRC residents and citizens or the repatriation of the proceeds from overseas offering and listing by offshore special purpose vehicles controlled directly or indirectly by PRC companies and individuals, such as the Company (the “**PRC Overseas Investment and Listing Regulations**”), including without limitation, requesting each controlling shareholder, option holder, director, officer and employee that is, or is directly or indirectly owned or controlled by, a PRC resident or citizen to complete any registration and other procedures required under applicable PRC Overseas Investment and Listing Regulations;

(ppp) (A) None of the Company, its subsidiaries, affiliates, employees, agents, directors or officers in the United States: (i) does any business with or involving the government of, or any person or project located in, any country targeted by any of the economic sanctions promulgated by any Executive Order issued by the President of the United States or administered by the United States Treasury Department’s Office of Foreign Assets Control (the “**OFAC**”) (collectively, “**Sanctions**”); or (ii) supports or facilitates any such business or project, in each case other than as permitted under such economic sanctions; (B) the Company is not controlled (within the meaning of the Executive Orders or regulations promulgating such economic sanctions or the laws authorizing such promulgation) by any such government or person; (C) the proceeds from the offering of the Notes contemplated hereby will not be used to fund any operations in, to finance any investments, projects or activities in, or to make any payments to, any country, or to make any payments to, or finance any activities with, any person targeted by any of such economic sanctions; and (D) the Company maintains and has implemented adequate internal controls and procedures to monitor and audit transactions that are reasonably designed to detect and prevent any use of the proceeds from the offering of the Notes contemplated hereby that is inconsistent with any of the Company’s representations and obligations under clause (C) of this paragraph or in the Preliminary Memorandum, Time of Sale Memorandum and Final Memorandum;

(qqq) Except as described in the Time of Sale Memorandum and the Final Memorandum, the Company and its subsidiaries and their respective properties, assets and operations are in compliance with, and the Company and each of its subsidiaries hold all permits, authorizations and approvals required under Environmental Laws (as defined below); there are no past, present or, to the Company’s knowledge after due inquiry, reasonably anticipated future events,

conditions, circumstances, activities, practices, actions, omissions or plans that could give rise to any material costs or liabilities to the Company or any subsidiary under, or to interfere with or prevent compliance by the Company or any subsidiary with, Environmental Laws; neither the Company nor any of its subsidiaries (A) is the subject of any investigation, (B) has received any notice or claim, (C) is a party to or affected by any pending or, to the Company's knowledge after due inquiry, threatened action, suit or proceeding, (D) is bound by any judgment, decree or order or (E) has entered into any agreement, in each case relating to any alleged violation of any Environmental Law or any actual or alleged release or threatened release or cleanup at any location of any Hazardous Materials (as defined below) (as used herein, "**Environmental Law**" means any national, provincial, municipal or other local or foreign law, statute, ordinance, rule, regulation, order, notice, directive, decree, judgment, injunction, permit, license, authorization or other binding requirement, or common law, relating to health, safety or the protection, cleanup or restoration of the environment or natural resources, including those relating to the distribution, processing, generation, treatment, storage, disposal, transportation, other handling or release or threatened release of Hazardous Materials, and "**Hazardous Materials**" means any material (including, without limitation, pollutants, contaminants, hazardous or toxic substances or wastes) that is regulated by or may give rise to liability under any Environmental Law);

(rrr) The Preliminary Memorandum, Time of Sale Memorandum, Final Memorandum and each Additional Written Offering Communication comply, and any further amendments or supplements thereto will comply, with any applicable laws or regulations of any jurisdiction in which any Preliminary Memorandum, Time of Sale Memorandum, Final Memorandum or any Additional Written Offering Communication is distributed; and no Governmental Authorization, other than those heretofore obtained, is required in connection with the offering of the Notes in any jurisdiction where the Notes are being offered;

(sss) There are no business relationships or related-party transactions involving the Company or any of its subsidiaries or any other person required to be described in the Annual Report which have not been described as required;

(ttt) The Company has taken all reasonable steps to comply with, and to ensure compliance by all of the Company's shareholders and prior holders who are PRC residents or PRC citizens with any applicable rules and regulations of the State Administration of Foreign Exchange (the "**SAFE Rules and Regulations**"), including without limitation, taking reasonable steps to require each of its shareholders and option holders that is, or is directly or indirectly owned or controlled by, a PRC resident or PRC citizen to complete any registration and other procedures required under applicable SAFE Rules and Regulations;

(uuu) Each "forward-looking statement" (within the meaning of Section 27A of the Act or Section 21E of the Exchange Act) contained in the Preliminary Memorandum, Time of Sale Memorandum, Final Memorandum and each

Additional Written Offering Communication, if any, has been made or reaffirmed with a reasonable basis and in good faith;

(vvv) The Company is, and immediately after the Closing Date will be, Solvent. As used herein, the term “**Solvent**” means, with respect to any person on a particular date, that on such date (i) the fair market value of the assets of such person is greater than the total amount of liabilities (including contingent liabilities) of such person, (ii) the present fair salable value of the assets of such person is greater than the amount that will be required to pay the probable liabilities of such person on its debts as they become absolute and matured, (iii) such person is able to realize upon its assets and pay its debts and other liabilities, including contingent obligations, as they mature and (iv) such person does not have unreasonably small capital;

(www) None of the Company, any affiliate (as defined in Rule 501(b) of Regulation D, an “**Affiliate**”), or any person acting on its or their behalf (other than the Initial Purchasers, as to whom the Company makes no representation or warranty) has, directly or indirectly, solicited any offer to buy or offered to sell, or will, directly or indirectly, solicit any offer to buy or offer to sell, in the United States or to any United States citizen or resident, any security which is or would be integrated with the sale of the Notes in a manner that would require the Notes to be registered under the Securities Act. None of the Company, its Affiliates, or any person acting on its or any of their behalf (other than the Initial Purchasers, as to whom the Company makes no representation or warranty) has made any General Solicitation that is not an Additional Written Offering Communication other than General Solicitations listed on Schedule II hereto or those made with the prior written consent of the Representative. With respect to those Notes sold in reliance upon Regulation S, (i) none of the Company, its Affiliates or any person acting on its or their behalf (other than the Initial Purchasers, as to whom the Company makes no representation or warranty) has engaged or will engage in any directed selling efforts within the meaning of Regulation S and (ii) each of the Company and its Affiliates and any person acting on its or their behalf (other than the Initial Purchasers, as to whom the Company makes no representation or warranty) has complied and will comply with the offering restrictions set forth in Regulation S;

(yyy) Subject to compliance by the Initial Purchasers with the procedures set forth in Section 7 hereof, it is not necessary in connection with the offer, sale and delivery of the Notes to the Initial Purchasers and to each Subsequent Purchaser in the manner contemplated by this Agreement and the Time of Sale Memorandum to register the Notes under the Securities Act or, to qualify the Indenture under the Trust Indenture Act of 1939, including the rules and regulations of the Commission promulgated thereunder;

(zzz) The Notes are eligible for resale pursuant to Rule 144A and will not be, at the Closing Date, of the same class as securities listed on a national

securities exchange registered under Section 6 of the Exchange Act or quoted in a U.S. automated interdealer quotation system;

(xxx) The Company is subject to Section 13 or 15(d) of the Exchange Act;

(yyy) Neither the Company nor any of its subsidiaries and Affiliates nor any agent thereof acting on their behalf has taken, and none of them will take, any action that might cause this Agreement or the issuance or sale of the Notes to violate Regulation T, Regulation U or Regulation X of the Board of Governors of the Federal Reserve System; and

(zzz) The Company and its subsidiaries and Affiliates and all persons acting on their behalf (other than the Initial Purchasers, as to whom the Company makes no representation) have complied with and will comply with the offering restrictions requirements of Regulation S in connection with the offering of the Notes outside the United States and, in connection therewith, the Time of Sale Memorandum will contain the disclosure required by Rule 902. The Company is a "reporting issuer" and a "foreign issuer" as defined in Rule 902 under the Securities Act.

2. *Agreements to Sell and Purchase.* The Company hereby agrees to issue and sell to the Initial Purchasers, and each Initial Purchaser, upon the basis of the representations and warranties herein contained, but subject to the conditions hereinafter stated, agrees, severally and not jointly, to purchase from the Company the respective principal amount of Firm Notes set forth in Schedule I hereto opposite its name at a purchase price of 98.6% of the principal amount thereof (the "**Purchase Price**"), plus accrued and unpaid interest, if any, to the Closing Date.

On the basis of the representations and warranties contained in this Agreement, and subject to its terms and conditions, the Company agrees to sell to the Initial Purchasers Additional Notes, and the Initial Purchasers shall have the right to purchase, severally and not jointly, Additional Notes at the Purchase Price, plus accrued and unpaid interest, if any, to the Option Closing Date (as defined below). The Representative may exercise this right on behalf of the Initial Purchasers in whole or from time to time in part by giving written notice not later than 30 days after the date of this Agreement. Any exercise notice shall specify the aggregate principal amount of Additional Notes to be purchased by the Initial Purchasers and the date for payment and delivery thereof. Each purchase date must be at least one business day after the written notice is given and may not be earlier than the closing date for the Firm Notes or later than ten business days after the date of such notice. Additional Notes may be purchased as provided in Section 4 hereof. On each day, if any, that Additional Notes are to be purchased (an "**Option Closing Date**"), each Initial Purchaser agrees, severally and not jointly, to purchase the respective principal amount of Additional Notes that bears the same proportion to the aggregate principal amount of Additional Notes to be purchased on such Option Closing Date as the principal amount of Firm Notes set forth in Schedule I hereto opposite the name of such Initial Purchaser bears to the aggregate principal amount of Firm Notes.

3. *Terms of Offering.* You have advised the Company that the Initial Purchasers will make an offering of the Notes purchased by the Initial Purchasers hereunder as soon as practicable after this Agreement is entered into as in your judgment is advisable.

4. *Payment and Delivery.* Payment for the Firm Notes shall be made to the Company in federal or other funds immediately available in New York City against delivery of such Notes for the respective accounts of the several Initial Purchasers at 9:00 a.m., New York City time, on, November 3, 2017, or at such other time on the same or such other date, not later than the seventh business day thereafter, as the Initial Purchasers and the Company may agree upon in writing. The time and date of such payment are hereinafter referred to as the “**First Closing Date**.” Payment for any Additional Notes shall be made to the Company in federal or other funds immediately available in New York City against delivery of such Additional Notes for the respective accounts of the several Initial Purchasers at 9:00 a.m., New York City time, on the date specified in the corresponding notice described in Section 2 hereof. The First Closing Date and each Option Closing Date, if any, are referred to as the “**Closing Date**.” Such delivery and payment shall be made at the offices of Latham & Watkins LLP (or such other place as may be agreed to by the Company and the Representative). The Company hereby acknowledges that the Representative may provide notice to postpone the Closing Date as contemplated by the provisions of Section 10 hereof.

The Notes shall be represented by one or more definitive global securities in book-entry form, and registered in such names and in such denominations as the Representative shall request in writing not later than one full business day prior to the Closing Date. The Notes will be deposited by or on behalf of the Company with the Depository Trust Company (“**DTC**”). The Company will deliver the Notes to the Representative, against payment by the Representative of the Purchase Price by wire transfer in federal (same day) funds, by causing DTC to credit the Notes to the account of the Representative at DTC. The Notes shall be delivered to the Representative on the Closing Date for the respective accounts of the Initial Purchasers, with any transfer taxes payable in connection with the transfer of the Notes to the Initial Purchasers duly paid, against payment of the Purchase Price plus accrued interest, if any, to the date of payment and delivery. Time shall be of the essence, and delivery at the time and place specified in this Agreement is a condition to the obligations of the Initial Purchasers.

5. *Conditions to the Initial Purchasers’ Obligations.* The several obligations of the Initial Purchasers to purchase and pay for the Notes as provided herein on the Closing Date are subject to the satisfaction or waiver, as determined by the Representative in its sole discretion of the following conditions precedent on or prior to the Closing Date:

(a) Subsequent to the execution and delivery of this Agreement and prior to the Closing Date, there shall not have occurred any change, or any development involving a prospective change, in the condition, financial or otherwise, or in the earnings, business or operations of the Company and its subsidiaries, taken as a whole, from that set forth in the Time of Sale

Memorandum provided to the prospective purchasers of the Notes that, in your judgment, constitutes a Material Adverse Effect and that makes it, in your judgment, impracticable to market the Notes on the terms and in the manner contemplated in the Time of Sale Memorandum.

(b) The representations and warranties of the Company contained in this Agreement shall be true and correct on and as of the Time of Sale and on and as of the Closing Date as if made on and as of the Closing Date; the statements of the Company's officers made pursuant to any certificate delivered in accordance with the provisions hereof shall be true and correct on and as of the date made and on and as of the Closing Date; the Company shall have performed all covenants and agreements and satisfied all conditions on its part to be performed or satisfied hereunder at or prior to the Closing Date.

(c) The Initial Purchasers shall have received on the Closing Date a certificate, dated the Closing Date and signed by the chief executive officer and the chief financial officer of the Company to the effect set forth in Section 5(a) hereof, and further to the effect that the representations and warranties of the Company contained in this Agreement were true and correct as of the Time of Sale and are true and correct as of the Closing Date; that the Company has complied with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied hereunder on or before the Closing Date.

(d) On the Closing Date, the Company shall have furnished to the Representative a certificate, dated the Closing Date and addressed to the Initial Purchasers, of its chief financial officer with respect to certain financial information contained in the Time of Sale Memorandum and the Final Memorandum, in form and substance reasonably satisfactory to the Representative, to the effect set forth in Exhibit B hereto.

(e) The Initial Purchasers shall have received on the Closing Date an opinion and negative assurance letter of Cleary Gottlieb Steen & Hamilton LLP, United States counsel for the Company, dated the Closing Date, substantially in the form agreed by such counsel and the Initial Purchasers.

(f) The Initial Purchasers shall have received on the Closing Date an opinion of Conyers Dill & Pearman, Cayman Islands and British Virgin Islands counsel for the Company, dated the Closing Date, substantially in the form agreed by such counsel and the Initial Purchasers.

(g) The Initial Purchasers shall have received on the Closing Date an opinion of Jingtian & Gongcheng, PRC counsel for the Company, dated the Closing Date, substantially in the form agreed by such counsel and the Initial Purchasers.

(h) The Initial Purchasers shall have received on the Closing Date an opinion of Cleary Gottlieb Steen & Hamilton (Hong Kong), Hong Kong counsel

for the Company, dated the Closing Date, substantially in the form agreed by such counsel and the Initial Purchasers.

The opinions described in Sections 5(e) through 5(h) above shall be rendered to the Initial Purchasers at the request of the Company, and shall so state therein.

(i) The Initial Purchasers shall have received on the Closing Date an opinion of Latham & Watkins LLP, United States counsel for the Initial Purchasers, dated the Closing Date, in the form and substance satisfactory to the Representative.

(j) The Initial Purchasers shall have received on the Closing Date an opinion of Walkers, Cayman Islands counsel for the Initial Purchasers, dated the Closing Date, in the form and substance satisfactory to the Representative.

(k) The Initial Purchasers shall have received on the Closing Date an opinion of Tian Yuan Law Firm, PRC counsel for the Initial Purchasers, dated the Closing Date, in the form and substance satisfactory to the Representative.

(l) On the date hereof, the Initial Purchasers shall have received from each of Deloitte Touche Tohmatsu Certified Public Accountants LLP, the independent registered public accounting firm for the Company, and Ernst & Young LLP, the independent registered public accounting firm for Crystal Orange, a "comfort letter" dated the date hereof addressed to the Initial Purchasers, in form and substance satisfactory to the Representative, covering the financial information in the Time of Sale Memorandum and other customary matters. In addition, on the Closing Date, the Initial Purchasers shall have received from each such accountants a "bring-down comfort letter" dated the Closing Date addressed to the Initial Purchasers, in form and substance satisfactory to the Representative, in the form of the "comfort letter" delivered on the date hereof, except that (i) it shall cover the financial information in the Final Memorandum and any amendment or supplement thereto and (ii) procedures shall be brought down to a date no more than three business days prior to the Closing Date.

(m) On or prior to the First Closing Date, the Representative shall have received lock-up letters from each of the directors and executive officers of the Company and any other parties listed on Schedule I to Exhibit A hereto, in each case substantially in the form attached hereto as Exhibit A.

(n) The Company shall have executed and delivered the Indenture, in form and substance reasonably satisfactory to the Initial Purchasers, and the Initial Purchasers shall have received executed copies thereof.

(o) The sale of the Notes shall not have been enjoined (temporarily or permanently) by any federal, state or foreign court on the Closing Date.

(p) The Company and the Depositary shall have executed an agreement in form and substance satisfactory to the Initial Purchasers (i) providing for the issuance of ADSs in book-entry format but subject to restrictive legends upon conversion of the Notes in the circumstances described under “Transfer Restrictions” in the Preliminary Memorandum as supplemented by the Pricing Supplement and (ii) setting forth the procedures by which the Company will remove such restrictive legends within the applicable time period described under “Transfer Restrictions” in the Preliminary Memorandum as supplemented by the Pricing Supplement.

(q) The ADSs issuable upon conversion of the Securities shall have been listed, subject to notice of issuance, on the Nasdaq Global Select Market, and satisfactory evidence of such actions shall have been provided to the Representative.

(r) The Company shall have executed and delivered the Capped Call Confirmations, in form and substance reasonably satisfactory to the Representative, the Capped Call Confirmations shall be in full force and effect, and the Company shall not be in breach or default thereunder.

(s) The Company shall have executed and delivered the ADS Lending Agreement, in form and substance reasonably satisfactory to the Representative, the ADS Lending Agreement shall be in full force and effect, and the Company shall not be in breach or default thereunder.

(t) All conditions to closing under the ADS Underwriting Agreement shall have been satisfied and the closing of the transactions under the ADS Underwriting Agreement shall have closed concurrently with the transactions under this Agreement.

(u) The Company shall have furnished to the Representative such further information, certificates and documents as the Representative may reasonably request.

If any condition specified in this Section 5 is not satisfied when, or has not been waived by the Representative, and as required to be satisfied, this Agreement may be terminated by the Representative by notice to the Company at any time on or prior to the Closing Date, which termination shall be without liability on the part of any party to any other party, except that Sections 6(g), 8, 11 and 17 hereof shall at all times be effective and shall survive such termination.

6. *Covenants of the Company.* The Company covenants with each Initial Purchaser as follows:

(a) To furnish to you, without charge, as promptly as practicable following the Time of Sale and in any event not later than the business day following the date hereof and during the period mentioned in Section 6(d) or (e) hereof, as many copies of the Time of Sale Memorandum, the Final

Memorandum, any documents incorporated by reference therein and any supplements and amendments thereto as you may reasonably request.

(b) Before amending or supplementing the Preliminary Memorandum, the Time of Sale Memorandum or the Final Memorandum, to furnish to you a copy of each such proposed amendment or supplement and not to use any such proposed amendment or supplement to which you reasonably object.

(c) To furnish to you a copy of each proposed Additional Written Offering Communication to be prepared by or on behalf of, used by or referred to by the Company and not to use or refer to any proposed Additional Written Offering Communication to which you reasonably object.

(d) If the Time of Sale Memorandum is being used to solicit offers to buy the Notes at a time when the Final Memorandum is not yet available to prospective purchasers and any event shall occur or condition exist as a result of which it is necessary to amend or supplement the Time of Sale Memorandum in order to make the statements therein, in the light of the circumstances under which they are made, not misleading or if, in the judgment of the Representative or counsel for the Initial Purchasers, it is necessary to amend or supplement the Time of Sale Memorandum to comply with applicable law, forthwith to prepare and furnish, at its own expense, to the Initial Purchasers, either amendments or supplements to the Time of Sale Memorandum so that the statements in the Time of Sale Memorandum as so amended or supplemented will not, in the light of the circumstances under which they are made, when delivered to a Subsequent Purchaser, be misleading or so that the Time of Sale Memorandum, as amended or supplemented, will comply with applicable law.

(e) If, during such period after the date hereof and prior to the date on which all of the Notes shall have been sold by the Initial Purchasers, any event shall occur or condition exist as a result of which it is necessary to amend or supplement the Final Memorandum in order to make the statements therein, in the light of the circumstances under which they are made, not misleading or if, in the judgment of the Representative or counsel for the Initial Purchasers, it is necessary to amend or supplement the Final Memorandum to comply with applicable law, forthwith to prepare and furnish, at its own expense, to the Initial Purchasers, either amendments or supplements to the Final Memorandum so that the statements in the Final Memorandum as so amended or supplemented will not, in the light of the circumstances under which they are made, when delivered to a Subsequent Purchaser, be misleading or so that the Final Memorandum, as amended or supplemented, will comply with applicable law.

(f) (i) To cooperate with the Representative and counsel for the Initial Purchasers to qualify or register (or to obtain exemptions from qualifying or registering) all or any part of the Notes for offer and sale under the securities laws of the several states of the United States, the provinces of Canada or any other jurisdictions designated by the Initial Purchasers, and to comply with such laws

and to continue such qualifications, registrations and exemptions in effect so long as required for the distribution of the Notes and (ii) to advise Representative promptly of the suspension of the qualification or registration of (or any such exemption relating to) the Notes for offering, sale or trading in any jurisdiction or any initiation or threat of any proceeding for any such purpose, and in the event of the issuance of any order suspending such qualification, registration or exemption, to use its best efforts to obtain the withdrawal thereof at the earliest possible moment. Notwithstanding the foregoing, the Company shall not be required to qualify as a foreign corporation or to take any action that would subject it to general service of process in any such jurisdiction where it is not presently qualified or where it would be subject to taxation as a foreign corporation.

(g) Whether or not the transactions contemplated in this Agreement are consummated or this Agreement is terminated, to pay or cause to be paid all expenses incident to the performance of its obligations under this Agreement, including: (i) the fees, disbursements and expenses of the Company's counsel and the Company's accountants and other advisors in connection with the issuance and sale of the Notes and all other fees or expenses in connection with the issuance and sale of the Notes, including, without limitation, in connection with the preparation, printing, filing, shipping and distribution of the Preliminary Memorandum, the Time of Sale Memorandum, the Final Memorandum, any Additional Written Offering Communication and any amendments and supplements to any of the foregoing, this Agreement, the Indenture, the Notes, the Deposit Agreement, the Capped Call Confirmations and ADS Lending Agreement, including all printing costs associated therewith, and the delivering of copies thereof to the Initial Purchasers, (ii) all costs and expenses related to the transfer and delivery of the Notes to the Initial Purchasers, including any transfer or other taxes payable thereon, (iii) the cost of printing or producing any Blue Sky or legal investment memorandum in connection with the offer and sale of the Notes under state securities laws and all expenses in connection with the qualification of the Notes for offer and sale under state securities laws as provided in Section 6(f) hereof, including filing fees and the reasonable fees and disbursements of counsel for the Initial Purchasers in connection with such qualification and in connection with the Blue Sky or legal investment memorandum, (iv) the fees and expenses, if any, incurred in connection with the admission of the Notes for trading in any appropriate market system, (v) the costs and charges of the Trustee and any transfer agent, registrar or depository, (vi) the cost of the preparation, issuance and delivery of the Notes, (vii) the costs and expenses of the Company relating to investor presentations on any "road show" undertaken in connection with the marketing of the offering of the Notes, including, without limitation, expenses associated with the preparation or dissemination of any electronic road show, expenses associated with production of road show slides and graphics, fees and expenses of any consultants engaged in connection with the road show presentations with the prior approval of the Company, travel and lodging expenses of the representatives and officers of the Company and any such consultants, and the cost of any aircraft chartered in connection with the road show, (viii) the document production charges and

expenses associated with printing this Agreement and (ix) all other cost and expenses incident to the performance of the obligations of the Company hereunder for which provision is not otherwise made in this Section. It is understood, however, that except as provided in this Section, Section 8 hereof and the last paragraph of Section 11 hereof, the Initial Purchasers will pay all of their costs and expenses, including fees and disbursements of their counsel and any advertising expenses connected with any offers they may make.

(h) To indemnify and hold harmless the Initial Purchasers against any documentary, stamp or similar issue tax, including any interest and penalties, on the creation, issuance and sale of the Notes to the Initial Purchasers and on the execution and delivery of this Agreement, the Indenture, the Notes, the Deposit Agreement, the Capped Call Confirmations or the ADS Lending Agreement. All payments to be made by the Company hereunder shall be made without withholding or deduction for or on account of any present or future taxes, duties or governmental charges whatsoever unless the Company is compelled by law to deduct or withhold such taxes, duties or charges. In that event, the Company shall pay such additional amounts as may be necessary in order that the net amounts received after such withholding or deduction shall equal the amounts that would have been received if no withholding or deduction had been made.

(i) Neither the Company nor any Affiliate will sell, offer for sale or solicit offers to buy or otherwise negotiate in respect of any security (as defined in the Securities Act) which if, as a result of the doctrine of "integration" referred to in Rule 502 under the Securities Act, such offer or sale would render invalid (for the purpose of (i) the sale of the Notes by the Company to the Initial Purchasers, (ii) the resale of the Notes by the Initial Purchasers to the Subsequent Purchasers or (iii) the resale of the Notes by such Subsequent Purchasers to others) the exemption from the registration requirements of the Securities Act provided by Section 4(a)(2) thereof or by Rule 144A or by Regulation S or otherwise.

(j) To furnish you with any proposed General Solicitation to be made by the Company or on its behalf before its use, and not to make or use any proposed General Solicitation without your prior written consent.

(k) (i) As long as any of the Notes remain outstanding, to furnish to the Initial Purchasers copies of all reports and other communications (financial or otherwise) furnished by the Company to the Trustee or to the holders of the Notes other than materials filed by the Company with the Commission; (ii) prior to the Closing Date, to furnish to the Initial Purchasers, as soon as they have been prepared, a copy of any audited annual financial statements or unaudited interim financial statements of the Company for any period subsequent to the period covered by the most recent financial statements appearing in the Time of Sale Memorandum and the Final Memorandum other than financial statements of the Company filed with the Commission; and (iii) while any of the Notes remain outstanding, to make available, upon request, to any holder of such Notes and any prospective purchasers thereof the information specified in Rule 144A(d)(4)

under the Securities Act, unless at such time the Company shall be subject to Section 13 or 15(d) of the Exchange Act and shall have filed all reports required to be filed pursuant to such Sections and the related rules and regulations of the Commission.

(l) During the period of one year after the Closing Date, the Company will not be, nor will it become, an open-end investment company, unit investment trust or face-amount certificate company that is or is required to be registered under Section 8 of the Investment Company Act.

(m) None of the Company, its Affiliates or any person acting on its or their behalf (other than the Initial Purchasers) will engage in any directed selling efforts (as that term is defined in Regulation S) with respect to the Notes, and the Company and its Affiliates and each person acting on its or their behalf (other than the Initial Purchasers) will comply with the offering restrictions requirements of Regulation S.

(n) The Company will not, and will not permit any of its affiliates (as defined in Rule 144 under the Securities Act) to resell any of the Notes that have been acquired by any of them other than pursuant to an effective registration statement or valid exemption under the Securities Act which results in the Notes registered thereon being freely tradable upon sale pursuant to such registration statement or exemption.

(o) Not to take any action prohibited by Regulation M under the Exchange Act in connection with the distribution of the Notes contemplated hereby.

(p) To apply the net proceeds from the sale of the Notes in the manner described under the caption "Use of Proceeds" in the Time of Sale Memorandum and the Final Memorandum.

(q) The Company also agrees that, without the prior written consent of the Representative on behalf of the Initial Purchasers, it will not, during the period ending 90 days after the date of the Final Memorandum or such earlier date that the Representative consent to in writing (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 Ordinary Shares or ADSs of the Company or any securities convertible into or exercisable or exchangeable for Ordinary Shares or ADSs of the Company ("**Lock-Up Securities**") or (2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Lock-Up Securities, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Lock-Up Securities, in cash or otherwise or (3) file any registration statement with the Commission relating to the offering of any Lock-Up Securities, or (4) publicly disclose the intention to make any such

offer, pledge, sale or disposition, or enter into any such transaction, swap, hedge or other arrangement, or file any such registration statement. The foregoing sentence shall not apply to (a) the sale of the Notes under this Agreement, (b) the entry into, and performance of the obligations under, the transactions under the Capped Call Confirmations, (c) the issuance of Ordinary Shares to the ADS Borrower pursuant to the ADS Lending Agreement, (d) the issuance by the Company of any Lock-Up Securities upon the exercise of an option or warrant or the conversion of the Notes or any other security outstanding on the date hereof of which the Initial Purchasers have been advised in writing, or (e) the grant of incentive shares by the Company to its employees, directors and/or consultants pursuant to the Company's existing share incentive plans, or the issuance of any Lock-Up Securities upon the exercise of options granted under existing employee share incentive plans.

(r) The Company shall reserve and keep available at all times, free of preemptive rights, Ordinary Shares for the purpose of enabling the Company to satisfy any obligations to issue Ordinary Shares initially issuable upon conversion of the Notes.

(s) (i) Not to attempt to avoid any judgment obtained by it or denied to it in a court of competent jurisdiction outside the Cayman Islands; (ii) following the consummation of the offering of the Notes, to use its best efforts to obtain and maintain all approvals required in the Cayman Islands, British Virgin Islands, Hong Kong, Singapore, the PRC and any other jurisdiction where the Company or any of its subsidiaries was incorporated or operates, to pay and remit all principal of, premium if any, and interest on, and all other amounts payable under the Notes; and (iii) to use its best efforts to obtain and maintain all approvals required in the Cayman Islands, British Virgin Islands, Hong Kong, Singapore, the PRC and any other jurisdiction where the Company or any of its subsidiaries was incorporated or operates, for the Company to acquire sufficient foreign exchange for the payment of all principal of, premium if any, and interest on, and all other amounts payable under the Notes and all other relevant purposes.

(t) To comply with the SAFE Rules and Regulations, and to use its best efforts to cause its shareholders that are, or that are directly or indirectly owned or controlled by, Chinese residents or Chinese citizens, to comply with the SAFE Rules and Regulations applicable to them, including, without limitation, requesting each such shareholder to complete any registration and other procedures required under applicable SAFE Rules and Regulations.

(u) The Company will use its best efforts to procure that each person and entity listed on Schedule I to Exhibit A hereto shall, promptly after the execution hereof and no later than the First Closing Date, execute and deliver to the Representative the lock-up letters referred to in Section 5(m) hereof.

7. *Offering of Securities; Restrictions on Transfer.* (a) Each Initial Purchaser, severally and not jointly, represents and warrants to that it is a qualified institutional

buyer as defined in Rule 144A (a “**QIB**”). Each Initial Purchaser, severally and not jointly, agrees with the Company that (i) it will not solicit offers for, or offer or sell, such Notes by any General Solicitation, other than a permitted communication listed on Schedule II hereto, or those made with the prior written consent of the Company, or in any manner involving a public offering within the meaning of Section 4(a)(2) of the Securities Act, and it represents and warrants that it has not solicited offers for, or offered or sold, the Notes by any General Solicitation, except in such permitted manner (ii) it will sell such Notes in the United States only to persons that it reasonably believes to be QIBs, and it will take reasonable steps to ensure that the Subsequent Purchaser is aware that such sale is being made in reliance on Rule 144A, and (iii) in the case of offers outside the United States it will solicit offers for such Notes only from, and will offer such Notes only to, persons that it reasonably believes to be persons other than U.S. persons (“**foreign purchasers**,” which term shall include dealers or other professional fiduciaries in the United States acting on a discretionary basis for foreign beneficial owners (other than an estate or trust)) in reliance upon Regulation S that, in each case, in purchasing such Notes are deemed to have represented and agreed as provided in the Final Memorandum under the caption “Important Notice to Investors”.

(b) Each Initial Purchaser, severally and not jointly, represents, warrants, and agrees with respect to offers and sales outside the United States that:

(i) such Initial Purchaser understands that no action has been or will be taken in any jurisdiction by the Company that would permit a public offering of the Notes, or possession or distribution of the Preliminary Memorandum, the Time of Sale Memorandum, the Final Memorandum or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required;

(ii) such Initial Purchaser will comply with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Notes or has in its possession or distributes the Preliminary Memorandum, the Time of Sale Memorandum, the Final Memorandum or any such other material, in all cases at its own expense;

(iii) the Notes have not been registered under the Securities Act and may not be sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Rule 144A or Regulation S;

(iv) such Initial Purchaser has offered the Notes and will offer and sell the Notes (A) as part of its distribution at any time and (B) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, only in accordance with Rule 903 of Regulation S or as otherwise permitted in Section 7(a) hereof; accordingly, neither such Initial Purchaser, its Affiliates nor any persons

acting on its or their behalf have engaged or will engage in any directed selling efforts (within the meaning of Regulation S) with respect to the Notes, and any such Initial Purchaser, its Affiliates and any such persons have complied and will comply with the offering restrictions requirement of Regulation S;

(v) such Initial Purchaser, in relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State it has not made and will not make an offer of Notes to the public in that Relevant Member State, other than:

(A) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(B) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the Representative on behalf of the Initial Purchasers for any such offer; or

(C) in any other circumstances falling within Article 3 of the Prospectus Directive, provided that no such offer of Notes shall require the Company or any Initial Purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of the above, the expression an “offer of Notes to the public” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in that Member State, and the expression “2010 PD Amending Directive” means Directive 3010/73/EU.

(vi) Such Initial Purchaser has represented and agreed that it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) received by it in connection

with the issue or sale of the Notes in circumstances in which Section 21(1) of such Act does not apply to the Company and it has complied and will comply with all applicable provisions of such Act with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom;

(vii) such Initial Purchaser understands that the Notes have not been and will not be registered under the Securities and Exchange Law of Japan, and represents that it has not offered or sold, and agrees not to offer or sell, directly or indirectly, any Notes in Japan or for the account of any resident thereof except pursuant to any exemption from the registration requirements of the Securities and Exchange Law of Japan and otherwise in compliance with applicable provisions of Japanese law; and

(viii) such Initial Purchaser agrees that, at or prior to confirmation of sales of the Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the restricted period a confirmation or notice to substantially the following effect:

“The Notes covered hereby have not been registered under the U.S. Securities Act of 1933 (the “Securities Act”) and may not be offered and sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, except in either case in accordance with Regulation S (or Rule 144A if available) under the Securities Act. Terms used above have the meaning given to them by Regulation S.”

Terms used in this Section 7(b) have the meanings given to them by Regulation S.

8. *Indemnity and Contribution.* (a) The Company agrees to indemnify and hold harmless each Initial Purchaser, its directors and officers and each person, if any, who controls any Initial Purchaser within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, and each affiliate of each Initial Purchaser within the meaning of Rule 405 under the Securities Act from and against any and all losses, claims, damages, liabilities and expenses (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim, as such expenses are incurred) caused by any untrue statement or alleged untrue statement of a material fact contained in the Preliminary Memorandum, the Time of Sale Memorandum, any Additional Written Offering Communication prepared by or on behalf of, used by, or referred to by the Company, any General Solicitation made by the Company or the Final Memorandum or any amendment or supplement thereto, or caused by any omission or alleged omission to state therein a material fact necessary to make the statements therein in the light of the

circumstances under which they were made not misleading, except insofar as such losses, claims, damages or liabilities are caused by any such untrue statement or omission or alleged untrue statement or omission based upon information relating to any Initial Purchaser furnished to the Company by such Initial Purchaser through the Representative expressly for use in the Preliminary Memorandum, the Pricing Supplement, any Additional Written Offering Communication, General Solicitation or the Final Memorandum (or any amendment or supplement thereto). The Company hereby acknowledges that the only information that the Initial Purchasers through the Representative have furnished to the Company expressly for use in the Preliminary Memorandum, the Time of Sale Memorandum, any Additional Written Offering Communication set forth in Schedule II hereto, General Solicitation set forth in Schedule II hereto, or the Final Memorandum (or any amendment or supplement thereto) are the following statements: the names of the Initial Purchasers set forth on the cover page and the statements in the thirteenth, fourteenth, fifteenth and sixteenth paragraphs under the caption "Plan of Distribution" in the Preliminary Memorandum and the Final Memorandum. The indemnity agreement set forth in this Section 8(a) shall be in addition to any liabilities that the Company may otherwise have.

(b) Each Initial Purchaser agrees, severally and not jointly, to indemnify and hold harmless the Company, its directors, its officers and each person, if any, who controls the Company within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act to the same extent as the foregoing indemnity from the Company to such Initial Purchaser, but only with reference to information relating to such Initial Purchaser furnished to the Company by such Initial Purchaser through the Representative expressly for use in the Preliminary Memorandum, the Pricing Supplement, any Additional Written Offering Communication set forth in Schedule II hereto, General Solicitation set forth in Schedule II hereto or the Final Memorandum (or any amendment or supplement thereto). The Company hereby acknowledges that the only information that the Initial Purchasers through the Representative have furnished to the Company expressly for use in the Preliminary Memorandum, the Time of Sale Memorandum, any Additional Written Communication set forth in Schedule II hereto, General Solicitation set forth in Schedule II hereto, or the Final Memorandum (or any amendment or supplement thereto) are the following statements: the names of the Initial Purchasers set forth on the cover page and the statements in the thirteenth, fourteenth, fifteenth and sixteenth paragraphs under the caption "Plan of Distribution" in the Preliminary Memorandum and the Final Memorandum. The indemnity agreement set forth in this Section 8(b) shall be in addition to any liabilities that each Initial Purchaser may otherwise have.

(c) In case any proceeding (including any governmental investigation) shall be instituted involving any person in respect of which indemnity may be sought pursuant to Section 8(a) or 8(b) hereof, such person (the "**indemnified party**") shall promptly notify the person against whom such indemnity may be sought (the "**indemnifying party**") in writing; provided, however, that the failure to so notify the indemnifying party will not relieve it from any liability which it may have to any indemnified party under this Section 8 except to the extent that it

has been materially prejudiced by such failure (through the forfeiture of substantive rights and defenses) and shall not relieve the indemnifying party from any liability that the indemnifying party may have to an indemnified party other than under this Section 8. The indemnifying party, upon request of the indemnified party, shall retain counsel reasonably satisfactory to the indemnified party to represent the indemnified party and any others the indemnifying party may designate in such proceeding and shall pay the fees and disbursements of such counsel related to such proceeding. In any such proceeding, any indemnified party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless (i) the indemnifying party and the indemnified party shall have mutually agreed to the retention of such counsel, (ii) the indemnifying party has failed within a reasonable time to retain counsel reasonably satisfactory to the indemnified party, (iii) the indemnified party shall have reasonably concluded that there may be legal defenses available to it that are different from or in addition to those available to the indemnifying party, or (iv) the named parties to any such proceeding (including any impleaded parties) include both the indemnifying party and the indemnified party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. It is understood that the indemnifying party shall not, in respect of the legal expenses of any indemnified party in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the fees and expenses of more than one separate firm (in addition to any local counsel) for all such indemnified parties and that all such fees and expenses shall be reimbursed as they are incurred. Such firm shall be designated in writing by the Representative, in the case of parties indemnified pursuant to Section 8(a) hereof, and by the Company, in the case of parties indemnified pursuant to Section 8(b) hereof. The indemnifying party shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party from and against any loss, claim, damage, liability or expense by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel as contemplated by the second and third sentences of this paragraph, the indemnifying party agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 30 days after receipt by such indemnifying party of the aforesaid request and (ii) such indemnifying party shall not have reimbursed the indemnified party in accordance with such request prior to the date of such settlement. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such proceeding and does not

include any statements as to or any findings of fault, culpability or failure to act by or on behalf of any indemnified party.

(d) To the extent the indemnification provided for in Section 8(a) or 8(b) hereof is unavailable to an indemnified party or insufficient in respect of any losses, claims, damages, liabilities or expenses referred to therein, then each indemnifying party under such paragraph, in lieu of indemnifying such indemnified party thereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages, liabilities or expenses (i) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Initial Purchasers on the other hand from the offering of the Notes or (ii) if the allocation provided by clause 8(d)(i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause 8(d)(i) above but also the relative fault of the Company on the one hand and of the Initial Purchasers on the other hand in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Initial Purchasers on the other hand in connection with the offering of the Notes shall be deemed to be in the same respective proportions as the net proceeds from the offering of the Notes (before deducting expenses) received by the Company and the total discounts and commissions received by the Initial Purchasers, as provided in this Agreement, bear to the aggregate offering price of the Notes. The relative fault of the Company on the one hand and of the Initial Purchasers on the other hand shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company, or by the Initial Purchasers, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Initial Purchasers' respective obligations to contribute pursuant to this Section 8 are several in proportion to the respective principal amount of Notes they have purchased hereunder as set forth opposite their names in Schedule I hereto, and not joint.

(e) The Company and the Initial Purchasers agree that it would not be just or equitable if contribution pursuant to Section 8(d) hereof were determined by *pro rata* allocation (even if the Initial Purchasers were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in Section 8(d) hereof. The amount paid or payable by an indemnified party as a result of the losses, claims, damages and liabilities referred to in Section 8(d) hereof shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 8(e), no Initial Purchaser shall be obligated to make contributions hereunder that in the aggregate exceed the total discounts, commissions and other compensation received by such Initial Purchaser under this Agreement, less the aggregate amount of any damages

that such Initial Purchaser has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The remedies provided for in this Section 8 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any indemnified party at law or in equity.

(f) The indemnity and contribution provisions contained in this Section 8 and the representations, warranties and other statements of the Company contained in this Agreement shall remain operative and in full force and effect regardless of (i) any termination of this Agreement, (ii) any investigation made by or on behalf of any Initial Purchaser, any person controlling any Initial Purchaser or any affiliate of any Initial Purchaser or by or on behalf of the Company, its officers or directors or any person controlling the Company and (iii) acceptance of and payment for any of the Notes.

9. *Termination.* The Representative may terminate this Agreement by notice given by you to the Company, if after the execution and delivery of this Agreement and prior to the Closing Date (i) 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 “NYSE”), the NYSE MKT, the NASDAQ Global Market, the Chicago Board of Options Exchange, the Chicago Mercantile Exchange or the Chicago Board of Trade, the Hong Kong Stock Exchange, the London Stock Exchange or other relevant exchanges, (ii) trading of any securities of the Company shall have been suspended on any exchange or in any over the counter market, (iii) a material disruption in securities settlement, payment or clearance services in the United States, the Cayman Islands, Hong Kong, London, the PRC or other relevant jurisdiction shall have occurred, (iv) any moratorium on commercial banking activities shall have been declared by federal or New York State, the Cayman Islands, Hong Kong, London, the PRC or relevant foreign country authorities or (v) 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 that, in your judgment, is material and adverse and which, singly or together with any other event specified in this clause (v), makes it, the judgment of the Representative, impracticable or inadvisable to proceed with the offer, sale or delivery of the Notes on the terms and in the manner contemplated in the Time of Sale Memorandum or the Final Memorandum.

10. *Effectiveness; Defaulting Initial Purchasers.* This Agreement shall become effective upon the execution and delivery hereof by the parties hereto.

If, on the Closing Date, any one or more of the Initial Purchasers shall fail or refuse to purchase Notes that it or they have agreed to purchase hereunder on such date, and the aggregate principal amount of Notes which such defaulting Initial Purchaser or Initial Purchasers agreed but failed or refused to purchase is not more than one tenth of the aggregate principal amount of Notes to be purchased on such date, the other Initial Purchasers shall be obligated severally in the proportions that the principal amount of

Notes set forth opposite their respective names in Schedule I hereto bears to the aggregate principal amount of Notes set forth opposite the names of all such non defaulting Initial Purchasers, or in such other proportions as may be specified by the Representative with the consent of the non-defaulting Initial Purchasers, to purchase the Notes which such defaulting Initial Purchaser or Initial Purchasers agreed but failed or refused to purchase on the Closing Date; *provided* that in no event shall the principal amount of Notes that any Initial Purchaser has agreed to purchase pursuant to this Agreement be increased pursuant to this Section 10 by an amount in excess of one ninth of such principal amount of Notes without the written consent of such Initial Purchaser. If, on the Closing Date any Initial Purchaser or Initial Purchasers shall fail or refuse to purchase Notes which it or they have agreed to purchase hereunder on such date and the aggregate principal amount of Notes with respect to which such default occurs is more than one tenth of the aggregate principal amount of Notes to be purchased on the Closing Date, and arrangements satisfactory to the non-defaulting Initial Purchasers and the Company for the purchase of such Notes are not made within 36 hours after such default, this Agreement shall terminate without liability on the part of any non-defaulting Initial Purchaser or of the Company except that the provisions of Sections 6(g), 8, 11 and 17 hereof shall at all times be effective and shall survive such termination. In any such case either the Representative or the Company shall have the right to postpone the Closing Date, but in no event for longer than seven days, in order that the required changes, if any, in the Time of Sale Memorandum, the Final Memorandum or in any other documents or arrangements may be effected. As used in this Agreement, the term "Initial Purchaser" shall be deemed to include any person substituted for a defaulting Initial Purchaser under this Section 10. Any action taken under this paragraph shall not relieve any defaulting Initial Purchaser from liability in respect of any default of such Initial Purchaser under this Agreement.

11. *Reimbursement of the Expenses of the Initial Purchasers.* If this Agreement shall be terminated by the Representative pursuant to Section 9 hereof or because of any failure or refusal on the part of the Company to comply with the terms or to fulfill any of the conditions of this Agreement, or if for any reason the Company shall be unable to perform its obligations under this Agreement, the Company will reimburse the Initial Purchasers, severally, upon demand for all out of pocket expenses (including the fees and disbursements of their counsel) reasonably incurred by such Initial Purchasers in connection with this Agreement or the offering contemplated hereunder.

12. *Entire Agreement.* (a) This Agreement, together with any contemporaneous written agreements and any prior written agreements (to the extent not superseded by this Agreement) that relate to the offering of the Notes, represents the entire agreement between the Company and the Initial Purchasers with respect to the preparation of the Preliminary Memorandum, the Time of Sale Memorandum, the Final Memorandum, the conduct of the offering, and the purchase and sale of the Notes.

(b) This Agreement supersedes all prior agreements and understandings (whether written or oral) between the Company and the Initial Purchasers, or any of them, with respect to the subject matter hereof.

(c) The Company acknowledges that in connection with the offering of the Notes: (i) the Initial Purchasers have acted at arm's length, are not agents of, and owe no fiduciary duties to, the Company or any other person, (ii) the Initial Purchasers owe the Company only those duties and obligations set forth in this Agreement and prior written agreements (to the extent not superseded by this Agreement) if any, (iii) the Initial Purchasers may have interests that differ from those of the Company, and (iv) the Initial Purchasers have not provided any legal, accounting, regulatory or tax advice with respect to the offering contemplated hereby, and the Company has consulted its own legal, accounting, regulatory and tax advisors to the extent it deemed appropriate. The Company waives to the full extent permitted by applicable law any claims it may have against the Initial Purchasers arising from an alleged breach of fiduciary duty in connection with the offering of the Notes.

13. *Counterparts.* This Agreement may be signed in two or more counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. Delivery of an executed counterpart of a signature page to this Agreement by facsimile or other electronic transmission (e.g., a "pdf" or "tif") shall be effective as delivery of a manually executed counterpart thereof.

14. *Successors.* This Agreement will inure to the benefit of and be binding upon the parties hereto, and to the benefit of the indemnified parties referred to in Section 8 hereof, and in each case their respective successors, and no other person will have any right or obligation hereunder. The term "successors" shall not include any Subsequent Purchaser or other purchaser of the Notes as such from any of the Initial Purchasers merely by reason of such purchase.

15. *Partial Unenforceability.* The invalidity or unenforceability of any section, paragraph or provision of this Agreement shall not affect the validity or enforceability of any other section, paragraph or provision hereof. If any section, paragraph or provision of this Agreement is for any reason determined to be invalid or unenforceable, there shall be deemed to be made such minor changes (and only such minor changes) as are necessary to make it valid and enforceable.

16. *Authority of the Representative.* Any action by the Initial Purchasers hereunder may be taken by the Representative on behalf of the Initial Purchasers, and any such action taken by the Representative shall be binding upon the Initial Purchasers.

17. *Applicable Law.* This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York.

(a) Any legal suit, action or proceeding arising out of or based upon this Agreement or the transactions contemplated hereby ("**Related Proceedings**") may be instituted in the federal courts of the United States located in the City and County of New York or the courts of the State of New York in each case located in the Borough of Manhattan in the City of New York (collectively, the "**Specified Courts**"), and each party irrevocably submits to the exclusive

jurisdiction (except for suits, actions, or proceedings instituted in regard to the enforcement of a judgment of any Specified Court in a Related Proceeding (a “**Related Judgment**”), as to which such jurisdiction is non-exclusive) of the Specified Courts in any Related Proceeding. Service of any process, summons, notice or document by mail to such party’s address set forth above shall be effective service of process for any Related Proceeding brought in any Specified Court. The parties irrevocably and unconditionally waive any objection to the laying of venue of any Specified Proceeding in the Specified Courts and irrevocably and unconditionally waive and agree not to plead or claim in any Specified Court that any Related Proceeding brought in any Specified Court has been brought in an inconvenient forum. The Company irrevocably appoints Cogency Global Inc., 10 E. 40th Street, 10th Floor, New York, New York 10016 (the “**Authorized Agent**”) as its agent to receive service of process or other legal summons for purposes of any Related Proceeding that may be instituted in any Specified Court.

(b) With respect to any Related Proceeding, each party irrevocably waives, to the fullest extent permitted by applicable law, all immunity (whether on the basis of sovereignty or otherwise) from jurisdiction, service of process, attachment (both before and after judgment) and execution to which it might otherwise be entitled in the Specified Courts, and with respect to any Related Judgment, each party waives any such immunity in the Specified Courts or any other court of competent jurisdiction, and will not raise or claim or cause to be pleaded any such immunity at or in respect of any such Related Proceeding or Related Judgment, including, without limitation, any immunity pursuant to the United States Foreign Sovereign Immunities Act of 1976, as amended.

(c) If for the purposes of obtaining judgment in any court it is necessary to convert a sum due hereunder into any currency other than U.S. dollars, the parties hereto agree, to the fullest extent that they may effectively do so, that the rate of exchange used shall be the rate at which in accordance with normal banking procedures the Initial Purchasers could purchase U.S. dollars with such other currency in the City of New York on the business day preceding that on which final judgment is given. The obligations of the Company in respect of any sum due from it to any Initial Purchaser shall, notwithstanding any judgment in any currency other than U.S. dollars, not be discharged until the first business day, following receipt by such Initial Purchaser of any sum adjudged to be so due in such other currency, on which (and only to the extent that) such Initial Purchaser may in accordance with normal banking procedures purchase U.S. dollars with such other currency; if the U.S. dollars so purchased are less than the sum originally due to such Initial Purchaser hereunder, the Company agrees, as a separate obligation and notwithstanding any such judgment, to indemnify such Initial Purchaser against such loss. If the U.S. dollars so purchased are greater than the sum originally due to such Initial Purchaser hereunder, such Initial Purchaser agrees to pay to the Company an amount equal to the excess of the U.S. dollars so purchased over the sum originally due to such Initial Purchaser hereunder.

18. *Waiver of Jury Trial.* The Company hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

19. *Headings.* The headings of the sections of this Agreement have been inserted for convenience of reference only and shall not be deemed a part of this Agreement.

20. *Notices.* All communications hereunder shall be in writing and effective only upon receipt and if to the Initial Purchaser shall be delivered, mailed or sent to (i) Deutsche Bank Securities Inc., 60 Wall Street, 2nd Floor, New York, N.Y. 10005, Attention: Equity Capital Markets — Syndicate Desk (Fax: 212-797-9344), with a copy to Deutsche Bank Securities Inc., 60 Wall Street, 36th Floor, New York, N.Y. 10005, Attention: General Counsel (Fax: 212-797-4564); and if to the Company shall be delivered, mailed or sent to 5th Floor, Block 57, No. 461 Hongcao Road, Xuhui District, Shanghai 200233, People's Republic of China, Attention: Qi Ji.

[Signature Pages Follow]

If the foregoing is in accordance with your understanding of our agreement, kindly sign and return to the Company the enclosed copies hereof, whereupon this instrument, along with all counterparts hereof, shall become a binding agreement in accordance with its terms.

Very truly yours,

CHINA LODGING GROUP, LIMITED

By: /s/ Teo Nee Chuan

Name: Teo Nee Chuan

Title: CFO

Signature Page to Purchase Agreement

Deutsche Bank Securities Inc.

By: /s/ Francis Windels
Name: Francis Windels
Title: Managing Director

By: /s/ Paul Stowell
Name: Paul Stowell
Title: Managing Director

Acting on behalf of itself and as the Representative of the several Initial Purchasers named in Schedule I hereto.

Signature Page to Purchase Agreement

SCHEDULE I

Initial Purchaser	Principal Amount of Notes to be Purchased
Deutsche Bank Securities Inc.	\$363,072,000
J.P. Morgan Securities LLC	\$43,714,000
Morgan Stanley & Co. International plc	\$14,571,000
UBS Securities LLC	\$3,643,000
Total:	<u>\$425,000,000</u>

Permitted Communications

Time of Sale Memorandum

1. Preliminary Memorandum dated October 26, 2017
2. Pricing Supplement dated October 26, 2017

Permitted Additional Written Offering Communications

Each electronic “road show” as defined in Rule 433(h) furnished to the Initial Purchasers prior to use that the Initial Purchasers and Company have agreed may be used in connection with the offering of the Notes

Permitted General Solicitations other than Permitted Additional Written Offering Communications set forth above

None

Form of Lock-Up Agreement

_____, 2017

Deutsche Bank Securities Inc.
60 Wall Street
New York, New York 10005
United States

As the Representative of the several Initial Purchasers
named in the Purchase Agreement (the "**Representative**")

Ladies and Gentlemen:

The undersigned understands that Deutsche Bank Securities Inc. proposes to enter into a Purchase Agreement (the "**Purchase Agreement**") with China Lodging Group, Limited, an exempted company incorporated in the Cayman Islands (the "**Company**"), providing for the offering (the "**Offering**") by the several initial purchasers as set forth in Schedule I of the Purchase Agreement (the "**Initial Purchasers**"), of \$425 million principal amount of 0.375% Convertible Senior Notes due 2022 of the Company (the "**Securities**"). The Securities will be convertible into the American Depositary Shares ("**ADSs**"), each initially representing the right to receive four ordinary shares, par value US\$0.0001 per share, of the Company (the "**Ordinary Shares**").

To induce the Initial Purchasers that may participate in the Offering to continue their efforts in connection with the Offering, the undersigned hereby agrees that, without the prior written consent of the Representative on behalf of the Initial Purchasers, it will not, during the period commencing on the date hereof and ending 90 days after the date of the final offering memorandum or such earlier date that the Representative consent to in writing (the "**Restricted Period**") relating to the Offering (the "**Final Memorandum**"), (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 Ordinary Shares or ADSs beneficially owned (as such term is used in Rule 13d-3 of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**")), by the undersigned or any securities so owned convertible into or exercisable or exchangeable for Ordinary Shares or ADSs (collectively, "**Lock-Up Securities**") or (2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Lock-Up Securities, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Lock-Up Securities, in cash or otherwise or (3) publicly disclose the intention to make any such offer, pledge, sale or disposition, or enter into any such transaction, swap, hedge, or other arrangement.

The foregoing sentence shall not apply to (a) transactions relating to Lock-Up Securities acquired in open market transactions after the completion of the Offering, *provided* that no filing under Sections 15 and 16(a) of the Exchange Act shall be required or shall be voluntarily made

in connection with subsequent sales of Lock-Up Securities acquired in such open market transactions, (b) transfers of Lock-Up Securities as a *bona fide* gift or gifts, provided that the donee or donees thereof agree to be bound in writing by the restrictions set forth herein, [or] (c) transfers of Lock-up Securities to any trust for the direct or indirect benefit of the undersigned or the immediate family of the undersigned, provided that the trustee of the trust agrees to be bound in writing by the restrictions set forth herein, and provided further that any such transfer shall not involve a disposition for value[, or (d) sales of up to 500,000 ADSs by the undersigned, *provided* that such sales (i) occur at least 45 days following the Closing Date (as defined in the Purchase Agreement), and (ii) do not exceed an aggregate of 30,000 ADSs in any trading day]¹.

For purposes of this letter, “immediate family” shall mean any relationship by blood, marriage or adoption, not more remote than first cousin. In addition, the undersigned agrees that, without the prior written consent of the Representative on behalf of the Initial Purchasers, it will not, during the Restricted Period, make any demand for or exercise any right with respect to, the registration of any Lock-Up Securities.

The undersigned understands that the Company and the Initial Purchasers are relying upon this agreement in proceeding toward consummation of the Offering. The undersigned further understands that this agreement is irrevocable and shall be binding upon the undersigned’s heirs, legal representatives, successors and assigns.

This agreement shall terminate upon the expiration of the Restricted Period or in the event that there is no delivery of, and payment for, the Notes pursuant to the Purchase Agreement, upon three days’ prior written notice of such non-delivery and non-payment given by the undersigned to you.

Yours very truly,

Name:

¹ For Mr. Qi Ji / his trust.

List of Lock-Up Signatories

Qi Ji
Tong Tong Zhao
John Jiong Wu
Min Fan
Shangzhi Zhang
Jian Shang
Sébastien Bazin
Gaurav Bhushan
Min (Jenny) Zhang
Hui Jin
Teo Nee Chuan
Winner Crown Holdings Limited
East Leader International Limited

CFO CERTIFICATE

Dated: November 3, 2017

The undersigned, Chief Financial Officer of China Lodging Group, Limited (the “**Company**”), pursuant to Section 5(d) of the Purchase Agreement, dated October 26, 2017 (the “**Purchase Agreement**”), between the Company and Deutsche Bank Securities Inc., as representative of the several purchasers named on Schedule I thereto (the “**Initial Purchasers**”), hereby certifies that:

1. I am providing this certificate to the Initial Purchasers in connection with the Company’s issuance of 0.375% Convertible Senior Notes due 2022 (the “**Offering**”) as described in the Time of Sale Memorandum and the Final Memorandum.
2. I am responsible for the Company’s accounting matters and I have specific knowledge of the internal accounting records of the Company. The Company’s books and records are prepared by members of my staff under my supervision.
3. I have supervised the compilation of and reviewed the circled information contained on Annex A attached hereto, as disclosed in the Time of Sale Memorandum and the Final Memorandum. With respect to such information, I have performed the following procedures, which were applied as indicated with respect to the letters explained below:
 - A. I have compared the amount to, or computed the amount from, the Company’s accounting books and records prepared by the Company’s accounting personnel for the periods, or as of the dates, indicated and found such information to be in agreement (giving effect to rounding where applicable), and such information is true, complete and accurate.
 - B. I have compared the amount or percentage to, or computed the amount or percentage from, the corresponding data and other records maintained by the Company for the periods, or as of the dates, indicated and found such information to be in agreement (giving effect to rounding where applicable), and such information is true, complete and accurate.

Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Purchase Agreement. This certificate is to assist the Initial Purchasers in conducting and documenting their investigation of the affairs of the Company in connection with the Offering.

[Signature Page Follows]

IN WITNESS WHEREOF, I have hereunto signed my name as of the date first written above.

By: _____
Name: Teo Nee Chuan
Title: Chief Financial Officer



Deutsche Bank AG, London Branch
 Winchester house
 1 Great Winchester St,
 London EC2N 2DB
 Telephone: 44 20 7545 8000

c/o Deutsche Bank Securities Inc.
 60 Wall Street
 New York, NY 10005
 Telephone: 212-250-2500

DATE: October 26, 2017

TO: China Lodging Group, Limited
ATTENTION: Teo Nee Chuan
TELEPHONE: +86-21-61952011

FROM: Deutsche Bank AG, London Branch

SUBJECT: Base Capped Call Transaction

REFERENCE NUMBER(S): 754142

The purpose of this agreement (this “**Confirmation**”) is to confirm the terms and conditions of the transaction entered into between **Deutsche Bank AG, London Branch (“Dealer”)** and China Lodging Group, Limited (“**Counterparty**”) on the Trade Date specified below (the “**Transaction**”). This Confirmation constitutes a “Confirmation” as referred to in the Agreement specified below. This Confirmation constitutes the entire agreement and understanding of the parties with respect to the subject matter and terms of the Transaction and supersedes all prior or contemporaneous written and oral communications with respect thereto.

DEUTSCHE BANK AG, LONDON BRANCH IS NOT REGISTERED AS A BROKER DEALER UNDER THE U.S. SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. DEUTSCHE BANK SECURITIES INC. (“DBSI”) HAS ACTED SOLELY AS AGENT IN CONNECTION WITH THE TRANSACTION AND HAS NO OBLIGATION, BY WAY OF ISSUANCE, ENDORSEMENT, GUARANTEE OR OTHERWISE WITH RESPECT TO THE PERFORMANCE OF EITHER PARTY UNDER THE TRANSACTION. AS SUCH, ALL DELIVERY OF FUNDS, ASSETS, NOTICES, DEMANDS AND COMMUNICATIONS OF ANY KIND RELATING TO THIS TRANSACTION BETWEEN DEUTSCHE BANK AG, LONDON BRANCH, AND COUNTERPARTY SHALL BE TRANSMITTED EXCLUSIVELY THROUGH DBSI. DEUTSCHE BANK AG, LONDON BRANCH IS NOT A MEMBER OF THE SECURITIES INVESTOR PROTECTION CORPORATION (SIPC).

Chairman of the Supervisory Board: Paul Achleitner.

Management Board: John Cryan (Chairman), Marcus Schenck, Christian Sewing, Kimberly Hammonds, Stuart Lewis, Sylvie Matherat, Nicolas Moreau, Garth Ritchie, Karl von Rohr, Werner Steinmüller.

Deutsche Bank AG is authorised under German Banking Law (competent authority: European Central Bank and the BaFin, Germany’s Federal Financial Supervisory Authority) and, in the United Kingdom, by the Prudential Regulation Authority. It is subject to supervision by the European Central Bank and by BaFin, and is subject to limited regulation in the United Kingdom by the Financial Conduct Authority and the Prudential Regulation Authority.

Deutsche Bank AG is a joint stock corporation with limited liability incorporated in the Federal Republic of Germany, Local Court of Frankfurt am Main, HRB No. 30 000; Branch Registration in England and Wales BR000005 and Registered Address: Winchester House, 1 Great Winchester Street, London EC2N 2DB. Deutsche Bank AG, London Branch is a member of the London Stock Exchange. (Details about the extent of our authorisation and regulation by the Prudential Regulation Authority, and regulation by the Financial Conduct Authority, are available on request or from www.db.com/en/content/eu_disclosures.htm)

The definitions contained in the 2002 ISDA Equity Derivatives Definitions (the “**Equity Definitions**”), as published by the International Swaps and Derivatives Association, Inc., are incorporated into this Confirmation. In the event of any inconsistency between the Equity Definitions and the terms of this Confirmation, the terms of this Confirmation shall govern, and in the event of any inconsistency between either the Equity Definitions or this Confirmation and the Agreement (as defined below), the Equity Definitions or this Confirmation, as the case may be, shall govern. For the purposes of the Equity Definitions, each reference herein to a Note Hedging Unit shall be deemed to be a reference to a Call or an Option, as context requires.

This Confirmation evidences a complete and binding agreement between Dealer and Counterparty as to the terms of the Transaction to which this Confirmation relates. This Confirmation shall supplement, form a part of, and be subject to an agreement (the “**Agreement**”) in the form of the ISDA 2002 Master Agreement as if Dealer and Counterparty had executed an agreement in such form (without any Schedule but with the elections set forth in this Confirmation). The Transaction shall be the only transaction under the Agreement.

The Transaction shall be considered a Share Option Transaction for purposes of the Equity Definitions, and shall have the following terms:

General:

Trade Date:	October 26, 2017.
Effective Date:	The closing date for the initial issuance of the Convertible Notes.
Option Style:	Modified American, as described below under “Procedure for Exercise”.
Option Type:	Note Hedging Units.
Seller:	Dealer.
Buyer:	Counterparty.
Shares:	The American Depositary Shares issued under the Deposit Agreement (as defined below) (Symbol: “HTHT”), each representing as of the date hereof four Underlying Shares.
Underlying Shares:	The ordinary shares of Counterparty, nominal value USD 0.0001 per share.
Underlying Shares Issuer:	Counterparty
Convertible Notes:	0.375% Convertible Senior Notes due 2022 of Counterparty, offered pursuant to an Offering Memorandum to be dated as of October 26, 2017 (the “ Offering Memorandum ”) and issued pursuant to the indenture to be dated on or about November 3, 2017, by and between Counterparty and Wilmington Trust, N.A., as trustee (the “ Indenture ”). References herein to the Indenture refer to the draft of the Indenture most recently reviewed by the parties at the time of execution of this Confirmation. If any relevant sections of the Indenture are changed, added or renumbered upon execution of the Indenture, the parties will amend this Confirmation in good faith to preserve the economic intent of the parties. Subject to the foregoing, references herein to the

Indenture shall be to the Indenture as executed, without giving effect to any amendment, supplement or modification thereto other than an amendment, supplement or modification that does not constitute an Amendment Event (as defined below) (a “**Permitted Amendment**”), subject to the provision set forth under “Settlement Amount” below relating to Counterparty Determinations, a Merger Supplemental Indenture (as defined below). If any amendment or supplement is made to the Indenture following execution thereof (other than pursuant to a Merger Supplemental Indenture or a Permitted Amendment) (x) the Calculation Agent shall determine the relevant Settlement Amount and Settlement Date for any Note Hedging Unit exercised thereafter in accordance with this Confirmation by referring to the relevant provisions of the Indenture without giving effect to such amendment or supplement, and (y) such supplement or amendment shall be disregarded for all other purposes hereunder. Terms in quotation marks that are not otherwise defined in this Confirmation shall have the meanings set forth in the Indenture, unless the context requires otherwise.

Number of Note Hedging Units: 425,000, as reduced by any Note Hedging Units exercised hereunder.

Note Hedging Unit Entitlement: 5.4869.

Strike Price: USD1,000 *divided by* the Note Hedging Unit Entitlement, which equals approximately USD182.2523.

Cap Price: USD221.3060.

Applicable Percentage: 20%.

Premium: As provided in Annex A to this Confirmation.

Premium Payment Date: The Effective Date.

Exchange: The NASDAQ Global Select Market.

Related Exchanges: All Exchanges.

Calculation Agent: Dealer; *provided* that, following the occurrence and during the continuance of an Event of Default of the type described in Section 5(a)(vii) of the Agreement with respect to Dealer, Counterparty shall have the right to designate a nationally recognized independent equity derivatives dealer to replace Dealer as the Calculation Agent, and the parties shall work in good faith to execute any appropriate documentation required by such replacement Calculation Agent. Following any determination, adjustment or calculation by the Calculation Agent hereunder, upon a request by Counterparty, the Calculation Agent shall promptly (but in any event within three Scheduled Trading Days) provide to Counterparty by e-mail to the e-mail address provided by Counterparty in such request a report (in a commonly used file format for the storage and manipulation of financial

data) displaying in reasonable detail the basis for such determination, adjustment or calculation (including any assumptions used in making such determination, adjustment or calculation), it being understood that the Calculation Agent shall not be obligated to disclose any proprietary or confidential models used by it for such determination, adjustment or calculation or any information that it may be subject to contractual, legal or regulatory obligations not to disclose.

Procedure for Exercise:

Potential Exercise Dates:

Each Conversion Date.

Conversion Date:

Each "Conversion Date" (other than in respect of an Early Conversion); *provided* that, in respect of any Note Hedging Units not previously exercised, a conversion and a Conversion Date shall be deemed to have occurred on the last day permitted under the Indenture.

Required Exercise on Conversion Dates:

On each Conversion Date (other than any Conversion Date occurring prior to the 52nd Scheduled Trading Day prior to the Maturity Date (any such related conversion, an "**Early Conversion**"), to which the provisions of clause (b) under "Additional Termination Events" below shall apply), a number of Note Hedging Units equal to the number of Convertible Notes in denominations of USD 1,000 principal amount with respect to which a Conversion Date has occurred shall be exercised automatically; *provided* that in no event will the number of Note Hedging Units exercised or deemed exercised hereunder exceed the Number of Note Hedging Units.

Expiration Date:

November 1, 2022.

Multiple Exercise:

Applicable, as provided under "Required Exercise on Conversion Dates".

Automatic Exercise:

Applicable, as provided under "Required Exercise on Conversion Dates".

Settlement Terms:

Settlement:

In lieu of the obligations set forth in Sections 8.1 and 9.1 of the Equity Definitions, in respect of any validly exercised Note Hedging Unit, Dealer shall deliver to Counterparty, on the related Settlement Date, the Settlement Amount.

For the avoidance of doubt, to the extent Dealer is obligated to deliver Shares hereunder, the provisions of Sections 9.8, 9.9, 9.11 and 9.12 of the Equity Definitions shall be applicable to any such delivery of Shares, except that all references in such provisions to "Physical Settlement" and "Physically-settled" shall be read as references to "Share Settlement" and "Share Settled"; *provided* that the Representation and Agreement contained in Section 9.11 of the Equity

Definitions shall be modified by excluding any representations therein relating to restrictions, obligations, limitations or requirements under applicable securities laws that exist as a result of the fact that Counterparty is the issuer of the Underlying Shares. “**Share Settlement**” means settlement of a Note Hedging Unit pursuant to “Settlement Amount” below, and “**Share Settled**” has a meaning correlative thereto.

Certificated Shares or Underlying Shares:

Notwithstanding anything to the contrary in the Equity Definitions, Dealer may, in whole or in part, deliver Shares or Underlying Shares required to be delivered to Counterparty hereunder in certificated form in lieu of delivery through the Clearance System. With respect to such certificated Shares or Underlying Shares, the Representation and Agreement contained in Section 9.11 of the Equity Definitions shall be modified by deleting the remainder of the provision after the word “encumbrance” in the fourth line thereof; *provided* that, in the event Counterparty uses such certificated Shares or Underlying Shares to settle its obligations with respect to Convertible Notes, Dealer shall reimburse Counterparty for any reasonable costs or expenses as they are incurred.

Daily VWAP:

For any “Trading Day”, the per Share volume-weighted average price as displayed under the heading “Bloomberg VWAP” on Bloomberg page “HTHT <equity> AQR” (or its equivalent successor if such page is not available) in respect of the period from the scheduled open of trading until the scheduled close of trading of the regular trading session on such Trading Day (or if such volume-weighted average price is unavailable, the market value of one Share on such Trading Day determined, using a volume-weighted average method, by the Calculation Agent). For the avoidance of doubt, Daily VWAP will be determined without regard to after-hours trading or any other trading outside of the regular trading session trading hours.

Settlement Amount:

The aggregate of the number of Shares for each Convertible Note in principal amount of USD 1,000 converted in respect of such Conversion Date equal to the product of the Applicable Percentage and the sum, for each of the 50 consecutive “Trading Days” commencing on the 52nd “Scheduled Trading Day” prior to the “Maturity Date” (such period, the “**Deemed Conversion Period**”), of (A) the excess, if any, of (X) 2.0% of the product of the “Conversion Rate” on such Trading Day and the lesser of (1) the Daily VWAP on such Trading Day and (2) the Cap Price on such Trading Day over (Y) USD 20, *divided by* (B) such Daily VWAP.

Following the occurrence of any Merger Event in which the holders of Shares or Underlying Shares receive only cash (a “**Cash Merger**”), the Settlement Amount in respect of any Note Hedging Unit exercised thereafter shall consist of an amount of cash equal to the product of the Applicable Percentage and the excess, if any, of (i) the product of the “Conversion Rate” (determined without giving effect to any Fundamental Change Adjustment or any Discretionary Adjustment as

defined below) and the lesser of (1) the amount of cash received by a holder of one Share in such Merger Event and (2) the Cap Price over (ii) USD 1,000, in lieu of any Settlement Amount determined above.

The number of Shares included in the Settlement Amount shall not take into consideration any rounding pursuant to Section 14.02(j) of the Indenture. Instead Dealer will deliver cash in lieu of any fractional Shares based on (i) the Daily VWAP on the last “Trading Day” of the Deemed Conversion Period and (ii) the aggregate number of Note Hedging Units exercised on any Exercise Date.

In addition, and notwithstanding anything to the contrary herein:

(i) the Settlement Amount shall be determined by the Calculation Agent excluding any increase to the “Conversion Rate” pursuant to Section 14.03(a) of the Indenture (a “**Fundamental Change Adjustment**”) or any voluntary adjustment to the “Conversion Rate” pursuant to Section 14.04(h) of the Indenture (a “**Discretionary Adjustment**”); and

(ii) if Counterparty or its board of directors is permitted or required to exercise discretion under the terms of the Indenture with respect to any determination, calculation or adjustment (including, without limitation, any adjustment under Section 14.05 of the Indenture, any adjustment to the terms of the Convertible Notes following a Merger Event pursuant to Section 14.07(a) of the Indenture or any determination of the fair market value of distributed property, the volume weighted average price of Shares or the value of a “unit of Reference Property”) (any such determination, calculation or adjustment, a “**Counterparty Determination**”), Counterparty shall consult with Dealer with respect thereto and, if Dealer disagrees in good faith with such determination, calculation or adjustment, notwithstanding anything herein to the contrary, the Calculation Agent shall make such determination, calculation or adjustment for purposes of the Transaction.

Section 6.3(a) of the Equity Definitions is hereby amended by deleting the remainder of clause (ii) thereof following the words “at any time.”

Settlement Date:

In respect of an Exercise Date, the date that falls one Settlement Cycle following the end of the Deemed Conversion Period (or, following the occurrence of a Cash Merger, the date that falls on the fifth “Business Day” following the applicable Exercise Date).

Settlement Currency:

USD.

Share Adjustments:

Adjustment Event:

Means any occurrence of any event or condition, as set forth in Section 14.04 or 14.05 of the Indenture, that would result in an adjustment under the Indenture to the “Conversion Rate” or any other term of the

Convertible Notes; *provided* that in no event shall there be any adjustment hereunder as a result of a Fundamental Change Adjustment or a Discretionary Adjustment.

For the avoidance of doubt, Dealer shall not have any delivery or payment obligation hereunder, and no adjustment shall be made to the terms of the Transaction, on account of (i) any distribution of cash, property or securities by Counterparty to holders of the Convertible Notes (upon conversion or otherwise) or (ii) any other transaction in which holders of the Convertible Notes are entitled to participate, in each case, in lieu of an adjustment under the Indenture of the type referred to in the immediately preceding sentence (including, without limitation, pursuant to the fourth sentence of Section 14.04(c) of the Indenture or the fourth sentence of Section 14.04(d) of the Indenture.

Method of Adjustment:

Calculation Agent Adjustment, which means that, notwithstanding Section 11.2(c) of the Equity Definitions, which Section shall not apply for purposes of the Transaction except as expressly provided herein, upon any Adjustment Event (excluding, for the avoidance of doubt, any Fundamental Change Adjustment or Discretionary Adjustment), the Calculation Agent shall make (i) an adjustment corresponding to the adjustment to be made pursuant to the Indenture to any one or more of the Strike Price, the Note Hedging Unit Entitlement, the composition of the Shares and any other variable relevant to the exercise, settlement, payment or other terms of the Transaction (other than the Number of Note Hedging Units and the Cap Price and subject to the provisions set forth under "Settlement Amount" above in respect of any Counterparty Determination); *provided* that, notwithstanding the foregoing, if any Adjustment Event occurs during the Deemed Conversion Period but no adjustment was made to any Convertible Note under the Indenture because the relevant "Holder" (as such term is defined in the Indenture) was deemed to be a record owner of the underlying Shares on the related "Conversion Date," then the Calculation Agent shall make an adjustment, as determined by it based on the adjustment that would have otherwise applied under the Indenture, to the terms hereof in order to account for such Adjustment Event and (ii) a proportionate adjustment to the Cap Price to the extent any adjustment is made to the Strike Price pursuant to clause (i) above; *provided* that, upon the occurrence of any Adjustment Event and/or any Potential Adjustment Event, the Calculation Agent may, but without duplication of any adjustment pursuant to clause (i) and (ii) above, make any further adjustment to the Cap Price consistent with the "Calculation Agent Adjustment" set forth in Section 11.2(c) of the Equity Definitions (as modified hereby) to preserve the fair value of the Transaction to the parties after taking into account such Adjustment Event and/or Potential Adjustment Event; *provided, further*, that the Cap Price shall not be adjusted so that it is less than the Strike Price. In addition, if any Adjustment Event, or the effective date, "expiration date" (as used in the Indenture) or "Ex-Dividend Date" for such event, occurs during the Deemed Conversion Period, the Calculation Agent may make such further adjustments as it determines appropriate to the Settlement Amount for the relevant Note

Hedging Units. Counterparty shall (x) reasonably promptly, but in any event within two Business Days, after the occurrence of any Adjustment Event and/or Merger Event, notify the Calculation Agent of such Adjustment Event and/or Merger Event, (y) give Dealer written notice, promptly following its determination thereof, of the section or sections of the Indenture and, if applicable, the formula therein, pursuant to which any adjustment is expected to be made to the Convertible Securities in connection with any Adjustment Event or Merger Event and (z) once the adjustments to be made to the terms of the Indenture and the Convertible Securities in respect of such Merger Event and/or Adjustment Event have been determined, reasonably promptly, but in any event with two Business Days, notify the Calculation Agent in writing of the details of such adjustments.

In connection with any Adjustment Event as a result of an event or condition set forth in Section 14.04(b) of the Indenture or Section 14.04(c) of the Indenture where, in either case, the period for determining “Y” (as such term is used in Section 14.04(b) of the Indenture) or “SP₀” (as such term is used in Section 14.04(c) of the Indenture), as the case may be, begins before Counterparty has publicly announced the event or condition giving rise to such Adjustment Event, then the Calculation Agent shall have the right to adjust the Cap Price (but in no event to a number lower than the Strike Price) as appropriate to reflect the reasonable costs (including, but not limited to, hedging mismatches and market losses) and reasonable expenses incurred by Dealer in connection with its hedging activities as a result of such event or condition not having been publicly announced prior to the beginning of such period.

If any Adjustment Event is declared and (a) the event or condition giving rise to such Adjustment Event is subsequently amended, modified, cancelled or abandoned after the period during which the formula for adjusting the “Conversion Rate” has commenced calculation or (b) the “Conversion Rate” (as defined in the Indenture) is adjusted as a result of such Adjustment Event and subsequently re-adjusted pursuant to Sections 14.04(a), 14.04(b) or 14.04(c) of the Indenture (each of clauses (a) and (b), an “**Adjustment Event Change**”) then, in each case, the Calculation Agent shall have the right to adjust the Cap Price (but in no event to a number lower than the Strike Price) as appropriate to reflect the reasonable costs (including, but not limited to, hedging mismatches and market losses) and reasonable expenses incurred by Dealer in connection with its hedging activities as a result of such Adjustment Event Change.

Extraordinary Events:

Merger Events:

Notwithstanding Section 12.1(b) of the Equity Definitions, except for purposes of the provisions set forth under “Consequences of Announcement Event” and “Announcement Event” below, a “Merger Event” means the occurrence of any event or condition set forth in Section 14.07(a) of the Indenture.

Notice of Merger Consideration:

In respect of any Merger Event, Counterparty shall notify the Calculation Agent of, if applicable, the weighted average of the kind and amounts of consideration to be received by the holders of Shares and Underlying Shares in any Merger Event who affirmatively make such an election, reasonably promptly, but in any event within two Business Days, upon determination thereof (and in any event prior to the effective date of the Merger Event), and Counterparty shall deliver to Dealer a copy of any supplemental indenture effecting such adjustments (a “**Merger Supplemental Indenture**”) as reasonably as practicable prior to execution thereof.

Consequences of Merger Events:

Notwithstanding Section 12.2 of the Equity Definitions, upon the occurrence of a Merger Event, the Calculation Agent shall make the corresponding adjustment in respect of any adjustment under the Indenture to any one or more of the nature of the Shares, the Strike Price, the Note Hedging Unit Entitlement, the Settlement Date and any other variable relevant to the exercise, settlement or payment or other terms of the Transaction (other than the Number of Note Hedging Units and subject to the provisions set forth under “Settlement Amount” above in respect of any Counterparty Determination); provided that such adjustment shall be made without regard to any Fundamental Change Adjustment or any Discretionary Adjustment; *provided* further that if, with respect to a Merger Event, (i) the consideration for the Shares or Underlying Shares includes (or, at the option of a holder of Underlying Shares, may include) shares (or depositary receipts with respect to shares) of an entity or person that is not a corporation or entity that is treated as a corporation for U.S. federal income tax purposes organized under the laws of (1) the United States, any State thereof, the District of Columbia or the Cayman Islands or, (2) to the extent having the Underlying Shares Issuer organized under the laws of the jurisdictions in this clause (2) would not have a material adverse effect on Dealer’s rights and obligations hereunder, Dealer’s hedging activities or the costs of engaging in the foregoing and, provided that Counterparty negotiates in good faith with Dealer all the necessary and appropriate amendments to this Confirmation related to the foregoing in this clause (2), including, without limitation, causing its counsel to deliver written legal opinions reasonably requested by Dealer and will reimburse Dealer all of its out-of-pocket costs (including costs of its counsel) reasonably incurred by Dealer, the British Virgin Islands, Bermuda, Hong Kong or the United Kingdom (the jurisdictions listed in (1) and, to the extent the requirements listed in (2) are satisfied, the jurisdictions listed in (2), “**Permitted Merger Jurisdictions**”); or (ii) Counterparty following such Merger Event (A) will not be a corporation or entity that is treated as a corporation for U.S. federal income tax purposes organized under the laws of a Permitted Merger Jurisdiction or (B) will not be the Underlying Shares Issuer or a subsidiary of the Underlying Shares Issuer following such Merger Event, Cancellation and Payment (Calculation Agent Determination) may apply at Dealer’s good faith, commercially reasonable election.

Consequences of Announcement Events:

If an Announcement Event occurs, the Calculation Agent will determine

the cumulative economic effect of the Announcement Event on the theoretical value of the Transaction (i) on a date occurring a commercially reasonable period of time after the date of announcement of the relevant Announcement Event and (ii) on the Valuation Date or any earlier date of termination or cancellation for the Transaction (in each case, which may include, without limitation, any actual or expected change in volatility, dividends, correlation, stock loan rate or liquidity relevant to the Shares or Underlying Shares or to the Transaction whether prior to or after the Announcement Event or for any reasonable period of time), and if, in the case of clause (i) or (ii), such economic effect is material and Dealer so elects in its sole discretion, the Calculation Agent will (x) adjust the Cap Price (but in no event to a number lower than the Strike Price) to reflect such economic effect and (y) determine the effective date of such adjustment; *provided* that, notwithstanding the foregoing, if the related Merger Date or Tender Offer Date, as the case may be, or any subsequent related Announcement Event, occurs on or prior to the effective date of such adjustment, any further adjustment to the terms of the Transaction with respect to such Merger Date, Tender Offer Date or Announcement Event pursuant to this Confirmation and/or the Equity Definitions shall take such earlier adjustment into account (and, for the avoidance of doubt, where Cancellation and Payment is applicable, the Determining Party shall take into account such adjustment in determining the Cancellation Amount); *provided further* that in no event shall the Cap Price be less than the Strike Price.

Announcement Event:

(i) The public statement or announcement by any person or entity of (x) any transaction or event that, if completed, would constitute a Merger Event or Tender Offer, (y) any acquisition by Underlying Shares Issuer or any of its subsidiaries where the aggregate consideration exceeds 25% of the market capitalization of the Underlying Shares Issuer as of the date of such announcement (an “**Acquisition Transaction**”) or (z) the firm intention to enter into a Merger Event or Tender Offer or an Acquisition Transaction, (ii) the public statement or announcement by the Underlying Shares Issuer of an intention to solicit or enter into, or to explore strategic alternatives or other similar undertakings that may include, a Merger Event or Tender Offer or an Acquisition Transaction or (iii) any subsequent public statement or announcement by any person or entity of a withdrawal, discontinuation, termination or other change to a transaction or intention that is the subject of an announcement of the type described in clause (i) or (ii) of this sentence; *provided* that, for the avoidance of doubt, the occurrence of an Announcement Event with respect to any transaction or intention shall not preclude the occurrence of a later Announcement Event described in clause (iii) above with respect to such transaction or intention. For purposes of this definition of “Announcement Event,” (A) “Merger Event” shall mean such term as defined under Section 12.1(b) of the Equity Definitions (but, for the avoidance of doubt, the remainder of the definition of “Merger Event” in Section 12.1(b) of the Equity Definitions following the definition of “Reverse Merger” therein shall be disregarded) and (B) “Tender Offer” shall mean such term as defined under Section 12.1(d) of the Equity

Definitions.

Nationalization, Insolvency and Delisting:

Cancellation and Payment (Calculation Agent Determination); *provided* that in addition to the provisions of Section 12.6(a)(iii) of the Equity Definitions, it shall also constitute a Delisting if the Exchange is located in the United States and the Shares are not immediately re-listed, re-traded or re-quoted on any of the New York Stock Exchange, The NASDAQ Global Select Market or The NASDAQ Global Market (or their respective successors); if the Shares are immediately re-listed, re-traded or re-quoted on any such exchange or quotation system, such exchange or quotation system shall thereafter be deemed to be the Exchange.

Section 12.6(a)(ii) of the Equity Definitions is hereby amended by (1) deleting from the fourth line thereof the word “or” after the word “official” and inserting a comma therefor and (2) inserting at the end of subsection (B) thereof the following wording, “or, under the laws of the jurisdiction of organization of the Underlying Shares Issuer, any other impediment to or restriction on the transferability of any Share arises or becomes applicable including, without limitation, where (x) any transfer of a Share or alteration of the status of the members of the Issuer would be void unless a court of the Cayman Islands or any other such jurisdiction orders otherwise or (y) any transfer of a Share not being a transfer with the sanction of a liquidator, and any alteration in the status of the Issuer’s members, would be void.”

Additional Disruption Events:

Change in Law:

Applicable; *provided* that Section 12.9(a)(ii) of the Equity Definitions is hereby amended (i) by inserting the parenthetical “(including, for the avoidance of doubt and without limitation, the effectiveness, adoption or promulgation of new regulations authorized or mandated by existing statute)” at the end of clause (A) thereof, (ii) by the replacement of the word “Shares” with “Hedge Positions” in clause (X) thereof; (iii) by replacing in the third line thereof the phrase “the interpretation” with “or the announcement of the formal or informal interpretation” and (iv) immediately following the word “Transaction” in clause (X) thereof, adding the phrase “in the manner contemplated by the Hedging Party on the Trade Date”.

Failure to Deliver:

Applicable.

Insolvency Filing:

Applicable.

Hedging Disruption:

Applicable; *provided* that:

- (i) Section 12.9(a)(v) of the Equity Definitions is hereby amended by (a) inserting the following words at the end of clause (A) thereof: “in the manner contemplated by the Hedging Party on the Trade Date” and (b) inserting the following two phrases at the end of such Section:

“For the avoidance of doubt, the term “equity price risk” shall be deemed to include, but shall not be limited to, stock price and volatility risk. And, for the further avoidance of doubt, any such transactions or assets referred to in phrases (A) or (B) above must be available on commercially reasonable pricing terms. Any inability of the Hedging Party referred to in phrases (A) and (B) above that is solely attributable to the deterioration of the creditworthiness of the Hedging Party relative to comparable financial institutions shall not be deemed a Hedging Disruption”; and

- (ii) Section 12.9(b)(iii) of the Equity Definitions is hereby amended by inserting in the third line thereof, after the words “to terminate the Transaction”, the words “or a portion of the Transaction affected by such Hedging Disruption”.

Hedging Party:

Dealer for all applicable Additional Disruption Events; *provided* that, when making any determination or calculation as “Hedging Party,” Dealer shall be bound by the same obligations relating to required acts of the Calculation Agent as set forth in Section 1.40 of the Equity Definitions and this Confirmation as if the Hedging Party were the Calculation Agent. The parties agree that they will comply with the provisions set forth in the second sentence under “Calculation Agent” above, as if the Hedging Party were the Calculation Agent for purposes thereof.

Determining Party:

Dealer for all applicable Extraordinary Events; *provided* that, when making any determination or calculation as “Determining Party,” Dealer shall be bound by the same obligations relating to required acts of the Calculation Agent as set forth in Section 1.40 of the Equity Definitions and this Confirmation as if the Determining Party were the Calculation Agent. The parties agree that they will comply with the provisions set forth in the second sentence under “Calculation Agent” above, as if the Determining Party were the Calculation Agent for purposes thereof.

Acknowledgements:

Non-Reliance:

Applicable.

Agreements and Acknowledgements
Regarding Hedging Activities:

Applicable.

Additional Acknowledgements:

Applicable.

Mutual Representations: Each of Dealer and Counterparty represents and warrants to, and agrees with, the other party that:

- (i) **Tax Disclosure.** Notwithstanding anything to the contrary herein, in the Equity Definitions or in the Agreement, and notwithstanding any express or implied claims of exclusivity or proprietary rights, the

parties (and each of their employees, representatives or other agents) are authorized to disclose to any and all persons, beginning immediately upon commencement of their discussions and without limitation of any kind, the tax treatment and tax structure of the Transaction, and all materials of any kind (including opinions or other tax analyses) that are provided by either party to the other relating to such tax treatment and tax structure.

- (ii) **Commodity Exchange Act.** It is an “eligible contract participant” within the meaning of the U.S. Commodity Exchange Act, as amended (the “CEA”). The Transaction has been subject to individual negotiation by the parties. The Transaction has not been executed or traded on a “trading facility” as defined in the CEA.
- (iii) **Securities Act.** It is an “accredited investor” within the meaning of the U.S. Securities Act of 1933, as amended (the “Securities Act”).

Counterparty Representations: In addition to the representations and warranties in the Agreement and those contained elsewhere herein, Counterparty represents, warrants, acknowledges and covenants, as applicable, that:

- (i) Counterparty as of and immediately after the Trade Date and the Premium Payment Date (x) is not, and shall not be after giving effect to the transactions contemplated hereby, “insolvent” (as such term is defined in Section 101(32) of the U.S. Bankruptcy Code (Title 11 of the United States Code) (the “Bankruptcy Code”)), (y) would be able to purchase 2,606,278 Shares and the Underlying Shares represented by such number of Shares in compliance with the laws of the jurisdiction of Counterparty’s incorporation or organization, and (z), for the purposes of Cayman Islands law, is able to pay its debts.
- (ii) Counterparty shall promptly provide written notice to Dealer upon obtaining knowledge of the occurrence of any event that constitutes an Event of Default, a Potential Event of Default, an Adjustment Event or a Potential Adjustment Event; *provided, however*, that should Counterparty be in possession of material non-public information regarding Counterparty, the Underlying Shares or the Shares, Counterparty shall not communicate such information to Dealer in connection with the Transaction until such information no longer constitutes material non-public information.
- (iii) Counterparty’s financial condition is such that it has no need for liquidity with respect to its investment in the Transaction and no need to dispose of any portion thereof to satisfy any existing or contemplated undertaking or indebtedness.
- (iv) Counterparty’s investments in and liabilities in respect of the Transaction, which it understands are not readily marketable, are not disproportionate to its net worth, and Counterparty is able to bear any loss in connection with the Transaction, including the loss of its entire investment in the Transaction.
- (v) Counterparty understands, agrees and acknowledges that Dealer has no obligation or intention to register the Transaction under the Securities Act, any state securities law or other applicable federal securities law.
- (vi) Counterparty is not, and after giving effect to the transactions contemplated hereby will not be, required to be registered as an “investment company” as such term is defined in the Investment Company Act of 1940, as amended.
- (vii) Counterparty understands, agrees and acknowledges that no obligations of Dealer to it hereunder shall be entitled to the benefit of deposit insurance and that such obligations shall not be guaranteed by any affiliate of Dealer or any governmental agency.

- (viii) (A) Counterparty is acting for its own account, and it has made its own independent decisions to enter into the Transaction and as to whether the Transaction is appropriate or proper for it (including as to any legal, regulatory, tax, accounting or economic consequences arising from the Transaction) based upon its own judgment and upon advice from such advisers as it has deemed necessary (including legal, financial and accounting advisors), (B) Counterparty is not relying on any communication (written or oral) of Dealer or any of its affiliates as investment advice or as a recommendation to enter into the Transaction (it being understood that information and explanations related to the terms and conditions of the Transaction shall not be considered investment advice or a recommendation to enter into the Transaction) and (C) no communication (written or oral) received from Dealer or any of its affiliates shall be deemed to be an assurance or guarantee as to the expected results of the Transaction.
- (ix) Without limiting the generality of Section 13.1 of the Equity Definitions, Counterparty acknowledges that Dealer is not making any representations or warranties with respect to the treatment of the Transaction under ASC Topic 260, *Earnings Per Share*, ASC Topic 815, *Derivatives and Hedging*, ASC Topic 480, *Distinguishing Liabilities from Equity* and ASC Topic 815-40, *Derivatives and Hedging – Contracts in Entity’s Own Equity* (or any successor issue statements), or under any other accounting guidance.
- (x) Counterparty is not entering into the Transaction and will not make any election hereunder for the purpose of (i) creating actual or apparent trading activity in the Shares or Underlying Shares (or any security convertible into or exchangeable for the Shares or Underlying Shares) or (ii) raising or depressing or otherwise manipulating the price of the Shares or Underlying Shares (or any security convertible into or exchangeable for the Shares or Underlying Shares), in either case in violation of the U.S. Securities Exchange Act of 1934, as amended (the “**Exchange Act**”).
- (xi) Counterparty’s filings under the Exchange Act that are required to be filed have been filed and, as of the respective dates thereof and as of the date of this representation, such filings when considered as a whole (with the more recent such filings deemed to amend inconsistent statements contained in any earlier such filings) do not contain any misstatement of a material fact or any omission of a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading.
- (xii) The Transaction, and any repurchase of the Shares and/or Underlying Shares by Counterparty in connection with the Transaction, has been approved by Counterparty’s board of directors and any such repurchase has been, or shall when so required be, publicly disclosed in its periodic filings under the Exchange Act and its financial statements and notes thereto.
- (xiii) To Counterparty’s knowledge, no state or local (including non-U.S. jurisdictions) or non-U.S. federal law, rule, regulation or regulatory order applicable to the Shares or the Issuer would give rise to any reporting, consent, registration or other requirement (including without limitation a requirement to obtain prior approval from any person or entity) as a result of Dealer or its affiliates having the power to vote, owning or holding (however defined) Shares; *provided* that Counterparty makes no representation or warranty regarding any such requirement that is applicable generally to the ownership of equity securities by Dealer solely as a result of it being a financial institution or broker-dealer.
- (xiv) Counterparty shall deliver to Dealer (A) on the Effective Date a customary opinion of Hong Kong counsel that the Transaction does not contravene the Facilities Agreement between Counterparty and Deutsche Bank AG, Hong Kong Branch, as Agent, dated as of May 18, 2017, (B) a customary opinion of Cayman counsel, dated as of such date and reasonably acceptable to Dealer in form and substance, with respect to the matters set forth in Section 3(a)(i)-(iv) of the Agreement and such other matters as Dealer may reasonably request prior to the Trade Date, (C) a resolution of the Counterparty’s board of directors (the “**Board**”)

authorizing the Transaction and (D) on or before the Premium Payment Date, a solvency certificate with respect to Counterparty signed by a member of the Board, the chief executive officer or the chief financial officer of the Counterparty certifying the solvency of Counterparty as of and immediately after the Premium Payment Date (after giving effect to Counterparty's payment of amounts required to be paid by Counterparty on such date under the Transaction and the other transactions described under "Use of Proceeds" in the Offering Memorandum related to the offering of the Convertible Notes), which solvency certificate is reasonably satisfactory to Dealer.

- (xv) Counterparty (A) is capable of evaluating investment risks independently, both in general and with regard to the Transaction; (B) will exercise independent judgment in evaluating the recommendations of any broker-dealer or its associated persons, unless it has otherwise notified the broker-dealer in writing; and (C) has total assets of at least USD50 million.
- (xvi) All of the issued Underlying Shares have been duly and validly authorized and issued and are fully paid and non-assessable and none of the outstanding Underlying Shares have been issued in violation of any pre-emptive or similar rights of any security holder.

Miscellaneous:

No Set-Off. Neither party shall have the right to set off any obligation that it may have to the other party under the Transaction against any obligation such other party may have to it, whether arising under the Agreement, this Confirmation or any other agreement between the parties hereto, by operation of law or otherwise.

Qualified Financial Contracts. It is the intention of the parties that, in respect of Counterparty, (a) the Transaction shall constitute a "qualified financial contract" within the meaning of 12 U.S.C. Section 1821(e)(8)(D)(i) and (b) a Non-defaulting Party's rights under Sections 5 and 6 of the Agreement constitute rights of the kind referred to in 12 U.S.C. Section 1821(e)(8)(A).

Method of Delivery. Whenever delivery of funds or other assets is required hereunder by or to Counterparty, such delivery shall be effected through DBSI. In addition, all notices, demands and communications of any kind relating to the Transaction between Dealer and Counterparty shall be transmitted exclusively through DBSI.

Staggered Settlement. Dealer may, by notice to Counterparty on or prior to any Settlement Date on which Dealer would be required to deliver Shares hereunder (a "Nominal Settlement Date") if Dealer reasonably determines that it would not be advisable to deliver, or to acquire Shares to deliver, any or all of the Shares to be delivered by Dealer on any Settlement Date for the Transaction, elect to deliver such Shares on two or more dates (each, a "Staggered Settlement Date") or at two or more times on the Nominal Settlement Date, in each case only to the extent reasonably necessary, as determined by Dealer in good faith, to avoid an Excess Ownership Position (as defined below), as follows: (i) in such notice, Dealer will specify to Counterparty the related Staggered Settlement Dates (each of which will be on or prior to such Nominal Settlement Date, but not prior to the beginning of the Deemed Conversion Period) or delivery times and how it will allocate the Shares it is required to deliver under "Settlement" above among the Staggered Settlement Dates or delivery times; and (ii) the aggregate number of Shares that Dealer will deliver to Counterparty hereunder on all such Staggered Settlement Dates and delivery times will equal the number of Shares that Dealer would otherwise be required to deliver on such Nominal Settlement Date.

Additional Termination Events.

- (a) The occurrence of (i) an “Event of Default” with respect to Counterparty under the terms of the Convertible Notes as set forth in Section 6.01 of the Indenture, and such event of default results in the Convertible Notes becoming or being declared due and payable pursuant to the Indenture or (ii) an Amendment Event shall be an Additional Termination Event, in each case with the Transaction as the sole Affected Transaction and Counterparty as the sole Affected Party and Dealer as the party entitled to designate an Early Termination Date pursuant to Section 6(b) of the Agreement (which Early Termination Date shall occur as promptly as commercially reasonably practicable but no later than the settlement date under the Indenture for such acceleration in the case of clause (i)). For the avoidance of doubt, the relevant Early Termination Amount in respect of an Amendment Event shall be calculated without giving effect to the relevant amendment.

“**Amendment Event**” means that Counterparty amends, modifies, supplements, waives or obtains a waiver with respect to any term of the Indenture or the Convertible Notes governing the principal amount, coupon, maturity, repurchase obligation of Counterparty, any redemption right of Counterparty, any term relating to conversion of the Convertible Notes (including, without limitation, changes to the conversion rate, conversion settlement dates, conversion rate adjustment provisions or conversion conditions), any term relating to required cancellation of the Convertible Notes or any term that would require consent of the holders of not less than 100% of the principal amount of the Convertible Notes to amend, in each case without the consent of Dealer (such consent not to be unreasonably withheld or delayed); *provided* that entry into a Merger Supplemental Indenture or an amendment pursuant to Section 10.01(h) of the Indenture shall not constitute an Amendment Event.

- (b) Upon any Early Conversion:
- (A) Counterparty shall, within thirty Scheduled Trading Days of the Conversion Date for such Early Conversion, provide written notice (an “**Early Conversion Notice**”) to Dealer specifying the number of Convertible Notes surrendered for conversion on the related Conversion Date (such Convertible Notes, the “**Affected Convertible Notes**”), and the giving of such Early Conversion Notice shall constitute an Additional Termination Event as provided in this clause (b);
- (B) following receipt of any such Early Conversion Notice, Dealer shall designate an Exchange Business Day as an Early Termination Date (which Exchange Business Day shall be on or as promptly as commercially reasonably practicable following the Conversion Date for such Early Conversion) with respect to the portion of the Transaction corresponding to a number of Note Hedging Units (the “**Affected Number of Note Hedging Units**”) equal to the lesser of (x) the number of Affected Convertible Notes and (y) the Number of Note Hedging Units as of the Conversion Date for such Early Conversion;
- (C) any payment hereunder with respect to such termination shall be a payment calculated pursuant to Section 6 of the Agreement as if (x) an Early Termination Date had been designated in respect of a Transaction having terms identical to the Transaction and a Number of Note Hedging Units equal to the Affected Number of Note Hedging Units, (y) Counterparty were the sole Affected Party with respect to such Additional Termination Event and (z) the terminated portion of the Transaction were the sole Affected Transaction.
- (D) for the avoidance of doubt, in determining the amount payable in respect of such Affected Transaction pursuant to Section 6 of the Agreement, Dealer shall assume that (x) the relevant Early Conversion and any conversions, adjustments, agreements, payments, deliveries or acquisitions by or on behalf of Counterparty leading thereto had not occurred, (y) no adjustments to the Conversion Rate have occurred pursuant to any Fundamental Change Adjustment or Discretionary Adjustment and (z) the corresponding Convertible Notes remain outstanding; and

- (E) the Transaction shall remain in full force and effect, except that, as of the Conversion Date for such Early Conversion, the Number of Note Hedging Units shall be reduced by the Affected Number of Note Hedging Units.
- (c) Promptly (but in any event within five Scheduled Trading Days) following any Repurchase Event (as defined below), Counterparty shall notify Dealer of such Repurchase Event and the aggregate principal amount of Convertible Notes subject to such Repurchase Event (any such notice, a “**Convertible Notes Repurchase Notice**”); *provided* that any such Convertible Notes Repurchase Notice shall contain an acknowledgment by Counterparty of its responsibilities under applicable securities laws, and in particular Section 9 and Section 10(b) of the Exchange Act and the rules and regulations thereunder, in respect of such Repurchase Event and the delivery of such Convertible Notes Repurchase Notice; and further *provided* that, if Counterparty provides such notice later than five Scheduled Trading Days following such Repurchase Event and before the date that is 45 Scheduled Trading Days following such Repurchase Event and such delay is due to administrative error or any oversight in good faith, Counterparty shall be deemed to have fulfilled such notice obligation as determined by the Calculation Agent in its commercially reasonable discretion. The receipt by Dealer from Counterparty of any Convertible Notes Repurchase Notice shall constitute an Additional Termination Event as provided in this Section. Upon receipt of any such Convertible Notes Repurchase Notice, Dealer shall designate an Exchange Business Day following receipt of such Convertible Notes Repurchase Notice (which Exchange Business Day shall be on or as promptly as commercially reasonably practicable after the related settlement date for the relevant Repurchase Event) as an Early Termination Date with respect to the portion of the Transaction corresponding to a number of Note Hedging Units (the “**Repurchase Note Hedging Units**”) equal to the lesser of (A) the aggregate principal amount of such Convertible Notes specified in such Convertible Notes Repurchase Notice, divided by USD 1,000 and (B) the Number of Note Hedging Units as of the date Dealer designates such Early Termination Date and, as of such date, the Number of Note Hedging Units shall be reduced by the number of Repurchase Note Hedging Units. Any payment hereunder with respect to such termination (the “**Repurchase Unwind Payment**”) shall be calculated pursuant to Section 6 of the Agreement as if (1) an Early Termination Date had been designated in respect of a Transaction having terms identical to the Transaction and a Number of Note Hedging Units equal to the number of Repurchase Note Hedging Units, (2) Counterparty were the sole Affected Party with respect to such Additional Termination Event and (3) the terminated portion of the Transaction were the sole Affected Transaction (and, for the avoidance of doubt, (1) the provisions of the Section entitled “Alternative Calculations and Dealer Payment on Early Termination and on Certain Extraordinary Events” shall apply to any amount that is payable by Dealer to Counterparty pursuant to this clause (c) as if Counterparty was not the Affected Party and (2) in determining the amount payable in respect of such Affected Transaction pursuant to Section 6 of the Agreement, Dealer shall assume that (x) the relevant Repurchase Event and any conversions, adjustments, agreements, payments, deliveries or acquisitions by or on behalf of Counterparty leading thereto had not occurred, (y) no adjustments to the Conversion Rate have occurred pursuant to any Fundamental Change Adjustment or Discretionary Adjustment and (z) the corresponding Convertible Notes remain outstanding). “**Repurchase Event**” means that (i) any Convertible Notes are repurchased (whether pursuant to Section 15.01 or Section 15.02 of the Indenture or otherwise) by Counterparty or any of its subsidiaries, (ii) any Convertible Notes are delivered to Counterparty in exchange for delivery of any property or assets of Counterparty or any of its subsidiaries (howsoever described), (iii) any principal of any of the Convertible Notes is repaid prior to the final maturity date of the Convertible Notes (other than upon acceleration of the Convertible Notes described in clause (a) of this Section), or (iv) any Convertible Notes are exchanged by or for the benefit of the holders thereof for any other securities of Counterparty or any of its affiliates (or any other property, or any combination thereof) pursuant to any exchange offer or similar transaction; *provided* that any conversion of Convertible Notes pursuant to the terms of the Indenture shall not constitute a Repurchase Event.

Amendments and Additions to Equity Definitions. (i) For the purposes of this Confirmation the following definitions will apply:

“**Depositary**” means, in relation to the Shares, Citibank, N.A., or any successor thereto from

time to time.

“Deposit Agreement” means, (i) that certain Deposit Agreement by and among Underlying Shares Issuer, Depository and the holders and beneficial owners of the Shares and (ii) the other agreements or other instruments constituting the Shares, as from time to time amended or supplemented in accordance with their terms.

“DS Amendment” means, where specified as applicable to a definition or provision, that the following changes shall be made to such definition or provision: (a) all references to “Shares” shall be deleted and replaced with the words “Shares and/or the Underlying Shares, as appropriate”; and (b) all references to “Issuer” shall be deleted and replaced with the words “Issuer or Underlying Shares Issuer, as appropriate”.

“Replacement DSs” means depositary shares or receipts, other than the Shares, over the same Underlying Shares.

(ii) The following amendments shall be made to the Equity Definitions:

- (A) The definition of Potential Adjustment Event in Section 11.2(e) of the Equity Definitions shall be amended as follows:
 - (i) the DS Amendment shall be applicable, provided that an event under Section 11.2(e)(i) to (vii) of the Equity Definitions in respect of the Underlying Shares shall not constitute a Potential Adjustment Event unless, in the opinion of the Calculation Agent, such event has a material effect on the theoretical value of the Shares; and
 - (ii) (A) ‘or’ shall be deleted where it appears at the end of subsection (vi);
 - (B) ‘.’ shall be deleted where it appears at the end of subsection (vii) and replaced with ‘;’;
 - (C) the following shall be inserted as subsection (viii): “(viii) the making of any amendment or supplement to the terms of the Deposit Agreement; or”; and
 - (D) the following shall be inserted as provision (ix): “(ix) any other event as a result of an action by the Depository outside of the control of Counterparty and as a result of which (1) the Shares represent fewer or more Underlying Shares than, and/or any property or assets in addition to, or as a whole or partial replacement of, in each case, the number of Underlying Shares represented by the Shares prior to such event and (2) there is no corresponding adjustment to the Convertible Notes.”
- (B) In making any adjustment following any Potential Adjustment Event, the Calculation Agent may, but is not required to, have reference to (among other factors) any adjustment made by the Depository under the Deposit Agreement, any fees and/or expenses of the Depository and any withholding or deduction of taxes, in each case, in connection with any Potential Adjustment Event.
- (C) If a Potential Adjustment Event occurs under Section 11.2(e)(viii) of the Equity Definitions (as amended by this Confirmation), then the following further amendments shall be deemed to be made to Section 11.2(c) of the Equity Definitions in respect of such Potential Adjustment Event:
 - (i) the words “the Calculation Agent will determine whether such Potential Adjustment Event has a material effect on the theoretical value of the relevant Shares, options on

the Shares or the Transaction” shall be deleted and replaced with the words “the Calculation Agent will determine whether such Potential Adjustment Event has an economic effect on such Transaction”; and

- (ii) the words “as the Calculation Agent determines appropriate to account for that material effect” shall be deleted and replaced with the words “as the Calculation Agent determines appropriate to account for such economic effect on such Transaction”.
- (D) The definitions of “Merger Event”, “Announcement Date”, “Share-for-Share”, “Share-for-Other” and “Share-for-Combined” in Section 12.1 of the Equity Definitions shall be amended in accordance with the DS Amendment.
 - (E) In making any adjustment in respect of a Merger Event or Announcement Event in relation to the Underlying Shares, the Calculation Agent may, but is not required to, in determining any adjustment pursuant to Modified Calculation Adjustment, have reference to (amongst other factors) any adjustment made by the Depositary under the Deposit Agreement, any fees and/or expenses of the Depositary and any withholding or deduction of taxes in each case in connection with any Merger Event or Announcement Event.
 - (F) The definitions of Nationalization and Insolvency in Section 12.6 of the Equity Definitions shall be amended in accordance with the DS Amendment.
 - (G) The consequence of a Nationalization or Insolvency in respect of the Depositary shall be Cancellation and Payment.
 - (H) If a Delisting of the Shares occurs or the Depositary announces that the Deposit Agreement is (or will be) terminated, then:
 - (i) Cancellation and Payment will apply as provided in this Confirmation; *provided* that, if the Convertible Notes remain outstanding with respect to Replacement DSs, the Calculation Agent shall determine whether a replacement of the Shares with Replacement DSs or the Underlying Shares should take place and that one or more terms of the Transaction should be amended to preserve the fair value of the Transaction to the parties and if the Calculation Agent so determines, then Cancellation and Payment shall not apply in respect of such Delisting or termination of the Deposit Agreement, as applicable, and references to Shares herein shall be replaced by references to such Replacement DSs or the Underlying Shares, as applicable, with such amendments as shall be determined by the Calculation Agent; and
 - (ii) where Cancellation and Payment applies under (H)(i) above in respect of a termination of the Deposit Agreement, the Equity Definitions shall be interpreted as follows: (i) such termination shall be deemed to be an “Extraordinary Event”; (ii) Cancellation and Payment shall apply as defined in Section 12.6(c)(ii) of the Equity Definitions; and (iii) the definition of “Announcement Date” in Section 12.1(l) of the Equity Definitions shall include the following additional clause (vii) at the end of the first sentence thereof: “(vii) in the case of a termination of the Deposit Agreement, the date of the first public announcement by the Depositary that the Deposit Agreement is (or will be) terminated”.
 - (I) The definition of “Hedging Disruption” in the Equity Definitions shall be amended as follows:
 - (i) the words “any transaction(s) or asset(s) it deems necessary to hedge the equity price risk of entering into and performing its obligations with respect to the relevant Transaction” shall be deleted and replaced with the words “(x) any Share(s) or any

transaction(s) referencing any Share(s), that, in each case, it deems necessary to hedge the equity price risk and/or, (y) to the extent the Underlying Shares are listed on an exchange outside of the U.S., any transaction(s) or asset(s) it deems necessary to hedge the foreign exchange risk with respect to such Underlying Shares, in each case, of entering into and performing its obligations with respect to the relevant Transaction.”

- (J) The definition of “Insolvency Filing” in Section 12.9(a)(iv) of the Equity Definitions shall be amended in accordance with the DS Amendment.
- (K) For the avoidance of doubt, where a provision is amended by this Section in accordance with the DS Amendment, if the event described in such provision occurs in respect of the Underlying Shares or Underlying Shares Issuer, then the consequence of such event shall be interpreted consistently with the DS Amendment and such event.
- (L) Section 11.2(e)(vii) of the Equity Definitions is hereby amended by deleting the words “a diluting or concentrative” and replacing them with the words “a material” and adding the phrase “or the Note Hedging Units” at the end of the sentence.

Status of Claims in Bankruptcy. Dealer acknowledges and agrees that this Confirmation is not intended to convey to Dealer rights with respect to the Transaction that are senior to the claims of common or ordinary shareholders in any bankruptcy proceedings of Counterparty; *provided* that nothing herein shall limit or shall be deemed to limit Dealer’s right to pursue remedies in the event of a breach by Counterparty of its obligations and agreements with respect to the Transaction other than during Counterparty’s bankruptcy; *provided, further*, that nothing herein shall limit or shall be deemed to limit Dealer’s rights in respect of any transactions other than the Transaction.

No Collateral. Notwithstanding any provision of this Confirmation, the Agreement, Equity Definitions, or any other agreement between the parties to the contrary, the obligations of Counterparty under the Transaction are not secured by any collateral.

Securities Contract; Swap Agreement. The parties hereto agree and acknowledge that Dealer is a “financial institution,” “swap participant” and “financial participant” within the meaning of Sections 101(22), 101(53C) and 101(22A) of the Bankruptcy Code. The parties hereto further agree and acknowledge (A) that this Confirmation is (i) a “securities contract,” as such term is defined in Section 741(7) of the Bankruptcy Code, with respect to which each payment and delivery hereunder or in connection herewith is a “termination value,” “payment amount” or “other transfer obligation” within the meaning of Section 362 of the Bankruptcy Code and a “settlement payment” or a “transfer” within the meaning of Section 546 of the Bankruptcy Code, and (ii) a “swap agreement,” as such term is defined in Section 101(53B) of the Bankruptcy Code, with respect to which each payment and delivery hereunder or in connection herewith is a “termination value,” a “payment amount” or “other transfer obligation” within the meaning of Section 362 of the Bankruptcy Code and a “transfer” within the meaning of Section 546 of the Bankruptcy Code, and (B) that Dealer is entitled to the protections afforded by, among other sections, Section 362(b)(6), 362(b)(17), 362(b)(27), 362(o), 546(e), 546(g), 546(j), 548(d)(2), 555, 560 and 561 of the Bankruptcy Code.

Repurchase Notices. Counterparty shall, on any day on which Counterparty effects any repurchase of Shares or Underlying Shares, provide Dealer with a written notice of such repurchase (a “**Repurchase Notice**”) on such day if, following such repurchase, the Unit Equity Percentage as determined on such day is (a) equal to or greater than 8% and (b) greater by 0.5 % or more than the Unit Equity Percentage included in the immediately preceding Repurchase Notice (or, in the case of the first such Repurchase Notice, greater by 0.5% or more than the Unit Equity Percentage as of the date hereof). The “**Unit Equity Percentage**” as of any day is the fraction, expressed as a percentage, (i) the numerator of which is the sum of (A) the product of the number of Note Hedging Units and the Note Hedging Unit Entitlement and (B) the number of Underlying Shares underlying any other call option transaction between Dealer as seller and Counterparty as buyer, and (ii) the denominator of which is the number of Underlying Shares outstanding on such day. Counterparty agrees that if Counterparty ceases to qualify as a “foreign private issuer” as defined in Rule 3b-4 under the Exchange Act, Counterparty will (to the fullest extent

permitted by applicable law) indemnify and hold harmless Dealer and its affiliates and their respective officers, directors, employees, advisors, agents and controlling persons (each, a “**Section 16 Indemnified Person**”) from and against any and all losses (including losses relating to Dealer’s hedging activities as a consequence of becoming, or of the risk of becoming, a Section 16 “insider”, including without limitation, any forbearance from hedging activities or cessation of hedging activities and any losses in connection therewith with respect to the Transaction), claims, damages, judgments, liabilities and expenses (including reasonable attorney’s fees), joint or several, to which a Section 16 Indemnified Person may become subject, as a result of Counterparty’s failure to provide Dealer with a Repurchase Notice on the day and in the manner specified in this paragraph, and to reimburse, within 30 days upon written request, each of such Section 16 Indemnified Persons for any reasonable and documented out-of-pocket legal or other expenses incurred in connection with investigating, preparing for, providing testimony or other evidence in connection with or defending any of the foregoing. If any suit, action, proceeding (including any governmental or regulatory investigation), claim or demand shall be brought or asserted against the Section 16 Indemnified Person in respect of the foregoing, such Section 16 Indemnified Person shall promptly notify Counterparty in writing, and Counterparty, upon request of the Section 16 Indemnified Person, shall retain counsel reasonably satisfactory to the Section 16 Indemnified Person to represent the Section 16 Indemnified Person and any others Counterparty may designate in such proceeding and shall pay the fees and expenses of such counsel related to such proceeding. Counterparty shall not be liable for any settlement of any proceeding contemplated by this paragraph that is effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, Counterparty agrees to indemnify any Section 16 Indemnified Person from and against any loss or liability by reason of such settlement or judgment. Counterparty shall not, without the prior written consent of the Section 16 Indemnified Person, effect any settlement of any pending or threatened proceeding contemplated by this paragraph that is in respect of which any Section 16 Indemnified Person is or could have been a party and indemnity could have been sought hereunder by such Section 16 Indemnified Person, unless such settlement includes an unconditional release of such Section 16 Indemnified Person from all liability on claims that are the subject matter of such proceeding on terms reasonably satisfactory to such Section 16 Indemnified Person. If the indemnification provided for in this paragraph is unavailable to a Section 16 Indemnified Person or insufficient in respect of any losses, claims, damages or liabilities referred to therein, then Counterparty, in lieu of indemnifying such Section 16 Indemnified Person thereunder, shall contribute to the amount paid or payable by such Section 16 Indemnified Person as a result of such losses, claims, damages or liabilities. The remedies provided for in this paragraph are not exclusive and shall not limit any rights or remedies that may otherwise be available to any Section 16 Indemnified Person at law or in equity. The indemnity and contribution agreements contained in this paragraph shall remain operative and in full force and effect regardless of the termination of the Transaction.

Alternative Calculations and Dealer Payment on Early Termination and on Certain Extraordinary Events. If Dealer owes Counterparty any amount in connection with the Transaction pursuant to Sections 12.2 (and “Consequences of Merger Events” above), 12.6, 12.7 or 12.9 of the Equity Definitions (in each case, except in the case of an Extraordinary Event (x) that is within Counterparty’s control or (y) as a result of which the Shares or Underlying Shares have changed or will be changed into solely cash) or pursuant to Section 6(d)(ii) of the Agreement (in each case, except in the case of an Event of Default in which Counterparty is the Defaulting Party or a Termination Event in which Counterparty is the Affected Party, other than an Event of Default or a Termination Event that resulted from an event or events outside Counterparty’s control, an Early Conversion or a Repurchase Event) (a “**Dealer Payment Obligation**”), Dealer shall satisfy any such Dealer Payment Obligation by delivery of Termination Delivery Units (as defined below), unless Counterparty (A) gives irrevocable telephonic notice to Dealer, confirmed in writing within one Scheduled Trading Day, between the hours of 9:00 a.m. and 4:00 p.m. New York time on the Early Termination Date or other date the Transaction is terminated, as applicable, that such Dealer Payment Obligation should be satisfied by delivery of cash and (B) remakes the representation set forth under “No Material Non-Public Information” below on the date of such notice. If Dealer shall deliver Termination Delivery Units as set forth herein, within a commercially reasonable period of time following the determination by Dealer of the number of Termination Delivery Units, Dealer shall deliver to Counterparty such number of Termination Delivery Units, and the provisions of Sections 9.8, 9.9, 9.11 (in each case, modified as described above) and 9.12 of the Equity Definitions shall be applicable, except that all references to “Shares” shall be read as references to “Termination Delivery Units”. The number of Termination Delivery Units shall be determined by Dealer as the amount of the Dealer Payment Obligation that would have been otherwise due in USD *divided by* the value of one Termination Delivery Unit, as determined by Dealer in its discretion by commercially reasonable means, including the purchase price paid in connection with the purchase

of any such Termination Delivery Unit (such value, the “**Termination Delivery Unit Price**”). The Calculation Agent shall adjust the Termination Delivery Units by replacing any fractional portion of a security therein with an amount of cash equal to the value of such fractional security as determined by the Calculation Agent based on the values used to calculate the Termination Delivery Unit Price.

“**Termination Delivery Unit**” means one Share or, if the Shares or Underlying Shares have changed into cash or any other property or the right to receive cash or any other property as the result of an Insolvency, Nationalization or Merger Event, a unit consisting of the number or amount of each type of property received by a holder of one Share (without consideration of any requirement to pay cash or other consideration in lieu of fractional amounts of any securities) in such Insolvency, Nationalization or Merger Event, as determined by the Calculation Agent. If such Insolvency, Nationalization or Merger Event involves a choice of consideration to be received by holders, the Calculation Agent shall determine the composition of such consideration in a commercially reasonable manner.

Regulation M. Counterparty is not on the date hereof engaged in a distribution, as such term is used in Regulation M under the Exchange Act, of any securities of Counterparty (for the avoidance of doubt including Shares and Underlying Shares) other than a distribution meeting the requirements of the exception set forth in Sections 101(b)(10) and 102(b)(7) of Regulation M under the Exchange Act. Counterparty shall not, until the second Scheduled Trading Day immediately following the Effective Date, engage in any such distribution.

No Material Non-Public Information. Counterparty represents and warrants to Dealer that it is not aware of any material nonpublic information concerning itself, the Shares or the Underlying Shares.

Right to Extend. Dealer may postpone any potential Exercise Date or Settlement Date or postpone or extend any other date of valuation or delivery with respect to some or all of the relevant Note Hedging Units (in which event the Calculation Agent shall make appropriate adjustments to the Settlement Amount for such Note Hedging Units), if Dealer determines, in its commercially reasonable discretion and, in the case of clause (a), based on the advice of counsel, that (a) a Regulatory Disruption has occurred or (b) such extension is reasonably necessary or appropriate to (i) preserve Dealer’s hedging or hedge unwind activity hereunder in light of existing liquidity conditions (but only if there is a material decrease in liquidity relative to Dealer’s expectations on the Trade Date) or (ii) enable Dealer to effect transactions with respect to the Shares or Underlying Shares in connection with its hedging, hedge unwind or settlement activity hereunder in a manner that would, if Dealer were the Issuer or an affiliated purchaser of the Issuer, be in compliance with applicable legal, regulatory or self-regulatory requirements, or with related policies and procedures adopted in good faith by Dealer (so long as such policies and procedures would generally be applicable to counterparties similar to Counterparty and transactions similar to the Transaction); *provided* that no such Exercise Date, Settlement Date or other date of valuation or delivery shall be extended more than 50 Trading Days after the original such date. “**Regulatory Disruption**” shall mean any event that Dealer reasonably determines, based on advice of counsel, makes it appropriate with regard to any legal, regulatory or self-regulatory requirements or related policies and procedures (whether or not such requirements, policies or procedures are imposed by law or have been voluntarily adopted by Dealer), for Dealer to refrain from or decrease any market activity in connection with the Transaction; *provided* that Dealer shall use its commercially reasonable best efforts to avoid a Regulatory Disruption that is solely within its control.

Transfer or Assignment. Either party may transfer or assign any of its rights or obligations under the Transaction with the prior written consent of the non-transferring party, such consent not to be unreasonably withheld or delayed. For the avoidance of doubt, Dealer may condition its consent on any of the following, without limitation: (i) the receipt by Dealer of opinions and documentation reasonably satisfactory to Dealer in connection with such transfer, (ii) such transfer being effected on terms reasonably satisfactory to Dealer with respect to any legal and regulatory requirements relevant to Dealer, (iii) that, in Dealer’s reasonable determination, Dealer will not be required, as a result of such transfer, to pay the transferee an amount under Section 2(d)(i)(4) of the Agreement greater than the amount, if any, that Dealer would have been required to pay to Counterparty in the absence of such transfer, (iv) that, in Dealer’s reasonable determination, no Event of Default, Potential Event of Default or Termination Event will occur as a result of such transfer and (v) that Counterparty will continue to be obligated to provide notices hereunder relating to the Convertible Notes and will continue to be obligated under the provisions set forth under “Repurchase Notices” herein. Notwithstanding the foregoing, Dealer may, without Counterparty’s consent, transfer or assign all of its rights and obligations under

the Transaction to Deutsche Bank AG, Frankfurt Branch (“Permitted Transferee”) so long as (1) the Permitted Transferee and Dealer are treated as a single entity for purposes of their long-term credit rating or the Permitted Transferee has a separate long-term credit rating that is equal to or better than Dealer’s long-term credit rating at the time of such transfer or assignment; (2) an Event of Default, Potential Event of Default or Termination Event will not occur as a result of such transfer or assignment; and (3) (x) Counterparty will not be required, as a result of such transfer or assignment, to pay the Permitted Transferee on any payment date an amount under Section 2(d)(i)(4) of the Agreement greater than the amount, if any, that Counterparty would have been required to pay Dealer in the absence of such transfer or assignment and (y) Dealer shall cause the Permitted Transferee to make such Payee Tax Representations and to provide such tax documentation as may be reasonably requested by Counterparty to permit Counterparty to determine that events described in sub-clause (x) of this clause (3) will not occur upon or after such transfer or assignment. Dealer shall be responsible for all reasonable costs and expenses, including reasonable counsel fees, incurred by Counterparty in connection with such transfer or assignment.

If, (a) at any time (1) the Equity Percentage exceeds 9% or (2) Dealer, Dealer Group (as defined below) or any person whose ownership position would be aggregated with that of Dealer or Dealer Group (Dealer, Dealer Group or any such person, a “**Dealer Person**”) under any federal, state or local (including non-U.S.) laws, rules, regulations or regulatory orders, or any organizational documents or contracts of Counterparty that are, in each case, applicable to ownership of Shares or Underlying Shares (excluding those arising under Sections 13 or 16 of the Exchange Act, “**Applicable Restrictions**”), owns, beneficially owns, constructively owns, controls, holds the power to vote or otherwise meets a relevant definition of ownership in connection with a transaction with Counterparty in excess of a number of Shares and/or Underlying Shares, as applicable equal to (x) the number of Shares or Underlying Shares, as applicable that would give rise to reporting, registration, filing or notification obligations or other requirements (including obtaining prior approval by a state, federal or non-U.S. regulator) of a Dealer Person, in each case that is reasonably likely to result in an adverse effect on a Dealer Person, under Applicable Restrictions, as reasonably determined by Dealer, and with respect to which such requirements have not been met or the relevant approval has not been received *minus* (y) 1% of the number of Shares or Underlying Shares, as applicable, outstanding on the date of determination (either such condition described in clause (1) or (2), an “**Excess Ownership Position**”), and (b) Dealer is unable, after commercially reasonable efforts, to effect a transfer or assignment on pricing and terms and within a time period reasonably acceptable to it of all or a portion of the Transaction pursuant to the preceding paragraph such that an Excess Ownership Position no longer exists, Dealer may designate any Scheduled Trading Day as an Early Termination Date with respect to a portion (the “**Terminated Portion**”) of the Transaction, such that an Excess Ownership Position no longer exists following such partial termination. In the event that Dealer so designates an Early Termination Date with respect to a portion of the Transaction, a payment shall be made pursuant to Section 6 of the Agreement as if (i) an Early Termination Date had been designated in respect of a Transaction having terms identical to the Transaction and a Number of Note Hedging Units equal to the Terminated Portion, (ii) Counterparty shall be the sole Affected Party with respect to such partial termination and (iii) such Transaction shall be the only Terminated Transaction (and, for the avoidance of doubt, the provisions set forth under the caption “Alternative Calculations and Dealer Payment on Early Termination and on Certain Extraordinary Events” shall apply to any amount that is payable by Dealer to Counterparty pursuant to this sentence). The “**Equity Percentage**” as of any day is the fraction, expressed as a percentage, (A) the numerator of which is the number of Underlying Shares that Dealer and any of its affiliates subject to aggregation with Dealer for purposes of the “beneficial ownership” test under Section 13 of the Exchange Act and all persons who may form a “group” (within the meaning of Rule 13d-5(b)(1) under the Exchange Act) with Dealer (collectively, “**Dealer Group**”) “beneficially own” (within the meaning of Section 13 of the Exchange Act) in connection with a transaction with Counterparty without duplication on such day (or to the extent that the equivalent calculation under Section 16 of the Exchange Act and the rules and regulations thereunder results in a higher number, such number) and (B) the denominator of which is the number of Underlying Shares outstanding on such day.

Designation by Dealer. Notwithstanding any other provision in this Confirmation to the contrary requiring or allowing Dealer to purchase, sell, receive or deliver any Shares or other securities to or from Counterparty, Dealer may designate any of its affiliates to purchase, sell, receive or deliver such Shares or other securities and otherwise to perform Dealer’s obligations in respect of the Transaction and any such designee may assume such obligations. Dealer shall be discharged of its obligations to Counterparty solely to the extent of any such performance; *provided* that Dealer’s obligations shall be reinstated, as though such performance had not

been rendered by such affiliate, in the event and to the extent Counterparty is required to repay or reimburse the amount of value of any payment or other performance by such affiliate on the grounds of the insolvency or other legal, regulatory or contractual constraint on the affiliate's payment or performance of such obligation.]

Service of Process. Counterparty hereby appoints Cogeny Global Inc., 10 E. 40th Street, 10th Floor, New York, New York 10016, United States of America to receive, for it and on its behalf, service of process in any Proceedings.

Severability; Illegality. Notwithstanding anything to the contrary in the Agreement, if compliance by either party with any provision of the Transaction would be unenforceable or illegal, (a) the parties shall negotiate in good faith to resolve such unenforceability or illegality in a manner that preserves the economic benefits of the transactions contemplated hereby and (b) the other provisions of the Transaction shall not be invalidated, but shall remain in full force and effect.

Waiver of Jury Trial. EACH PARTY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY SUIT, ACTION OR PROCEEDING RELATING TO THE TRANSACTION. EACH PARTY (I) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF THE OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF SUCH A SUIT, ACTION OR PROCEEDING, SEEK TO ENFORCE THE FOREGOING WAIVER AND (II) ACKNOWLEDGES THAT IT AND THE OTHER PARTY HAVE BEEN INDUCED TO ENTER INTO THE TRANSACTION, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS PROVIDED HEREIN.

Agreements and Acknowledgements Regarding Hedging. Counterparty understands, acknowledges and agrees that: (A) at any time on and prior to the Expiration Date, Dealer and its affiliates may buy or sell Shares, Underlying Shares or other securities or buy or sell options or futures contracts or enter into swaps or other derivative securities in order to adjust its hedge position with respect to the Transaction; (B) Dealer and its affiliates also may be active in the market for Shares or Underlying Shares other than in connection with hedging activities in relation to the Transaction; (C) Dealer shall make its own determination as to whether, when or in what manner any hedging or market activities in securities of Issuer shall be conducted and shall do so in a manner that it deems appropriate to hedge its price and market risk with respect to the Daily VWAP; and (D) any market activities of Dealer and its affiliates with respect to Shares or Underlying Shares may affect the market price and volatility of Shares or Underlying Shares, as well as the Daily VWAP, each in a manner that may be adverse to Counterparty.

Early Unwind. In the event the sale of the "Firm Notes" (as defined in the Purchase Agreement) is not consummated with the initial purchasers thereof for any reason by the close of business in New York on November 3, 2017 (or such later date as agreed upon by the parties) (November 3, 2017 or such later date as agreed upon being the "**Early Unwind Date**"), the Transaction shall automatically terminate (the "**Early Unwind**") on the Early Unwind Date and (a) the Transaction and all of the respective rights and obligations of Dealer and Counterparty under the Transaction shall be cancelled and terminated and (b) each party shall be released and discharged by the other party from and agrees not to make any claim against the other party with respect to any obligations or liabilities of the other party arising out of and to be performed in connection with the Transaction either prior to or after the Early Unwind Date; *provided* that, if such an Early Unwind is solely due to an event within Counterparty's control, Counterparty shall purchase from Dealer on the Early Unwind Date all Shares and Underlying Shares purchased by Dealer or one or more of its affiliates, and assume, or reimburse the cost of, derivatives and other hedging activities entered into by Dealer or one or more of its affiliates, in each case, in connection with hedging of the Transaction and the unwind of such hedging activities. The amount payable by Counterparty shall be Dealer's (or its affiliates) actual cost of such Shares and Underlying Shares and unwind cost of such derivatives and other hedging activities as Dealer informs Counterparty and shall be paid in immediately available funds on the Early Unwind Date. Dealer and Counterparty represent and acknowledge to the other that, subject to the proviso included in the second preceding sentence, upon an Early Unwind, all obligations with respect to the Transaction shall be deemed fully and finally discharged.

Payment by Counterparty. In the event that, following payment of the Premium, (i) an Early Termination Date occurs or is designated with respect to the Transaction as a result of a Termination Event or an Event of Default (other than an Event of Default arising under Section 5(a)(ii) or 5(a)(iv) of the Agreement) and, as a result, Counterparty owes to Dealer an amount calculated under Section 6(e) of the Agreement, or (ii) Counterparty owes to Dealer pursuant to Section 12.7 or 12.9 of the Equity Definitions or this Confirmation, an amount calculated under Section 12.8 of the Equity Definitions), such amount shall be deemed to be zero.

Other Adjustments Pursuant to the Equity Definitions. Notwithstanding anything to the contrary in this Confirmation, solely for the purpose of adjusting the Cap Price, the term “Merger Event” shall have the meaning assigned to such term in the Equity Definitions (as amended above), and upon the occurrence of a Merger Date, as such term is defined in the Equity Definitions, the Calculation Agent may adjust the Cap Price to preserve the fair value of the Note Hedging Units to Dealer; *provided* that in no event shall the Cap Price be less than the Strike Price; *provided, further*, that any adjustment to the Cap Price made pursuant to this Section shall be made without duplication of any other adjustment or determination hereunder (including, for the avoidance of doubt, adjustments or determinations made in accordance with “Method of Adjustment,” “Consequences of Merger Events” and “Consequences of Announcement Events” above).

2013 EMIR Portfolio Reconciliation, Dispute Resolution and Disclosure Protocol. The parties agree that the terms of the 2013 EMIR Portfolio Reconciliation, Dispute Resolution and Disclosure Protocol published by ISDA on July 19, 2013 (“**Protocol**”) apply to the Agreement as if the parties had adhered to the Protocol without amendment. In respect of the Attachment to the Protocol, (i) the definition of “Adherence Letter” shall be deemed to be deleted and references to “Adherence Letter” shall be deemed to be to this section (and references to “such party’s Adherence Letter” and “its Adherence Letter” shall be read accordingly), (ii) references to “adheres to the Protocol” shall be deemed to be “enters into this Agreement”, (iii) references to “Protocol Covered Agreement” shall be deemed to be references to this Agreement (and each “Protocol Covered Agreement” shall be read accordingly), and (iv) references to “Implementation Date” shall be deemed to be references to the date of this Agreement. For the purposes of this section:

- (a) Dealer is a Portfolio Data Sending Entity and Counterparty is a Portfolio Data Receiving Entity;
- (b) Dealer and Counterparty may use a Third Party Service Provider, and each of Dealer and Counterparty consents to such use including the communication of the relevant data in relation to Dealer and Counterparty to such Third Party Service Provider for the purposes of the reconciliation services provided by such entity.
- (c) The Local Business Days for such purposes in relation to Dealer are New York, London, Frankfurt, Tokyo and Singapore and in relation to Counterparty are Shanghai, Singapore and Hong Kong;
- (d) The provisions in this paragraph shall survive the termination of this Transaction.
- (e) The following are the applicable email addresses.

Portfolio Data:	Dealer: collateral.disputes@db.com
	Counterparty: teoneechuan@huazhu.com Wunengjiao002@huazhu.com
Notice of discrepancy:	Dealer: collateral.disputes@db.com
	Counterparty: teoneechuan@huazhu.com Wunengjiao002@huazhu.com
Dispute Notice:	Dealer: collateral.disputes@db.com
	Counterparty: teoneechuan@huazhu.com Wunengjiao002@huazhu.com

NFC Representation Protocol. The parties agree that the provisions set out in the Attachment to the ISDA 2013 EMIR NFC Representation Protocol published by ISDA on March 8, 2013 (the “**NFC Representation Protocol**”) shall apply to the Agreement as if each party were an Adhering Party under the terms of the NFC Representation Protocol. In respect of the Attachment to the Protocol, (i) the definition of “Adherence Letter” shall be deemed to be deleted and references to “Adherence Letter” shall be deemed to be to this section (and references to “the relevant Adherence Letter” and “its Adherence Letter” shall be read accordingly), (ii) references to “adheres to the Protocol” shall be deemed to be “enters into this Agreement”, (iii) references to “Covered Master Agreement” shall be deemed to be references to this Agreement (and each “Covered Master Agreement” shall be read accordingly), and (iv) references to “Implementation Date” shall be deemed to be references to the date of this Agreement. Counterparty confirms that it enters into this Agreement as a party making the NFC Representation (as such term is defined in the NFC Representation Protocol). Counterparty shall promptly notify Dealer of any change to its status as a party making the NFC Representation.

Transaction Reporting - Consent for Disclosure of Information. Notwithstanding anything to the contrary herein or in the Agreement or any non-disclosure, confidentiality or other agreements entered into between the parties from time to time, each party hereby consents to the Disclosure of information (the “**Reporting Consent**”):

- (a) to the extent required by, or necessary in order to comply with, any applicable law, rule or regulation which mandates Disclosure of transaction and similar information or to the extent required by, or necessary in order to comply with, any order, request or directive regarding Disclosure of transaction and similar information issued by any relevant authority or body or agency (“**Reporting Requirements**”); or
- (b) to and between the other party’s head office, branches or affiliates; to any person, agent, third party or entity who provides services to such other party or its head office, branches or affiliates; to a Market; or to any trade data repository or any systems or services operated by any trade repository or Market, in each case, in connection with such Reporting Requirements.

“**Disclosure**” means disclosure, reporting, retention, or any action similar or analogous to any of the aforementioned.

“**Market**” means any exchange, regulated market, clearing house, central clearing counterparty or multilateral trading facility.

Disclosures made pursuant to this Reporting Consent may include, without limitation, Disclosure of information relating to disputes over transactions between the parties, a party’s identity, and certain transaction and pricing data and may result in such information becoming available to the public or recipients in a jurisdiction which may have a different level of protection for personal data from that of the relevant party’s home jurisdiction.

This Reporting Consent shall be deemed to constitute an agreement between the parties with respect to Disclosure in general and shall survive the termination of this Confirmation. No amendment to or termination of this Reporting Consent shall be effective unless such amendment or termination is made in writing between the parties and specifically refers to this Reporting Consent.

Taxes, Foreign Account Tax Compliance Act and HIRE Act. Counterparty is classified as a corporation for the U.S. federal income tax purposes. No income received or to be received under this Agreement will be effectively connected with the conduct of a trade or business by Counterparty in the United States. Counterparty is a “non-U.S. branch of a foreign person” as that term is used in Section 1.1441-4(a)(3)(ii) of the United States Treasury Regulations (the “**Regulations**”), and it is a “foreign person” as that term is used in Section 1.6041-4(a)(4) of the Regulations. The term “Indemnifiable Tax” as defined in Section 14 of this Agreement shall not include any U.S. federal withholding tax imposed or collected pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in

connection with the implementation of such Sections of the Code (a “**FATCA Withholding Tax**”). For the avoidance of doubt, a FATCA Withholding Tax is a Tax the deduction or withholding of which is required by applicable law for the purposes of Section 2(d) of this Agreement. The parties agree that the definitions and provisions contained in the ISDA 2015 Section 871(m) Protocol, as published by the International Swaps and Derivatives Association, Inc. and as may be amended, supplemented, replaced or superseded from time to time (the “**871(m) Protocol**”) shall apply to this Agreement as if the parties had adhered to the 871(m) Protocol as of the effective date of this Agreement. If there is any inconsistency between this provision and a provision in any other agreement executed between the parties, this provision shall prevail unless such other agreement expressly overrides the provisions of the 871(m) Protocol. Each of Dealer and Counterparty shall provide to the other party tax forms and documents required to be delivered pursuant to Sections 1471(b) or Section 1472(b)(1) of the Code promptly upon request by the other party and any other tax forms and documents they are legally able to provide that are reasonably requested by the other party.

U.S. Tax Forms. Without limiting the generality of the foregoing, Counterparty will provide a US Tax Form W-8BEN-E upon the execution of this Agreement and promptly upon reasonable demand by Dealer.

Governing Law; Jurisdiction. THIS CONFIRMATION AND ANY CLAIM, CONTROVERSY OR DISPUTE ARISING UNDER OR RELATED TO THIS CONFIRMATION SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK. THE PARTIES HERETO IRREVOCABLY SUBMIT TO THE EXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK AND THE UNITED STATES COURT FOR THE SOUTHERN DISTRICT OF NEW YORK IN CONNECTION WITH ALL MATTERS RELATING HERETO AND WAIVE ANY OBJECTION TO THE LAYING OF VENUE IN, AND ANY CLAIM OF INCONVENIENT FORUM WITH RESPECT TO, THESE COURTS.

Resolution Stay Protocol. Subject to the below, the provisions set out in the Attachment to the ISDA 2015 Universal Resolution Stay Protocol as published by the International Swaps and Derivatives Association on 4 November 2015 (“**Protocol**”), and any additional Country Annex that has been published from time to time and to which Counterparty has adhered are, mutadis mutandis, incorporated by reference, into this Agreement as though such provisions and definitions were set out in full herein, with any such conforming changes as are necessary to deal with what would otherwise be inappropriate or incorrect cross-references. References in the Protocol:

- (a) the “Adhering Party” shall be deemed to be references to the parties to this Agreement;
- (b) the “Adherence Letter” shall be deemed to be references to this Agreement;
- (c) the “Implementation Date” shall be deemed to be references to the date of this Agreement; and
- (d) this Agreement shall be deemed a “Covered Agreement.”

Contact information. For purposes of the Agreement (unless otherwise specified in the Agreement), all notices to the parties shall be delivered by electronic mail with a copy to follow by overnight courier, addressed as follows:

(a) Counterparty

China Lodging Group, Limited
No. 2266 Hongqiao Road
Shanghai, 200336, PRC
Attention: Teo Nee Chuan

(b) Dealer

Deutsche Bank AG, London Branch
c/o Deutsche Bank Securities Inc.
60 Wall Street
New York, NY 10005
Attention: Andrew Yaeger

Paul Stowell
Keyvan Zolfaghari
Telephone: (212) 250-2717
Email: Andrew.Yaeger@db.com
paul.stowell@db.com
keyvan.zolfaghari@db.com

with a copy to:

Deutsche Bank AG, London Branch
c/o Deutsche Bank Securities Inc.
60 Wall Street
New York, New York 10005
Attention: Equity Derivatives Trading

This Confirmation may be executed in several counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

Please confirm that the foregoing correctly sets forth the terms of our agreement by sending to us a letter, telex or other electronic transmission substantially similar to this facsimile, which letter, telex or other electronic transmission sets forth the material terms of the Transaction to which this Confirmation relates and indicates your agreement to those terms. Dealer will make the time of execution of the Transaction available upon request.

Dealer is authorised for the conduct of certain activities by the Prudential Regulation Authority. It is subject to limited regulation by the Financial Conduct Authority and by the Prudential Regulation Authority.

We are very pleased to have executed the Transaction with you and we look forward to completing other transactions with you in the near future.

Very truly yours,

DEUTSCHE BANK AG, LONDON BRANCH

By: /s/ Paul Stowell
Name: Paul Stowell
Title: Attorney in Fact

By: /s/ Lars Kestner
Name: Lars Kestner
Title: Managing Director

DEUTSCHE BANK SECURITIES INC.,
acting solely as Agent in connection with the Transaction

By: /s/ Francis Windels
Name: Francis Windels
Title: Managing Director

By: /s/ Paul Stowell
Name: Paul Stowell
Title: Managing Director

[Signature Page to Base Capped Call Confirmation]

Counterparty hereby agrees to, accepts and confirms the terms of the foregoing as of the Trade Date.

CHINA LODGING GROUP, LIMITED

A handwritten signature in black ink, consisting of a large, sweeping initial stroke followed by several loops and a final flourish.

By: _____
Name:
Title:

[Signature Page to Base Capped Call Confirmation]

The Premium for the Transaction is set forth below.

Premium: USD4,794,000

DATE: October 26, 2017

TO: China Lodging Group, Limited
ATTENTION: Teo Nee Chuan
TELEPHONE: +86-21-61952011

FROM: JPMorgan Chase Bank, National Association
London Branch
25 Bank Street
Canary Wharf
London E14 5JP
England

SUBJECT: Base Capped Call Transaction

REFERENCE NUMBER(S): []

The purpose of this agreement (this “**Confirmation**”) is to confirm the terms and conditions of the transaction entered into between **JPMorgan Chase Bank, National Association, London Branch (“Dealer”)**, represented by J.P. Morgan Securities LLC, as its agent, and China Lodging Group, Limited (“**Counterparty**”) on the Trade Date specified below (the “**Transaction**”). This Confirmation constitutes a “Confirmation” as referred to in the Agreement specified below. This Confirmation constitutes the entire agreement and understanding of the parties with respect to the subject matter and terms of the Transaction and supersedes all prior or contemporaneous written and oral communications with respect thereto.

The definitions contained in the 2002 ISDA Equity Derivatives Definitions (the “**Equity Definitions**”), as published by the International Swaps and Derivatives Association, Inc., are incorporated into this Confirmation. In the event of any inconsistency between the Equity Definitions and the terms of this Confirmation, the terms of this Confirmation shall govern, and in the event of any inconsistency between either the Equity Definitions or this Confirmation and the Agreement (as defined below), the Equity Definitions or this Confirmation, as the case may be, shall govern. For the purposes of the Equity Definitions, each reference herein to a Note Hedging Unit shall be deemed to be a reference to a Call or an Option, as context requires.

This Confirmation evidences a complete and binding agreement between Dealer and Counterparty as to the terms of the Transaction to which this Confirmation relates. This Confirmation shall supplement, form a part of, and be subject to an agreement (the “**Agreement**”) in the form of the ISDA 2002 Master Agreement as if Dealer and Counterparty had executed an agreement in such form (without any Schedule but with the elections set forth in this Confirmation). The Transaction shall be the only transaction under the Agreement.

The Transaction shall be considered a Share Option Transaction for purposes of the Equity Definitions, and shall have the following terms:

General:

Trade Date: October 26, 2017.

Effective Date: The closing date for the initial issuance of the Convertible Notes.

Option Style: Modified American, as described below under “Procedure for Exercise”.

JPMorgan Chase Bank, National Association
Organised under the laws of the United States as a National Banking Association.
Main Office 1111 Polaris Parkway, Columbus, Ohio 43240
Registered as a branch in England & Wales branch No. BR000746
Registered Branch Office 25 Bank Street, Canary Wharf, London E14 5JP
Authorised by the Office of the Comptroller of the Currency in the jurisdiction of the USA.
Authorised by the Prudential Regulation Authority. Subject to regulation by the Financial Conduct
Authority and to limited regulation by the Prudential Regulation Authority. Details about the
extent of our regulation by the Prudential Regulation Authority are available from us on request.

Option Type: Note Hedging Units.

Seller: Dealer.

Buyer: Counterparty.

Shares: The American Depositary Shares issued under the Deposit Agreement (as defined below) (Symbol: "HTHT"), each representing as of the date hereof four Underlying Shares.

Underlying Shares: The ordinary shares of Counterparty, nominal value USD 0.0001 per share.

Underlying Shares Issuer: Counterparty

Convertible Notes: 0.375% Convertible Senior Notes due 2022 of Counterparty, offered pursuant to an Offering Memorandum to be dated as of October 26, 2017 (the "**Offering Memorandum**") and issued pursuant to the indenture to be dated on or about November 3, 2017, by and between Counterparty and Wilmington Trust, N.A., as trustee (the "**Indenture**"). References herein to the Indenture refer to the draft of the Indenture most recently reviewed by the parties at the time of execution of this Confirmation. If any relevant sections of the Indenture are changed, added or renumbered upon execution of the Indenture, the parties will amend this Confirmation in good faith to preserve the economic intent of the parties. Subject to the foregoing, references herein to the Indenture shall be to the Indenture as executed, without giving effect to any amendment, supplement or modification thereto other than an amendment, supplement or modification that does not constitute an Amendment Event (as defined below) (a "**Permitted Amendment**"), subject to the provision set forth under "Settlement Amount" below relating to Counterparty Determinations, a Merger Supplemental Indenture (as defined below). If any amendment or supplement is made to the Indenture following execution thereof (other than pursuant to a Merger Supplemental Indenture or a Permitted Amendment) (x) the Calculation Agent shall determine the relevant Settlement Amount and Settlement Date for any Note Hedging Unit exercised thereafter in accordance with this Confirmation by referring to the relevant provisions of the Indenture without giving effect to such amendment or supplement, and (y) such supplement or amendment shall be disregarded for all other purposes hereunder. Terms in quotation marks that are not otherwise defined in this Confirmation shall have the meanings set forth in the Indenture, unless the context requires otherwise.

Number of Note Hedging Units: 425,000, as reduced by any Note Hedging Units exercised hereunder.

Note Hedging Unit Entitlement: 5.4869.

Strike Price: USD1,000 *divided by* the Note Hedging Unit Entitlement, which equals

approximately USD182.2523.

Cap Price:

USD221.3060.

Applicable Percentage:

70%.

Premium:

As provided in Annex A to this Confirmation.

Premium Payment Date:

The Effective Date.

Exchange:

The NASDAQ Global Select Market.

Related Exchanges:

All Exchanges.

Calculation Agent:

Dealer; *provided* that, following the occurrence and during the continuance of an Event of Default of the type described in Section 5(a)(vii) of the Agreement with respect to Dealer, Counterparty shall have the right to designate a nationally recognized independent equity derivatives dealer to replace Dealer as the Calculation Agent, and the parties shall work in good faith to execute any appropriate documentation required by such replacement Calculation Agent. Following any determination, adjustment or calculation by the Calculation Agent hereunder, upon a request by Counterparty, the Calculation Agent shall promptly (but in any event within three Scheduled Trading Days) provide to Counterparty by e-mail to the e-mail address provided by Counterparty in such request a report (in a commonly used file format for the storage and manipulation of financial data) displaying in reasonable detail the basis for such determination, adjustment or calculation (including any assumptions used in making such determination, adjustment or calculation), it being understood that the Calculation Agent shall not be obligated to disclose any proprietary or confidential models used by it for such determination, adjustment or calculation or any information that it may be subject to contractual, legal or regulatory obligations not to disclose.

Procedure for Exercise:

Potential Exercise Dates:

Each Conversion Date.

Conversion Date:

Each "Conversion Date" (other than in respect of an Early Conversion); *provided* that, in respect of any Note Hedging Units not previously exercised, a conversion and a Conversion Date shall be deemed to have occurred on the last day permitted under the Indenture.

Required Exercise on Conversion Dates:

On each Conversion Date (other than any Conversion Date occurring prior to the 52nd Scheduled Trading Day prior to the Maturity Date (any such related conversion, an "**Early Conversion**"), to which the provisions of clause (b) under "Additional Termination Events" below shall apply), a number of Note Hedging Units equal to the number of Convertible Notes in denominations of USD 1,000 principal amount with respect to which a Conversion Date has occurred shall be exercised

automatically; *provided* that in no event will the number of Note Hedging Units exercised or deemed exercised hereunder exceed the Number of Note Hedging Units.

Expiration Date:

November 1, 2022.

Multiple Exercise:

Applicable, as provided under “Required Exercise on Conversion Dates”.

Automatic Exercise:

Applicable, as provided under “Required Exercise on Conversion Dates”.

Settlement Terms:

Settlement:

In lieu of the obligations set forth in Sections 8.1 and 9.1 of the Equity Definitions, in respect of any validly exercised Note Hedging Unit, Dealer shall deliver to Counterparty, on the related Settlement Date, the Settlement Amount.

For the avoidance of doubt, to the extent Dealer is obligated to deliver Shares hereunder, the provisions of Sections 9.8, 9.9, 9.11 and 9.12 of the Equity Definitions shall be applicable to any such delivery of Shares, except that all references in such provisions to “Physical Settlement” and “Physically-settled” shall be read as references to “Share Settlement” and “Share Settled”; *provided* that the Representation and Agreement contained in Section 9.11 of the Equity Definitions shall be modified by excluding any representations therein relating to restrictions, obligations, limitations or requirements under applicable securities laws that exist as a result of the fact that Counterparty is the issuer of the Underlying Shares. “**Share Settlement**” means settlement of a Note Hedging Unit pursuant to “Settlement Amount” below, and “**Share Settled**” has a meaning correlative thereto.

Certificated Shares or Underlying Shares:

Notwithstanding anything to the contrary in the Equity Definitions, Dealer may, in whole or in part, deliver Shares or Underlying Shares required to be delivered to Counterparty hereunder in certificated form in lieu of delivery through the Clearance System. With respect to such certificated Shares or Underlying Shares, the Representation and Agreement contained in Section 9.11 of the Equity Definitions shall be modified by deleting the remainder of the provision after the word “encumbrance” in the fourth line thereof; *provided* that, in the event Counterparty uses such certificated Shares or Underlying Shares to settle its obligations with respect to Convertible Notes, Dealer shall reimburse Counterparty for any reasonable costs or expenses as they are incurred.

Daily VWAP:

For any “Trading Day”, the per Share volume-weighted average price as displayed under the heading “Bloomberg VWAP” on Bloomberg page “HTHT <equity> AQR” (or its equivalent successor if such page is not available) in respect of the period from the scheduled open of trading

until the scheduled close of trading of the regular trading session on such Trading Day (or if such volume-weighted average price is unavailable, the market value of one Share on such Trading Day determined, using a volume-weighted average method, by the Calculation Agent). For the avoidance of doubt, Daily VWAP will be determined without regard to after-hours trading or any other trading outside of the regular trading session trading hours.

Settlement Amount:

The aggregate of the number of Shares for each Convertible Note in principal amount of USD 1,000 converted in respect of such Conversion Date equal to the product of the Applicable Percentage and the sum, for each of the 50 consecutive "Trading Days" commencing on the 52nd "Scheduled Trading Day" prior to the "Maturity Date" (such period, the "**Deemed Conversion Period**"), of (A) the excess, if any, of (X) 2.0% of the product of the "Conversion Rate" on such Trading Day and the lesser of (1) the Daily VWAP on such Trading Day and (2) the Cap Price on such Trading Day over (Y) USD 20, *divided by* (B) such Daily VWAP.

Following the occurrence of any Merger Event in which the holders of Shares or Underlying Shares receive only cash (a "**Cash Merger**"), the Settlement Amount in respect of any Note Hedging Unit exercised thereafter shall consist of an amount of cash equal to the product of the Applicable Percentage and the excess, if any, of (i) the product of the "Conversion Rate" (determined without giving effect to any Fundamental Change Adjustment or any Discretionary Adjustment as defined below) and the lesser of (1) the amount of cash received by a holder of one Share in such Merger Event and (2) the Cap Price over (ii) USD 1,000, in lieu of any Settlement Amount determined above.

The number of Shares included in the Settlement Amount shall not take into consideration any rounding pursuant to Section 14.02(j) of the Indenture. Instead Dealer will deliver cash in lieu of any fractional Shares based on (i) the Daily VWAP on the last "Trading Day" of the Deemed Conversion Period and (ii) the aggregate number of Note Hedging Units exercised on any Exercise Date.

In addition, and notwithstanding anything to the contrary herein:

(i) the Settlement Amount shall be determined by the Calculation Agent excluding any increase to the "Conversion Rate" pursuant to Section 14.03(a) of the Indenture (a "**Fundamental Change Adjustment**") or any voluntary adjustment to the "Conversion Rate" pursuant to Section 14.04(h) of the Indenture (a "**Discretionary Adjustment**"); and

(ii) if Counterparty or its board of directors is permitted or required to exercise discretion under the terms of the Indenture with respect to any determination, calculation or adjustment (including, without limitation, any adjustment under Section 14.05 of the Indenture, any adjustment to the terms of the Convertible Notes following a

Merger Event pursuant to Section 14.07(a) of the Indenture or any determination of the fair market value of distributed property, the volume weighted average price of Shares or the value of a “unit of Reference Property”) (any such determination, calculation or adjustment, a “**Counterparty Determination**”), Counterparty shall consult with Dealer with respect thereto and, if Dealer disagrees in good faith with such determination, calculation or adjustment, notwithstanding anything herein to the contrary, the Calculation Agent shall make such determination, calculation or adjustment for purposes of the Transaction.

Section 6.3(a) of the Equity Definitions is hereby amended by deleting the remainder of clause (ii) thereof following the words “at any time.”

Settlement Date:

In respect of an Exercise Date, the date that falls one Settlement Cycle following the end of the Deemed Conversion Period (or, following the occurrence of a Cash Merger, the date that falls on the fifth “Business Day” following the applicable Exercise Date).

Settlement Currency:

USD.

Share Adjustments:

Adjustment Event:

Means any occurrence of any event or condition, as set forth in Section 14.04 or 14.05 of the Indenture, that would result in an adjustment under the Indenture to the “Conversion Rate” or any other term of the Convertible Notes; *provided* that in no event shall there be any adjustment hereunder as a result of a Fundamental Change Adjustment or a Discretionary Adjustment.

For the avoidance of doubt, Dealer shall not have any delivery or payment obligation hereunder, and no adjustment shall be made to the terms of the Transaction, on account of (i) any distribution of cash, property or securities by Counterparty to holders of the Convertible Notes (upon conversion or otherwise) or (ii) any other transaction in which holders of the Convertible Notes are entitled to participate, in each case, in lieu of an adjustment under the Indenture of the type referred to in the immediately preceding sentence (including, without limitation, pursuant to the fourth sentence of Section 14.04(c) of the Indenture or the fourth sentence of Section 14.04(d) of the Indenture.

Method of Adjustment:

Calculation Agent Adjustment, which means that, notwithstanding Section 11.2(c) of the Equity Definitions, which Section shall not apply for purposes of the Transaction except as expressly provided herein, upon any Adjustment Event (excluding, for the avoidance of doubt, any Fundamental Change Adjustment or Discretionary Adjustment), the Calculation Agent shall make (i) an adjustment corresponding to the adjustment to be made pursuant to the Indenture to any one or more of the Strike Price, the Note Hedging Unit Entitlement, the composition of the Shares and any other variable relevant to the exercise, settlement, payment or other terms of the Transaction (other than the Number of

Note Hedging Units and the Cap Price and subject to the provisions set forth under “Settlement Amount” above in respect of any Counterparty Determination); *provided* that, notwithstanding the foregoing, if any Adjustment Event occurs during the Deemed Conversion Period but no adjustment was made to any Convertible Note under the Indenture because the relevant “Holder” (as such term is defined in the Indenture) was deemed to be a record owner of the underlying Shares on the related “Conversion Date,” then the Calculation Agent shall make an adjustment, as determined by it based on the adjustment that would have otherwise applied under the Indenture, to the terms hereof in order to account for such Adjustment Event and (ii) a proportionate adjustment to the Cap Price to the extent any adjustment is made to the Strike Price pursuant to clause (i) above; *provided* that, upon the occurrence of any Adjustment Event and/or any Potential Adjustment Event, the Calculation Agent may, but without duplication of any adjustment pursuant to clause (i) and (ii) above, make any further adjustment to the Cap Price consistent with the “Calculation Agent Adjustment” set forth in Section 11.2(c) of the Equity Definitions (as modified hereby) to preserve the fair value of the Transaction to the parties after taking into account such Adjustment Event and/or Potential Adjustment Event; *provided, further*, that the Cap Price shall not be adjusted so that it is less than the Strike Price. In addition, if any Adjustment Event, or the effective date, “expiration date” (as used in the Indenture) or “Ex-Dividend Date” for such event, occurs during the Deemed Conversion Period, the Calculation Agent may make such further adjustments as it determines appropriate to the Settlement Amount for the relevant Note Hedging Units. Counterparty shall (x) reasonably promptly, but in any event within two Business Days, after the occurrence of any Adjustment Event and/or Merger Event, notify the Calculation Agent of such Adjustment Event and/or Merger Event, (y) give Dealer written notice, promptly following its determination thereof, of the section or sections of the Indenture and, if applicable, the formula therein, pursuant to which any adjustment is expected to be made to the Convertible Securities in connection with any Adjustment Event or Merger Event and (z) once the adjustments to be made to the terms of the Indenture and the Convertible Securities in respect of such Merger Event and/or Adjustment Event have been determined, reasonably promptly, but in any event with two Business Days, notify the Calculation Agent in writing of the details of such adjustments.

In connection with any Adjustment Event as a result of an event or condition set forth in Section 14.04(b) of the Indenture or Section 14.04(c) of the Indenture where, in either case, the period for determining “Y” (as such term is used in Section 14.04(b) of the Indenture) or “SP₀” (as such term is used in Section 14.04(c) of the Indenture), as the case may be, begins before Counterparty has publicly announced the event or condition giving rise to such Adjustment Event, then the Calculation Agent shall have the right to adjust the Cap Price (but in no event to a number lower than the Strike Price) as appropriate to reflect the reasonable costs (including, but not limited to, hedging mismatches and market losses) and reasonable expenses incurred by

Dealer in connection with its hedging activities as a result of such event or condition not having been publicly announced prior to the beginning of such period.

If any Adjustment Event is declared and (a) the event or condition giving rise to such Adjustment Event is subsequently amended, modified, cancelled or abandoned after the period during which the formula for adjusting the “Conversion Rate” has commenced calculation or (b) the “Conversion Rate” (as defined in the Indenture) is adjusted as a result of such Adjustment Event and subsequently re-adjusted pursuant to Sections 14.04(a), 14.04(b) or 14.04(c) of the Indenture (each of clauses (a) and (b), an “**Adjustment Event Change**”) then, in each case, the Calculation Agent shall have the right to adjust the Cap Price (but in no event to a number lower than the Strike Price) as appropriate to reflect the reasonable costs (including, but not limited to, hedging mismatches and market losses) and reasonable expenses incurred by Dealer in connection with its hedging activities as a result of such Adjustment Event Change.

Extraordinary Events:

Merger Events:

Notwithstanding Section 12.1(b) of the Equity Definitions, except for purposes of the provisions set forth under “Consequences of Announcement Event” and “Announcement Event” below, a “Merger Event” means the occurrence of any event or condition set forth in Section 14.07(a) of the Indenture.

Notice of Merger Consideration:

In respect of any Merger Event, Counterparty shall notify the Calculation Agent of, if applicable, the weighted average of the kind and amounts of consideration to be received by the holders of Shares and Underlying Shares in any Merger Event who affirmatively make such an election, reasonably promptly, but in any event within two Business Days, upon determination thereof (and in any event prior to the effective date of the Merger Event), and Counterparty shall deliver to Dealer a copy of any supplemental indenture effecting such adjustments (a “**Merger Supplemental Indenture**”) as reasonably as practicable prior to execution thereof.

Consequences of Merger Events:

Notwithstanding Section 12.2 of the Equity Definitions, upon the occurrence of a Merger Event, the Calculation Agent shall make the corresponding adjustment in respect of any adjustment under the Indenture to any one or more of the nature of the Shares, the Strike Price, the Note Hedging Unit Entitlement, the Settlement Date and any other variable relevant to the exercise, settlement or payment or other terms of the Transaction (other than the Number of Note Hedging Units and subject to the provisions set forth under “Settlement Amount” above in respect of any Counterparty Determination); provided that such adjustment shall be made without regard to any Fundamental Change Adjustment or any Discretionary Adjustment; *provided* further that if, with respect to a Merger Event, (i) the consideration for the Shares or Underlying Shares includes (or, at the option of a holder of Underlying Shares, may include) shares (or depositary receipts with

respect to shares) of an entity or person that is not a corporation or entity that is treated as a corporation for U.S. federal income tax purposes organized under the laws of (1) the United States, any State thereof, the District of Columbia or the Cayman Islands or, (2) to the extent having the Underlying Shares Issuer organized under the laws of the jurisdictions in this clause (2) would not have a material adverse effect on Dealer's rights and obligations hereunder, Dealer's hedging activities or the costs of engaging in the foregoing and, provided that Counterparty negotiates in good faith with Dealer all the necessary and appropriate amendments to this Confirmation related to the foregoing in this clause (2), including, without limitation, causing its counsel to deliver written legal opinions reasonably requested by Dealer and will reimburse Dealer all of its out-of-pocket costs (including costs of its counsel) reasonably incurred by Dealer, the British Virgin Islands, Bermuda, Hong Kong or the United Kingdom (the jurisdictions listed in (1) and, to the extent the requirements listed in (2) are satisfied, the jurisdictions listed in (2), "**Permitted Merger Jurisdictions**"); or (ii) Counterparty following such Merger Event (A) will not be a corporation or entity that is treated as a corporation for U.S. federal income tax purposes organized under the laws of a Permitted Merger Jurisdiction or (B) will not be the Underlying Shares Issuer or a subsidiary of the Underlying Shares Issuer following such Merger Event, Cancellation and Payment (Calculation Agent Determination) may apply at Dealer's good faith, commercially reasonable election.

Consequences of Announcement Events:

If an Announcement Event occurs, the Calculation Agent will determine the cumulative economic effect of the Announcement Event on the theoretical value of the Transaction (i) on a date occurring a commercially reasonable period of time after the date of announcement of the relevant Announcement Event and (ii) on the Valuation Date or any earlier date of termination or cancellation for the Transaction (in each case, which may include, without limitation, any actual or expected change in volatility, dividends, correlation, stock loan rate or liquidity relevant to the Shares or Underlying Shares or to the Transaction whether prior to or after the Announcement Event or for any reasonable period of time), and if, in the case of clause (i) or (ii), such economic effect is material and Dealer so elects in its sole discretion, the Calculation Agent will (x) adjust the Cap Price (but in no event to a number lower than the Strike Price) to reflect such economic effect and (y) determine the effective date of such adjustment; *provided that*, notwithstanding the foregoing, if the related Merger Date or Tender Offer Date, as the case may be, or any subsequent related Announcement Event, occurs on or prior to the effective date of such adjustment, any further adjustment to the terms of the Transaction with respect to such Merger Date, Tender Offer Date or Announcement Event pursuant to this Confirmation and/or the Equity Definitions shall take such earlier adjustment into account (and, for the avoidance of doubt, where Cancellation and Payment is applicable, the Determining Party shall take into account such adjustment in determining the Cancellation Amount); *provided further* that in no event shall the Cap Price be less than the Strike Price.

Announcement Event:

(i) The public statement or announcement by any person or entity of (x) any transaction or event that, if completed, would constitute a Merger Event or Tender Offer, (y) any acquisition by Underlying Shares Issuer or any of its subsidiaries where the aggregate consideration exceeds 25% of the market capitalization of the Underlying Shares Issuer as of the date of such announcement (an “**Acquisition Transaction**”) or (z) the firm intention to enter into a Merger Event or Tender Offer or an Acquisition Transaction, (ii) the public statement or announcement by the Underlying Shares Issuer of an intention to solicit or enter into, or to explore strategic alternatives or other similar undertakings that may include, a Merger Event or Tender Offer or an Acquisition Transaction or (iii) any subsequent public statement or announcement by any person or entity of a withdrawal, discontinuation, termination or other change to a transaction or intention that is the subject of an announcement of the type described in clause (i) or (ii) of this sentence; *provided* that, for the avoidance of doubt, the occurrence of an Announcement Event with respect to any transaction or intention shall not preclude the occurrence of a later Announcement Event described in clause (iii) above with respect to such transaction or intention. For purposes of this definition of “Announcement Event,” (A) “Merger Event” shall mean such term as defined under Section 12.1(b) of the Equity Definitions (but, for the avoidance of doubt, the remainder of the definition of “Merger Event” in Section 12.1(b) of the Equity Definitions following the definition of “Reverse Merger” therein shall be disregarded) and (B) “Tender Offer” shall mean such term as defined under Section 12.1(d) of the Equity Definitions.

Nationalization, Insolvency and Delisting:

Cancellation and Payment (Calculation Agent Determination); *provided* that in addition to the provisions of Section 12.6(a)(iii) of the Equity Definitions, it shall also constitute a Delisting if the Exchange is located in the United States and the Shares are not immediately re-listed, re-traded or re-quoted on any of the New York Stock Exchange, The NASDAQ Global Select Market or The NASDAQ Global Market (or their respective successors); if the Shares are immediately re-listed, re-traded or re-quoted on any such exchange or quotation system, such exchange or quotation system shall thereafter be deemed to be the Exchange.

Section 12.6(a)(ii) of the Equity Definitions is hereby amended by (1) deleting from the fourth line thereof the word “or” after the word “official” and inserting a comma therefor and (2) inserting at the end of subsection (B) thereof the following wording, “or, under the laws of the jurisdiction of organization of the Underlying Shares Issuer, any other impediment to or restriction on the transferability of any Share arises or becomes applicable including, without limitation, where (x) any transfer of a Share or alteration of the status of the members of the Issuer would be void unless a court of the Cayman Islands or any other such jurisdiction orders otherwise or (y) any transfer of a Share not being a transfer with the sanction of a liquidator, and any alteration in the status of the Issuer’s members, would be void.”

Additional Disruption Events:

Change in Law:

Applicable; *provided* that Section 12.9(a)(ii) of the Equity Definitions is hereby amended (i) by inserting the parenthetical “(including, for the avoidance of doubt and without limitation, the effectiveness, adoption or promulgation of new regulations authorized or mandated by existing statute)” at the end of clause (A) thereof, (ii) by the replacement of the word “Shares” with “Hedge Positions” in clause (X) thereof; (iii) by replacing in the third line thereof the phrase “the interpretation” with “or the announcement of the formal or informal interpretation” and (iv) immediately following the word “Transaction” in clause (X) thereof, adding the phrase “in the manner contemplated by the Hedging Party on the Trade Date”.

Failure to Deliver:

Applicable.

Insolvency Filing:

Applicable.

Hedging Disruption:

Applicable; *provided* that:

- (i) Section 12.9(a)(v) of the Equity Definitions is hereby amended by (a) inserting the following words at the end of clause (A) thereof: “in the manner contemplated by the Hedging Party on the Trade Date” and (b) inserting the following two phrases at the end of such Section:

“For the avoidance of doubt, the term “equity price risk” shall be deemed to include, but shall not be limited to, stock price and volatility risk. And, for the further avoidance of doubt, any such transactions or assets referred to in phrases (A) or (B) above must be available on commercially reasonable pricing terms. Any inability of the Hedging Party referred to in phrases (A) and (B) above that is solely attributable to the deterioration of the creditworthiness of the Hedging Party relative to comparable financial institutions shall not be deemed a Hedging Disruption”; and

- (ii) Section 12.9(b)(iii) of the Equity Definitions is hereby amended by inserting in the third line thereof, after the words “to terminate the Transaction”, the words “or a portion of the Transaction affected by such Hedging Disruption”.

Hedging Party:

Dealer for all applicable Additional Disruption Events; *provided* that, when making any determination or calculation as “Hedging Party,” Dealer shall be bound by the same obligations relating to required acts of the Calculation Agent as set forth in Section 1.40 of the Equity Definitions and this Confirmation as if the Hedging Party were the Calculation Agent. The parties agree that they will comply with the provisions set forth in the second sentence under “Calculation Agent”

above, as if the Hedging Party were the Calculation Agent for purposes thereof.

Determining Party:

Dealer for all applicable Extraordinary Events; *provided* that, when making any determination or calculation as “Determining Party,” Dealer shall be bound by the same obligations relating to required acts of the Calculation Agent as set forth in Section 1.40 of the Equity Definitions and this Confirmation as if the Determining Party were the Calculation Agent. The parties agree that they will comply with the provisions set forth in the second sentence under “Calculation Agent” above, as if the Determining Party were the Calculation Agent for purposes thereof.

Acknowledgements:

Non-Reliance:

Applicable.

Agreements and Acknowledgements
Regarding Hedging Activities:

Applicable.

Additional Acknowledgements:

Applicable.

Mutual Representations: Each of Dealer and Counterparty represents and warrants to, and agrees with, the other party that:

- (i) **Tax Disclosure.** Notwithstanding anything to the contrary herein, in the Equity Definitions or in the Agreement, and notwithstanding any express or implied claims of exclusivity or proprietary rights, the parties (and each of their employees, representatives or other agents) are authorized to disclose to any and all persons, beginning immediately upon commencement of their discussions and without limitation of any kind, the tax treatment and tax structure of the Transaction, and all materials of any kind (including opinions or other tax analyses) that are provided by either party to the other relating to such tax treatment and tax structure.
- (ii) **Commodity Exchange Act.** It is an “eligible contract participant” within the meaning of the U.S. Commodity Exchange Act, as amended (the “CEA”). The Transaction has been subject to individual negotiation by the parties. The Transaction has not been executed or traded on a “trading facility” as defined in the CEA.
- (iii) **Securities Act.** It is an “accredited investor” within the meaning of the U.S. Securities Act of 1933, as amended (the “Securities Act”).

Counterparty Representations: In addition to the representations and warranties in the Agreement and those contained elsewhere herein, Counterparty represents, warrants, acknowledges and covenants, as applicable, that:

- (i) Counterparty as of and immediately after the Trade Date and the Premium Payment Date (x) is not, and shall not be after giving effect to the transactions contemplated hereby, “insolvent” (as such term is defined in Section 101(32) of the U.S. Bankruptcy Code (Title 11 of the United States Code) (the “Bankruptcy Code”)), (y) would be able to purchase 2,606,278 Shares and the Underlying Shares represented by such number of Shares in compliance with the laws of the jurisdiction of Counterparty’s incorporation or organization, and (z), for the purposes of Cayman Islands law, is able to pay its debts.

- (ii) Counterparty shall promptly provide written notice to Dealer upon obtaining knowledge of the occurrence of any event that constitutes an Event of Default, a Potential Event of Default, an Adjustment Event or a Potential Adjustment Event; *provided, however*, that should Counterparty be in possession of material non-public information regarding Counterparty, the Underlying Shares or the Shares, Counterparty shall not communicate such information to Dealer in connection with the Transaction until such information no longer constitutes material non-public information.
- (iii) Counterparty's financial condition is such that it has no need for liquidity with respect to its investment in the Transaction and no need to dispose of any portion thereof to satisfy any existing or contemplated undertaking or indebtedness.
- (iv) Counterparty's investments in and liabilities in respect of the Transaction, which it understands are not readily marketable, are not disproportionate to its net worth, and Counterparty is able to bear any loss in connection with the Transaction, including the loss of its entire investment in the Transaction.
- (v) Counterparty understands, agrees and acknowledges that Dealer has no obligation or intention to register the Transaction under the Securities Act, any state securities law or other applicable federal securities law.
- (vi) Counterparty is not, and after giving effect to the transactions contemplated hereby will not be, required to be registered as an "investment company" as such term is defined in the Investment Company Act of 1940, as amended.
- (vii) Counterparty understands, agrees and acknowledges that no obligations of Dealer to it hereunder shall be entitled to the benefit of deposit insurance and that such obligations shall not be guaranteed by any affiliate of Dealer or any governmental agency.
- (viii) (A) Counterparty is acting for its own account, and it has made its own independent decisions to enter into the Transaction and as to whether the Transaction is appropriate or proper for it (including as to any legal, regulatory, tax, accounting or economic consequences arising from the Transaction) based upon its own judgment and upon advice from such advisers as it has deemed necessary (including legal, financial and accounting advisors), (B) Counterparty is not relying on any communication (written or oral) of Dealer or any of its affiliates as investment advice or as a recommendation to enter into the Transaction (it being understood that information and explanations related to the terms and conditions of the Transaction shall not be considered investment advice or a recommendation to enter into the Transaction) and (C) no communication (written or oral) received from Dealer or any of its affiliates shall be deemed to be an assurance or guarantee as to the expected results of the Transaction.
- (ix) Without limiting the generality of Section 13.1 of the Equity Definitions, Counterparty acknowledges that Dealer is not making any representations or warranties with respect to the treatment of the Transaction under ASC Topic 260, *Earnings Per Share*, ASC Topic 815, *Derivatives and Hedging*, ASC Topic 480, *Distinguishing Liabilities from Equity* and ASC Topic 815-40, *Derivatives and Hedging — Contracts in Entity's Own Equity* (or any successor issue statements), or under any other accounting guidance.
- (x) Counterparty is not entering into the Transaction and will not make any election hereunder for the purpose of (i) creating actual or apparent trading activity in the Shares or Underlying Shares (or any security convertible into or exchangeable for the Shares or Underlying Shares) or (ii) raising or depressing or otherwise manipulating the price of the Shares or Underlying Shares (or any security convertible into or exchangeable for the Shares or Underlying Shares), in either case in violation of the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**").

- (xi) Counterparty's filings under the Exchange Act that are required to be filed have been filed and, as of the respective dates thereof and as of the date of this representation, such filings when considered as a whole (with the more recent such filings deemed to amend inconsistent statements contained in any earlier such filings) do not contain any misstatement of a material fact or any omission of a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading.
- (xii) The Transaction, and any repurchase of the Shares and/or Underlying Shares by Counterparty in connection with the Transaction, has been approved by Counterparty's board of directors and any such repurchase has been, or shall when so required be, publicly disclosed in its periodic filings under the Exchange Act and its financial statements and notes thereto.
- (xiii) To Counterparty's knowledge, no state or local (including non-U.S. jurisdictions) or non-U.S. federal law, rule, regulation or regulatory order applicable to the Shares or the Issuer would give rise to any reporting, consent, registration or other requirement (including without limitation a requirement to obtain prior approval from any person or entity) as a result of Dealer or its affiliates having the power to vote, owning or holding (however defined) Shares; *provided* that Counterparty makes no representation or warranty regarding any such requirement that is applicable generally to the ownership of equity securities by Dealer solely as a result of it being a financial institution or broker-dealer.
- (xiv) Counterparty shall deliver to Dealer (A) on the Effective Date a customary opinion of Hong Kong counsel that the Transaction does not contravene the Facilities Agreement between Counterparty and Deutsche Bank AG, Hong Kong Branch, as Agent, dated as of May 18, 2017, (B) a customary opinion of Cayman counsel, dated as of such date and reasonably acceptable to Dealer in form and substance, with respect to the matters set forth in Section 3(a)(i)-(iv) of the Agreement and such other matters as Dealer may reasonably request prior to the Trade Date, (C) a resolution of the Counterparty's board of directors (the "**Board**") authorizing the Transaction and (D) on or before the Premium Payment Date, a solvency certificate with respect to Counterparty signed by a member of the Board, the chief executive officer or the chief financial officer of the Counterparty certifying the solvency of Counterparty as of and immediately after the Premium Payment Date (after giving effect to Counterparty's payment of amounts required to be paid by Counterparty on such date under the Transaction and the other transactions described under "Use of Proceeds" in the Offering Memorandum related to the offering of the Convertible Notes), which solvency certificate is reasonably satisfactory to Dealer.
- (xv) Counterparty (A) is capable of evaluating investment risks independently, both in general and with regard to the Transaction; (B) will exercise independent judgment in evaluating the recommendations of any broker-dealer or its associated persons, unless it has otherwise notified the broker-dealer in writing; and (C) has total assets of at least USD50 million.
- (xvi) All of the issued Underlying Shares have been duly and validly authorized and issued and are fully paid and non-assessable and none of the outstanding Underlying Shares have been issued in violation of any pre-emptive or similar rights of any security holder.

Miscellaneous:

No Set-Off. Neither party shall have the right to set off any obligation that it may have to the other party under the Transaction against any obligation such other party may have to it, whether arising under the Agreement, this Confirmation or any other agreement between the parties hereto, by operation of law or otherwise.

Qualified Financial Contracts. It is the intention of the parties that, in respect of Counterparty, (a) the Transaction shall constitute a "qualified financial contract" within the meaning of 12 U.S.C. Section 1821(e)(8)(D)(i) and (b) a Non-defaulting Party's rights under Sections 5 and 6 of the Agreement constitute rights of the kind referred to

in 12 U.S.C. Section 1821(e)(8)(A).

Method of Delivery. Whenever delivery of funds or other assets is required hereunder by or to Counterparty, such delivery shall be effected through DBSI. In addition, all notices, demands and communications of any kind relating to the Transaction between Dealer and Counterparty shall be transmitted exclusively through DBSI.

Staggered Settlement. Dealer may, by notice to Counterparty on or prior to any Settlement Date on which Dealer would be required to deliver Shares hereunder (a “**Nominal Settlement Date**”) if Dealer reasonably determines that it would not be advisable to deliver, or to acquire Shares to deliver, any or all of the Shares to be delivered by Dealer on any Settlement Date for the Transaction, elect to deliver such Shares on two or more dates (each, a “**Staggered Settlement Date**”) or at two or more times on the Nominal Settlement Date, in each case only to the extent reasonably necessary, as determined by Dealer in good faith, to avoid an Excess Ownership Position (as defined below), as follows: (i) in such notice, Dealer will specify to Counterparty the related Staggered Settlement Dates (each of which will be on or prior to such Nominal Settlement Date, but not prior to the beginning of the Deemed Conversion Period) or delivery times and how it will allocate the Shares it is required to deliver under “Settlement” above among the Staggered Settlement Dates or delivery times; and (ii) the aggregate number of Shares that Dealer will deliver to Counterparty hereunder on all such Staggered Settlement Dates and delivery times will equal the number of Shares that Dealer would otherwise be required to deliver on such Nominal Settlement Date.

Additional Termination Events.

- (a) The occurrence of (i) an “Event of Default” with respect to Counterparty under the terms of the Convertible Notes as set forth in Section 6.01 of the Indenture, and such event of default results in the Convertible Notes becoming or being declared due and payable pursuant to the Indenture or (ii) an Amendment Event shall be an Additional Termination Event, in each case with the Transaction as the sole Affected Transaction and Counterparty as the sole Affected Party and Dealer as the party entitled to designate an Early Termination Date pursuant to Section 6(b) of the Agreement (which Early Termination Date shall occur as promptly as commercially reasonably practicable but no later than the settlement date under the Indenture for such acceleration in the case of clause (i)). For the avoidance of doubt, the relevant Early Termination Amount in respect of an Amendment Event shall be calculated without giving effect to the relevant amendment.

“**Amendment Event**” means that Counterparty amends, modifies, supplements, waives or obtains a waiver with respect to any term of the Indenture or the Convertible Notes governing the principal amount, coupon, maturity, repurchase obligation of Counterparty, any redemption right of Counterparty, any term relating to conversion of the Convertible Notes (including, without limitation, changes to the conversion rate, conversion settlement dates, conversion rate adjustment provisions or conversion conditions), any term relating to required cancellation of the Convertible Notes or any term that would require consent of the holders of not less than 100% of the principal amount of the Convertible Notes to amend, in each case without the consent of Dealer (such consent not to be unreasonably withheld or delayed); *provided* that entry into a Merger Supplemental Indenture or an amendment pursuant to Section 10.01(h) of the Indenture shall not constitute an Amendment Event.

- (b) Upon any Early Conversion:
- (A) Counterparty shall, within thirty Scheduled Trading Days of the Conversion Date for such Early Conversion, provide written notice (an “**Early Conversion Notice**”) to Dealer specifying the number of Convertible Notes surrendered for conversion on the related Conversion Date (such Convertible Notes, the “**Affected Convertible Notes**”), and the giving of such Early Conversion Notice shall constitute an Additional Termination Event as provided in this clause (b);
- (B) following receipt of any such Early Conversion Notice, Dealer shall designate an Exchange Business Day as an Early Termination Date (which Exchange Business Day shall be on or as promptly as commercially reasonably practicable following the Conversion Date for such Early Conversion) with respect to the portion of the Transaction corresponding to a number of Note Hedging Units (the “**Affected Number of Note Hedging Units**”) equal to the lesser of (x) the number of Affected Convertible Notes and (y) the Number of Note Hedging Units as of the Conversion Date for such Early Conversion;
- (C) any payment hereunder with respect to such termination shall be a payment calculated pursuant to Section 6 of the Agreement as if (x) an Early Termination Date had been designated in respect of a Transaction having terms identical to the Transaction and a Number of Note Hedging Units equal to the Affected Number of Note Hedging Units, (y) Counterparty were the sole Affected Party with respect to such Additional Termination Event and (z) the terminated portion of the Transaction were the sole Affected Transaction.
- (D) for the avoidance of doubt, in determining the amount payable in respect of such Affected Transaction pursuant to Section 6 of the Agreement, Dealer shall assume that (x) the relevant Early Conversion and any conversions, adjustments, agreements, payments, deliveries or acquisitions by or on behalf of Counterparty leading thereto had not occurred, (y) no adjustments to the Conversion Rate have occurred pursuant to any Fundamental Change Adjustment or Discretionary Adjustment and (z) the corresponding Convertible Notes remain outstanding; and

- (E) the Transaction shall remain in full force and effect, except that, as of the Conversion Date for such Early Conversion, the Number of Note Hedging Units shall be reduced by the Affected Number of Note Hedging Units.
- (c) Promptly (but in any event within five Scheduled Trading Days) following any Repurchase Event (as defined below), Counterparty shall notify Dealer of such Repurchase Event and the aggregate principal amount of Convertible Notes subject to such Repurchase Event (any such notice, a “**Convertible Notes Repurchase Notice**”); *provided* that any such Convertible Notes Repurchase Notice shall contain an acknowledgment by Counterparty of its responsibilities under applicable securities laws, and in particular Section 9 and Section 10(b) of the Exchange Act and the rules and regulations thereunder, in respect of such Repurchase Event and the delivery of such Convertible Notes Repurchase Notice; and further *provided* that, if Counterparty provides such notice later than five Scheduled Trading Days following such Repurchase Event and before the date that is 45 Scheduled Trading Days following such Repurchase Event and such delay is due to administrative error or any oversight in good faith, Counterparty shall be deemed to have fulfilled such notice obligation as determined by the Calculation Agent in its commercially reasonable discretion. The receipt by Dealer from Counterparty of any Convertible Notes Repurchase Notice shall constitute an Additional Termination Event as provided in this Section. Upon receipt of any such Convertible Notes Repurchase Notice, Dealer shall designate an Exchange Business Day following receipt of such Convertible Notes Repurchase Notice (which Exchange Business Day shall be on or as promptly as commercially reasonably practicable after the related settlement date for the relevant Repurchase Event) as an Early Termination Date with respect to the portion of the Transaction corresponding to a number of Note Hedging Units (the “**Repurchase Note Hedging Units**”) equal to the lesser of (A) the aggregate principal amount of such Convertible Notes specified in such Convertible Notes Repurchase Notice, divided by USD 1,000 and (B) the Number of Note Hedging Units as of the date Dealer designates such Early Termination Date and, as of such date, the Number of Note Hedging Units shall be reduced by the number of Repurchase Note Hedging Units. Any payment hereunder with respect to such termination (the “**Repurchase Unwind Payment**”) shall be calculated pursuant to Section 6 of the Agreement as if (1) an Early Termination Date had been designated in respect of a Transaction having terms identical to the Transaction and a Number of Note Hedging Units equal to the number of Repurchase Note Hedging Units, (2) Counterparty were the sole Affected Party with respect to such Additional Termination Event and (3) the terminated portion of the Transaction were the sole Affected Transaction (and, for the avoidance of doubt, (1) the provisions of the Section entitled “**Alternative Calculations and Dealer Payment on Early Termination and on Certain Extraordinary Events**” shall apply to any amount that is payable by Dealer to Counterparty pursuant to this clause (c) as if Counterparty was not the Affected Party and (2) in determining the amount payable in respect of such Affected Transaction pursuant to Section 6 of the Agreement, Dealer shall assume that (x) the relevant Repurchase Event and any conversions, adjustments, agreements, payments, deliveries or acquisitions by or on behalf of Counterparty leading thereto had not occurred, (y) no adjustments to the Conversion Rate have occurred pursuant to any Fundamental Change Adjustment or Discretionary Adjustment and (z) the corresponding Convertible Notes remain outstanding). “**Repurchase Event**” means that (i) any Convertible Notes are repurchased (whether pursuant to Section 15.01 or Section 15.02 of the Indenture or otherwise) by Counterparty or any of its subsidiaries, (ii) any Convertible Notes are delivered to Counterparty in exchange for delivery of any property or assets of Counterparty or any of its subsidiaries (howsoever described), (iii) any principal of any of the Convertible Notes is repaid prior to the final maturity date of the Convertible Notes (other than upon acceleration of the Convertible Notes described in clause (a) of this Section), or (iv) any Convertible Notes are exchanged by or for the benefit of the holders thereof for any other securities of Counterparty or any of its affiliates (or any other property, or any combination thereof) pursuant to any exchange offer or similar transaction; *provided* that any conversion of Convertible Notes pursuant to the terms of the Indenture shall not constitute a Repurchase Event.

Amendments and Additions to Equity Definitions. (i) For the purposes of this Confirmation the following definitions will apply:

“**Depository**” means, in relation to the Shares, Citibank, N.A., or any successor thereto from

time to time.

“Deposit Agreement” means, (i) that certain Deposit Agreement by and among Underlying Shares Issuer, Depository and the holders and beneficial owners of the Shares and (ii) the other agreements or other instruments constituting the Shares, as from time to time amended or supplemented in accordance with their terms.

“DS Amendment” means, where specified as applicable to a definition or provision, that the following changes shall be made to such definition or provision: (a) all references to “Shares” shall be deleted and replaced with the words “Shares and/or the Underlying Shares, as appropriate”; and (b) all references to “Issuer” shall be deleted and replaced with the words “Issuer or Underlying Shares Issuer, as appropriate”.

“Replacement DSs” means depositary shares or receipts, other than the Shares, over the same Underlying Shares.

(ii) The following amendments shall be made to the Equity Definitions:

- (A) The definition of Potential Adjustment Event in Section 11.2(e) of the Equity Definitions shall be amended as follows:
 - (i) the DS Amendment shall be applicable, provided that an event under Section 11.2(e)(i) to (vii) of the Equity Definitions in respect of the Underlying Shares shall not constitute a Potential Adjustment Event unless, in the opinion of the Calculation Agent, such event has a material effect on the theoretical value of the Shares; and
 - (ii)
 - (A) ‘or’ shall be deleted where it appears at the end of subsection (vi);
 - (B) ‘.’ shall be deleted where it appears at the end of subsection (vii) and replaced with ‘;’;
 - (C) the following shall be inserted as subsection (viii): “(viii) the making of any amendment or supplement to the terms of the Deposit Agreement; or”; and
 - (D) the following shall be inserted as provision (ix): “(ix) any other event as a result of an action by the Depository outside of the control of Counterparty and as a result of which (1) the Shares represent fewer or more Underlying Shares than, and/or any property or assets in addition to, or as a whole or partial replacement of, in each case, the number of Underlying Shares represented by the Shares prior to such event and (2) there is no corresponding adjustment to the Convertible Notes.”
- (B) In making any adjustment following any Potential Adjustment Event, the Calculation Agent may, but is not required to, have reference to (among other factors) any adjustment made by the Depository under the Deposit Agreement, any fees and/or expenses of the Depository and any withholding or deduction of taxes, in each case, in connection with any Potential Adjustment Event.
- (C) If a Potential Adjustment Event occurs under Section 11.2(e)(viii) of the Equity Definitions (as amended by this Confirmation), then the following further amendments shall be deemed to be made to Section 11.2(c) of the Equity Definitions in respect of such Potential Adjustment Event:
 - (i) the words “the Calculation Agent will determine whether such Potential Adjustment Event has a material effect on the theoretical value of the relevant Shares, options on

the Shares or the Transaction” shall be deleted and replaced with the words “the Calculation Agent will determine whether such Potential Adjustment Event has an economic effect on such Transaction”; and

- (ii) the words “as the Calculation Agent determines appropriate to account for that material effect” shall be deleted and replaced with the words “as the Calculation Agent determines appropriate to account for such economic effect on such Transaction”.
- (D) The definitions of “Merger Event”, “Announcement Date”, “Share-for-Share”, “Share-for-Other” and “Share-for-Combined” in Section 12.1 of the Equity Definitions shall be amended in accordance with the DS Amendment.
 - (E) In making any adjustment in respect of a Merger Event or Announcement Event in relation to the Underlying Shares, the Calculation Agent may, but is not required to, in determining any adjustment pursuant to Modified Calculation Adjustment, have reference to (amongst other factors) any adjustment made by the Depositary under the Deposit Agreement, any fees and/or expenses of the Depositary and any withholding or deduction of taxes in each case in connection with any Merger Event or Announcement Event.
 - (F) The definitions of Nationalization and Insolvency in Section 12.6 of the Equity Definitions shall be amended in accordance with the DS Amendment.
 - (G) The consequence of a Nationalization or Insolvency in respect of the Depositary shall be Cancellation and Payment.
 - (H) If a Delisting of the Shares occurs or the Depositary announces that the Deposit Agreement is (or will be) terminated, then:
 - (i) Cancellation and Payment will apply as provided in this Confirmation; *provided* that, if the Convertible Notes remain outstanding with respect to Replacement DSs, the Calculation Agent shall determine whether a replacement of the Shares with Replacement DSs or the Underlying Shares should take place and that one or more terms of the Transaction should be amended to preserve the fair value of the Transaction to the parties and if the Calculation Agent so determines, then Cancellation and Payment shall not apply in respect of such Delisting or termination of the Deposit Agreement, as applicable, and references to Shares herein shall be replaced by references to such Replacement DSs or the Underlying Shares, as applicable, with such amendments as shall be determined by the Calculation Agent; and
 - (ii) where Cancellation and Payment applies under (H)(i) above in respect of a termination of the Deposit Agreement, the Equity Definitions shall be interpreted as follows: (i) such termination shall be deemed to be an “Extraordinary Event”; (ii) Cancellation and Payment shall apply as defined in Section 12.6(c)(ii) of the Equity Definitions; and (iii) the definition of “Announcement Date” in Section 12.1(l) of the Equity Definitions shall include the following additional clause (vii) at the end of the first sentence thereof: “(vii) in the case of a termination of the Deposit Agreement, the date of the first public announcement by the Depositary that the Deposit Agreement is (or will be) terminated”.
 - (I) The definition of “Hedging Disruption” in the Equity Definitions shall be amended as follows:
 - (i) the words “any transaction(s) or asset(s) it deems necessary to hedge the equity price risk of entering into and performing its obligations with respect to the relevant Transaction” shall be deleted and replaced with the words “(x) any Share(s) or any

transaction(s) referencing any Share(s), that, in each case, it deems necessary to hedge the equity price risk and/or, (y) to the extent the Underlying Shares are listed on an exchange outside of the U.S., any transaction(s) or asset(s) it deems necessary to hedge the foreign exchange risk with respect to such Underlying Shares, in each case, of entering into and performing its obligations with respect to the relevant Transaction.”

- (J) The definition of “Insolvency Filing” in Section 12.9(a)(iv) of the Equity Definitions shall be amended in accordance with the DS Amendment.
- (K) For the avoidance of doubt, where a provision is amended by this Section in accordance with the DS Amendment, if the event described in such provision occurs in respect of the Underlying Shares or Underlying Shares Issuer, then the consequence of such event shall be interpreted consistently with the DS Amendment and such event.
- (L) Section 11.2(e)(vii) of the Equity Definitions is hereby amended by deleting the words “a diluting or concentrative” and replacing them with the words “a material” and adding the phrase “or the Note Hedging Units” at the end of the sentence.

Status of Claims in Bankruptcy. Dealer acknowledges and agrees that this Confirmation is not intended to convey to Dealer rights with respect to the Transaction that are senior to the claims of common or ordinary shareholders in any bankruptcy proceedings of Counterparty; *provided* that nothing herein shall limit or shall be deemed to limit Dealer’s right to pursue remedies in the event of a breach by Counterparty of its obligations and agreements with respect to the Transaction other than during Counterparty’s bankruptcy; *provided, further*, that nothing herein shall limit or shall be deemed to limit Dealer’s rights in respect of any transactions other than the Transaction.

No Collateral. Notwithstanding any provision of this Confirmation, the Agreement, Equity Definitions, or any other agreement between the parties to the contrary, the obligations of Counterparty under the Transaction are not secured by any collateral.

Securities Contract; Swap Agreement. The parties hereto agree and acknowledge that Dealer is a “financial institution,” “swap participant” and “financial participant” within the meaning of Sections 101(22), 101(53C) and 101(22A) of the Bankruptcy Code. The parties hereto further agree and acknowledge (A) that this Confirmation is (i) a “securities contract,” as such term is defined in Section 741(7) of the Bankruptcy Code, with respect to which each payment and delivery hereunder or in connection herewith is a “termination value,” “payment amount” or “other transfer obligation” within the meaning of Section 362 of the Bankruptcy Code and a “settlement payment” or a “transfer” within the meaning of Section 546 of the Bankruptcy Code, and (ii) a “swap agreement,” as such term is defined in Section 101(53B) of the Bankruptcy Code, with respect to which each payment and delivery hereunder or in connection herewith is a “termination value,” a “payment amount” or “other transfer obligation” within the meaning of Section 362 of the Bankruptcy Code and a “transfer” within the meaning of Section 546 of the Bankruptcy Code, and (B) that Dealer is entitled to the protections afforded by, among other sections, Section 362(b)(6), 362(b)(17), 362(b)(27), 362(o), 546(e), 546(g), 546(j), 548(d)(2), 555, 560 and 561 of the Bankruptcy Code.

Repurchase Notices. Counterparty shall, on any day on which Counterparty effects any repurchase of Shares or Underlying Shares, provide Dealer with a written notice of such repurchase (a “**Repurchase Notice**”) on such day if, following such repurchase, the Unit Equity Percentage as determined on such day is (a) equal to or greater than 8% and (b) greater by 0.5 % or more than the Unit Equity Percentage included in the immediately preceding Repurchase Notice (or, in the case of the first such Repurchase Notice, greater by 0.5% or more than the Unit Equity Percentage as of the date hereof). The “**Unit Equity Percentage**” as of any day is the fraction, expressed as a percentage, (i) the numerator of which is the sum of (A) the product of the number of Note Hedging Units and the Note Hedging Unit Entitlement and (B) the number of Underlying Shares underlying any other call option transaction between Dealer as seller and Counterparty as buyer, and (ii) the denominator of which is the number of Underlying Shares outstanding on such day. Counterparty agrees that if Counterparty ceases to qualify as a “foreign private issuer” as defined in Rule 3b-4 under the Exchange Act, Counterparty will (to the fullest extent

permitted by applicable law) indemnify and hold harmless Dealer and its affiliates and their respective officers, directors, employees, advisors, agents and controlling persons (each, a “**Section 16 Indemnified Person**”) from and against any and all losses (including losses relating to Dealer’s hedging activities as a consequence of becoming, or of the risk of becoming, a Section 16 “insider”, including without limitation, any forbearance from hedging activities or cessation of hedging activities and any losses in connection therewith with respect to the Transaction), claims, damages, judgments, liabilities and expenses (including reasonable attorney’s fees), joint or several, to which a Section 16 Indemnified Person may become subject, as a result of Counterparty’s failure to provide Dealer with a Repurchase Notice on the day and in the manner specified in this paragraph, and to reimburse, within 30 days upon written request, each of such Section 16 Indemnified Persons for any reasonable and documented out-of-pocket legal or other expenses incurred in connection with investigating, preparing for, providing testimony or other evidence in connection with or defending any of the foregoing. If any suit, action, proceeding (including any governmental or regulatory investigation), claim or demand shall be brought or asserted against the Section 16 Indemnified Person in respect of the foregoing, such Section 16 Indemnified Person shall promptly notify Counterparty in writing, and Counterparty, upon request of the Section 16 Indemnified Person, shall retain counsel reasonably satisfactory to the Section 16 Indemnified Person to represent the Section 16 Indemnified Person and any others Counterparty may designate in such proceeding and shall pay the fees and expenses of such counsel related to such proceeding. Counterparty shall not be liable for any settlement of any proceeding contemplated by this paragraph that is effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, Counterparty agrees to indemnify any Section 16 Indemnified Person from and against any loss or liability by reason of such settlement or judgment. Counterparty shall not, without the prior written consent of the Section 16 Indemnified Person, effect any settlement of any pending or threatened proceeding contemplated by this paragraph that is in respect of which any Section 16 Indemnified Person is or could have been a party and indemnity could have been sought hereunder by such Section 16 Indemnified Person, unless such settlement includes an unconditional release of such Section 16 Indemnified Person from all liability on claims that are the subject matter of such proceeding on terms reasonably satisfactory to such Section 16 Indemnified Person. If the indemnification provided for in this paragraph is unavailable to a Section 16 Indemnified Person or insufficient in respect of any losses, claims, damages or liabilities referred to therein, then Counterparty, in lieu of indemnifying such Section 16 Indemnified Person thereunder, shall contribute to the amount paid or payable by such Section 16 Indemnified Person as a result of such losses, claims, damages or liabilities. The remedies provided for in this paragraph are not exclusive and shall not limit any rights or remedies that may otherwise be available to any Section 16 Indemnified Person at law or in equity. The indemnity and contribution agreements contained in this paragraph shall remain operative and in full force and effect regardless of the termination of the Transaction.

Alternative Calculations and Dealer Payment on Early Termination and on Certain Extraordinary Events. If Dealer owes Counterparty any amount in connection with the Transaction pursuant to Sections 12.2 (and “Consequences of Merger Events” above), 12.6, 12.7 or 12.9 of the Equity Definitions (in each case, except in the case of an Extraordinary Event (x) that is within Counterparty’s control or (y) as a result of which the Shares or Underlying Shares have changed or will be changed into solely cash) or pursuant to Section 6(d)(ii) of the Agreement (in each case, except in the case of an Event of Default in which Counterparty is the Defaulting Party or a Termination Event in which Counterparty is the Affected Party, other than an Event of Default or a Termination Event that resulted from an event or events outside Counterparty’s control, an Early Conversion or a Repurchase Event) (a “**Dealer Payment Obligation**”), Dealer shall satisfy any such Dealer Payment Obligation by delivery of Termination Delivery Units (as defined below), unless Counterparty (A) gives irrevocable telephonic notice to Dealer, confirmed in writing within one Scheduled Trading Day, between the hours of 9:00 a.m. and 4:00 p.m. New York time on the Early Termination Date or other date the Transaction is terminated, as applicable, that such Dealer Payment Obligation should be satisfied by delivery of cash and (B) remakes the representation set forth under “No Material Non-Public Information” below on the date of such notice. If Dealer shall deliver Termination Delivery Units as set forth herein, within a commercially reasonable period of time following the determination by Dealer of the number of Termination Delivery Units, Dealer shall deliver to Counterparty such number of Termination Delivery Units, and the provisions of Sections 9.8, 9.9, 9.11 (in each case, modified as described above) and 9.12 of the Equity Definitions shall be applicable, except that all references to “Shares” shall be read as references to “Termination Delivery Units”. The number of Termination Delivery Units shall be determined by Dealer as the amount of the Dealer Payment Obligation that would have been otherwise due in USD *divided by* the value of one Termination Delivery Unit, as determined by Dealer in its discretion by commercially reasonable means, including the purchase price paid in connection with the purchase

of any such Termination Delivery Unit (such value, the “**Termination Delivery Unit Price**”). The Calculation Agent shall adjust the Termination Delivery Units by replacing any fractional portion of a security therein with an amount of cash equal to the value of such fractional security as determined by the Calculation Agent based on the values used to calculate the Termination Delivery Unit Price.

“**Termination Delivery Unit**” means one Share or, if the Shares or Underlying Shares have changed into cash or any other property or the right to receive cash or any other property as the result of an Insolvency, Nationalization or Merger Event, a unit consisting of the number or amount of each type of property received by a holder of one Share (without consideration of any requirement to pay cash or other consideration in lieu of fractional amounts of any securities) in such Insolvency, Nationalization or Merger Event, as determined by the Calculation Agent. If such Insolvency, Nationalization or Merger Event involves a choice of consideration to be received by holders, the Calculation Agent shall determine the composition of such consideration in a commercially reasonable manner.

Regulation M. Counterparty is not on the date hereof engaged in a distribution, as such term is used in Regulation M under the Exchange Act, of any securities of Counterparty (for the avoidance of doubt including Shares and Underlying Shares) other than a distribution meeting the requirements of the exception set forth in Sections 101(b)(10) and 102(b)(7) of Regulation M under the Exchange Act. Counterparty shall not, until the second Scheduled Trading Day immediately following the Effective Date, engage in any such distribution.

No Material Non-Public Information. Counterparty represents and warrants to Dealer that it is not aware of any material nonpublic information concerning itself, the Shares or the Underlying Shares.

Right to Extend. Dealer may postpone any potential Exercise Date or Settlement Date or postpone or extend any other date of valuation or delivery with respect to some or all of the relevant Note Hedging Units (in which event the Calculation Agent shall make appropriate adjustments to the Settlement Amount for such Note Hedging Units), if Dealer determines, in its commercially reasonable discretion and, in the case of clause (a), based on the advice of counsel, that (a) a Regulatory Disruption has occurred or (b) such extension is reasonably necessary or appropriate to (i) preserve Dealer’s hedging or hedge unwind activity hereunder in light of existing liquidity conditions (but only if there is a material decrease in liquidity relative to Dealer’s expectations on the Trade Date) or (ii) enable Dealer to effect transactions with respect to the Shares or Underlying Shares in connection with its hedging, hedge unwind or settlement activity hereunder in a manner that would, if Dealer were the Issuer or an affiliated purchaser of the Issuer, be in compliance with applicable legal, regulatory or self-regulatory requirements, or with related policies and procedures adopted in good faith by Dealer (so long as such policies and procedures would generally be applicable to counterparties similar to Counterparty and transactions similar to the Transaction); *provided* that no such Exercise Date, Settlement Date or other date of valuation or delivery shall be extended more than 50 Trading Days after the original such date. “**Regulatory Disruption**” shall mean any event that Dealer reasonably determines, based on advice of counsel, makes it appropriate with regard to any legal, regulatory or self-regulatory requirements or related policies and procedures (whether or not such requirements, policies or procedures are imposed by law or have been voluntarily adopted by Dealer), for Dealer to refrain from or decrease any market activity in connection with the Transaction; *provided* that Dealer shall use its commercially reasonable best efforts to avoid a Regulatory Disruption that is solely within its control.

Transfer or Assignment. Either party may transfer or assign any of its rights or obligations under the Transaction with the prior written consent of the non-transferring party, such consent not to be unreasonably withheld or delayed. For the avoidance of doubt, Dealer may condition its consent on any of the following, without limitation: (i) the receipt by Dealer of opinions and documentation reasonably satisfactory to Dealer in connection with such transfer, (ii) such transfer being effected on terms reasonably satisfactory to Dealer with respect to any legal and regulatory requirements relevant to Dealer, (iii) that, in Dealer’s reasonable determination, Dealer will not be required, as a result of such transfer, to pay the transferee an amount under Section 2(d)(i)(4) of the Agreement greater than the amount, if any, that Dealer would have been required to pay to Counterparty in the absence of such transfer, (iv) that, in Dealer’s reasonable determination, no Event of Default, Potential Event of Default or Termination Event will occur as a result of such transfer and (v) that Counterparty will continue to be obligated to provide notices hereunder relating to the Convertible Notes and will continue to be obligated under the provisions set forth under “Repurchase Notices” herein.

If, (a) at any time (1) the Equity Percentage exceeds 9% or (2) Dealer, Dealer Group (as defined below) or any person whose ownership position would be aggregated with that of Dealer or Dealer Group (Dealer, Dealer Group or any such person, a “**Dealer Person**”) under any federal, state or local (including non-U.S.) laws, rules, regulations or regulatory orders, or any organizational documents or contracts of Counterparty that are, in each case, applicable to ownership of Shares or Underlying Shares (excluding those arising under Sections 13 or 16 of the Exchange Act, “**Applicable Restrictions**”), owns, beneficially owns, constructively owns, controls, holds the power to vote or otherwise meets a relevant definition of ownership in connection with a transaction with Counterparty in excess of a number of Shares and/or Underlying Shares, as applicable equal to (x) the number of Shares or Underlying Shares, as applicable that would give rise to reporting, registration, filing or notification obligations or other requirements (including obtaining prior approval by a state, federal or non-U.S. regulator) of a Dealer Person, in each case that is reasonably likely to result in an adverse effect on a Dealer Person, under Applicable Restrictions, as reasonably determined by Dealer, and with respect to which such requirements have not been met or the relevant approval has not been received *minus* (y) 1% of the number of Shares or Underlying Shares, as applicable, outstanding on the date of determination (either such condition described in clause (1) or (2), an “**Excess Ownership Position**”), and (b) Dealer is unable, after commercially reasonable efforts, to effect a transfer or assignment on pricing and terms and within a time period reasonably acceptable to it of all or a portion of the Transaction pursuant to the preceding paragraph such that an Excess Ownership Position no longer exists, Dealer may designate any Scheduled Trading Day as an Early Termination Date with respect to a portion (the “**Terminated Portion**”) of the Transaction, such that an Excess Ownership Position no longer exists following such partial termination. In the event that Dealer so designates an Early Termination Date with respect to a portion of the Transaction, a payment shall be made pursuant to Section 6 of the Agreement as if (i) an Early Termination Date had been designated in respect of a Transaction having terms identical to the Transaction and a Number of Note Hedging Units equal to the Terminated Portion, (ii) Counterparty shall be the sole Affected Party with respect to such partial termination and (iii) such Transaction shall be the only Terminated Transaction (and, for the avoidance of doubt, the provisions set forth under the caption “Alternative Calculations and Dealer Payment on Early Termination and on Certain Extraordinary Events” shall apply to any amount that is payable by Dealer to Counterparty pursuant to this sentence). The “**Equity Percentage**” as of any day is the fraction, expressed as a percentage, (A) the numerator of which is the number of Underlying Shares that Dealer and any of its affiliates subject to aggregation with Dealer for purposes of the “beneficial ownership” test under Section 13 of the Exchange Act and all persons who may form a “group” (within the meaning of Rule 13d-5(b)(1) under the Exchange Act) with Dealer (collectively, “**Dealer Group**”) “beneficially own” (within the meaning of Section 13 of the Exchange Act) in connection with a transaction with Counterparty without duplication on such day (or to the extent that the equivalent calculation under Section 16 of the Exchange Act and the rules and regulations thereunder results in a higher number, such number) and (B) the denominator of which is the number of Underlying Shares outstanding on such day.

Designation by Dealer. Notwithstanding any other provision in this Confirmation to the contrary requiring or allowing Dealer to purchase, sell, receive or deliver any Shares or other securities to or from Counterparty, Dealer may designate any of its affiliates to purchase, sell, receive or deliver such Shares or other securities and otherwise to perform Dealer’s obligations in respect of the Transaction and any such designee may assume such obligations. Dealer shall be discharged of its obligations to Counterparty solely to the extent of any such performance; *provided* that Dealer’s obligations shall be reinstated, as though such performance had not been rendered by such affiliate, in the event and to the extent Counterparty is required to repay or reimburse the amount of value of any payment or other performance by such affiliate on the grounds of the insolvency or other legal, regulatory or contractual constraint on the affiliate’s payment or performance of such obligation.

Service of Process. Counterparty hereby appoints Cogency Global Inc., 10 E. 40th Street, 10th Floor, New York, New York 10016, United States of America to receive, for it and on its behalf, service of process in any Proceedings.

Severability; Illegality. Notwithstanding anything to the contrary in the Agreement, if compliance by either party with any provision of the Transaction would be unenforceable or illegal, (a) the parties shall negotiate in good faith to resolve such unenforceability or illegality in a manner that preserves the economic benefits of the transactions contemplated hereby and (b) the other provisions of the Transaction shall not be invalidated, but shall remain in full force and effect.

Waiver of Jury Trial. EACH PARTY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY SUIT, ACTION OR PROCEEDING RELATING TO THE TRANSACTION. EACH PARTY (I) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF THE OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF SUCH A SUIT, ACTION OR PROCEEDING, SEEK TO ENFORCE THE FOREGOING WAIVER AND (II) ACKNOWLEDGES THAT IT AND THE OTHER PARTY HAVE BEEN INDUCED TO ENTER INTO THE TRANSACTION, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS PROVIDED HEREIN.

Agreements and Acknowledgements Regarding Hedging. Counterparty understands, acknowledges and agrees that: (A) at any time on and prior to the Expiration Date, Dealer and its affiliates may buy or sell Shares, Underlying Shares or other securities or buy or sell options or futures contracts or enter into swaps or other derivative securities in order to adjust its hedge position with respect to the Transaction; (B) Dealer and its affiliates also may be active in the market for Shares or Underlying Shares other than in connection with hedging activities in relation to the Transaction; (C) Dealer shall make its own determination as to whether, when or in what manner any hedging or market activities in securities of Issuer shall be conducted and shall do so in a manner that it deems appropriate to hedge its price and market risk with respect to the Daily VWAP; and (D) any market activities of Dealer and its affiliates with respect to Shares or Underlying Shares may affect the market price and volatility of Shares or Underlying Shares, as well as the Daily VWAP, each in a manner that may be adverse to Counterparty.

Early Unwind. In the event the sale of the “Firm Notes” (as defined in the Purchase Agreement) is not consummated with the initial purchasers thereof for any reason by the close of business in New York on November 3, 2017 (or such later date as agreed upon by the parties) (November 3, 2017 or such later date as agreed upon being the “**Early Unwind Date**”), the Transaction shall automatically terminate (the “**Early Unwind**”) on the Early Unwind Date and (a) the Transaction and all of the respective rights and obligations of Dealer and Counterparty under the Transaction shall be cancelled and terminated and (b) each party shall be released and discharged by the other party from and agrees not to make any claim against the other party with respect to any obligations or liabilities of the other party arising out of and to be performed in connection with the Transaction either prior to or after the Early Unwind Date; *provided* that, if such an Early Unwind is solely due to an event within Counterparty’s control, Counterparty shall purchase from Dealer on the Early Unwind Date all Shares and Underlying Shares purchased by Dealer or one or more of its affiliates, and assume, or reimburse the cost of, derivatives and other hedging activities entered into by Dealer or one or more of its affiliates, in each case, in connection with hedging of the Transaction and the unwind of such hedging activities. The amount payable by Counterparty shall be Dealer’s (or its affiliates) actual cost of such Shares and Underlying Shares and unwind cost of such derivatives and other hedging activities as Dealer informs Counterparty and shall be paid in immediately available funds on the Early Unwind Date. Dealer and Counterparty represent and acknowledge to the other that, subject to the proviso included in the second preceding sentence, upon an Early Unwind, all obligations with respect to the Transaction shall be deemed fully and finally discharged.

Payment by Counterparty. In the event that, following payment of the Premium, (i) an Early Termination Date occurs or is designated with respect to the Transaction as a result of a Termination Event or an Event of Default (other than an Event of Default arising under Section 5(a)(ii) or 5(a)(iv) of the Agreement) and, as a result, Counterparty owes to Dealer an amount calculated under Section 6(e) of the Agreement, or (ii) Counterparty owes to Dealer pursuant to Section 12.7 or 12.9 of the Equity Definitions or this Confirmation, an amount calculated under Section 12.8 of the Equity Definitions), such amount shall be deemed to be zero.

Other Adjustments Pursuant to the Equity Definitions. Notwithstanding anything to the contrary in this Confirmation, solely for the purpose of adjusting the Cap Price, the term “Merger Event” shall have the meaning assigned to such term in the Equity Definitions (as amended above), and upon the occurrence of a Merger Date, as such term is defined in the Equity Definitions, the Calculation Agent may adjust the Cap Price to preserve the fair value of the Note Hedging Units to Dealer; *provided* that in no event shall the Cap Price be less than the Strike Price; *provided, further*, that any adjustment to the Cap Price made pursuant to this Section shall be made without duplication of any other adjustment or determination hereunder (including, for the avoidance of doubt, adjustments or determinations made in accordance with “Method of Adjustment,” “Consequences of Merger

Events” and “Consequences of Announcement Events” above).

Role of Agent. Each party agrees and acknowledges that (i) J.P. Morgan Securities LLC, an affiliate of Dealer (“JPMS”), has acted solely as agent and not as principal with respect to the Transaction and (ii) JPMS has no obligation or liability, by way of guaranty, endorsement or otherwise, in any manner in respect of the Transaction (including, if applicable, in respect of the settlement thereof). Each party agrees it will look solely to the other party (or any guarantor in respect thereof) for performance of such other party’s obligations under the Transaction. JPMS is authorized to act as agent for Dealer.

Taxes, Foreign Account Tax Compliance Act and HIRE Act. Counterparty is classified as a corporation for the U.S. federal income tax purposes. No income received or to be received under this Agreement will be effectively connected with the conduct of a trade or business by Counterparty in the United States. Counterparty is a “non-U.S. branch of a foreign person” as that term is used in Section 1.1441-4(a)(3)(ii) of the United States Treasury Regulations (the “Regulations”), and it is a “foreign person” as that term is used in Section 1.6041-4(a)(4) of the Regulations. The term “Indemnifiable Tax” as defined in Section 14 of this Agreement shall not include any U.S. federal withholding tax imposed or collected pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code (a “FATCA Withholding Tax”). For the avoidance of doubt, a FATCA Withholding Tax is a Tax the deduction or withholding of which is required by applicable law for the purposes of Section 2(d) of this Agreement. The parties agree that the definitions and provisions contained in the ISDA 2015 Section 871(m) Protocol, as published by the International Swaps and Derivatives Association, Inc. and as may be amended, supplemented, replaced or superseded from time to time (the “871(m) Protocol”) shall apply to this Agreement as if the parties had adhered to the 871(m) Protocol as of the effective date of this Agreement. If there is any inconsistency between this provision and a provision in any other agreement executed between the parties, this provision shall prevail unless such other agreement expressly overrides the provisions of the 871(m) Protocol. Each of Dealer and Counterparty shall provide to the other party tax forms and documents required to be delivered pursuant to Sections 1471(b) or Section 1472(b) (1) of the Code promptly upon request by the other party and any other tax forms and documents they are legally able to provide that are reasonably requested by the other party.

U.S. Tax Forms. Without limiting the generality of the foregoing, Counterparty will provide a US Tax Form W-8BEN-E upon the execution of this Agreement and promptly upon reasonable demand by Dealer.

Governing Law; Jurisdiction. THIS CONFIRMATION AND ANY CLAIM, CONTROVERSY OR DISPUTE ARISING UNDER OR RELATED TO THIS CONFIRMATION SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK. THE PARTIES HERETO IRREVOCABLY SUBMIT TO THE EXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK AND THE UNITED STATES COURT FOR THE SOUTHERN DISTRICT OF NEW YORK IN CONNECTION WITH ALL MATTERS RELATING HERETO AND WAIVE ANY OBJECTION TO THE LAYING OF VENUE IN, AND ANY CLAIM OF INCONVENIENT FORUM WITH RESPECT TO, THESE COURTS.

Contact information. For purposes of the Agreement (unless otherwise specified in the Agreement), all notices to the parties shall be delivered by electronic mail with a copy to follow by overnight courier, addressed as follows:

(a) Counterparty

China Lodging Group, Limited
No. 2266 Hongqiao Road
Shanghai, 200336, PRC
Attention: Teo Nee Chuan

(b) Dealer

JPMorgan Chase Bank, National Association
EDG Marketing Support
Email: edg_notices@jpmorgan.com
edg.us.flow.corporates.mo@jpmorgan.com
Facsimile No: 1-866-886-4506

This Confirmation may be executed in several counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

Please confirm that the foregoing correctly sets forth the terms of our agreement by executing this Confirmation and returning it to J.P. Morgan Securities LLC, 383 Madison Ave, New York, NY 10179, and by email to EDG_Notices@jpmorgan.com and edg.us.flow.corporates.mo@jpmorgan.com.

We are very pleased to have executed the Transaction with you and we look forward to completing other transactions with you in the near future.

Very truly yours,

**J.P. Morgan Securities LLC, as agent for
JPMorgan Chase Bank, National Association**



By: _____
Name:
Title:



By: _____
Name:
Title:

[Signature Page to Base Capped Call Confirmation]

Counterparty hereby agrees to, accepts and confirms the terms of the foregoing as of the Trade Date.

CHINA LODGING GROUP, LIMITED

A handwritten signature in black ink, consisting of a large, sweeping initial stroke followed by several loops and a final flourish.

By: _____

Name:

Title:

[Signature Page to Base Capped Call Confirmation]

The Premium for the Transaction is set forth below.

Premium: USD16,779,000

DATE: October 26, 2017

TO: China Lodging Group, Limited
ATTENTION: Teo Nee Chuan
TELEPHONE: +86-21-61952011

FROM: Morgan Stanley & Co. LLC
 1585 Broadway, 5th Floor
 New York, NY 10036

SUBJECT: Base Capped Call Transaction

REFERENCE NUMBER(S): []

The purpose of this agreement (this “**Confirmation**”) is to confirm the terms and conditions of the transaction entered into between **Morgan Stanley & Co. LLC (“Dealer”)** and China Lodging Group, Limited (“**Counterparty**”) on the Trade Date specified below (the “**Transaction**”). This Confirmation constitutes a “Confirmation” as referred to in the Agreement specified below. This Confirmation constitutes the entire agreement and understanding of the parties with respect to the subject matter and terms of the Transaction and supersedes all prior or contemporaneous written and oral communications with respect thereto.

The definitions contained in the 2002 ISDA Equity Derivatives Definitions (the “**Equity Definitions**”), as published by the International Swaps and Derivatives Association, Inc., are incorporated into this Confirmation. In the event of any inconsistency between the Equity Definitions and the terms of this Confirmation, the terms of this Confirmation shall govern, and in the event of any inconsistency between either the Equity Definitions or this Confirmation and the Agreement (as defined below), the Equity Definitions or this Confirmation, as the case may be, shall govern. For the purposes of the Equity Definitions, each reference herein to a Note Hedging Unit shall be deemed to be a reference to a Call or an Option, as context requires.

This Confirmation evidences a complete and binding agreement between Dealer and Counterparty as to the terms of the Transaction to which this Confirmation relates. This Confirmation shall supplement, form a part of, and be subject to an agreement (the “**Agreement**”) in the form of the ISDA 2002 Master Agreement as if Dealer and Counterparty had executed an agreement in such form (without any Schedule but with the elections set forth in this Confirmation). The Transaction shall be the only transaction under the Agreement.

The Transaction shall be considered a Share Option Transaction for purposes of the Equity Definitions, and shall have the following terms:

General:

Trade Date: October 26, 2017.

Effective Date: The closing date for the initial issuance of the Convertible Notes.

Option Style: Modified American, as described below under “Procedure for Exercise”.

Option Type: Note Hedging Units.

Seller: Dealer.

Buyer: Counterparty.

Shares: The American Depositary Shares issued under the Deposit Agreement (as defined below) (Symbol: "HHTT"), each representing as of the date hereof four Underlying Shares.

Underlying Shares: The ordinary shares of Counterparty, nominal value USD 0.0001 per share.

Underlying Shares Issuer: Counterparty

Convertible Notes: 0.375% Convertible Senior Notes due 2022 of Counterparty, offered pursuant to an Offering Memorandum to be dated as of October 26, 2017 (the "**Offering Memorandum**") and issued pursuant to the indenture to be dated on or about November 3, 2017, by and between Counterparty and Wilmington Trust, N.A., as trustee (the "**Indenture**"). References herein to the Indenture refer to the draft of the Indenture most recently reviewed by the parties at the time of execution of this Confirmation. If any relevant sections of the Indenture are changed, added or renumbered upon execution of the Indenture, the parties will amend this Confirmation in good faith to preserve the economic intent of the parties. Subject to the foregoing, references herein to the Indenture shall be to the Indenture as executed, without giving effect to any amendment, supplement or modification thereto other than an amendment, supplement or modification that does not constitute an Amendment Event (as defined below) (a "**Permitted Amendment**"), subject to the provision set forth under "Settlement Amount" below relating to Counterparty Determinations, a Merger Supplemental Indenture (as defined below). If any amendment or supplement is made to the Indenture following execution thereof (other than pursuant to a Merger Supplemental Indenture or a Permitted Amendment) (x) the Calculation Agent shall determine the relevant Settlement Amount and Settlement Date for any Note Hedging Unit exercised thereafter in accordance with this Confirmation by referring to the relevant provisions of the Indenture without giving effect to such amendment or supplement, and (y) such supplement or amendment shall be disregarded for all other purposes hereunder. Terms in quotation marks that are not otherwise defined in this Confirmation shall have the meanings set forth in the Indenture, unless the context requires otherwise.

Number of Note Hedging Units: 425,000, as reduced by any Note Hedging Units exercised hereunder.

Note Hedging Unit Entitlement: 5.4869.

Strike Price: USD1,000 *divided by* the Note Hedging Unit Entitlement, which equals approximately USD182.2523.

Cap Price: USD221.3060.

Applicable Percentage: 10%.

Premium: As provided in Annex A to this Confirmation.

Premium Payment Date: The Effective Date.

Exchange: The NASDAQ Global Select Market.

Related Exchanges: All Exchanges.

Calculation Agent: Dealer; *provided* that, following the occurrence and during the continuance of an Event of Default of the type described in Section 5(a)(vii) of the Agreement with respect to Dealer, Counterparty shall have the right to designate a nationally recognized independent equity derivatives dealer to replace Dealer as the Calculation Agent, and the parties shall work in good faith to execute any appropriate documentation required by such replacement Calculation Agent. Following any determination, adjustment or calculation by the Calculation Agent hereunder, upon a request by Counterparty, the Calculation Agent shall promptly (but in any event within three Scheduled Trading Days) provide to Counterparty by e-mail to the e-mail address provided by Counterparty in such request a report (in a commonly used file format for the storage and manipulation of financial data) displaying in reasonable detail the basis for such determination, adjustment or calculation (including any assumptions used in making such determination, adjustment or calculation), it being understood that the Calculation Agent shall not be obligated to disclose any proprietary or confidential models used by it for such determination, adjustment or calculation or any information that it may be subject to contractual, legal or regulatory obligations not to disclose.

Procedure for Exercise:

Potential Exercise Dates: Each Conversion Date.

Conversion Date: Each “Conversion Date” (other than in respect of an Early Conversion); *provided* that, in respect of any Note Hedging Units not previously exercised, a conversion and a Conversion Date shall be deemed to have occurred on the last day permitted under the Indenture.

Required Exercise on Conversion Dates: On each Conversion Date (other than any Conversion Date occurring prior to the 52nd Scheduled Trading Day prior to the Maturity Date (any such related conversion, an “**Early Conversion**”), to which the provisions of clause (b) under “Additional Termination Events” below shall apply), a number of Note Hedging Units equal to the number of Convertible Notes in denominations of USD 1,000 principal amount with respect to which a Conversion Date has occurred shall be exercised automatically; *provided* that in no event will the number of Note Hedging Units exercised or deemed exercised hereunder exceed the Number of Note Hedging Units.

Expiration Date: November 1, 2022.

Multiple Exercise: Applicable, as provided under “Required Exercise on Conversion Dates”.

Automatic Exercise: Applicable, as provided under “Required Exercise on Conversion Dates”.

Settlement Terms:

Settlement: In lieu of the obligations set forth in Sections 8.1 and 9.1 of the Equity Definitions, in respect of any validly exercised Note Hedging Unit, Dealer shall deliver to Counterparty, on the related Settlement Date, the Settlement Amount.

For the avoidance of doubt, to the extent Dealer is obligated to deliver Shares hereunder, the provisions of Sections 9.8, 9.9, 9.11 and 9.12 of the Equity Definitions shall be applicable to any such delivery of Shares, except that all references in such provisions to “Physical Settlement” and “Physically-settled” shall be read as references to “Share Settlement” and “Share Settled”; *provided* that the Representation and Agreement contained in Section 9.11 of the Equity Definitions shall be modified by excluding any representations therein relating to restrictions, obligations, limitations or requirements under applicable securities laws that exist as a result of the fact that Counterparty is the issuer of the Underlying Shares. “**Share Settlement**” means settlement of a Note Hedging Unit pursuant to “Settlement Amount” below, and “**Share Settled**” has a meaning correlative thereto.

Certificated Shares or Underlying Shares: Notwithstanding anything to the contrary in the Equity Definitions, Dealer may, in whole or in part, deliver Shares or Underlying Shares required to be delivered to Counterparty hereunder in certificated form in lieu of delivery through the Clearance System. With respect to such certificated Shares or Underlying Shares, the Representation and Agreement contained in Section 9.11 of the Equity Definitions shall be modified by deleting the remainder of the provision after the word “encumbrance” in the fourth line thereof; *provided* that, in the event Counterparty uses such certificated Shares or Underlying Shares to settle its obligations with respect to Convertible Notes, Dealer shall reimburse Counterparty for any reasonable costs or expenses as they are incurred.

Daily VWAP: For any “Trading Day”, the per Share volume-weighted average price as displayed under the heading “Bloomberg VWAP” on Bloomberg page “HTHT <equity> AQR” (or its equivalent successor if such page is not available) in respect of the period from the scheduled open of trading until the scheduled close of trading of the regular trading session on such Trading Day (or if such volume-weighted average price is unavailable, the market value of one Share on such Trading Day determined, using a volume-weighted average method, by the Calculation Agent). For the avoidance of doubt, Daily VWAP will be determined without regard to after-hours trading or any other trading

outside of the regular trading session trading hours.

Settlement Amount:

The aggregate of the number of Shares for each Convertible Note in principal amount of USD 1,000 converted in respect of such Conversion Date equal to the product of the Applicable Percentage and the sum, for each of the 50 consecutive "Trading Days" commencing on the 52nd "Scheduled Trading Day" prior to the "Maturity Date" (such period, the "**Deemed Conversion Period**"), of (A) the excess, if any, of (X) 2.0% of the product of the "Conversion Rate" on such Trading Day and the lesser of (1) the Daily VWAP on such Trading Day and (2) the Cap Price on such Trading Day over (Y) USD 20, *divided by* (B) such Daily VWAP.

Following the occurrence of any Merger Event in which the holders of Shares or Underlying Shares receive only cash (a "**Cash Merger**"), the Settlement Amount in respect of any Note Hedging Unit exercised thereafter shall consist of an amount of cash equal to the product of the Applicable Percentage and the excess, if any, of (i) the product of the "Conversion Rate" (determined without giving effect to any Fundamental Change Adjustment or any Discretionary Adjustment as defined below) and the lesser of (1) the amount of cash received by a holder of one Share in such Merger Event and (2) the Cap Price over (ii) USD 1,000, in lieu of any Settlement Amount determined above.

The number of Shares included in the Settlement Amount shall not take into consideration any rounding pursuant to Section 14.02(j) of the Indenture. Instead Dealer will deliver cash in lieu of any fractional Shares based on (i) the Daily VWAP on the last "Trading Day" of the Deemed Conversion Period and (ii) the aggregate number of Note Hedging Units exercised on any Exercise Date.

In addition, and notwithstanding anything to the contrary herein:

(i) the Settlement Amount shall be determined by the Calculation Agent excluding any increase to the "Conversion Rate" pursuant to Section 14.03(a) of the Indenture (a "**Fundamental Change Adjustment**") or any voluntary adjustment to the "Conversion Rate" pursuant to Section 14.04(h) of the Indenture (a "**Discretionary Adjustment**"); and

(ii) if Counterparty or its board of directors is permitted or required to exercise discretion under the terms of the Indenture with respect to any determination, calculation or adjustment (including, without limitation, any adjustment under Section 14.05 of the Indenture, any adjustment to the terms of the Convertible Notes following a Merger Event pursuant to Section 14.07(a) of the Indenture or any determination of the fair market value of distributed property, the volume weighted average price of Shares or the value of a "unit of Reference Property") (any such determination, calculation or adjustment, a "**Counterparty Determination**"), Counterparty shall consult with Dealer with respect thereto and, if Dealer disagrees in good

faith with such determination, calculation or adjustment, notwithstanding anything herein to the contrary, the Calculation Agent shall make such determination, calculation or adjustment for purposes of the Transaction.

Section 6.3(a) of the Equity Definitions is hereby amended by deleting the remainder of clause (ii) thereof following the words “at any time.”

Settlement Date:

In respect of an Exercise Date, the date that falls one Settlement Cycle following the end of the Deemed Conversion Period (or, following the occurrence of a Cash Merger, the date that falls on the fifth “Business Day” following the applicable Exercise Date).

Settlement Currency:

USD.

Share Adjustments:

Adjustment Event:

Means any occurrence of any event or condition, as set forth in Section 14.04 or 14.05 of the Indenture, that would result in an adjustment under the Indenture to the “Conversion Rate” or any other term of the Convertible Notes; *provided* that in no event shall there be any adjustment hereunder as a result of a Fundamental Change Adjustment or a Discretionary Adjustment.

For the avoidance of doubt, Dealer shall not have any delivery or payment obligation hereunder, and no adjustment shall be made to the terms of the Transaction, on account of (i) any distribution of cash, property or securities by Counterparty to holders of the Convertible Notes (upon conversion or otherwise) or (ii) any other transaction in which holders of the Convertible Notes are entitled to participate, in each case, in lieu of an adjustment under the Indenture of the type referred to in the immediately preceding sentence (including, without limitation, pursuant to the fourth sentence of Section 14.04(c) of the Indenture or the fourth sentence of Section 14.04(d) of the Indenture).

Method of Adjustment:

Calculation Agent Adjustment, which means that, notwithstanding Section 11.2(c) of the Equity Definitions, which Section shall not apply for purposes of the Transaction except as expressly provided herein, upon any Adjustment Event (excluding, for the avoidance of doubt, any Fundamental Change Adjustment or Discretionary Adjustment), the Calculation Agent shall make (i) an adjustment corresponding to the adjustment to be made pursuant to the Indenture to any one or more of the Strike Price, the Note Hedging Unit Entitlement, the composition of the Shares and any other variable relevant to the exercise, settlement, payment or other terms of the Transaction (other than the Number of Note Hedging Units and the Cap Price and subject to the provisions set forth under “Settlement Amount” above in respect of any Counterparty Determination); *provided* that, notwithstanding the foregoing, if any Adjustment Event occurs during the Deemed Conversion Period but no adjustment was made to any Convertible Note under the Indenture because the relevant “Holder” (as such term is defined in the Indenture)

was deemed to be a record owner of the underlying Shares on the related “Conversion Date,” then the Calculation Agent shall make an adjustment, as determined by it based on the adjustment that would have otherwise applied under the Indenture, to the terms hereof in order to account for such Adjustment Event and (ii) a proportionate adjustment to the Cap Price to the extent any adjustment is made to the Strike Price pursuant to clause (i) above; *provided* that, upon the occurrence of any Adjustment Event and/or any Potential Adjustment Event, the Calculation Agent may, but without duplication of any adjustment pursuant to clause (i) and (ii) above, make any further adjustment to the Cap Price consistent with the “Calculation Agent Adjustment” set forth in Section 11.2(c) of the Equity Definitions (as modified hereby) to preserve the fair value of the Transaction to the parties after taking into account such Adjustment Event and/or Potential Adjustment Event; *provided, further*, that the Cap Price shall not be adjusted so that it is less than the Strike Price. In addition, if any Adjustment Event, or the effective date, “expiration date” (as used in the Indenture) or “Ex-Dividend Date” for such event, occurs during the Deemed Conversion Period, the Calculation Agent may make such further adjustments as it determines appropriate to the Settlement Amount for the relevant Note Hedging Units. Counterparty shall (x) reasonably promptly, but in any event within two Business Days, after the occurrence of any Adjustment Event and/or Merger Event, notify the Calculation Agent of such Adjustment Event and/or Merger Event, (y) give Dealer written notice, promptly following its determination thereof, of the section or sections of the Indenture and, if applicable, the formula therein, pursuant to which any adjustment is expected to be made to the Convertible Securities in connection with any Adjustment Event or Merger Event and (z) once the adjustments to be made to the terms of the Indenture and the Convertible Securities in respect of such Merger Event and/or Adjustment Event have been determined, reasonably promptly, but in any event with two Business Days, notify the Calculation Agent in writing of the details of such adjustments.

In connection with any Adjustment Event as a result of an event or condition set forth in Section 14.04(b) of the Indenture or Section 14.04(c) of the Indenture where, in either case, the period for determining “Y” (as such term is used in Section 14.04(b) of the Indenture) or “SP₀” (as such term is used in Section 14.04(c) of the Indenture), as the case may be, begins before Counterparty has publicly announced the event or condition giving rise to such Adjustment Event, then the Calculation Agent shall have the right to adjust the Cap Price (but in no event to a number lower than the Strike Price) as appropriate to reflect the reasonable costs (including, but not limited to, hedging mismatches and market losses) and reasonable expenses incurred by Dealer in connection with its hedging activities as a result of such event or condition not having been publicly announced prior to the beginning of such period.

If any Adjustment Event is declared and (a) the event or condition giving rise to such Adjustment Event is subsequently amended, modified, cancelled or abandoned after the period during which the

formula for adjusting the “Conversion Rate” has commenced calculation or (b) the “Conversion Rate” (as defined in the Indenture) is adjusted as a result of such Adjustment Event and subsequently re-adjusted pursuant to Sections 14.04(a), 14.04(b) or 14.04(c) of the Indenture (each of clauses (a) and (b), an “**Adjustment Event Change**”) then, in each case, the Calculation Agent shall have the right to adjust the Cap Price (but in no event to a number lower than the Strike Price) as appropriate to reflect the reasonable costs (including, but not limited to, hedging mismatches and market losses) and reasonable expenses incurred by Dealer in connection with its hedging activities as a result of such Adjustment Event Change.

Extraordinary Events:

Merger Events:

Notwithstanding Section 12.1(b) of the Equity Definitions, except for purposes of the provisions set forth under “Consequences of Announcement Event” and “Announcement Event” below, a “Merger Event” means the occurrence of any event or condition set forth in Section 14.07(a) of the Indenture.

Notice of Merger Consideration:

In respect of any Merger Event, Counterparty shall notify the Calculation Agent of, if applicable, the weighted average of the kind and amounts of consideration to be received by the holders of Shares and Underlying Shares in any Merger Event who affirmatively make such an election, reasonably promptly, but in any event within two Business Days, upon determination thereof (and in any event prior to the effective date of the Merger Event), and Counterparty shall deliver to Dealer a copy of any supplemental indenture effecting such adjustments (a “**Merger Supplemental Indenture**”) as reasonably as practicable prior to execution thereof.

Consequences of Merger Events:

Notwithstanding Section 12.2 of the Equity Definitions, upon the occurrence of a Merger Event, the Calculation Agent shall make the corresponding adjustment in respect of any adjustment under the Indenture to any one or more of the nature of the Shares, the Strike Price, the Note Hedging Unit Entitlement, the Settlement Date and any other variable relevant to the exercise, settlement or payment or other terms of the Transaction (other than the Number of Note Hedging Units and subject to the provisions set forth under “Settlement Amount” above in respect of any Counterparty Determination); provided that such adjustment shall be made without regard to any Fundamental Change Adjustment or any Discretionary Adjustment; *provided* further that if, with respect to a Merger Event, (i) the consideration for the Shares or Underlying Shares includes (or, at the option of a holder of Underlying Shares, may include) shares (or depositary receipts with respect to shares) of an entity or person that is not a corporation or entity that is treated as a corporation for U.S. federal income tax purposes organized under the laws of (1) the United States, any State thereof, the District of Columbia or the Cayman Islands or, (2) to the extent having the Underlying Shares Issuer organized under the laws of the jurisdictions in this clause (2) would not have a material adverse effect on Dealer’s rights and obligations hereunder, Dealer’s hedging

activities or the costs of engaging in the foregoing and, provided that Counterparty negotiates in good faith with Dealer all the necessary and appropriate amendments to this Confirmation related to the foregoing in this clause (2), including, without limitation, causing its counsel to deliver written legal opinions reasonably requested by Dealer and will reimburse Dealer all of its out-of-pocket costs (including costs of its counsel) reasonably incurred by Dealer, the British Virgin Islands, Bermuda, Hong Kong or the United Kingdom (the jurisdictions listed in (1) and, to the extent the requirements listed in (2) are satisfied, the jurisdictions listed in (2), “**Permitted Merger Jurisdictions**”); or (ii) Counterparty following such Merger Event (A) will not be a corporation or entity that is treated as a corporation for U.S. federal income tax purposes organized under the laws of a Permitted Merger Jurisdiction or (B) will not be the Underlying Shares Issuer or a subsidiary of the Underlying Shares Issuer following such Merger Event, Cancellation and Payment (Calculation Agent Determination) may apply at Dealer’s good faith, commercially reasonable election.

Consequences of Announcement Events:

If an Announcement Event occurs, the Calculation Agent will determine the cumulative economic effect of the Announcement Event on the theoretical value of the Transaction (i) on a date occurring a commercially reasonable period of time after the date of announcement of the relevant Announcement Event and (ii) on the Valuation Date or any earlier date of termination or cancellation for the Transaction (in each case, which may include, without limitation, any actual or expected change in volatility, dividends, correlation, stock loan rate or liquidity relevant to the Shares or Underlying Shares or to the Transaction whether prior to or after the Announcement Event or for any reasonable period of time), and if, in the case of clause (i) or (ii), such economic effect is material and Dealer so elects in its sole discretion, the Calculation Agent will (x) adjust the Cap Price (but in no event to a number lower than the Strike Price) to reflect such economic effect and (y) determine the effective date of such adjustment; *provided* that, notwithstanding the foregoing, if the related Merger Date or Tender Offer Date, as the case may be, or any subsequent related Announcement Event, occurs on or prior to the effective date of such adjustment, any further adjustment to the terms of the Transaction with respect to such Merger Date, Tender Offer Date or Announcement Event pursuant to this Confirmation and/or the Equity Definitions shall take such earlier adjustment into account (and, for the avoidance of doubt, where Cancellation and Payment is applicable, the Determining Party shall take into account such adjustment in determining the Cancellation Amount); *provided further* that in no event shall the Cap Price be less than the Strike Price.

Announcement Event:

(i) The public statement or announcement by any person or entity of (x) any transaction or event that, if completed, would constitute a Merger Event or Tender Offer, (y) any acquisition by Underlying Shares Issuer or any of its subsidiaries where the aggregate consideration exceeds 25% of the market capitalization of the Underlying Shares Issuer as of the date of such announcement (an “**Acquisition Transaction**”) or (z)

the firm intention to enter into a Merger Event or Tender Offer or an Acquisition Transaction, (ii) the public statement or announcement by the Underlying Shares Issuer of an intention to solicit or enter into, or to explore strategic alternatives or other similar undertakings that may include, a Merger Event or Tender Offer or an Acquisition Transaction or (iii) any subsequent public statement or announcement by any person or entity of a withdrawal, discontinuation, termination or other change to a transaction or intention that is the subject of an announcement of the type described in clause (i) or (ii) of this sentence; *provided* that, for the avoidance of doubt, the occurrence of an Announcement Event with respect to any transaction or intention shall not preclude the occurrence of a later Announcement Event described in clause (iii) above with respect to such transaction or intention. For purposes of this definition of “Announcement Event,” (A) “Merger Event” shall mean such term as defined under Section 12.1(b) of the Equity Definitions (but, for the avoidance of doubt, the remainder of the definition of “Merger Event” in Section 12.1(b) of the Equity Definitions following the definition of “Reverse Merger” therein shall be disregarded) and (B) “Tender Offer” shall mean such term as defined under Section 12.1(d) of the Equity Definitions.

Nationalization, Insolvency and Delisting:

Cancellation and Payment (Calculation Agent Determination); *provided* that in addition to the provisions of Section 12.6(a)(iii) of the Equity Definitions, it shall also constitute a Delisting if the Exchange is located in the United States and the Shares are not immediately re-listed, re-traded or re-quoted on any of the New York Stock Exchange, The NASDAQ Global Select Market or The NASDAQ Global Market (or their respective successors); if the Shares are immediately re-listed, re-traded or re-quoted on any such exchange or quotation system, such exchange or quotation system shall thereafter be deemed to be the Exchange.

Section 12.6(a)(ii) of the Equity Definitions is hereby amended by (1) deleting from the fourth line thereof the word “or” after the word “official” and inserting a comma therefor and (2) inserting at the end of subsection (B) thereof the following wording, “or, under the laws of the jurisdiction of organization of the Underlying Shares Issuer, any other impediment to or restriction on the transferability of any Share arises or becomes applicable including, without limitation, where (x) any transfer of a Share or alteration of the status of the members of the Issuer would be void unless a court of the Cayman Islands or any other such jurisdiction orders otherwise or (y) any transfer of a Share not being a transfer with the sanction of a liquidator, and any alteration in the status of the Issuer’s members, would be void.”

Additional Disruption Events:

Change in Law:

Applicable; *provided* that Section 12.9(a)(ii) of the Equity Definitions is hereby amended (i) by inserting the parenthetical “(including, for the avoidance of doubt and without limitation, the effectiveness, adoption or promulgation of new regulations authorized or mandated by existing

statute)” at the end of clause (A) thereof, (ii) by the replacement of the word “Shares” with “Hedge Positions” in clause (X) thereof; (iii) by replacing in the third line thereof the phrase “the interpretation” with “or the announcement of the formal or informal interpretation” and (iv) immediately following the word “Transaction” in clause (X) thereof, adding the phrase “in the manner contemplated by the Hedging Party on the Trade Date”.

Failure to Deliver:

Applicable.

Insolvency Filing:

Applicable.

Hedging Disruption:

Applicable; *provided* that:

- (i) Section 12.9(a)(v) of the Equity Definitions is hereby amended by (a) inserting the following words at the end of clause (A) thereof: “in the manner contemplated by the Hedging Party on the Trade Date” and (b) inserting the following two phrases at the end of such Section:

“For the avoidance of doubt, the term “equity price risk” shall be deemed to include, but shall not be limited to, stock price and volatility risk. And, for the further avoidance of doubt, any such transactions or assets referred to in phrases (A) or (B) above must be available on commercially reasonable pricing terms. Any inability of the Hedging Party referred to in phrases (A) and (B) above that is solely attributable to the deterioration of the creditworthiness of the Hedging Party relative to comparable financial institutions shall not be deemed a Hedging Disruption”; and

- (ii) Section 12.9(b)(iii) of the Equity Definitions is hereby amended by inserting in the third line thereof, after the words “to terminate the Transaction”, the words “or a portion of the Transaction affected by such Hedging Disruption”.

Hedging Party:

Dealer for all applicable Additional Disruption Events; *provided* that, when making any determination or calculation as “Hedging Party,” Dealer shall be bound by the same obligations relating to required acts of the Calculation Agent as set forth in Section 1.40 of the Equity Definitions and this Confirmation as if the Hedging Party were the Calculation Agent. The parties agree that they will comply with the provisions set forth in the second sentence under “Calculation Agent” above, as if the Hedging Party were the Calculation Agent for purposes thereof.

Determining Party:

Dealer for all applicable Extraordinary Events; *provided* that, when making any determination or calculation as “Determining Party,” Dealer shall be bound by the same obligations relating to required acts of the Calculation Agent as set forth in Section 1.40 of the Equity Definitions

and this Confirmation as if the Determining Party were the Calculation Agent. The parties agree that they will comply with the provisions set forth in the second sentence under “Calculation Agent” above, as if the Determining Party were the Calculation Agent for purposes thereof.

Acknowledgements:

Non-Reliance: Applicable.

Agreements and Acknowledgements
Regarding Hedging Activities: Applicable.

Additional Acknowledgements: Applicable.

Mutual Representations: Each of Dealer and Counterparty represents and warrants to, and agrees with, the other party that:

- (i) **Tax Disclosure.** Notwithstanding anything to the contrary herein, in the Equity Definitions or in the Agreement, and notwithstanding any express or implied claims of exclusivity or proprietary rights, the parties (and each of their employees, representatives or other agents) are authorized to disclose to any and all persons, beginning immediately upon commencement of their discussions and without limitation of any kind, the tax treatment and tax structure of the Transaction, and all materials of any kind (including opinions or other tax analyses) that are provided by either party to the other relating to such tax treatment and tax structure.
- (ii) **Commodity Exchange Act.** It is an “eligible contract participant” within the meaning of the U.S. Commodity Exchange Act, as amended (the “CEA”). The Transaction has been subject to individual negotiation by the parties. The Transaction has not been executed or traded on a “trading facility” as defined in the CEA.
- (iii) **Securities Act.** It is an “accredited investor” within the meaning of the U.S. Securities Act of 1933, as amended (the “Securities Act”).

Counterparty Representations: In addition to the representations and warranties in the Agreement and those contained elsewhere herein, Counterparty represents, warrants, acknowledges and covenants, as applicable, that:

- (i) Counterparty as of and immediately after the Trade Date and the Premium Payment Date (x) is not, and shall not be after giving effect to the transactions contemplated hereby, “insolvent” (as such term is defined in Section 101(32) of the U.S. Bankruptcy Code (Title 11 of the United States Code) (the “Bankruptcy Code”)), (y) would be able to purchase 2,606,278 Shares and the Underlying Shares represented by such number of Shares in compliance with the laws of the jurisdiction of Counterparty’s incorporation or organization, and (z), for the purposes of Cayman Islands law, is able to pay its debts.
- (ii) Counterparty shall promptly provide written notice to Dealer upon obtaining knowledge of the occurrence of any event that constitutes an Event of Default, a Potential Event of Default, an Adjustment Event or a Potential Adjustment Event; *provided, however,* that should Counterparty be in possession of material non-public information regarding Counterparty, the Underlying Shares or the Shares, Counterparty shall not communicate such information to Dealer in connection with the Transaction until such information no longer constitutes material non-public information.

- (iii) Counterparty's financial condition is such that it has no need for liquidity with respect to its investment in the Transaction and no need to dispose of any portion thereof to satisfy any existing or contemplated undertaking or indebtedness.
- (iv) Counterparty's investments in and liabilities in respect of the Transaction, which it understands are not readily marketable, are not disproportionate to its net worth, and Counterparty is able to bear any loss in connection with the Transaction, including the loss of its entire investment in the Transaction.
- (v) Counterparty understands, agrees and acknowledges that Dealer has no obligation or intention to register the Transaction under the Securities Act, any state securities law or other applicable federal securities law.
- (vi) Counterparty is not, and after giving effect to the transactions contemplated hereby will not be, required to be registered as an "investment company" as such term is defined in the Investment Company Act of 1940, as amended.
- (vii) Counterparty understands, agrees and acknowledges that no obligations of Dealer to it hereunder shall be entitled to the benefit of deposit insurance and that such obligations shall not be guaranteed by any affiliate of Dealer or any governmental agency.
- (viii) (A) Counterparty is acting for its own account, and it has made its own independent decisions to enter into the Transaction and as to whether the Transaction is appropriate or proper for it (including as to any legal, regulatory, tax, accounting or economic consequences arising from the Transaction) based upon its own judgment and upon advice from such advisers as it has deemed necessary (including legal, financial and accounting advisors), (B) Counterparty is not relying on any communication (written or oral) of Dealer or any of its affiliates as investment advice or as a recommendation to enter into the Transaction (it being understood that information and explanations related to the terms and conditions of the Transaction shall not be considered investment advice or a recommendation to enter into the Transaction) and (C) no communication (written or oral) received from Dealer or any of its affiliates shall be deemed to be an assurance or guarantee as to the expected results of the Transaction.
- (ix) Without limiting the generality of Section 13.1 of the Equity Definitions, Counterparty acknowledges that Dealer is not making any representations or warranties with respect to the treatment of the Transaction under ASC Topic 260, *Earnings Per Share*, ASC Topic 815, *Derivatives and Hedging*, ASC Topic 480, *Distinguishing Liabilities from Equity* and ASC Topic 815-40, *Derivatives and Hedging — Contracts in Entity's Own Equity* (or any successor issue statements), or under any other accounting guidance.
- (x) Counterparty is not entering into the Transaction and will not make any election hereunder for the purpose of (i) creating actual or apparent trading activity in the Shares or Underlying Shares (or any security convertible into or exchangeable for the Shares or Underlying Shares) or (ii) raising or depressing or otherwise manipulating the price of the Shares or Underlying Shares (or any security convertible into or exchangeable for the Shares or Underlying Shares), in either case in violation of the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**").
- (xi) Counterparty's filings under the Exchange Act that are required to be filed have been filed and, as of the respective dates thereof and as of the date of this representation, such filings when considered as a whole (with the more recent such filings deemed to amend inconsistent statements contained in any earlier such filings) do not contain any misstatement of a material fact or any omission of a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

- (xii) The Transaction, and any repurchase of the Shares and/or Underlying Shares by Counterparty in connection with the Transaction, has been approved by Counterparty's board of directors and any such repurchase has been, or shall when so required be, publicly disclosed in its periodic filings under the Exchange Act and its financial statements and notes thereto.
- (xiii) To Counterparty's knowledge, no state or local (including non-U.S. jurisdictions) or non-U.S. federal law, rule, regulation or regulatory order applicable to the Shares or the Issuer would give rise to any reporting, consent, registration or other requirement (including without limitation a requirement to obtain prior approval from any person or entity) as a result of Dealer or its affiliates having the power to vote, owning or holding (however defined) Shares; *provided* that Counterparty makes no representation or warranty regarding any such requirement that is applicable generally to the ownership of equity securities by Dealer solely as a result of it being a financial institution or broker-dealer.
- (xiv) Counterparty shall deliver to Dealer (A) on the Effective Date a customary opinion of Hong Kong counsel that the Transaction does not contravene the Facilities Agreement between Counterparty and Deutsche Bank AG, Hong Kong Branch, as Agent, dated as of May 18, 2017, (B) a customary opinion of Cayman counsel, dated as of such date and reasonably acceptable to Dealer in form and substance, with respect to the matters set forth in Section 3(a)(i)-(iv) of the Agreement and such other matters as Dealer may reasonably request prior to the Trade Date, (C) a resolution of the Counterparty's board of directors (the "**Board**") authorizing the Transaction and (D) on or before the Premium Payment Date, a solvency certificate with respect to Counterparty signed by a member of the Board, the chief executive officer or the chief financial officer of the Counterparty certifying the solvency of Counterparty as of and immediately after the Premium Payment Date (after giving effect to Counterparty's payment of amounts required to be paid by Counterparty on such date under the Transaction and the other transactions described under "Use of Proceeds" in the Offering Memorandum related to the offering of the Convertible Notes), which solvency certificate is reasonably satisfactory to Dealer.
- (xv) Counterparty (A) is capable of evaluating investment risks independently, both in general and with regard to the Transaction; (B) will exercise independent judgment in evaluating the recommendations of any broker-dealer or its associated persons, unless it has otherwise notified the broker-dealer in writing; and (C) has total assets of at least USD50 million.
- (xvi) All of the issued Underlying Shares have been duly and validly authorized and issued and are fully paid and non-assessable and none of the outstanding Underlying Shares have been issued in violation of any pre-emptive or similar rights of any security holder.

Miscellaneous:

No Set-Off. Neither party shall have the right to set off any obligation that it may have to the other party under the Transaction against any obligation such other party may have to it, whether arising under the Agreement, this Confirmation or any other agreement between the parties hereto, by operation of law or otherwise.

Qualified Financial Contracts. It is the intention of the parties that, in respect of Counterparty, (a) the Transaction shall constitute a "qualified financial contract" within the meaning of 12 U.S.C. Section 1821(e)(8)(D)(i) and (b) a Non-defaulting Party's rights under Sections 5 and 6 of the Agreement constitute rights of the kind referred to in 12 U.S.C. Section 1821(e)(8)(A).

Method of Delivery. Whenever delivery of funds or other assets is required hereunder by or to Counterparty, such delivery shall be effected through DBSI. In addition, all notices, demands and communications of any kind relating to the Transaction between Dealer and Counterparty shall be transmitted exclusively through DBSI.

Staggered Settlement. Dealer may, by notice to Counterparty on or prior to any Settlement Date on which Dealer would be required to deliver Shares hereunder (a "**Nominal Settlement Date**") if Dealer reasonably

determines that it would not be advisable to deliver, or to acquire Shares to deliver, any or all of the Shares to be delivered by Dealer on any Settlement Date for the Transaction, elect to deliver such Shares on two or more dates (each, a “**Staggered Settlement Date**”) or at two or more times on the Nominal Settlement Date, in each case only to the extent reasonably necessary, as determined by Dealer in good faith, to avoid an Excess Ownership Position (as defined below), as follows: (i) in such notice, Dealer will specify to Counterparty the related Staggered Settlement Dates (each of which will be on or prior to such Nominal Settlement Date, but not prior to the beginning of the Deemed Conversion Period) or delivery times and how it will allocate the Shares it is required to deliver under “Settlement” above among the Staggered Settlement Dates or delivery times; and (ii) the aggregate number of Shares that Dealer will deliver to Counterparty hereunder on all such Staggered Settlement Dates and delivery times will equal the number of Shares that Dealer would otherwise be required to deliver on such Nominal Settlement Date.

Additional Termination Events.

- (a) The occurrence of (i) an “Event of Default” with respect to Counterparty under the terms of the Convertible Notes as set forth in Section 6.01 of the Indenture, and such event of default results in the Convertible Notes becoming or being declared due and payable pursuant to the Indenture or (ii) an Amendment Event shall be an Additional Termination Event, in each case with the Transaction as the sole Affected Transaction and Counterparty as the sole Affected Party and Dealer as the party entitled to designate an Early Termination Date pursuant to Section 6(b) of the Agreement (which Early Termination Date shall occur as promptly as commercially reasonably practicable but no later than the settlement date under the Indenture for such acceleration in the case of clause (i)). For the avoidance of doubt, the relevant Early Termination Amount in respect of an Amendment Event shall be calculated without giving effect to the relevant amendment.

“**Amendment Event**” means that Counterparty amends, modifies, supplements, waives or obtains a waiver with respect to any term of the Indenture or the Convertible Notes governing the principal amount, coupon, maturity, repurchase obligation of Counterparty, any redemption right of Counterparty, any term relating to conversion of the Convertible Notes (including, without limitation, changes to the conversion rate, conversion settlement dates, conversion rate adjustment provisions or conversion conditions), any term relating to required cancellation of the Convertible Notes or any term that would require consent of the holders of not less than 100% of the principal amount of the Convertible Notes to amend, in each case without the consent of Dealer (such consent not to be unreasonably withheld or delayed); *provided* that entry into a Merger Supplemental Indenture or an amendment pursuant to Section 10.01(h) of the Indenture shall not constitute an Amendment Event.

- (b) Upon any Early Conversion:
- (A) Counterparty shall, within thirty Scheduled Trading Days of the Conversion Date for such Early Conversion, provide written notice (an “**Early Conversion Notice**”) to Dealer specifying the number of Convertible Notes surrendered for conversion on the related Conversion Date (such Convertible Notes, the “**Affected Convertible Notes**”), and the giving of such Early Conversion Notice shall constitute an Additional Termination Event as provided in this clause (b);
- (B) following receipt of any such Early Conversion Notice, Dealer shall designate an Exchange Business Day as an Early Termination Date (which Exchange Business Day shall be on or as promptly as commercially reasonably practicable following the Conversion Date for such Early Conversion) with respect to the portion of the Transaction corresponding to a number of Note Hedging Units (the “**Affected Number of Note Hedging Units**”) equal to the lesser of (x) the number of Affected Convertible Notes and (y) the Number of Note Hedging Units as of the Conversion Date for such Early Conversion;
- (C) any payment hereunder with respect to such termination shall be a payment calculated pursuant to Section 6 of the Agreement as if (x) an Early Termination Date had been designated in respect of a Transaction having terms identical to the Transaction and a Number of Note Hedging Units equal to the Affected Number of Note Hedging Units, (y) Counterparty were the sole Affected Party with respect to such Additional Termination Event and (z) the terminated portion of the Transaction were the sole Affected Transaction.
- (D) for the avoidance of doubt, in determining the amount payable in respect of such Affected Transaction pursuant to Section 6 of the Agreement, Dealer shall assume that (x) the relevant Early Conversion and any conversions, adjustments, agreements, payments, deliveries or acquisitions by or on behalf of Counterparty leading thereto had not occurred, (y) no adjustments to the Conversion Rate have occurred pursuant to any Fundamental Change Adjustment or Discretionary Adjustment and (z) the corresponding Convertible Notes remain outstanding; and

- (E) the Transaction shall remain in full force and effect, except that, as of the Conversion Date for such Early Conversion, the Number of Note Hedging Units shall be reduced by the Affected Number of Note Hedging Units.
- (c) Promptly (but in any event within five Scheduled Trading Days) following any Repurchase Event (as defined below), Counterparty shall notify Dealer of such Repurchase Event and the aggregate principal amount of Convertible Notes subject to such Repurchase Event (any such notice, a “**Convertible Notes Repurchase Notice**”); *provided* that any such Convertible Notes Repurchase Notice shall contain an acknowledgment by Counterparty of its responsibilities under applicable securities laws, and in particular Section 9 and Section 10(b) of the Exchange Act and the rules and regulations thereunder, in respect of such Repurchase Event and the delivery of such Convertible Notes Repurchase Notice; and further *provided* that, if Counterparty provides such notice later than five Scheduled Trading Days following such Repurchase Event and before the date that is 45 Scheduled Trading Days following such Repurchase Event and such delay is due to administrative error or any oversight in good faith, Counterparty shall be deemed to have fulfilled such notice obligation as determined by the Calculation Agent in its commercially reasonable discretion. The receipt by Dealer from Counterparty of any Convertible Notes Repurchase Notice shall constitute an Additional Termination Event as provided in this Section. Upon receipt of any such Convertible Notes Repurchase Notice, Dealer shall designate an Exchange Business Day following receipt of such Convertible Notes Repurchase Notice (which Exchange Business Day shall be on or as promptly as commercially reasonably practicable after the related settlement date for the relevant Repurchase Event) as an Early Termination Date with respect to the portion of the Transaction corresponding to a number of Note Hedging Units (the “**Repurchase Note Hedging Units**”) equal to the lesser of (A) the aggregate principal amount of such Convertible Notes specified in such Convertible Notes Repurchase Notice, divided by USD 1,000 and (B) the Number of Note Hedging Units as of the date Dealer designates such Early Termination Date and, as of such date, the Number of Note Hedging Units shall be reduced by the number of Repurchase Note Hedging Units. Any payment hereunder with respect to such termination (the “**Repurchase Unwind Payment**”) shall be calculated pursuant to Section 6 of the Agreement as if (1) an Early Termination Date had been designated in respect of a Transaction having terms identical to the Transaction and a Number of Note Hedging Units equal to the number of Repurchase Note Hedging Units, (2) Counterparty were the sole Affected Party with respect to such Additional Termination Event and (3) the terminated portion of the Transaction were the sole Affected Transaction (and, for the avoidance of doubt, (1) the provisions of the Section entitled “Alternative Calculations and Dealer Payment on Early Termination and on Certain Extraordinary Events” shall apply to any amount that is payable by Dealer to Counterparty pursuant to this clause (c) as if Counterparty was not the Affected Party and (2) in determining the amount payable in respect of such Affected Transaction pursuant to Section 6 of the Agreement, Dealer shall assume that (x) the relevant Repurchase Event and any conversions, adjustments, agreements, payments, deliveries or acquisitions by or on behalf of Counterparty leading thereto had not occurred, (y) no adjustments to the Conversion Rate have occurred pursuant to any Fundamental Change Adjustment or Discretionary Adjustment and (z) the corresponding Convertible Notes remain outstanding). “**Repurchase Event**” means that (i) any Convertible Notes are repurchased (whether pursuant to Section 15.01 or Section 15.02 of the Indenture or otherwise) by Counterparty or any of its subsidiaries, (ii) any Convertible Notes are delivered to Counterparty in exchange for delivery of any property or assets of Counterparty or any of its subsidiaries (howsoever described), (iii) any principal of any of the Convertible Notes is repaid prior to the final maturity date of the Convertible Notes (other than upon acceleration of the Convertible Notes described in clause (a) of this Section), or (iv) any Convertible Notes are exchanged by or for the benefit of the holders thereof for any other securities of Counterparty or any of its affiliates (or any other property, or any combination thereof) pursuant to any exchange offer or similar transaction; *provided* that any conversion of Convertible Notes pursuant to the terms of the Indenture shall not constitute a Repurchase Event.

Amendments and Additions to Equity Definitions. (i) For the purposes of this Confirmation the following definitions will apply:

“**Depository**” means, in relation to the Shares, Citibank, N.A., or any successor thereto from

time to time.

“Deposit Agreement” means, (i) that certain Deposit Agreement by and among Underlying Shares Issuer, Depository and the holders and beneficial owners of the Shares and (ii) the other agreements or other instruments constituting the Shares, as from time to time amended or supplemented in accordance with their terms.

“DS Amendment” means, where specified as applicable to a definition or provision, that the following changes shall be made to such definition or provision: (a) all references to “Shares” shall be deleted and replaced with the words “Shares and/or the Underlying Shares, as appropriate”; and (b) all references to “Issuer” shall be deleted and replaced with the words “Issuer or Underlying Shares Issuer, as appropriate”.

“Replacement DSs” means depositary shares or receipts, other than the Shares, over the same Underlying Shares.

(ii) The following amendments shall be made to the Equity Definitions:

- (A) The definition of Potential Adjustment Event in Section 11.2(e) of the Equity Definitions shall be amended as follows:
 - (i) the DS Amendment shall be applicable, provided that an event under Section 11.2(e)(i) to (vii) of the Equity Definitions in respect of the Underlying Shares shall not constitute a Potential Adjustment Event unless, in the opinion of the Calculation Agent, such event has a material effect on the theoretical value of the Shares; and
 - (ii)
 - (A) ‘or’ shall be deleted where it appears at the end of subsection (vi);
 - (B) ‘.’ shall be deleted where it appears at the end of subsection (vii) and replaced with ‘;’;
 - (C) the following shall be inserted as subsection (viii): “(viii) the making of any amendment or supplement to the terms of the Deposit Agreement; or”; and
 - (D) the following shall be inserted as provision (ix): “(ix) any other event as a result of an action by the Depository outside of the control of Counterparty and as a result of which (1) the Shares represent fewer or more Underlying Shares than, and/or any property or assets in addition to, or as a whole or partial replacement of, in each case, the number of Underlying Shares represented by the Shares prior to such event and (2) there is no corresponding adjustment to the Convertible Notes.”
- (B) In making any adjustment following any Potential Adjustment Event, the Calculation Agent may, but is not required to, have reference to (among other factors) any adjustment made by the Depository under the Deposit Agreement, any fees and/or expenses of the Depository and any withholding or deduction of taxes, in each case, in connection with any Potential Adjustment Event.
- (C) If a Potential Adjustment Event occurs under Section 11.2(e)(viii) of the Equity Definitions (as amended by this Confirmation), then the following further amendments shall be deemed to be made to Section 11.2(c) of the Equity Definitions in respect of such Potential Adjustment Event:
 - (i) the words “the Calculation Agent will determine whether such Potential Adjustment Event has a material effect on the theoretical value of the relevant Shares, options on

the Shares or the Transaction” shall be deleted and replaced with the words “the Calculation Agent will determine whether such Potential Adjustment Event has an economic effect on such Transaction”; and

- (ii) the words “as the Calculation Agent determines appropriate to account for that material effect” shall be deleted and replaced with the words “as the Calculation Agent determines appropriate to account for such economic effect on such Transaction”.
- (D) The definitions of “Merger Event”, “Announcement Date”, “Share-for-Share”, “Share-for-Other” and “Share-for-Combined” in Section 12.1 of the Equity Definitions shall be amended in accordance with the DS Amendment.
 - (E) In making any adjustment in respect of a Merger Event or Announcement Event in relation to the Underlying Shares, the Calculation Agent may, but is not required to, in determining any adjustment pursuant to Modified Calculation Adjustment, have reference to (amongst other factors) any adjustment made by the Depositary under the Deposit Agreement, any fees and/or expenses of the Depositary and any withholding or deduction of taxes in each case in connection with any Merger Event or Announcement Event.
 - (F) The definitions of Nationalization and Insolvency in Section 12.6 of the Equity Definitions shall be amended in accordance with the DS Amendment.
 - (G) The consequence of a Nationalization or Insolvency in respect of the Depositary shall be Cancellation and Payment.
 - (H) If a Delisting of the Shares occurs or the Depositary announces that the Deposit Agreement is (or will be) terminated, then:
 - (i) Cancellation and Payment will apply as provided in this Confirmation; *provided* that, if the Convertible Notes remain outstanding with respect to Replacement DSs, the Calculation Agent shall determine whether a replacement of the Shares with Replacement DSs or the Underlying Shares should take place and that one or more terms of the Transaction should be amended to preserve the fair value of the Transaction to the parties and if the Calculation Agent so determines, then Cancellation and Payment shall not apply in respect of such Delisting or termination of the Deposit Agreement, as applicable, and references to Shares herein shall be replaced by references to such Replacement DSs or the Underlying Shares, as applicable, with such amendments as shall be determined by the Calculation Agent; and
 - (ii) where Cancellation and Payment applies under (H)(i) above in respect of a termination of the Deposit Agreement, the Equity Definitions shall be interpreted as follows: (i) such termination shall be deemed to be an “Extraordinary Event”; (ii) Cancellation and Payment shall apply as defined in Section 12.6(c)(ii) of the Equity Definitions; and (iii) the definition of “Announcement Date” in Section 12.1(l) of the Equity Definitions shall include the following additional clause (vii) at the end of the first sentence thereof: “(vii) in the case of a termination of the Deposit Agreement, the date of the first public announcement by the Depositary that the Deposit Agreement is (or will be) terminated”.
 - (I) The definition of “Hedging Disruption” in the Equity Definitions shall be amended as follows:
 - (i) the words “any transaction(s) or asset(s) it deems necessary to hedge the equity price risk of entering into and performing its obligations with respect to the relevant Transaction” shall be deleted and replaced with the words “(x) any Share(s) or any

transaction(s) referencing any Share(s), that, in each case, it deems necessary to hedge the equity price risk and/or, (y) to the extent the Underlying Shares are listed on an exchange outside of the U.S., any transaction(s) or asset(s) it deems necessary to hedge the foreign exchange risk with respect to such Underlying Shares, in each case, of entering into and performing its obligations with respect to the relevant Transaction.”

- (J) The definition of “Insolvency Filing” in Section 12.9(a)(iv) of the Equity Definitions shall be amended in accordance with the DS Amendment.
- (K) For the avoidance of doubt, where a provision is amended by this Section in accordance with the DS Amendment, if the event described in such provision occurs in respect of the Underlying Shares or Underlying Shares Issuer, then the consequence of such event shall be interpreted consistently with the DS Amendment and such event.
- (L) Section 11.2(e)(vii) of the Equity Definitions is hereby amended by deleting the words “a diluting or concentrative” and replacing them with the words “a material” and adding the phrase “or the Note Hedging Units” at the end of the sentence.

Status of Claims in Bankruptcy. Dealer acknowledges and agrees that this Confirmation is not intended to convey to Dealer rights with respect to the Transaction that are senior to the claims of common or ordinary shareholders in any bankruptcy proceedings of Counterparty; *provided* that nothing herein shall limit or shall be deemed to limit Dealer’s right to pursue remedies in the event of a breach by Counterparty of its obligations and agreements with respect to the Transaction other than during Counterparty’s bankruptcy; *provided, further*, that nothing herein shall limit or shall be deemed to limit Dealer’s rights in respect of any transactions other than the Transaction.

No Collateral. Notwithstanding any provision of this Confirmation, the Agreement, Equity Definitions, or any other agreement between the parties to the contrary, the obligations of Counterparty under the Transaction are not secured by any collateral.

Securities Contract; Swap Agreement. The parties hereto agree and acknowledge that Dealer is a “financial institution,” “swap participant” and “financial participant” within the meaning of Sections 101(22), 101(53C) and 101(22A) of the Bankruptcy Code. The parties hereto further agree and acknowledge (A) that this Confirmation is (i) a “securities contract,” as such term is defined in Section 741(7) of the Bankruptcy Code, with respect to which each payment and delivery hereunder or in connection herewith is a “termination value,” “payment amount” or “other transfer obligation” within the meaning of Section 362 of the Bankruptcy Code and a “settlement payment” or a “transfer” within the meaning of Section 546 of the Bankruptcy Code, and (ii) a “swap agreement,” as such term is defined in Section 101(53B) of the Bankruptcy Code, with respect to which each payment and delivery hereunder or in connection herewith is a “termination value,” a “payment amount” or “other transfer obligation” within the meaning of Section 362 of the Bankruptcy Code and a “transfer” within the meaning of Section 546 of the Bankruptcy Code, and (B) that Dealer is entitled to the protections afforded by, among other sections, Section 362(b)(6), 362(b)(17), 362(b)(27), 362(o), 546(e), 546(g), 546(j), 548(d)(2), 555, 560 and 561 of the Bankruptcy Code.

Repurchase Notices. Counterparty shall, on any day on which Counterparty effects any repurchase of Shares or Underlying Shares, provide Dealer with a written notice of such repurchase (a “**Repurchase Notice**”) on such day if, following such repurchase, the Unit Equity Percentage as determined on such day is (a) equal to or greater than 8% and (b) greater by 0.5 % or more than the Unit Equity Percentage included in the immediately preceding Repurchase Notice (or, in the case of the first such Repurchase Notice, greater by 0.5% or more than the Unit Equity Percentage as of the date hereof). The “**Unit Equity Percentage**” as of any day is the fraction, expressed as a percentage, (i) the numerator of which is the sum of (A) the product of the number of Note Hedging Units and the Note Hedging Unit Entitlement and (B) the number of Underlying Shares underlying any other call option transaction between Dealer as seller and Counterparty as buyer, and (ii) the denominator of which is the number of Underlying Shares outstanding on such day. Counterparty agrees that if Counterparty ceases to qualify as a “foreign private issuer” as defined in Rule 3b-4 under the Exchange Act, Counterparty will (to the fullest extent

permitted by applicable law) indemnify and hold harmless Dealer and its affiliates and their respective officers, directors, employees, advisors, agents and controlling persons (each, a “**Section 16 Indemnified Person**”) from and against any and all losses (including losses relating to Dealer’s hedging activities as a consequence of becoming, or of the risk of becoming, a Section 16 “insider”, including without limitation, any forbearance from hedging activities or cessation of hedging activities and any losses in connection therewith with respect to the Transaction), claims, damages, judgments, liabilities and expenses (including reasonable attorney’s fees), joint or several, to which a Section 16 Indemnified Person may become subject, as a result of Counterparty’s failure to provide Dealer with a Repurchase Notice on the day and in the manner specified in this paragraph, and to reimburse, within 30 days upon written request, each of such Section 16 Indemnified Persons for any reasonable and documented out-of-pocket legal or other expenses incurred in connection with investigating, preparing for, providing testimony or other evidence in connection with or defending any of the foregoing. If any suit, action, proceeding (including any governmental or regulatory investigation), claim or demand shall be brought or asserted against the Section 16 Indemnified Person in respect of the foregoing, such Section 16 Indemnified Person shall promptly notify Counterparty in writing, and Counterparty, upon request of the Section 16 Indemnified Person, shall retain counsel reasonably satisfactory to the Section 16 Indemnified Person to represent the Section 16 Indemnified Person and any others Counterparty may designate in such proceeding and shall pay the fees and expenses of such counsel related to such proceeding. Counterparty shall not be liable for any settlement of any proceeding contemplated by this paragraph that is effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, Counterparty agrees to indemnify any Section 16 Indemnified Person from and against any loss or liability by reason of such settlement or judgment. Counterparty shall not, without the prior written consent of the Section 16 Indemnified Person, effect any settlement of any pending or threatened proceeding contemplated by this paragraph that is in respect of which any Section 16 Indemnified Person is or could have been a party and indemnity could have been sought hereunder by such Section 16 Indemnified Person, unless such settlement includes an unconditional release of such Section 16 Indemnified Person from all liability on claims that are the subject matter of such proceeding on terms reasonably satisfactory to such Section 16 Indemnified Person. If the indemnification provided for in this paragraph is unavailable to a Section 16 Indemnified Person or insufficient in respect of any losses, claims, damages or liabilities referred to therein, then Counterparty, in lieu of indemnifying such Section 16 Indemnified Person thereunder, shall contribute to the amount paid or payable by such Section 16 Indemnified Person as a result of such losses, claims, damages or liabilities. The remedies provided for in this paragraph are not exclusive and shall not limit any rights or remedies that may otherwise be available to any Section 16 Indemnified Person at law or in equity. The indemnity and contribution agreements contained in this paragraph shall remain operative and in full force and effect regardless of the termination of the Transaction.

Alternative Calculations and Dealer Payment on Early Termination and on Certain Extraordinary Events. If Dealer owes Counterparty any amount in connection with the Transaction pursuant to Sections 12.2 (and “Consequences of Merger Events” above), 12.6, 12.7 or 12.9 of the Equity Definitions (in each case, except in the case of an Extraordinary Event (x) that is within Counterparty’s control or (y) as a result of which the Shares or Underlying Shares have changed or will be changed into solely cash) or pursuant to Section 6(d)(ii) of the Agreement (in each case, except in the case of an Event of Default in which Counterparty is the Defaulting Party or a Termination Event in which Counterparty is the Affected Party, other than an Event of Default or a Termination Event that resulted from an event or events outside Counterparty’s control, an Early Conversion or a Repurchase Event) (a “**Dealer Payment Obligation**”), Dealer shall satisfy any such Dealer Payment Obligation by delivery of Termination Delivery Units (as defined below), unless Counterparty (A) gives irrevocable telephonic notice to Dealer, confirmed in writing within one Scheduled Trading Day, between the hours of 9:00 a.m. and 4:00 p.m. New York time on the Early Termination Date or other date the Transaction is terminated, as applicable, that such Dealer Payment Obligation should be satisfied by delivery of cash and (B) remakes the representation set forth under “No Material Non-Public Information” below on the date of such notice. If Dealer shall deliver Termination Delivery Units as set forth herein, within a commercially reasonable period of time following the determination by Dealer of the number of Termination Delivery Units, Dealer shall deliver to Counterparty such number of Termination Delivery Units, and the provisions of Sections 9.8, 9.9, 9.11 (in each case, modified as described above) and 9.12 of the Equity Definitions shall be applicable, except that all references to “Shares” shall be read as references to “Termination Delivery Units”. The number of Termination Delivery Units shall be determined by Dealer as the amount of the Dealer Payment Obligation that would have been otherwise due in USD *divided by* the value of one Termination Delivery Unit, as determined by Dealer in its discretion by commercially reasonable means, including the purchase price paid in connection with the purchase

of any such Termination Delivery Unit (such value, the “**Termination Delivery Unit Price**”). The Calculation Agent shall adjust the Termination Delivery Units by replacing any fractional portion of a security therein with an amount of cash equal to the value of such fractional security as determined by the Calculation Agent based on the values used to calculate the Termination Delivery Unit Price.

“**Termination Delivery Unit**” means one Share or, if the Shares or Underlying Shares have changed into cash or any other property or the right to receive cash or any other property as the result of an Insolvency, Nationalization or Merger Event, a unit consisting of the number or amount of each type of property received by a holder of one Share (without consideration of any requirement to pay cash or other consideration in lieu of fractional amounts of any securities) in such Insolvency, Nationalization or Merger Event, as determined by the Calculation Agent. If such Insolvency, Nationalization or Merger Event involves a choice of consideration to be received by holders, the Calculation Agent shall determine the composition of such consideration in a commercially reasonable manner.

Regulation M. Counterparty is not on the date hereof engaged in a distribution, as such term is used in Regulation M under the Exchange Act, of any securities of Counterparty (for the avoidance of doubt including Shares and Underlying Shares) other than a distribution meeting the requirements of the exception set forth in Sections 101(b)(10) and 102(b)(7) of Regulation M under the Exchange Act. Counterparty shall not, until the second Scheduled Trading Day immediately following the Effective Date, engage in any such distribution.

No Material Non-Public Information. Counterparty represents and warrants to Dealer that it is not aware of any material nonpublic information concerning itself, the Shares or the Underlying Shares.

Right to Extend. Dealer may postpone any potential Exercise Date or Settlement Date or postpone or extend any other date of valuation or delivery with respect to some or all of the relevant Note Hedging Units (in which event the Calculation Agent shall make appropriate adjustments to the Settlement Amount for such Note Hedging Units), if Dealer determines, in its commercially reasonable discretion and, in the case of clause (a), based on the advice of counsel, that (a) a Regulatory Disruption has occurred or (b) such extension is reasonably necessary or appropriate to (i) preserve Dealer’s hedging or hedge unwind activity hereunder in light of existing liquidity conditions (but only if there is a material decrease in liquidity relative to Dealer’s expectations on the Trade Date) or (ii) enable Dealer to effect transactions with respect to the Shares or Underlying Shares in connection with its hedging, hedge unwind or settlement activity hereunder in a manner that would, if Dealer were the Issuer or an affiliated purchaser of the Issuer, be in compliance with applicable legal, regulatory or self-regulatory requirements, or with related policies and procedures adopted in good faith by Dealer (so long as such policies and procedures would generally be applicable to counterparties similar to Counterparty and transactions similar to the Transaction); *provided* that no such Exercise Date, Settlement Date or other date of valuation or delivery shall be extended more than 50 Trading Days after the original such date. “**Regulatory Disruption**” shall mean any event that Dealer reasonably determines, based on advice of counsel, makes it appropriate with regard to any legal, regulatory or self-regulatory requirements or related policies and procedures (whether or not such requirements, policies or procedures are imposed by law or have been voluntarily adopted by Dealer), for Dealer to refrain from or decrease any market activity in connection with the Transaction; *provided* that Dealer shall use its commercially reasonable best efforts to avoid a Regulatory Disruption that is solely within its control.

Transfer or Assignment. Either party may transfer or assign any of its rights or obligations under the Transaction with the prior written consent of the non-transferring party, such consent not to be unreasonably withheld or delayed. For the avoidance of doubt, Dealer may condition its consent on any of the following, without limitation: (i) the receipt by Dealer of opinions and documentation reasonably satisfactory to Dealer in connection with such transfer, (ii) such transfer being effected on terms reasonably satisfactory to Dealer with respect to any legal and regulatory requirements relevant to Dealer, (iii) that, in Dealer’s reasonable determination, Dealer will not be required, as a result of such transfer, to pay the transferee an amount under Section 2(d)(i)(4) of the Agreement greater than the amount, if any, that Dealer would have been required to pay to Counterparty in the absence of such transfer, (iv) that, in Dealer’s reasonable determination, no Event of Default, Potential Event of Default or Termination Event will occur as a result of such transfer and (v) that Counterparty will continue to be obligated to provide notices hereunder relating to the Convertible Notes and will continue to be obligated under the provisions set forth under “Repurchase Notices” herein.

If, (a) at any time (1) the Equity Percentage exceeds 9% or (2) Dealer, Dealer Group (as defined below) or any person whose ownership position would be aggregated with that of Dealer or Dealer Group (Dealer, Dealer Group or any such person, a “**Dealer Person**”) under any federal, state or local (including non-U.S.) laws, rules, regulations or regulatory orders, or any organizational documents or contracts of Counterparty that are, in each case, applicable to ownership of Shares or Underlying Shares (excluding those arising under Sections 13 or 16 of the Exchange Act, “**Applicable Restrictions**”), owns, beneficially owns, constructively owns, controls, holds the power to vote or otherwise meets a relevant definition of ownership in connection with a transaction with Counterparty in excess of a number of Shares and/or Underlying Shares, as applicable equal to (x) the number of Shares or Underlying Shares, as applicable that would give rise to reporting, registration, filing or notification obligations or other requirements (including obtaining prior approval by a state, federal or non-U.S. regulator) of a Dealer Person, in each case that is reasonably likely to result in an adverse effect on a Dealer Person, under Applicable Restrictions, as reasonably determined by Dealer, and with respect to which such requirements have not been met or the relevant approval has not been received *minus* (y) 1% of the number of Shares or Underlying Shares, as applicable, outstanding on the date of determination (either such condition described in clause (1) or (2), an “**Excess Ownership Position**”), and (b) Dealer is unable, after commercially reasonable efforts, to effect a transfer or assignment on pricing and terms and within a time period reasonably acceptable to it of all or a portion of the Transaction pursuant to the preceding paragraph such that an Excess Ownership Position no longer exists, Dealer may designate any Scheduled Trading Day as an Early Termination Date with respect to a portion (the “**Terminated Portion**”) of the Transaction, such that an Excess Ownership Position no longer exists following such partial termination. In the event that Dealer so designates an Early Termination Date with respect to a portion of the Transaction, a payment shall be made pursuant to Section 6 of the Agreement as if (i) an Early Termination Date had been designated in respect of a Transaction having terms identical to the Transaction and a Number of Note Hedging Units equal to the Terminated Portion, (ii) Counterparty shall be the sole Affected Party with respect to such partial termination and (iii) such Transaction shall be the only Terminated Transaction (and, for the avoidance of doubt, the provisions set forth under the caption “Alternative Calculations and Dealer Payment on Early Termination and on Certain Extraordinary Events” shall apply to any amount that is payable by Dealer to Counterparty pursuant to this sentence). The “**Equity Percentage**” as of any day is the fraction, expressed as a percentage, (A) the numerator of which is the number of Underlying Shares that Dealer and any of its affiliates subject to aggregation with Dealer for purposes of the “beneficial ownership” test under Section 13 of the Exchange Act and all persons who may form a “group” (within the meaning of Rule 13d-5(b)(1) under the Exchange Act) with Dealer (collectively, “**Dealer Group**”) “beneficially own” (within the meaning of Section 13 of the Exchange Act) in connection with a transaction with Counterparty without duplication on such day (or to the extent that the equivalent calculation under Section 16 of the Exchange Act and the rules and regulations thereunder results in a higher number, such number) and (B) the denominator of which is the number of Underlying Shares outstanding on such day.

Designation by Dealer. Notwithstanding any other provision in this Confirmation to the contrary requiring or allowing Dealer to purchase, sell, receive or deliver any Shares or other securities, or make or receive any payment in cash, to or from Counterparty, Dealer may designate any of its affiliates to purchase, sell, receive or deliver such Shares or other securities, or to make or receive such payment in cash, and otherwise to perform Dealer’s obligations in respect of the Transaction and any such designee may assume such obligations. Dealer shall be discharged of its obligations to Counterparty only to the extent of any such performance.

Service of Process. Counterparty hereby appoints Cogency Global Inc., 10 E. 40th Street, 10th Floor, New York, New York 10016, United States of America to receive, for it and on its behalf, service of process in any Proceedings.

Severability; Illegality. Notwithstanding anything to the contrary in the Agreement, if compliance by either party with any provision of the Transaction would be unenforceable or illegal, (a) the parties shall negotiate in good faith to resolve such unenforceability or illegality in a manner that preserves the economic benefits of the transactions contemplated hereby and (b) the other provisions of the Transaction shall not be invalidated, but shall remain in full force and effect.

Waiver of Jury Trial. EACH PARTY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY SUIT,

ACTION OR PROCEEDING RELATING TO THE TRANSACTION. EACH PARTY (I) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF THE OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF SUCH A SUIT, ACTION OR PROCEEDING, SEEK TO ENFORCE THE FOREGOING WAIVER AND (II) ACKNOWLEDGES THAT IT AND THE OTHER PARTY HAVE BEEN INDUCED TO ENTER INTO THE TRANSACTION, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS PROVIDED HEREIN.

Agreements and Acknowledgements Regarding Hedging. Counterparty understands, acknowledges and agrees that: (A) at any time on and prior to the Expiration Date, Dealer and its affiliates may buy or sell Shares, Underlying Shares or other securities or buy or sell options or futures contracts or enter into swaps or other derivative securities in order to adjust its hedge position with respect to the Transaction; (B) Dealer and its affiliates also may be active in the market for Shares or Underlying Shares other than in connection with hedging activities in relation to the Transaction; (C) Dealer shall make its own determination as to whether, when or in what manner any hedging or market activities in securities of Issuer shall be conducted and shall do so in a manner that it deems appropriate to hedge its price and market risk with respect to the Daily VWAP; and (D) any market activities of Dealer and its affiliates with respect to Shares or Underlying Shares may affect the market price and volatility of Shares or Underlying Shares, as well as the Daily VWAP, each in a manner that may be adverse to Counterparty.

Early Unwind. In the event the sale of the “Firm Notes” (as defined in the Purchase Agreement) is not consummated with the initial purchasers thereof for any reason by the close of business in New York on November 3, 2017 (or such later date as agreed upon by the parties) (November 3, 2017 or such later date as agreed upon being the “**Early Unwind Date**”), the Transaction shall automatically terminate (the “**Early Unwind**”) on the Early Unwind Date and (a) the Transaction and all of the respective rights and obligations of Dealer and Counterparty under the Transaction shall be cancelled and terminated and (b) each party shall be released and discharged by the other party from and agrees not to make any claim against the other party with respect to any obligations or liabilities of the other party arising out of and to be performed in connection with the Transaction either prior to or after the Early Unwind Date; *provided* that, if such an Early Unwind is solely due to an event within Counterparty’s control, Counterparty shall purchase from Dealer on the Early Unwind Date all Shares and Underlying Shares purchased by Dealer or one or more of its affiliates, and assume, or reimburse the cost of, derivatives and other hedging activities entered into by Dealer or one or more of its affiliates, in each case, in connection with hedging of the Transaction and the unwind of such hedging activities. The amount payable by Counterparty shall be Dealer’s (or its affiliates) actual cost of such Shares and Underlying Shares and unwind cost of such derivatives and other hedging activities as Dealer informs Counterparty and shall be paid in immediately available funds on the Early Unwind Date. Dealer and Counterparty represent and acknowledge to the other that, subject to the proviso included in the second preceding sentence, upon an Early Unwind, all obligations with respect to the Transaction shall be deemed fully and finally discharged.

Payment by Counterparty. In the event that, following payment of the Premium, (i) an Early Termination Date occurs or is designated with respect to the Transaction as a result of a Termination Event or an Event of Default (other than an Event of Default arising under Section 5(a)(ii) or 5(a)(iv) of the Agreement) and, as a result, Counterparty owes to Dealer an amount calculated under Section 6(e) of the Agreement, or (ii) Counterparty owes to Dealer pursuant to Section 12.7 or 12.9 of the Equity Definitions or this Confirmation, an amount calculated under Section 12.8 of the Equity Definitions), such amount shall be deemed to be zero.

Other Adjustments Pursuant to the Equity Definitions. Notwithstanding anything to the contrary in this Confirmation, solely for the purpose of adjusting the Cap Price, the term “Merger Event” shall have the meaning assigned to such term in the Equity Definitions (as amended above), and upon the occurrence of a Merger Date, as such term is defined in the Equity Definitions, the Calculation Agent may adjust the Cap Price to preserve the fair value of the Note Hedging Units to Dealer; *provided* that in no event shall the Cap Price be less than the Strike Price; *provided, further*, that any adjustment to the Cap Price made pursuant to this Section shall be made without duplication of any other adjustment or determination hereunder (including, for the avoidance of doubt, adjustments or determinations made in accordance with “Method of Adjustment,” “Consequences of Merger Events” and “Consequences of Announcement Events” above).

Taxes, Foreign Account Tax Compliance Act and HIRE Act. Counterparty is classified as a corporation for the U.S. federal income tax purposes. No income received or to be received under this Agreement will be effectively connected with the conduct of a trade or business by Counterparty in the United States. Counterparty is a “non-U.S. branch of a foreign person” as that term is used in Section 1.1441-4(a)(3)(ii) of the United States Treasury Regulations (the “**Regulations**”), and it is a “foreign person” as that term is used in Section 1.6041-4(a)(4) of the Regulations. The term “Indemnifiable Tax” as defined in Section 14 of this Agreement shall not include any U.S. federal withholding tax imposed or collected pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code (a “**FATCA Withholding Tax**”). For the avoidance of doubt, a FATCA Withholding Tax is a Tax the deduction or withholding of which is required by applicable law for the purposes of Section 2(d) of this Agreement. The parties agree that the definitions and provisions contained in the ISDA 2015 Section 871(m) Protocol, as published by the International Swaps and Derivatives Association, Inc. and as may be amended, supplemented, replaced or superseded from time to time (the “**871(m) Protocol**”) shall apply to this Agreement as if the parties had adhered to the 871(m) Protocol as of the effective date of this Agreement. If there is any inconsistency between this provision and a provision in any other agreement executed between the parties, this provision shall prevail unless such other agreement expressly overrides the provisions of the 871(m) Protocol. Each of Dealer and Counterparty shall provide to the other party tax forms and documents required to be delivered pursuant to Sections 1471(b) or Section 1472(b) (1) of the Code promptly upon request by the other party and any other tax forms and documents they are legally able to provide that are reasonably requested by the other party.

U.S. Tax Forms. Without limiting the generality of the foregoing, Counterparty will provide a US Tax Form W-8BEN-E upon the execution of this Agreement and promptly upon reasonable demand by Dealer.

Governing Law; Jurisdiction. THIS CONFIRMATION AND ANY CLAIM, CONTROVERSY OR DISPUTE ARISING UNDER OR RELATED TO THIS CONFIRMATION SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK. THE PARTIES HERETO IRREVOCABLY SUBMIT TO THE EXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK AND THE UNITED STATES COURT FOR THE SOUTHERN DISTRICT OF NEW YORK IN CONNECTION WITH ALL MATTERS RELATING HERETO AND WAIVE ANY OBJECTION TO THE LAYING OF VENUE IN, AND ANY CLAIM OF INCONVENIENT FORUM WITH RESPECT TO, THESE COURTS.

Contact information. For purposes of the Agreement (unless otherwise specified in the Agreement), all notices to the parties shall be delivered by electronic mail with a copy to follow by overnight courier, addressed as follows:

(a) Counterparty

China Lodging Group, Limited
No. 2266 Hongqiao Road
Shanghai, 200336, PRC
Attention: Teo Nee Chuan

(b) Dealer

To: Morgan Stanley & Co. LLC
1585 Broadway, 5th Floor
New York, NY 10036
Attn: Global Capital Markets
Telephone: +1 212 761-9363, +852 3963-0262
Facsimile: +1 212 404-9481, +852 3748-1315
Email: nycd-notices@morganstanley.com, asiaced@morganstanley.com

With a copy to: Morgan Stanley & Co. LLC

Attn:
Telephone:
Facsimile:
Email:

1221 Avenue of the Americas, 34th Floor
New York, NY 10020
Global Capital Markets
+1 212 761-9363, +852 3963-0262
+1 212 404-9481, +852 3748-1315
nycd-notices@morganstanley.com, asiaced@morganstanley.com

This Confirmation may be executed in several counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

Counterparty hereby agrees (a) to check this Confirmation and (b) to confirm that the foregoing correctly sets forth the terms of the Transaction by signing in the space provided below and returning to Dealer a facsimile or electronic version of the fully-executed Confirmation at +1 212 507-1429 and usequitysolutions@morganstanley.com. Originals shall be provided for your execution upon request.

We are very pleased to have executed the Transaction with you and we look forward to completing other transactions with you in the near future.

Very truly yours,

MORGAN STANLEY & CO. LLC

By: /s/ Darren McCarley
Name: Darren McCarley
Title: Managing Director

[Signature Page to Base Capped Call Confirmation]

Counterparty hereby agrees to, accepts and confirms the terms of the foregoing as of the Trade Date.

CHINA LODGING GROUP, LIMITED

By: 

Name:
Title:

[Signature Page to Base Capped Call Confirmation]

The Premium for the Transaction is set forth below.

Premium: USD2,397,000



Deutsche Bank AG, London Branch
 Winchester house
 1 Great Winchester St,
 London EC2N 2DB
 Telephone: 44 20 7545 8000

c/o Deutsche Bank Securities Inc.
 60 Wall Street
 New York, NY 10005
 Telephone: 212-250-2500

DATE: October 31, 2017

TO: China Lodging Group, Limited
ATTENTION: Teo Nee Chuan
TELEPHONE: +86-21-61952011

FROM: Deutsche Bank AG, London Branch

SUBJECT: Additional Capped Call Transaction

REFERENCE NUMBER(S): 754154

The purpose of this agreement (this “**Confirmation**”) is to confirm the terms and conditions of the transaction entered into between **Deutsche Bank AG, London Branch (“Dealer”)** and China Lodging Group, Limited (“**Counterparty**”) on the Trade Date specified below (the “**Transaction**”). This Confirmation constitutes a “Confirmation” as referred to in the Agreement specified below. This Confirmation constitutes the entire agreement and understanding of the parties with respect to the subject matter and terms of the Transaction and supersedes all prior or contemporaneous written and oral communications with respect thereto.

DEUTSCHE BANK AG, LONDON BRANCH IS NOT REGISTERED AS A BROKER DEALER UNDER THE U.S. SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. DEUTSCHE BANK SECURITIES INC. (“DBSI”) HAS ACTED SOLELY AS AGENT IN CONNECTION WITH THE TRANSACTION AND HAS NO OBLIGATION, BY WAY OF ISSUANCE, ENDORSEMENT, GUARANTEE OR OTHERWISE WITH RESPECT TO THE PERFORMANCE OF EITHER PARTY UNDER THE TRANSACTION. AS SUCH, ALL DELIVERY OF FUNDS, ASSETS, NOTICES, DEMANDS AND COMMUNICATIONS OF ANY KIND RELATING TO THIS TRANSACTION BETWEEN DEUTSCHE BANK AG, LONDON BRANCH, AND COUNTERPARTY SHALL BE TRANSMITTED EXCLUSIVELY THROUGH DBSI. DEUTSCHE BANK AG, LONDON BRANCH IS NOT A MEMBER OF THE SECURITIES INVESTOR PROTECTION CORPORATION (SIPC).

Chairman of the Supervisory Board: Paul Achleitner. Management Board: John Cryan (Chairman), Marcus Schenck, Christian Sewing, Kimberly Hammonds, Stuart Lewis, Sylvie Matherat, Nicolas Moreau, Garth Ritchie, Karl von Rohr, Werner Steinmüller.

Deutsche Bank AG is authorised under German Banking Law (competent authority: European Central Bank and the BaFin, Germany’s Federal Financial Supervisory Authority) and, in the United Kingdom, by the Prudential Regulation Authority. It is subject to supervision by the European Central Bank and by BaFin, and is subject to limited regulation in the United Kingdom by the Financial Conduct Authority and the Prudential Regulation Authority.

Deutsche Bank AG is a joint stock corporation with limited liability incorporated in the Federal Republic of Germany, Local Court of Frankfurt am Main, HRB No. 30 000; Branch Registration in England and Wales BR000005 and Registered Address: Winchester House, 1 Great Winchester Street, London EC2N 2DB. Deutsche Bank AG, London Branch is a member of the London Stock Exchange. (Details about the extent of our authorisation and regulation by the Prudential Regulation Authority, and regulation by the Financial Conduct Authority, are available on request or from www.db.com/en/content/eu_disclosures.htm)

The definitions contained in the 2002 ISDA Equity Derivatives Definitions (the “**Equity Definitions**”), as published by the International Swaps and Derivatives Association, Inc., are incorporated into this Confirmation. In the event of any inconsistency between the Equity Definitions and the terms of this Confirmation, the terms of this Confirmation shall govern, and in the event of any inconsistency between either the Equity Definitions or this Confirmation and the Agreement (as defined below), the Equity Definitions or this Confirmation, as the case may be, shall govern. For the purposes of the Equity Definitions, each reference herein to a Note Hedging Unit shall be deemed to be a reference to a Call or an Option, as context requires.

This Confirmation evidences a complete and binding agreement between Dealer and Counterparty as to the terms of the Transaction to which this Confirmation relates. This Confirmation shall supplement, form a part of, and be subject to an agreement (the “**Agreement**”) in the form of the ISDA 2002 Master Agreement as if Dealer and Counterparty had executed an agreement in such form (without any Schedule but with the elections set forth in this Confirmation). The Transaction shall be the only transaction under the Agreement.

The Transaction shall be considered a Share Option Transaction for purposes of the Equity Definitions, and shall have the following terms:

General:

Trade Date: October 31, 2017.

Effective Date: The closing date for the issuance of the Convertible Notes issued pursuant to the initial purchasers’ option in accordance with the Purchase Agreement dated as of October 26, 2017 (the “**Purchase Agreement**”) between Counterparty and the Initial Purchasers (as defined therein).

Option Style: Modified American, as described below under “Procedure for Exercise”.

Option Type: Note Hedging Units.

Seller: Dealer.

Buyer: Counterparty.

Shares: The American Depositary Shares issued under the Deposit Agreement (as defined below) (Symbol: “HTHT”), each representing as of the date hereof four Underlying Shares.

Underlying Shares: The ordinary shares of Counterparty, nominal value USD 0.0001 per share.

Underlying Shares Issuer: Counterparty

Convertible Notes: 0.375% Convertible Senior Notes due 2022 of Counterparty, offered pursuant to an Offering Memorandum to be dated as of October 26, 2017 (the “**Offering Memorandum**”) and issued pursuant to the indenture to be dated on or about November 3, 2017, by and between Counterparty and Wilmington Trust, N.A., as trustee (the “**Indenture**”). References herein to the Indenture refer to the draft of the Indenture most recently reviewed by the parties at the time of execution of this

Confirmation. If any relevant sections of the Indenture are changed, added or renumbered upon execution of the Indenture, the parties will amend this Confirmation in good faith to preserve the economic intent of the parties. Subject to the foregoing, references herein to the Indenture shall be to the Indenture as executed, without giving effect to any amendment, supplement or modification thereto other than an amendment, supplement or modification that does not constitute an Amendment Event (as defined below) (a “**Permitted Amendment**”), subject to the provision set forth under “Settlement Amount” below relating to Counterparty Determinations, a Merger Supplemental Indenture (as defined below). If any amendment or supplement is made to the Indenture following execution thereof (other than pursuant to a Merger Supplemental Indenture or a Permitted Amendment) (x) the Calculation Agent shall determine the relevant Settlement Amount and Settlement Date for any Note Hedging Unit exercised thereafter in accordance with this Confirmation by referring to the relevant provisions of the Indenture without giving effect to such amendment or supplement, and (y) such supplement or amendment shall be disregarded for all other purposes hereunder. Terms in quotation marks that are not otherwise defined in this Confirmation shall have the meanings set forth in the Indenture, unless the context requires otherwise.

Number of Note Hedging Units: 50,000, as reduced by any Note Hedging Units exercised hereunder.

Note Hedging Unit Entitlement: 5.4869.

Strike Price: USD1,000 *divided by* the Note Hedging Unit Entitlement, which equals approximately USD182.2523.

Cap Price: USD221.3060.

Applicable Percentage: 20%.

Premium: As provided in Annex A to this Confirmation.

Premium Payment Date: The Effective Date.

Exchange: The NASDAQ Global Select Market.

Related Exchanges: All Exchanges.

Calculation Agent: Dealer; *provided* that, following the occurrence and during the continuance of an Event of Default of the type described in Section 5(a)(vii) of the Agreement with respect to Dealer, Counterparty shall have the right to designate a nationally recognized independent equity derivatives dealer to replace Dealer as the Calculation Agent, and the parties shall work in good faith to execute any appropriate documentation required by such replacement Calculation Agent. Following any determination, adjustment or calculation by the Calculation Agent hereunder, upon a request by Counterparty, the

Calculation Agent shall promptly (but in any event within three Scheduled Trading Days) provide to Counterparty by e-mail to the e-mail address provided by Counterparty in such request a report (in a commonly used file format for the storage and manipulation of financial data) displaying in reasonable detail the basis for such determination, adjustment or calculation (including any assumptions used in making such determination, adjustment or calculation), it being understood that the Calculation Agent shall not be obligated to disclose any proprietary or confidential models used by it for such determination, adjustment or calculation or any information that it may be subject to contractual, legal or regulatory obligations not to disclose.

Procedure for Exercise:

Potential Exercise Dates:

Each Conversion Date.

Conversion Date:

Each "Conversion Date" (other than in respect of an Early Conversion); *provided* that, in respect of any Note Hedging Units not previously exercised, a conversion and a Conversion Date shall be deemed to have occurred on the last day permitted under the Indenture.

Required Exercise on Conversion Dates:

On each Conversion Date (other than any Conversion Date occurring prior to the 52nd Scheduled Trading Day prior to the Maturity Date (any such related conversion, an "**Early Conversion**"), to which the provisions of clause (b) under "Additional Termination Events" below shall apply), a number of Note Hedging Units equal to (i) the number of Convertible Notes in denominations of USD 1,000 principal amount with respect to which a Conversion Date has occurred *minus* (ii) the number of Note Hedging Units that are or are deemed to be automatically exercised in respect of such Conversion Date under the Base Capped Call Transaction Confirmation dated October 26, 2017 between Dealer and Counterparty (the "**Base Capped Call Confirmation**"), shall be exercised automatically; *provided* that in no event will the number of Note Hedging Units exercised or deemed exercised hereunder exceed the Number of Note Hedging Units.

Expiration Date:

November 1, 2022.

Multiple Exercise:

Applicable, as provided under "Required Exercise on Conversion Dates".

Automatic Exercise:

Applicable, as provided under "Required Exercise on Conversion Dates".

Settlement Terms:

Settlement:

In lieu of the obligations set forth in Sections 8.1 and 9.1 of the Equity Definitions, in respect of any validly exercised Note Hedging Unit, Dealer shall deliver to Counterparty, on the related Settlement Date, the Settlement Amount.

For the avoidance of doubt, to the extent Dealer is obligated to deliver Shares hereunder, the provisions of Sections 9.8, 9.9, 9.11 and 9.12 of the Equity Definitions shall be applicable to any such delivery of Shares, except that all references in such provisions to “Physical Settlement” and “Physically-settled” shall be read as references to “Share Settlement” and “Share Settled”; *provided* that the Representation and Agreement contained in Section 9.11 of the Equity Definitions shall be modified by excluding any representations therein relating to restrictions, obligations, limitations or requirements under applicable securities laws that exist as a result of the fact that Counterparty is the issuer of the Underlying Shares. “**Share Settlement**” means settlement of a Note Hedging Unit pursuant to “Settlement Amount” below, and “**Share Settled**” has a meaning correlative thereto.

Certificated Shares or Underlying Shares:

Notwithstanding anything to the contrary in the Equity Definitions, Dealer may, in whole or in part, deliver Shares or Underlying Shares required to be delivered to Counterparty hereunder in certificated form in lieu of delivery through the Clearance System. With respect to such certificated Shares or Underlying Shares, the Representation and Agreement contained in Section 9.11 of the Equity Definitions shall be modified by deleting the remainder of the provision after the word “encumbrance” in the fourth line thereof; *provided* that, in the event Counterparty uses such certificated Shares or Underlying Shares to settle its obligations with respect to Convertible Notes, Dealer shall reimburse Counterparty for any reasonable costs or expenses as they are incurred.

Daily VWAP:

For any “Trading Day”, the per Share volume-weighted average price as displayed under the heading “Bloomberg VWAP” on Bloomberg page “HTHT <equity> AQR” (or its equivalent successor if such page is not available) in respect of the period from the scheduled open of trading until the scheduled close of trading of the regular trading session on such Trading Day (or if such volume-weighted average price is unavailable, the market value of one Share on such Trading Day determined, using a volume-weighted average method, by the Calculation Agent). For the avoidance of doubt, Daily VWAP will be determined without regard to after-hours trading or any other trading outside of the regular trading session trading hours.

Settlement Amount:

The aggregate of the number of Shares for each Convertible Note in principal amount of USD 1,000 converted in respect of such Conversion Date equal to the product of the Applicable Percentage and the sum, for each of the 50 consecutive “Trading Days” commencing on the 52nd “Scheduled Trading Day” prior to the “Maturity Date” (such period, the “**Deemed Conversion Period**”), of (A) the excess, if any, of (X) 2.0% of the product of the “Conversion Rate” on such Trading Day and the lesser of (1) the Daily VWAP on such Trading Day and (2) the Cap Price on such Trading Day over (Y) USD 20, *divided by* (B) such Daily VWAP.

Following the occurrence of any Merger Event in which the holders of Shares or Underlying Shares receive only cash (a “**Cash Merger**”), the Settlement Amount in respect of any Note Hedging Unit exercised thereafter shall consist of an amount of cash equal to the product of the Applicable Percentage and the excess, if any, of (i) the product of the “Conversion Rate” (determined without giving effect to any Fundamental Change Adjustment or any Discretionary Adjustment as defined below) and the lesser of (1) the amount of cash received by a holder of one Share in such Merger Event and (2) the Cap Price over (ii) USD 1,000, in lieu of any Settlement Amount determined above.

The number of Shares included in the Settlement Amount shall not take into consideration any rounding pursuant to Section 14.02(j) of the Indenture. Instead Dealer will deliver cash in lieu of any fractional Shares based on (i) the Daily VWAP on the last “Trading Day” of the Deemed Conversion Period and (ii) the aggregate number of Note Hedging Units exercised on any Exercise Date.

In addition, and notwithstanding anything to the contrary herein:

(i) the Settlement Amount shall be determined by the Calculation Agent excluding any increase to the “Conversion Rate” pursuant to Section 14.03(a) of the Indenture (a “**Fundamental Change Adjustment**”) or any voluntary adjustment to the “Conversion Rate” pursuant to Section 14.04(h) of the Indenture (a “**Discretionary Adjustment**”); and

(ii) if Counterparty or its board of directors is permitted or required to exercise discretion under the terms of the Indenture with respect to any determination, calculation or adjustment (including, without limitation, any adjustment under Section 14.05 of the Indenture, any adjustment to the terms of the Convertible Notes following a Merger Event pursuant to Section 14.07(a) of the Indenture or any determination of the fair market value of distributed property, the volume weighted average price of Shares or the value of a “unit of Reference Property”) (any such determination, calculation or adjustment, a “**Counterparty Determination**”), Counterparty shall consult with Dealer with respect thereto and, if Dealer disagrees in good faith with such determination, calculation or adjustment, notwithstanding anything herein to the contrary, the Calculation Agent shall make such determination, calculation or adjustment for purposes of the Transaction.

Section 6.3(a) of the Equity Definitions is hereby amended by deleting the remainder of clause (ii) thereof following the words “at any time.”

Settlement Date:

In respect of an Exercise Date, the date that falls one Settlement Cycle following the end of the Deemed Conversion Period (or, following the occurrence of a Cash Merger, the date that falls on the fifth “Business Day” following the applicable Exercise Date).

Settlement Currency: USD.

Share Adjustments:

Adjustment Event: Means any occurrence of any event or condition, as set forth in Section 14.04 or 14.05 of the Indenture, that would result in an adjustment under the Indenture to the "Conversion Rate" or any other term of the Convertible Notes; *provided* that in no event shall there be any adjustment hereunder as a result of a Fundamental Change Adjustment or a Discretionary Adjustment.

For the avoidance of doubt, Dealer shall not have any delivery or payment obligation hereunder, and no adjustment shall be made to the terms of the Transaction, on account of (i) any distribution of cash, property or securities by Counterparty to holders of the Convertible Notes (upon conversion or otherwise) or (ii) any other transaction in which holders of the Convertible Notes are entitled to participate, in each case, in lieu of an adjustment under the Indenture of the type referred to in the immediately preceding sentence (including, without limitation, pursuant to the fourth sentence of Section 14.04(c) of the Indenture or the fourth sentence of Section 14.04(d) of the Indenture.

Method of Adjustment:

Calculation Agent Adjustment, which means that, notwithstanding Section 11.2(c) of the Equity Definitions, which Section shall not apply for purposes of the Transaction except as expressly provided herein, upon any Adjustment Event (excluding, for the avoidance of doubt, any Fundamental Change Adjustment or Discretionary Adjustment), the Calculation Agent shall make (i) an adjustment corresponding to the adjustment to be made pursuant to the Indenture to any one or more of the Strike Price, the Note Hedging Unit Entitlement, the composition of the Shares and any other variable relevant to the exercise, settlement, payment or other terms of the Transaction (other than the Number of Note Hedging Units and the Cap Price and subject to the provisions set forth under "Settlement Amount" above in respect of any Counterparty Determination); *provided* that, notwithstanding the foregoing, if any Adjustment Event occurs during the Deemed Conversion Period but no adjustment was made to any Convertible Note under the Indenture because the relevant "Holder" (as such term is defined in the Indenture) was deemed to be a record owner of the underlying Shares on the related "Conversion Date," then the Calculation Agent shall make an adjustment, as determined by it based on the adjustment that would have otherwise applied under the Indenture, to the terms hereof in order to account for such Adjustment Event and (ii) a proportionate adjustment to the Cap Price to the extent any adjustment is made to the Strike Price pursuant to clause (i) above; *provided* that, upon the occurrence of any Adjustment Event and/or any Potential Adjustment Event, the Calculation Agent may, but without duplication of any adjustment pursuant to clause (i) and (ii) above, make any further adjustment to the Cap Price consistent with the "Calculation Agent Adjustment" set forth in Section 11.2(c) of the Equity Definitions (as modified hereby) to

preserve the fair value of the Transaction to the parties after taking into account such Adjustment Event and/or Potential Adjustment Event; *provided, further*, that the Cap Price shall not be adjusted so that it is less than the Strike Price. In addition, if any Adjustment Event, or the effective date, “expiration date” (as used in the Indenture) or “Ex-Dividend Date” for such event, occurs during the Deemed Conversion Period, the Calculation Agent may make such further adjustments as it determines appropriate to the Settlement Amount for the relevant Note Hedging Units. Counterparty shall (x) reasonably promptly, but in any event within two Business Days, after the occurrence of any Adjustment Event and/or Merger Event, notify the Calculation Agent of such Adjustment Event and/or Merger Event, (y) give Dealer written notice, promptly following its determination thereof, of the section or sections of the Indenture and, if applicable, the formula therein, pursuant to which any adjustment is expected to be made to the Convertible Securities in connection with any Adjustment Event or Merger Event and (z) once the adjustments to be made to the terms of the Indenture and the Convertible Securities in respect of such Merger Event and/or Adjustment Event have been determined, reasonably promptly, but in any event within two Business Days, notify the Calculation Agent in writing of the details of such adjustments.

In connection with any Adjustment Event as a result of an event or condition set forth in Section 14.04(b) of the Indenture or Section 14.04(c) of the Indenture where, in either case, the period for determining “Y” (as such term is used in Section 14.04(b) of the Indenture) or “SP₀” (as such term is used in Section 14.04(c) of the Indenture), as the case may be, begins before Counterparty has publicly announced the event or condition giving rise to such Adjustment Event, then the Calculation Agent shall have the right to adjust the Cap Price (but in no event to a number lower than the Strike Price) as appropriate to reflect the reasonable costs (including, but not limited to, hedging mismatches and market losses) and reasonable expenses incurred by Dealer in connection with its hedging activities as a result of such event or condition not having been publicly announced prior to the beginning of such period.

If any Adjustment Event is declared and (a) the event or condition giving rise to such Adjustment Event is subsequently amended, modified, cancelled or abandoned after the period during which the formula for adjusting the “Conversion Rate” has commenced calculation or (b) the “Conversion Rate” (as defined in the Indenture) is adjusted as a result of such Adjustment Event and subsequently re-adjusted pursuant to Sections 14.04(a), 14.04(b) or 14.04(c) of the Indenture (each of clauses (a) and (b), an “**Adjustment Event Change**”) then, in each case, the Calculation Agent shall have the right to adjust the Cap Price (but in no event to a number lower than the Strike Price) as appropriate to reflect the reasonable costs (including, but not limited to, hedging mismatches and market losses) and reasonable expenses incurred by Dealer in connection with its hedging activities as a result of such Adjustment Event Change.

Extraordinary Events:

- Merger Events: Notwithstanding Section 12.1(b) of the Equity Definitions, except for purposes of the provisions set forth under “Consequences of Announcement Event” and “Announcement Event” below, a “Merger Event” means the occurrence of any event or condition set forth in Section 14.07(a) of the Indenture.
- Notice of Merger Consideration: In respect of any Merger Event, Counterparty shall notify the Calculation Agent of, if applicable, the weighted average of the kind and amounts of consideration to be received by the holders of Shares and Underlying Shares in any Merger Event who affirmatively make such an election, reasonably promptly, but in any event within two Business Days, upon determination thereof (and in any event prior to the effective date of the Merger Event), and Counterparty shall deliver to Dealer a copy of any supplemental indenture effecting such adjustments (a “**Merger Supplemental Indenture**”) as reasonably as practicable prior to execution thereof.
- Consequences of Merger Events: Notwithstanding Section 12.2 of the Equity Definitions, upon the occurrence of a Merger Event, the Calculation Agent shall make the corresponding adjustment in respect of any adjustment under the Indenture to any one or more of the nature of the Shares, the Strike Price, the Note Hedging Unit Entitlement, the Settlement Date and any other variable relevant to the exercise, settlement or payment or other terms of the Transaction (other than the Number of Note Hedging Units and subject to the provisions set forth under “Settlement Amount” above in respect of any Counterparty Determination); provided that such adjustment shall be made without regard to any Fundamental Change Adjustment or any Discretionary Adjustment; *provided* further that if, with respect to a Merger Event, (i) the consideration for the Shares or Underlying Shares includes (or, at the option of a holder of Underlying Shares, may include) shares (or depositary receipts with respect to shares) of an entity or person that is not a corporation or entity that is treated as a corporation for U.S. federal income tax purposes organized under the laws of (1) the United States, any State thereof, the District of Columbia or the Cayman Islands or, (2) to the extent having the Underlying Shares Issuer organized under the laws of the jurisdictions in this clause (2) would not have a material adverse effect on Dealer’s rights and obligations hereunder, Dealer’s hedging activities or the costs of engaging in the foregoing and, provided that Counterparty negotiates in good faith with Dealer all the necessary and appropriate amendments to this Confirmation related to the foregoing in this clause (2), including, without limitation, causing its counsel to deliver written legal opinions reasonably requested by Dealer and will reimburse Dealer all of its out-of-pocket costs (including costs of its counsel) reasonably incurred by Dealer, the British Virgin Islands, Bermuda, Hong Kong or the United Kingdom (the jurisdictions listed in (1) and, to the extent the requirements listed in (2) are satisfied, the jurisdictions listed in (2), “**Permitted Merger Jurisdictions**”); or (ii) Counterparty following such Merger Event (A) will not be a corporation

or entity that is treated as a corporation for U.S. federal income tax purposes organized under the laws of a Permitted Merger Jurisdiction or (B) will not be the Underlying Shares Issuer or a subsidiary of the Underlying Shares Issuer following such Merger Event, Cancellation and Payment (Calculation Agent Determination) may apply at Dealer's good faith, commercially reasonable election.

Consequences of Announcement Events:

If an Announcement Event occurs, the Calculation Agent will determine the cumulative economic effect of the Announcement Event on the theoretical value of the Transaction (i) on a date occurring a commercially reasonable period of time after the date of announcement of the relevant Announcement Event and (ii) on the Valuation Date or any earlier date of termination or cancellation for the Transaction (in each case, which may include, without limitation, any actual or expected change in volatility, dividends, correlation, stock loan rate or liquidity relevant to the Shares or Underlying Shares or to the Transaction whether prior to or after the Announcement Event or for any reasonable period of time), and if, in the case of clause (i) or (ii), such economic effect is material and Dealer so elects in its sole discretion, the Calculation Agent will (x) adjust the Cap Price (but in no event to a number lower than the Strike Price) to reflect such economic effect and (y) determine the effective date of such adjustment; *provided* that, notwithstanding the foregoing, if the related Merger Date or Tender Offer Date, as the case may be, or any subsequent related Announcement Event, occurs on or prior to the effective date of such adjustment, any further adjustment to the terms of the Transaction with respect to such Merger Date, Tender Offer Date or Announcement Event pursuant to this Confirmation and/or the Equity Definitions shall take such earlier adjustment into account (and, for the avoidance of doubt, where Cancellation and Payment is applicable, the Determining Party shall take into account such adjustment in determining the Cancellation Amount); *provided further* that in no event shall the Cap Price be less than the Strike Price.

Announcement Event:

(i) The public statement or announcement by any person or entity of (x) any transaction or event that, if completed, would constitute a Merger Event or Tender Offer, (y) any acquisition by Underlying Shares Issuer or any of its subsidiaries where the aggregate consideration exceeds 25% of the market capitalization of the Underlying Shares Issuer as of the date of such announcement (an "**Acquisition Transaction**") or (z) the firm intention to enter into a Merger Event or Tender Offer or an Acquisition Transaction, (ii) the public statement or announcement by the Underlying Shares Issuer of an intention to solicit or enter into, or to explore strategic alternatives or other similar undertakings that may include, a Merger Event or Tender Offer or an Acquisition Transaction or (iii) any subsequent public statement or announcement by any person or entity of a withdrawal, discontinuation, termination or other change to a transaction or intention that is the subject of an announcement of the type described in clause (i) or (ii) of this sentence; *provided* that, for the avoidance of doubt, the occurrence of an Announcement Event with respect to any transaction or intention shall not preclude the occurrence

of a later Announcement Event described in clause (iii) above with respect to such transaction or intention. For purposes of this definition of “Announcement Event,” (A) “Merger Event” shall mean such term as defined under Section 12.1(b) of the Equity Definitions (but, for the avoidance of doubt, the remainder of the definition of “Merger Event” in Section 12.1(b) of the Equity Definitions following the definition of “Reverse Merger” therein shall be disregarded) and (B) “Tender Offer” shall mean such term as defined under Section 12.1(d) of the Equity Definitions.

Nationalization, Insolvency and Delisting:

Cancellation and Payment (Calculation Agent Determination); *provided* that in addition to the provisions of Section 12.6(a)(iii) of the Equity Definitions, it shall also constitute a Delisting if the Exchange is located in the United States and the Shares are not immediately re-listed, re-traded or re-quoted on any of the New York Stock Exchange, The NASDAQ Global Select Market or The NASDAQ Global Market (or their respective successors); if the Shares are immediately re-listed, re-traded or re-quoted on any such exchange or quotation system, such exchange or quotation system shall thereafter be deemed to be the Exchange.

Section 12.6(a)(ii) of the Equity Definitions is hereby amended by (1) deleting from the fourth line thereof the word “or” after the word “official” and inserting a comma therefor and (2) inserting at the end of subsection (B) thereof the following wording, “or, under the laws of the jurisdiction of organization of the Underlying Shares Issuer, any other impediment to or restriction on the transferability of any Share arises or becomes applicable including, without limitation, where (x) any transfer of a Share or alteration of the status of the members of the Issuer would be void unless a court of the Cayman Islands or any other such jurisdiction orders otherwise or (y) any transfer of a Share not being a transfer with the sanction of a liquidator, and any alteration in the status of the Issuer’s members, would be void.”

Additional Disruption Events:

Change in Law:

Applicable; *provided* that Section 12.9(a)(ii) of the Equity Definitions is hereby amended (i) by inserting the parenthetical “(including, for the avoidance of doubt and without limitation, the effectiveness, adoption or promulgation of new regulations authorized or mandated by existing statute)” at the end of clause (A) thereof, (ii) by the replacement of the word “Shares” with “Hedge Positions” in clause (X) thereof; (iii) by replacing in the third line thereof the phrase “the interpretation” with “or the announcement of the formal or informal interpretation” and (iv) immediately following the word “Transaction” in clause (X) thereof, adding the phrase “in the manner contemplated by the Hedging Party on the Trade Date”.

Failure to Deliver:

Applicable.

Insolvency Filing:

Applicable.

Hedging Disruption:

Applicable; *provided* that:

- (i) Section 12.9(a)(v) of the Equity Definitions is hereby amended by (a) inserting the following words at the end of clause (A) thereof: “in the manner contemplated by the Hedging Party on the Trade Date” and (b) inserting the following two phrases at the end of such Section:

“For the avoidance of doubt, the term “equity price risk” shall be deemed to include, but shall not be limited to, stock price and volatility risk. And, for the further avoidance of doubt, any such transactions or assets referred to in phrases (A) or (B) above must be available on commercially reasonable pricing terms. Any inability of the Hedging Party referred to in phrases (A) and (B) above that is solely attributable to the deterioration of the creditworthiness of the Hedging Party relative to comparable financial institutions shall not be deemed a Hedging Disruption”; and

- (ii) Section 12.9(b)(iii) of the Equity Definitions is hereby amended by inserting in the third line thereof, after the words “to terminate the Transaction”, the words “or a portion of the Transaction affected by such Hedging Disruption”.

Hedging Party:

Dealer for all applicable Additional Disruption Events; *provided* that, when making any determination or calculation as “Hedging Party,” Dealer shall be bound by the same obligations relating to required acts of the Calculation Agent as set forth in Section 1.40 of the Equity Definitions and this Confirmation as if the Hedging Party were the Calculation Agent. The parties agree that they will comply with the provisions set forth in the second sentence under “Calculation Agent” above, as if the Hedging Party were the Calculation Agent for purposes thereof.

Determining Party:

Dealer for all applicable Extraordinary Events; *provided* that, when making any determination or calculation as “Determining Party,” Dealer shall be bound by the same obligations relating to required acts of the Calculation Agent as set forth in Section 1.40 of the Equity Definitions and this Confirmation as if the Determining Party were the Calculation Agent. The parties agree that they will comply with the provisions set forth in the second sentence under “Calculation Agent” above, as if the Determining Party were the Calculation Agent for purposes thereof.

Acknowledgements:

Non-Reliance:

Applicable.

Agreements and Acknowledgements
Regarding Hedging Activities:

Applicable.

Additional Acknowledgements:

Applicable.

Mutual Representations: Each of Dealer and Counterparty represents and warrants to, and agrees with, the other party that:

- (i) **Tax Disclosure.** Notwithstanding anything to the contrary herein, in the Equity Definitions or in the Agreement, and notwithstanding any express or implied claims of exclusivity or proprietary rights, the parties (and each of their employees, representatives or other agents) are authorized to disclose to any and all persons, beginning immediately upon commencement of their discussions and without limitation of any kind, the tax treatment and tax structure of the Transaction, and all materials of any kind (including opinions or other tax analyses) that are provided by either party to the other relating to such tax treatment and tax structure.
- (ii) **Commodity Exchange Act.** It is an “eligible contract participant” within the meaning of the U.S. Commodity Exchange Act, as amended (the “CEA”). The Transaction has been subject to individual negotiation by the parties. The Transaction has not been executed or traded on a “trading facility” as defined in the CEA.
- (iii) **Securities Act.** It is an “accredited investor” within the meaning of the U.S. Securities Act of 1933, as amended (the “Securities Act”).

Counterparty Representations: In addition to the representations and warranties in the Agreement and those contained elsewhere herein, Counterparty represents, warrants, acknowledges and covenants, as applicable, that:

- (i) Counterparty as of and immediately after the Trade Date and the Premium Payment Date (x) is not, and shall not be after giving effect to the transactions contemplated hereby, “insolvent” (as such term is defined in Section 101(32) of the U.S. Bankruptcy Code (Title 11 of the United States Code) (the “Bankruptcy Code”)), (y) would be able to purchase 2,606,278 Shares and the Underlying Shares represented by such number of Shares in compliance with the laws of the jurisdiction of Counterparty’s incorporation or organization, and (z), for the purposes of Cayman Islands law, is able to pay its debts.
- (ii) Counterparty shall promptly provide written notice to Dealer upon obtaining knowledge of the occurrence of any event that constitutes an Event of Default, a Potential Event of Default, an Adjustment Event or a Potential Adjustment Event; *provided, however,* that should Counterparty be in possession of material non-public information regarding Counterparty, the Underlying Shares or the Shares, Counterparty shall not communicate such information to Dealer in connection with the Transaction until such information no longer constitutes material non-public information.
- (iii) Counterparty’s financial condition is such that it has no need for liquidity with respect to its investment in the Transaction and no need to dispose of any portion thereof to satisfy any existing or contemplated undertaking or indebtedness.
- (iv) Counterparty’s investments in and liabilities in respect of the Transaction, which it understands are not readily marketable, are not disproportionate to its net worth, and Counterparty is able to bear any loss in connection with the Transaction, including the loss of its entire investment in the Transaction.

- (v) Counterparty understands, agrees and acknowledges that Dealer has no obligation or intention to register the Transaction under the Securities Act, any state securities law or other applicable federal securities law.
- (vi) Counterparty is not, and after giving effect to the transactions contemplated hereby will not be, required to be registered as an “investment company” as such term is defined in the Investment Company Act of 1940, as amended.
- (vii) Counterparty understands, agrees and acknowledges that no obligations of Dealer to it hereunder shall be entitled to the benefit of deposit insurance and that such obligations shall not be guaranteed by any affiliate of Dealer or any governmental agency.
- (viii) (A) Counterparty is acting for its own account, and it has made its own independent decisions to enter into the Transaction and as to whether the Transaction is appropriate or proper for it (including as to any legal, regulatory, tax, accounting or economic consequences arising from the Transaction) based upon its own judgment and upon advice from such advisers as it has deemed necessary (including legal, financial and accounting advisors), (B) Counterparty is not relying on any communication (written or oral) of Dealer or any of its affiliates as investment advice or as a recommendation to enter into the Transaction (it being understood that information and explanations related to the terms and conditions of the Transaction shall not be considered investment advice or a recommendation to enter into the Transaction) and (C) no communication (written or oral) received from Dealer or any of its affiliates shall be deemed to be an assurance or guarantee as to the expected results of the Transaction.
- (ix) Without limiting the generality of Section 13.1 of the Equity Definitions, Counterparty acknowledges that Dealer is not making any representations or warranties with respect to the treatment of the Transaction under ASC Topic 260, *Earnings Per Share*, ASC Topic 815, *Derivatives and Hedging*, ASC Topic 480, *Distinguishing Liabilities from Equity* and ASC Topic 815-40, *Derivatives and Hedging — Contracts in Entity’s Own Equity* (or any successor issue statements), or under any other accounting guidance.
- (x) Counterparty is not entering into the Transaction and will not make any election hereunder for the purpose of (i) creating actual or apparent trading activity in the Shares or Underlying Shares (or any security convertible into or exchangeable for the Shares or Underlying Shares) or (ii) raising or depressing or otherwise manipulating the price of the Shares or Underlying Shares (or any security convertible into or exchangeable for the Shares or Underlying Shares), in either case in violation of the U.S. Securities Exchange Act of 1934, as amended (the “**Exchange Act**”).
- (xi) Counterparty’s filings under the Exchange Act that are required to be filed have been filed and, as of the respective dates thereof and as of the date of this representation, such filings when considered as a whole (with the more recent such filings deemed to amend inconsistent statements contained in any earlier such filings) do not contain any misstatement of a material fact or any omission of a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading.
- (xii) The Transaction, and any repurchase of the Shares and/or Underlying Shares by Counterparty in connection with the Transaction, has been approved by Counterparty’s board of directors and any such repurchase has been, or shall when so required be, publicly disclosed in its periodic filings under the Exchange Act and its financial statements and notes thereto.

- (xiii) To Counterparty's knowledge, no state or local (including non-U.S. jurisdictions) or non-U.S. federal law, rule, regulation or regulatory order applicable to the Shares or the Issuer would give rise to any reporting, consent, registration or other requirement (including without limitation a requirement to obtain prior approval from any person or entity) as a result of Dealer or its affiliates having the power to vote, owning or holding (however defined) Shares; *provided* that Counterparty makes no representation or warranty regarding any such requirement that is applicable generally to the ownership of equity securities by Dealer solely as a result of it being a financial institution or broker-dealer.
- (xiv) Counterparty shall deliver to Dealer (A) on the Effective Date a customary opinion of Hong Kong counsel that the Transaction does not contravene the Facilities Agreement between Counterparty and Deutsche Bank AG, Hong Kong Branch, as Agent, dated as of May 18, 2017, (B) a customary opinion of Cayman counsel, dated as of such date and reasonably acceptable to Dealer in form and substance, with respect to the matters set forth in Section 3(a)(i)-(iv) of the Agreement and such other matters as Dealer may reasonably request prior to the Trade Date, (C) a resolution of the Counterparty's board of directors (the "**Board**") authorizing the Transaction and (D) on or before the Premium Payment Date, a solvency certificate with respect to Counterparty signed by a member of the Board, the chief executive officer or the chief financial officer of the Counterparty certifying the solvency of Counterparty as of and immediately after the Premium Payment Date (after giving effect to Counterparty's payment of amounts required to be paid by Counterparty on such date under the Transaction and the other transactions described under "Use of Proceeds" in the Offering Memorandum related to the offering of the Convertible Notes), which solvency certificate is reasonably satisfactory to Dealer.
- (xv) Counterparty (A) is capable of evaluating investment risks independently, both in general and with regard to the Transaction; (B) will exercise independent judgment in evaluating the recommendations of any broker-dealer or its associated persons, unless it has otherwise notified the broker-dealer in writing; and (C) has total assets of at least USD50 million.
- (xvi) All of the issued Underlying Shares have been duly and validly authorized and issued and are fully paid and non-assessable and none of the outstanding Underlying Shares have been issued in violation of any pre-emptive or similar rights of any security holder.

Miscellaneous:

No Set-Off. Neither party shall have the right to set off any obligation that it may have to the other party under the Transaction against any obligation such other party may have to it, whether arising under the Agreement, this Confirmation or any other agreement between the parties hereto, by operation of law or otherwise.

Qualified Financial Contracts. It is the intention of the parties that, in respect of Counterparty, (a) the Transaction shall constitute a "qualified financial contract" within the meaning of 12 U.S.C. Section 1821(e)(8)(D)(i) and (b) a Non-defaulting Party's rights under Sections 5 and 6 of the Agreement constitute rights of the kind referred to in 12 U.S.C. Section 1821(e)(8)(A).

Method of Delivery. Whenever delivery of funds or other assets is required hereunder by or to Counterparty, such delivery shall be effected through DBSI. In addition, all notices, demands and communications of any kind relating to the Transaction between Dealer and Counterparty shall be transmitted exclusively through DBSI.

Staggered Settlement. Dealer may, by notice to Counterparty on or prior to any Settlement Date on which Dealer would be required to deliver Shares hereunder (a "**Nominal Settlement Date**") if Dealer reasonably determines that it would not be advisable to deliver, or to acquire Shares to deliver, any or all of the Shares to be delivered by Dealer on any Settlement Date for the Transaction, elect to deliver such Shares on two or more dates (each, a "**Staggered Settlement Date**") or at two or more times on the Nominal Settlement Date, in each case only to the extent reasonably necessary, as determined by Dealer in good faith, to avoid an Excess Ownership Position (as defined below), as follows: (i) in such notice, Dealer will specify to Counterparty the related

Staggered Settlement Dates (each of which will be on or prior to such Nominal Settlement Date, but not prior to the beginning of the Deemed Conversion Period) or delivery times and how it will allocate the Shares it is required to deliver under “Settlement” above among the Staggered Settlement Dates or delivery times; and (ii) the aggregate number of Shares that Dealer will deliver to Counterparty hereunder on all such Staggered Settlement Dates and delivery times will equal the number of Shares that Dealer would otherwise be required to deliver on such Nominal Settlement Date.

Additional Termination Events.

- (a) The occurrence of (i) an “Event of Default” with respect to Counterparty under the terms of the Convertible Notes as set forth in Section 6.01 of the Indenture, and such event of default results in the Convertible Notes becoming or being declared due and payable pursuant to the Indenture or (ii) an Amendment Event shall be an Additional Termination Event, in each case with the Transaction as the sole Affected Transaction and Counterparty as the sole Affected Party and Dealer as the party entitled to designate an Early Termination Date pursuant to Section 6(b) of the Agreement (which Early Termination Date shall occur as promptly as commercially reasonably practicable but no later than the settlement date under the Indenture for such acceleration in the case of clause (i)). For the avoidance of doubt, the relevant Early Termination Amount in respect of an Amendment Event shall be calculated without giving effect to the relevant amendment.

“**Amendment Event**” means that Counterparty amends, modifies, supplements, waives or obtains a waiver with respect to any term of the Indenture or the Convertible Notes governing the principal amount, coupon, maturity, repurchase obligation of Counterparty, any redemption right of Counterparty, any term relating to conversion of the Convertible Notes (including, without limitation, changes to the conversion rate, conversion settlement dates, conversion rate adjustment provisions or conversion conditions), any term relating to required cancellation of the Convertible Notes or any term that would require consent of the holders of not less than 100% of the principal amount of the Convertible Notes to amend, in each case without the consent of Dealer (such consent not to be unreasonably withheld or delayed); *provided* that entry into a Merger Supplemental Indenture or an amendment pursuant to Section 10.01(h) of the Indenture shall not constitute an Amendment Event.

- (b) Upon any Early Conversion:

- (A) Counterparty shall, within thirty Scheduled Trading Days of the Conversion Date for such Early Conversion, provide written notice (an “**Early Conversion Notice**”) to Dealer specifying the number of Convertible Notes surrendered for conversion on the related Conversion Date (such Convertible Notes, the “**Affected Convertible Notes**”), and the giving of such Early Conversion Notice shall constitute an Additional Termination Event as provided in this clause (b);
- (B) following receipt of any such Early Conversion Notice, Dealer shall designate an Exchange Business Day as an Early Termination Date (which Exchange Business Day shall be on or as promptly as commercially reasonably practicable following the Conversion Date for such Early Conversion) with respect to the portion of the Transaction corresponding to a number of Note Hedging Units (the “**Affected Number of Note Hedging Units**”) equal to the lesser of (x) the number of Affected Convertible Notes minus the “Affected Number of Note Hedging Units” (as defined in the Base Capped Call Confirmation), if any, that relate to such Affected Convertible Notes and (y) the Number of Note Hedging Units as of the Conversion Date for such Early Conversion;
- (C) any payment hereunder with respect to such termination shall be a payment calculated pursuant to Section 6 of the Agreement as if (x) an Early Termination Date had been designated in respect of a Transaction having terms identical to the Transaction and a Number of Note Hedging Units equal to the Affected Number of Note Hedging Units, (y) Counterparty were the sole Affected Party with respect to such Additional Termination Event and (z) the terminated portion of the Transaction were the sole Affected Transaction.
- (D) for the avoidance of doubt, in determining the amount payable in respect of such Affected Transaction pursuant to Section 6 of the Agreement, Dealer shall assume that (x) the relevant Early Conversion and any conversions, adjustments, agreements, payments, deliveries or acquisitions by or on behalf of Counterparty leading thereto had not occurred, (y) no adjustments to the Conversion Rate have occurred pursuant to any Fundamental Change Adjustment or Discretionary Adjustment and (z) the corresponding Convertible Notes remain

outstanding; and

(E) the Transaction shall remain in full force and effect, except that, as of the Conversion Date for such Early Conversion, the Number of Note Hedging Units shall be reduced by the Affected Number of Note Hedging Units.

(c) Promptly (but in any event within five Scheduled Trading Days) following any Repurchase Event (as defined below), Counterparty shall notify Dealer of such Repurchase Event and the aggregate principal amount of Convertible Notes subject to such Repurchase Event (any such notice, a “**Convertible Notes Repurchase Notice**”); *provided* that any such Convertible Notes Repurchase Notice shall contain an acknowledgment by Counterparty of its responsibilities under applicable securities laws, and in particular Section 9 and Section 10(b) of the Exchange Act and the rules and regulations thereunder, in respect of such Repurchase Event and the delivery of such Convertible Notes Repurchase Notice; and further *provided* that, if Counterparty provides such notice later than five Scheduled Trading Days following such Repurchase Event and before the date that is 45 Scheduled Trading Days following such Repurchase Event and such delay is due to administrative error or any oversight in good faith, Counterparty shall be deemed to have fulfilled such notice obligation as determined by the Calculation Agent in its commercially reasonable discretion. The receipt by Dealer from Counterparty of any Convertible Notes Repurchase Notice shall constitute an Additional Termination Event as provided in this Section. Upon receipt of any such Convertible Notes Repurchase Notice, Dealer shall designate an Exchange Business Day following receipt of such Convertible Notes Repurchase Notice (which Exchange Business Day shall be on or as promptly as commercially reasonably practicable after the related settlement date for the relevant Repurchase Event) as an Early Termination Date with respect to the portion of the Transaction corresponding to a number of Note Hedging Units (the “**Repurchase Note Hedging Units**”) equal to the lesser of (A) the aggregate principal amount of such Convertible Notes specified in such Convertible Notes Repurchase Notice, divided by USD 1,000 and (B) the Number of Note Hedging Units as of the date Dealer designates such Early Termination Date and, as of such date, the Number of Note Hedging Units shall be reduced by the number of Repurchase Note Hedging Units. Any payment hereunder with respect to such termination (the “**Repurchase Unwind Payment**”) shall be calculated pursuant to Section 6 of the Agreement as if (1) an Early Termination Date had been designated in respect of a Transaction having terms identical to the Transaction and a Number of Note Hedging Units equal to the number of Repurchase Note Hedging Units, (2) Counterparty were the sole Affected Party with respect to such Additional Termination Event and (3) the terminated portion of the Transaction were the sole Affected Transaction (and, for the avoidance of doubt, (1) the provisions of the Section entitled “Alternative Calculations and Dealer Payment on Early Termination and on Certain Extraordinary Events” shall apply to any amount that is payable by Dealer to Counterparty pursuant to this clause (c) as if Counterparty was not the Affected Party and (2) in determining the amount payable in respect of such Affected Transaction pursuant to Section 6 of the Agreement, Dealer shall assume that (x) the relevant Repurchase Event and any conversions, adjustments, agreements, payments, deliveries or acquisitions by or on behalf of Counterparty leading thereto had not occurred, (y) no adjustments to the Conversion Rate have occurred pursuant to any Fundamental Change Adjustment or Discretionary Adjustment and (z) the corresponding Convertible Notes remain outstanding). “**Repurchase Event**” means that (i) any Convertible Notes are repurchased (whether pursuant to Section 15.01 or Section 15.02 of the Indenture or otherwise) by Counterparty or any of its subsidiaries, (ii) any Convertible Notes are delivered to Counterparty in exchange for delivery of any property or assets of Counterparty or any of its subsidiaries (howsoever described), (iii) any principal of any of the Convertible Notes is repaid prior to the final maturity date of the Convertible Notes (other than upon acceleration of the Convertible Notes described in clause (a) of this Section), or (iv) any Convertible Notes are exchanged by or for the benefit of the holders thereof for any other securities of Counterparty or any of its affiliates (or any other property, or any combination thereof) pursuant to any exchange offer or similar transaction; *provided* that any conversion of Convertible Notes pursuant to the terms of the Indenture shall not constitute a Repurchase Event.

Amendments and Additions to Equity Definitions. (i) For the purposes of this Confirmation the following definitions will apply:

“**Depository**” means, in relation to the Shares, Citibank, N.A., or any successor thereto from time to time.

“**Deposit Agreement**” means, (i) that certain Deposit Agreement by and among Underlying Shares Issuer, Depository and the holders and beneficial owners of the Shares and (ii) the other agreements or other instruments constituting the Shares, as from time to time amended or supplemented in accordance with their terms.

“**DS Amendment**” means, where specified as applicable to a definition or provision, that the following changes shall be made to such definition or provision: (a) all references to “Shares” shall be deleted and replaced with the words “Shares and/or the Underlying Shares, as appropriate”; and (b) all references to “Issuer” shall be deleted and replaced with the words “Issuer or Underlying Shares Issuer, as appropriate”.

“**Replacement DSs**” means depository shares or receipts, other than the Shares, over the same Underlying Shares.

(ii) The following amendments shall be made to the Equity Definitions:

- (A) The definition of Potential Adjustment Event in Section 11.2(e) of the Equity Definitions shall be amended as follows:
 - (i) the DS Amendment shall be applicable, provided that an event under Section 11.2(e)(i) to (vii) of the Equity Definitions in respect of the Underlying Shares shall not constitute a Potential Adjustment Event unless, in the opinion of the Calculation Agent, such event has a material effect on the theoretical value of the Shares; and
 - (ii)
 - (A) ‘or’ shall be deleted where it appears at the end of subsection (vi);
 - (B) ‘.’ shall be deleted where it appears at the end of subsection (vii) and replaced with ‘;’;
 - (C) the following shall be inserted as subsection (viii): “(viii) the making of any amendment or supplement to the terms of the Deposit Agreement; or”; and
 - (D) the following shall be inserted as provision (ix): “(ix) any other event as a result of an action by the Depository outside of the control of Counterparty and as a result of which (1) the Shares represent fewer or more Underlying Shares than, and/or any property or assets in addition to, or as a whole or partial replacement of, in each case, the number of Underlying Shares represented by the Shares prior to such event and (2) there is no corresponding adjustment to the Convertible Notes.”
- (B) In making any adjustment following any Potential Adjustment Event, the Calculation Agent may, but is not required to, have reference to (among other factors) any adjustment made by the Depository under the Deposit Agreement, any fees and/or expenses of the Depository and any withholding or deduction of taxes, in each case, in connection with any Potential Adjustment Event.
- (C) If a Potential Adjustment Event occurs under Section 11.2(e)(viii) of the Equity Definitions (as amended by this Confirmation), then the following further amendments shall be deemed to be made to Section 11.2(c) of the Equity Definitions in respect of such Potential Adjustment Event:
 - (i) the words “the Calculation Agent will determine whether such Potential Adjustment

Event has a material effect on the theoretical value of the relevant Shares, options on the Shares or the Transaction” shall be deleted and replaced with the words “the Calculation Agent will determine whether such Potential Adjustment Event has an economic effect on such Transaction”; and

- (ii) the words “as the Calculation Agent determines appropriate to account for that material effect” shall be deleted and replaced with the words “as the Calculation Agent determines appropriate to account for such economic effect on such Transaction”.
- (D) The definitions of “Merger Event”, “Announcement Date”, “Share-for-Share”, “Share-for-Other” and “Share-for-Combined” in Section 12.1 of the Equity Definitions shall be amended in accordance with the DS Amendment.
- (E) In making any adjustment in respect of a Merger Event or Announcement Event in relation to the Underlying Shares, the Calculation Agent may, but is not required to, in determining any adjustment pursuant to Modified Calculation Adjustment, have reference to (amongst other factors) any adjustment made by the Depository under the Deposit Agreement, any fees and/or expenses of the Depository and any withholding or deduction of taxes in each case in connection with any Merger Event or Announcement Event.
- (F) The definitions of Nationalization and Insolvency in Section 12.6 of the Equity Definitions shall be amended in accordance with the DS Amendment.
- (G) The consequence of a Nationalization or Insolvency in respect of the Depository shall be Cancellation and Payment.
- (H) If a Delisting of the Shares occurs or the Depository announces that the Deposit Agreement is (or will be) terminated, then:
- (i) Cancellation and Payment will apply as provided in this Confirmation; *provided* that, if the Convertible Notes remain outstanding with respect to Replacement DSs, the Calculation Agent shall determine whether a replacement of the Shares with Replacement DSs or the Underlying Shares should take place and that one or more terms of the Transaction should be amended to preserve the fair value of the Transaction to the parties and if the Calculation Agent so determines, then Cancellation and Payment shall not apply in respect of such Delisting or termination of the Deposit Agreement, as applicable, and references to Shares herein shall be replaced by references to such Replacement DSs or the Underlying Shares, as applicable, with such amendments as shall be determined by the Calculation Agent; and
 - (ii) where Cancellation and Payment applies under (H)(i) above in respect of a termination of the Deposit Agreement, the Equity Definitions shall be interpreted as follows: (i) such termination shall be deemed to be an “Extraordinary Event”; (ii) Cancellation and Payment shall apply as defined in Section 12.6(c)(ii) of the Equity Definitions; and (iii) the definition of “Announcement Date” in Section 12.1(l) of the Equity Definitions shall include the following additional clause (vii) at the end of the first sentence thereof: “(vii) in the case of a termination of the Deposit Agreement, the date of the first public announcement by the Depository that the Deposit Agreement is (or will be) terminated”.
- (I) The definition of “Hedging Disruption” in the Equity Definitions shall be amended as follows:
- (i) the words “any transaction(s) or asset(s) it deems necessary to hedge the equity price risk of entering into and performing its obligations with respect to the relevant

Transaction” shall be deleted and replaced with the words “(x) any Share(s) or any transaction(s) referencing any Share(s), that, in each case, it deems necessary to hedge the equity price risk and/or, (y) to the extent the Underlying Shares are listed on an exchange outside of the U.S., any transaction(s) or asset(s) it deems necessary to hedge the foreign exchange risk with respect to such Underlying Shares, in each case, of entering into and performing its obligations with respect to the relevant Transaction.”

- (J) The definition of “Insolvency Filing” in Section 12.9(a)(iv) of the Equity Definitions shall be amended in accordance with the DS Amendment.
- (K) For the avoidance of doubt, where a provision is amended by this Section in accordance with the DS Amendment, if the event described in such provision occurs in respect of the Underlying Shares or Underlying Shares Issuer, then the consequence of such event shall be interpreted consistently with the DS Amendment and such event.
- (L) Section 11.2(e)(vii) of the Equity Definitions is hereby amended by deleting the words “a diluting or concentrative” and replacing them with the words “a material” and adding the phrase “or the Note Hedging Units” at the end of the sentence.

Status of Claims in Bankruptcy. Dealer acknowledges and agrees that this Confirmation is not intended to convey to Dealer rights with respect to the Transaction that are senior to the claims of common or ordinary shareholders in any bankruptcy proceedings of Counterparty; *provided* that nothing herein shall limit or shall be deemed to limit Dealer’s right to pursue remedies in the event of a breach by Counterparty of its obligations and agreements with respect to the Transaction other than during Counterparty’s bankruptcy; *provided, further*, that nothing herein shall limit or shall be deemed to limit Dealer’s rights in respect of any transactions other than the Transaction.

No Collateral. Notwithstanding any provision of this Confirmation, the Agreement, Equity Definitions, or any other agreement between the parties to the contrary, the obligations of Counterparty under the Transaction are not secured by any collateral.

Securities Contract; Swap Agreement. The parties hereto agree and acknowledge that Dealer is a “financial institution,” “swap participant” and “financial participant” within the meaning of Sections 101(22), 101(53C) and 101(22A) of the Bankruptcy Code. The parties hereto further agree and acknowledge (A) that this Confirmation is (i) a “securities contract,” as such term is defined in Section 741(7) of the Bankruptcy Code, with respect to which each payment and delivery hereunder or in connection herewith is a “termination value,” “payment amount” or “other transfer obligation” within the meaning of Section 362 of the Bankruptcy Code and a “settlement payment” or a “transfer” within the meaning of Section 546 of the Bankruptcy Code, and (ii) a “swap agreement,” as such term is defined in Section 101(53B) of the Bankruptcy Code, with respect to which each payment and delivery hereunder or in connection herewith is a “termination value,” a “payment amount” or “other transfer obligation” within the meaning of Section 362 of the Bankruptcy Code and a “transfer” within the meaning of Section 546 of the Bankruptcy Code, and (B) that Dealer is entitled to the protections afforded by, among other sections, Section 362(b)(6), 362(b)(17), 362(b)(27), 362(o), 546(e), 546(g), 546(j), 548(d)(2), 555, 560 and 561 of the Bankruptcy Code.

Repurchase Notices. Counterparty shall, on any day on which Counterparty effects any repurchase of Shares or Underlying Shares, provide Dealer with a written notice of such repurchase (a “**Repurchase Notice**”) on such day if, following such repurchase, the Unit Equity Percentage as determined on such day is (a) equal to or greater than 8% and (b) greater by 0.5 % or more than the Unit Equity Percentage included in the immediately preceding Repurchase Notice (or, in the case of the first such Repurchase Notice, greater by 0.5% or more than the Unit Equity Percentage as of the date hereof). The “**Unit Equity Percentage**” as of any day is the fraction, expressed as a percentage, (i) the numerator of which is the sum of (A) the product of the number of Note Hedging Units and the Note Hedging Unit Entitlement and (B) the number of Underlying Shares underlying any other call option transaction between Dealer as seller and Counterparty as buyer, and (ii) the denominator of which is the number of Underlying Shares outstanding on such day. Counterparty agrees that if Counterparty ceases to qualify as a

“foreign private issuer” as defined in Rule 3b-4 under the Exchange Act, Counterparty will (to the fullest extent permitted by applicable law) indemnify and hold harmless Dealer and its affiliates and their respective officers, directors, employees, advisors, agents and controlling persons (each, a “**Section 16 Indemnified Person**”) from and against any and all losses (including losses relating to Dealer’s hedging activities as a consequence of becoming, or of the risk of becoming, a Section 16 “insider”, including without limitation, any forbearance from hedging activities or cessation of hedging activities and any losses in connection therewith with respect to the Transaction), claims, damages, judgments, liabilities and expenses (including reasonable attorney’s fees), joint or several, to which a Section 16 Indemnified Person may become subject, as a result of Counterparty’s failure to provide Dealer with a Repurchase Notice on the day and in the manner specified in this paragraph, and to reimburse, within 30 days upon written request, each of such Section 16 Indemnified Persons for any reasonable and documented out-of-pocket legal or other expenses incurred in connection with investigating, preparing for, providing testimony or other evidence in connection with or defending any of the foregoing. If any suit, action, proceeding (including any governmental or regulatory investigation), claim or demand shall be brought or asserted against the Section 16 Indemnified Person in respect of the foregoing, such Section 16 Indemnified Person shall promptly notify Counterparty in writing, and Counterparty, upon request of the Section 16 Indemnified Person, shall retain counsel reasonably satisfactory to the Section 16 Indemnified Person to represent the Section 16 Indemnified Person and any others Counterparty may designate in such proceeding and shall pay the fees and expenses of such counsel related to such proceeding. Counterparty shall not be liable for any settlement of any proceeding contemplated by this paragraph that is effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, Counterparty agrees to indemnify any Section 16 Indemnified Person from and against any loss or liability by reason of such settlement or judgment. Counterparty shall not, without the prior written consent of the Section 16 Indemnified Person, effect any settlement of any pending or threatened proceeding contemplated by this paragraph that is in respect of which any Section 16 Indemnified Person is or could have been a party and indemnity could have been sought hereunder by such Section 16 Indemnified Person, unless such settlement includes an unconditional release of such Section 16 Indemnified Person from all liability on claims that are the subject matter of such proceeding on terms reasonably satisfactory to such Section 16 Indemnified Person. If the indemnification provided for in this paragraph is unavailable to a Section 16 Indemnified Person or insufficient in respect of any losses, claims, damages or liabilities referred to therein, then Counterparty, in lieu of indemnifying such Section 16 Indemnified Person thereunder, shall contribute to the amount paid or payable by such Section 16 Indemnified Person as a result of such losses, claims, damages or liabilities. The remedies provided for in this paragraph are not exclusive and shall not limit any rights or remedies that may otherwise be available to any Section 16 Indemnified Person at law or in equity. The indemnity and contribution agreements contained in this paragraph shall remain operative and in full force and effect regardless of the termination of the Transaction.

Alternative Calculations and Dealer Payment on Early Termination and on Certain Extraordinary Events. If Dealer owes Counterparty any amount in connection with the Transaction pursuant to Sections 12.2 (and “Consequences of Merger Events” above), 12.6, 12.7 or 12.9 of the Equity Definitions (in each case, except in the case of an Extraordinary Event (x) that is within Counterparty’s control or (y) as a result of which the Shares or Underlying Shares have changed or will be changed into solely cash) or pursuant to Section 6(d)(ii) of the Agreement (in each case, except in the case of an Event of Default in which Counterparty is the Defaulting Party or a Termination Event in which Counterparty is the Affected Party, other than an Event of Default or a Termination Event that resulted from an event or events outside Counterparty’s control, an Early Conversion or a Repurchase Event) (a “**Dealer Payment Obligation**”), Dealer shall satisfy any such Dealer Payment Obligation by delivery of Termination Delivery Units (as defined below), unless Counterparty (A) gives irrevocable telephonic notice to Dealer, confirmed in writing within one Scheduled Trading Day, between the hours of 9:00 a.m. and 4:00 p.m. New York time on the Early Termination Date or other date the Transaction is terminated, as applicable, that such Dealer Payment Obligation should be satisfied by delivery of cash and (B) renounces the representation set forth under “No Material Non-Public Information” below on the date of such notice. If Dealer shall deliver Termination Delivery Units as set forth herein, within a commercially reasonable period of time following the determination by Dealer of the number of Termination Delivery Units, Dealer shall deliver to Counterparty such number of Termination Delivery Units, and the provisions of Sections 9.8, 9.9, 9.11 (in each case, modified as described above) and 9.12 of the Equity Definitions shall be applicable, except that all references to “Shares” shall be read as references to “Termination Delivery Units”. The number of Termination Delivery Units shall be determined by Dealer as the amount of the Dealer Payment Obligation that would have been otherwise due in USD *divided by* the value of one Termination Delivery Unit, as determined by Dealer in its

discretion by commercially reasonable means, including the purchase price paid in connection with the purchase of any such Termination Delivery Unit (such value, the “**Termination Delivery Unit Price**”). The Calculation Agent shall adjust the Termination Delivery Units by replacing any fractional portion of a security therein with an amount of cash equal to the value of such fractional security as determined by the Calculation Agent based on the values used to calculate the Termination Delivery Unit Price.

“**Termination Delivery Unit**” means one Share or, if the Shares or Underlying Shares have changed into cash or any other property or the right to receive cash or any other property as the result of an Insolvency, Nationalization or Merger Event, a unit consisting of the number or amount of each type of property received by a holder of one Share (without consideration of any requirement to pay cash or other consideration in lieu of fractional amounts of any securities) in such Insolvency, Nationalization or Merger Event, as determined by the Calculation Agent. If such Insolvency, Nationalization or Merger Event involves a choice of consideration to be received by holders, the Calculation Agent shall determine the composition of such consideration in a commercially reasonable manner.

Regulation M. Counterparty is not on the date hereof engaged in a distribution, as such term is used in Regulation M under the Exchange Act, of any securities of Counterparty (for the avoidance of doubt including Shares and Underlying Shares) other than a distribution meeting the requirements of the exception set forth in Sections 101(b)(10) and 102(b)(7) of Regulation M under the Exchange Act. Counterparty shall not, until the second Scheduled Trading Day immediately following the Effective Date, engage in any such distribution.

No Material Non-Public Information. Counterparty represents and warrants to Dealer that it is not aware of any material nonpublic information concerning itself, the Shares or the Underlying Shares.

Right to Extend. Dealer may postpone any potential Exercise Date or Settlement Date or postpone or extend any other date of valuation or delivery with respect to some or all of the relevant Note Hedging Units (in which event the Calculation Agent shall make appropriate adjustments to the Settlement Amount for such Note Hedging Units), if Dealer determines, in its commercially reasonable discretion and, in the case of clause (a), based on the advice of counsel, that (a) a Regulatory Disruption has occurred or (b) such extension is reasonably necessary or appropriate to (i) preserve Dealer’s hedging or hedge unwind activity hereunder in light of existing liquidity conditions (but only if there is a material decrease in liquidity relative to Dealer’s expectations on the Trade Date) or (ii) enable Dealer to effect transactions with respect to the Shares or Underlying Shares in connection with its hedging, hedge unwind or settlement activity hereunder in a manner that would, if Dealer were the Issuer or an affiliated purchaser of the Issuer, be in compliance with applicable legal, regulatory or self-regulatory requirements, or with related policies and procedures adopted in good faith by Dealer (so long as such policies and procedures would generally be applicable to counterparties similar to Counterparty and transactions similar to the Transaction); *provided* that no such Exercise Date, Settlement Date or other date of valuation or delivery shall be extended more than 50 Trading Days after the original such date. “**Regulatory Disruption**” shall mean any event that Dealer reasonably determines, based on advice of counsel, makes it appropriate with regard to any legal, regulatory or self-regulatory requirements or related policies and procedures (whether or not such requirements, policies or procedures are imposed by law or have been voluntarily adopted by Dealer), for Dealer to refrain from or decrease any market activity in connection with the Transaction; *provided* that Dealer shall use its commercially reasonable best efforts to avoid a Regulatory Disruption that is solely within its control.

Transfer or Assignment. Either party may transfer or assign any of its rights or obligations under the Transaction with the prior written consent of the non-transferring party, such consent not to be unreasonably withheld or delayed. For the avoidance of doubt, Dealer may condition its consent on any of the following, without limitation: (i) the receipt by Dealer of opinions and documentation reasonably satisfactory to Dealer in connection with such transfer, (ii) such transfer being effected on terms reasonably satisfactory to Dealer with respect to any legal and regulatory requirements relevant to Dealer, (iii) that, in Dealer’s reasonable determination, Dealer will not be required, as a result of such transfer, to pay the transferee an amount under Section 2(d)(i)(4) of the Agreement greater than the amount, if any, that Dealer would have been required to pay to Counterparty in the absence of such transfer, (iv) that, in Dealer’s reasonable determination, no Event of Default, Potential Event of Default or Termination Event will occur as a result of such transfer and (v) that Counterparty will continue to be obligated to provide notices hereunder relating to the Convertible Notes and will continue to be obligated under the provisions set forth under “Repurchase Notices” herein. Notwithstanding the

foregoing, Dealer may, without Counterparty's consent, transfer or assign all of its rights and obligations under the Transaction to Deutsche Bank AG, Frankfurt Branch ("Permitted Transferee") so long as (1) the Permitted Transferee and Dealer are treated as a single entity for purposes of their long-term credit rating or the Permitted Transferee has a separate long-term credit rating that is equal to or better than Dealer's long-term credit rating at the time of such transfer or assignment; (2) an Event of Default, Potential Event of Default or Termination Event will not occur as a result of such transfer or assignment; and (3) (x) Counterparty will not be required, as a result of such transfer or assignment, to pay the Permitted Transferee on any payment date an amount under Section 2(d)(i)(4) of the Agreement greater than the amount, if any, that Counterparty would have been required to pay Dealer in the absence of such transfer or assignment and (y) Dealer shall cause the Permitted Transferee to make such Payee Tax Representations and to provide such tax documentation as may be reasonably requested by Counterparty to permit Counterparty to determine that events described in sub-clause (x) of this clause (3) will not occur upon or after such transfer or assignment. Dealer shall be responsible for all reasonable costs and expenses, including reasonable counsel fees, incurred by Counterparty in connection with such transfer or assignment.

If, (a) at any time (1) the Equity Percentage exceeds 9% or (2) Dealer, Dealer Group (as defined below) or any person whose ownership position would be aggregated with that of Dealer or Dealer Group (Dealer, Dealer Group or any such person, a "**Dealer Person**") under any federal, state or local (including non-U.S.) laws, rules, regulations or regulatory orders, or any organizational documents or contracts of Counterparty that are, in each case, applicable to ownership of Shares or Underlying Shares (excluding those arising under Sections 13 or 16 of the Exchange Act, "**Applicable Restrictions**"), owns, beneficially owns, constructively owns, controls, holds the power to vote or otherwise meets a relevant definition of ownership in connection with a transaction with Counterparty in excess of a number of Shares and/or Underlying Shares, as applicable equal to (x) the number of Shares or Underlying Shares, as applicable that would give rise to reporting, registration, filing or notification obligations or other requirements (including obtaining prior approval by a state, federal or non-U.S. regulator) of a Dealer Person, in each case that is reasonably likely to result in an adverse effect on a Dealer Person, under Applicable Restrictions, as reasonably determined by Dealer, and with respect to which such requirements have not been met or the relevant approval has not been received *minus* (y) 1% of the number of Shares or Underlying Shares, as applicable, outstanding on the date of determination (either such condition described in clause (1) or (2), an "**Excess Ownership Position**"), and (b) Dealer is unable, after commercially reasonable efforts, to effect a transfer or assignment on pricing and terms and within a time period reasonably acceptable to it of all or a portion of the Transaction pursuant to the preceding paragraph such that an Excess Ownership Position no longer exists, Dealer may designate any Scheduled Trading Day as an Early Termination Date with respect to a portion (the "**Terminated Portion**") of the Transaction, such that an Excess Ownership Position no longer exists following such partial termination. In the event that Dealer so designates an Early Termination Date with respect to a portion of the Transaction, a payment shall be made pursuant to Section 6 of the Agreement as if (i) an Early Termination Date had been designated in respect of a Transaction having terms identical to the Transaction and a Number of Note Hedging Units equal to the Terminated Portion, (ii) Counterparty shall be the sole Affected Party with respect to such partial termination and (iii) such Transaction shall be the only Terminated Transaction (and, for the avoidance of doubt, the provisions set forth under the caption "Alternative Calculations and Dealer Payment on Early Termination and on Certain Extraordinary Events" shall apply to any amount that is payable by Dealer to Counterparty pursuant to this sentence). The "**Equity Percentage**" as of any day is the fraction, expressed as a percentage, (A) the numerator of which is the number of Underlying Shares that Dealer and any of its affiliates subject to aggregation with Dealer for purposes of the "beneficial ownership" test under Section 13 of the Exchange Act and all persons who may form a "group" (within the meaning of Rule 13d-5(b)(1) under the Exchange Act) with Dealer (collectively, "**Dealer Group**") "beneficially own" (within the meaning of Section 13 of the Exchange Act) in connection with a transaction with Counterparty without duplication on such day (or to the extent that the equivalent calculation under Section 16 of the Exchange Act and the rules and regulations thereunder results in a higher number, such number) and (B) the denominator of which is the number of Underlying Shares outstanding on such day.

Designation by Dealer. Notwithstanding any other provision in this Confirmation to the contrary requiring or allowing Dealer to purchase, sell, receive or deliver any Shares or other securities to or from Counterparty, Dealer may designate any of its affiliates to purchase, sell, receive or deliver such Shares or other securities and otherwise to perform Dealer's obligations in respect of the Transaction and any such designee may assume such obligations. Dealer shall be discharged of its obligations to Counterparty solely to the extent of any such

performance; *provided* that Dealer's obligations shall be reinstated, as though such performance had not been rendered by such affiliate, in the event and to the extent Counterparty is required to repay or reimburse the amount of value of any payment or other performance by such affiliate on the grounds of the insolvency or other legal, regulatory or contractual constraint on the affiliate's payment or performance of such obligation.

Service of Process. Counterparty hereby appoints Cogency Global Inc., 10 E. 40th Street, 10th Floor, New York, New York 10016, United States of America to receive, for it and on its behalf, service of process in any Proceedings.

Severability; Illegality. Notwithstanding anything to the contrary in the Agreement, if compliance by either party with any provision of the Transaction would be unenforceable or illegal, (a) the parties shall negotiate in good faith to resolve such unenforceability or illegality in a manner that preserves the economic benefits of the transactions contemplated hereby and (b) the other provisions of the Transaction shall not be invalidated, but shall remain in full force and effect.

Waiver of Jury Trial. EACH PARTY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY SUIT, ACTION OR PROCEEDING RELATING TO THE TRANSACTION. EACH PARTY (I) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF THE OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF SUCH A SUIT, ACTION OR PROCEEDING, SEEK TO ENFORCE THE FOREGOING WAIVER AND (II) ACKNOWLEDGES THAT IT AND THE OTHER PARTY HAVE BEEN INDUCED TO ENTER INTO THE TRANSACTION, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS PROVIDED HEREIN.

Agreements and Acknowledgements Regarding Hedging. Counterparty understands, acknowledges and agrees that: (A) at any time on and prior to the Expiration Date, Dealer and its affiliates may buy or sell Shares, Underlying Shares or other securities or buy or sell options or futures contracts or enter into swaps or other derivative securities in order to adjust its hedge position with respect to the Transaction; (B) Dealer and its affiliates also may be active in the market for Shares or Underlying Shares other than in connection with hedging activities in relation to the Transaction; (C) Dealer shall make its own determination as to whether, when or in what manner any hedging or market activities in securities of Issuer shall be conducted and shall do so in a manner that it deems appropriate to hedge its price and market risk with respect to the Daily VWAP; and (D) any market activities of Dealer and its affiliates with respect to Shares or Underlying Shares may affect the market price and volatility of Shares or Underlying Shares, as well as the Daily VWAP, each in a manner that may be adverse to Counterparty.

Early Unwind. In the event the sale of the "Additional Notes" (as defined in the Purchase Agreement) is not consummated with the initial purchasers thereof for any reason by the close of business in New York on November 3, 2017 (or such later date as agreed upon by the parties) (November 3, 2017 or such later date as agreed upon being the "**Early Unwind Date**"), the Transaction shall automatically terminate (the "**Early Unwind**") on the Early Unwind Date and (a) the Transaction and all of the respective rights and obligations of Dealer and Counterparty under the Transaction shall be cancelled and terminated and (b) each party shall be released and discharged by the other party from and agrees not to make any claim against the other party with respect to any obligations or liabilities of the other party arising out of and to be performed in connection with the Transaction either prior to or after the Early Unwind Date; *provided* that, if such an Early Unwind is solely due to an event within Counterparty's control, Counterparty shall purchase from Dealer on the Early Unwind Date all Shares and Underlying Shares purchased by Dealer or one or more of its affiliates, and assume, or reimburse the cost of, derivatives and other hedging activities entered into by Dealer or one or more of its affiliates, in each case, in connection with hedging of the Transaction and the unwind of such hedging activities. The amount payable by Counterparty shall be Dealer's (or its affiliates) actual cost of such Shares and Underlying Shares and unwind cost of such derivatives and other hedging activities as Dealer informs Counterparty and shall be paid in immediately available funds on the Early Unwind Date. Dealer and Counterparty represent and acknowledge to the other that, subject to the proviso included in the second preceding sentence, upon an Early Unwind, all obligations with respect to the Transaction shall be deemed fully and finally discharged.

Payment by Counterparty. In the event that, following payment of the Premium, (i) an Early Termination Date occurs or is designated with respect to the Transaction as a result of a Termination Event or an Event of Default (other than an Event of Default arising under Section 5(a)(ii) or 5(a)(iv) of the Agreement) and, as a result, Counterparty owes to Dealer an amount calculated under Section 6(e) of the Agreement, or (ii) Counterparty owes to Dealer pursuant to Section 12.7 or 12.9 of the Equity Definitions or this Confirmation, an amount calculated under Section 12.8 of the Equity Definitions), such amount shall be deemed to be zero.

Other Adjustments Pursuant to the Equity Definitions. Notwithstanding anything to the contrary in this Confirmation, solely for the purpose of adjusting the Cap Price, the term “Merger Event” shall have the meaning assigned to such term in the Equity Definitions (as amended above), and upon the occurrence of a Merger Date, as such term is defined in the Equity Definitions, the Calculation Agent may adjust the Cap Price to preserve the fair value of the Note Hedging Units to Dealer; *provided* that in no event shall the Cap Price be less than the Strike Price; *provided, further*, that any adjustment to the Cap Price made pursuant to this Section shall be made without duplication of any other adjustment or determination hereunder (including, for the avoidance of doubt, adjustments or determinations made in accordance with “Method of Adjustment,” “Consequences of Merger Events” and “Consequences of Announcement Events” above).

2013 EMIR Portfolio Reconciliation, Dispute Resolution and Disclosure Protocol. The parties agree that the terms of the 2013 EMIR Portfolio Reconciliation, Dispute Resolution and Disclosure Protocol published by ISDA on July 19, 2013 (“**Protocol**”) apply to the Agreement as if the parties had adhered to the Protocol without amendment. In respect of the Attachment to the Protocol, (i) the definition of “Adherence Letter” shall be deemed to be deleted and references to “Adherence Letter” shall be deemed to be to this section (and references to “such party’s Adherence Letter” and “its Adherence Letter” shall be read accordingly), (ii) references to “adheres to the Protocol” shall be deemed to be “enters into this Agreement”, (iii) references to “Protocol Covered Agreement” shall be deemed to be references to this Agreement (and each “Protocol Covered Agreement” shall be read accordingly), and (iv) references to “Implementation Date” shall be deemed to be references to the date of this Agreement. For the purposes of this section:

- (a) Dealer is a Portfolio Data Sending Entity and Counterparty is a Portfolio Data Receiving Entity;
- (b) Dealer and Counterparty may use a Third Party Service Provider, and each of Dealer and Counterparty consents to such use including the communication of the relevant data in relation to Dealer and Counterparty to such Third Party Service Provider for the purposes of the reconciliation services provided by such entity.
- (c) The Local Business Days for such purposes in relation to Dealer are New York, London, Frankfurt, Tokyo and Singapore and in relation to Counterparty are Shanghai, Singapore, and Hong Kong;
- (d) The provisions in this paragraph shall survive the termination of this Transaction.
- (e) The following are the applicable email addresses.

Portfolio Data:	Dealer: collateral.disputes@db.com
	Counterparty: teoneechuan@huazhu.com Wunengjiao002@huazhu.com
Notice of discrepancy:	Dealer: collateral.disputes@db.com
	Counterparty: teoneechuan@huazhu.com Wunengjiao002@huazhu.com
Dispute Notice:	Dealer: collateral.disputes@db.com
	Counterparty: teoneechuan@huazhu.com

NFC Representation Protocol. The parties agree that the provisions set out in the Attachment to the ISDA 2013 EMIR NFC Representation Protocol published by ISDA on March 8, 2013 (the “**NFC Representation Protocol**”) shall apply to the Agreement as if each party were an Adhering Party under the terms of the NFC Representation Protocol. In respect of the Attachment to the Protocol, (i) the definition of “Adherence Letter” shall be deemed to be deleted and references to “Adherence Letter” shall be deemed to be to this section (and references to “the relevant Adherence Letter” and “its Adherence Letter” shall be read accordingly), (ii) references to “adheres to the Protocol” shall be deemed to be “enters into this Agreement”, (iii) references to “Covered Master Agreement” shall be deemed to be references to this Agreement (and each “Covered Master Agreement” shall be read accordingly), and (iv) references to “Implementation Date” shall be deemed to be references to the date of this Agreement. Counterparty confirms that it enters into this Agreement as a party making the NFC Representation (as such term is defined in the NFC Representation Protocol). Counterparty shall promptly notify Dealer of any change to its status as a party making the NFC Representation.

Transaction Reporting - Consent for Disclosure of Information. Notwithstanding anything to the contrary herein or in the Agreement or any non-disclosure, confidentiality or other agreements entered into between the parties from time to time, each party hereby consents to the Disclosure of information (the “**Reporting Consent**”):

- (a) to the extent required by, or necessary in order to comply with, any applicable law, rule or regulation which mandates Disclosure of transaction and similar information or to the extent required by, or necessary in order to comply with, any order, request or directive regarding Disclosure of transaction and similar information issued by any relevant authority or body or agency (“**Reporting Requirements**”); or
- (b) to and between the other party’s head office, branches or affiliates; to any person, agent, third party or entity who provides services to such other party or its head office, branches or affiliates; to a Market; or to any trade data repository or any systems or services operated by any trade repository or Market, in each case, in connection with such Reporting Requirements.

“**Disclosure**” means disclosure, reporting, retention, or any action similar or analogous to any of the aforementioned.

“**Market**” means any exchange, regulated market, clearing house, central clearing counterparty or multilateral trading facility.

Disclosures made pursuant to this Reporting Consent may include, without limitation, Disclosure of information relating to disputes over transactions between the parties, a party’s identity, and certain transaction and pricing data and may result in such information becoming available to the public or recipients in a jurisdiction which may have a different level of protection for personal data from that of the relevant party’s home jurisdiction.

This Reporting Consent shall be deemed to constitute an agreement between the parties with respect to Disclosure in general and shall survive the termination of this Confirmation. No amendment to or termination of this Reporting Consent shall be effective unless such amendment or termination is made in writing between the parties and specifically refers to this Reporting Consent.

Taxes, Foreign Account Tax Compliance Act and HIRE Act. Counterparty is classified as a corporation for the U.S. federal income tax purposes. No income received or to be received under this Agreement will be effectively connected with the conduct of a trade or business by Counterparty in the United States. Counterparty is a “non-U.S. branch of a foreign person” as that term is used in Section 1.1441-4(a)(3)(ii) of the United States Treasury Regulations (the “**Regulations**”), and it is a “foreign person” as that term is used in Section 1.6041-4(a)(4) of the Regulations. The term “Indemnifiable Tax” as defined in Section 14 of this Agreement shall not include any U.S. federal withholding tax imposed or collected pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or

regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code (a “**FATCA Withholding Tax**”). For the avoidance of doubt, a FATCA Withholding Tax is a Tax the deduction or withholding of which is required by applicable law for the purposes of Section 2(d) of this Agreement. The parties agree that the definitions and provisions contained in the ISDA 2015 Section 871(m) Protocol, as published by the International Swaps and Derivatives Association, Inc. and as may be amended, supplemented, replaced or superseded from time to time (the “**871(m) Protocol**”) shall apply to this Agreement as if the parties had adhered to the 871(m) Protocol as of the effective date of this Agreement. If there is any inconsistency between this provision and a provision in any other agreement executed between the parties, this provision shall prevail unless such other agreement expressly overrides the provisions of the 871(m) Protocol. Each of Dealer and Counterparty shall provide to the other party tax forms and documents required to be delivered pursuant to Sections 1471(b) or Section 1472(b)(1) of the Code promptly upon request by the other party and any other tax forms and documents they are legally able to provide that are reasonably requested by the other party.

U.S. Tax Forms. Without limiting the generality of the foregoing, Counterparty will provide a US Tax Form W-8BEN-E upon the execution of this Agreement and promptly upon reasonable demand by Dealer.

Governing Law; Jurisdiction. THIS CONFIRMATION AND ANY CLAIM, CONTROVERSY OR DISPUTE ARISING UNDER OR RELATED TO THIS CONFIRMATION SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK. THE PARTIES HERETO IRREVOCABLY SUBMIT TO THE EXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK AND THE UNITED STATES COURT FOR THE SOUTHERN DISTRICT OF NEW YORK IN CONNECTION WITH ALL MATTERS RELATING HERETO AND WAIVE ANY OBJECTION TO THE LAYING OF VENUE IN, AND ANY CLAIM OF INCONVENIENT FORUM WITH RESPECT TO, THESE COURTS.

Resolution Stay Protocol. Subject to the below, the provisions set out in the Attachment to the ISDA 2015 Universal Resolution Stay Protocol as published by the International Swaps and Derivatives Association on 4 November 2015 (“**Protocol**”), and any additional Country Annex that has been published from time to time and to which Counterparty has adhered are, mutadis mutandis, incorporated by reference, into this Agreement as though such provisions and definitions were set out in full herein, with any such conforming changes as are necessary to deal with what would otherwise be inappropriate or incorrect cross-references. References in the Protocol:

- (a) the “Adhering Party” shall be deemed to be references to the parties to this Agreement;
- (b) the “Adherence Letter” shall be deemed to be references to this Agreement;
- (c) the “Implementation Date” shall be deemed to be references to the date of this Agreement; and
- (d) this Agreement shall be deemed a “Covered Agreement.”

Contact information. For purposes of the Agreement (unless otherwise specified in the Agreement), all notices to the parties shall be delivered by electronic mail with a copy to follow by overnight courier, addressed as follows:

(a) Counterparty

China Lodging Group, Limited
No. 2266 Hongqiao Road
Shanghai, 200336, PRC
Attention: Teo Nee Chuan

(b) Dealer

Deutsche Bank AG, London Branch
c/o Deutsche Bank Securities Inc.
60 Wall Street
New York, NY 10005

Attention: Andrew Yaeger
Paul Stowell
Keyvan Zolfaghari
Telephone: (212) 250-2717
Email: Andrew.Yaeger@db.com
paul.stowell@db.com
keyvan.zolfaghari@db.com

with a copy to:

Deutsche Bank AG, London Branch
c/o Deutsche Bank Securities Inc.
60 Wall Street
New York, New York 10005
Attention: Equity Derivatives Trading

This Confirmation may be executed in several counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

Please confirm that the foregoing correctly sets forth the terms of our agreement by sending to us a letter, telex or other electronic transmission substantially similar to this facsimile, which letter, telex or other electronic transmission sets forth the material terms of the Transaction to which this Confirmation relates and indicates your agreement to those terms. Dealer will make the time of execution of the Transaction available upon request.

Dealer is authorised for the conduct of certain activities by the Prudential Regulation Authority. It is subject to limited regulation by the Financial Conduct Authority and by the Prudential Regulation Authority.

We are very pleased to have executed the Transaction with you and we look forward to completing other transactions with you in the near future.

Very truly yours,

DEUTSCHE BANK AG, LONDON BRANCH

By: /s/ Paul Stowell
Name: Paul Stowell
Title: Attorney in Fact

By: /s/ Lars Kestner
Name: Lars Kestner
Title: Managing Director

DEUTSCHE BANK SECURITIES INC.,
acting solely as Agent in connection with the Transaction

By: /s/ Francis Windels
Name: Francis Windels
Title: Managing Director

By: /s/ Paul Stowell
Name: Paul Stowell
Title: Managing Director

[Signature Page to Additional Capped Call Confirmation]

Counterparty hereby agrees to, accepts and confirms the terms of the foregoing as of the Trade Date.

CHINA LODGING GROUP, LIMITED

A handwritten signature in black ink, consisting of a large, sweeping initial 'C' followed by several loops and a final flourish.

By:

Name:

Title:

[Signature Page to Additional Capped Call Confirmation]

The Premium for the Transaction is set forth below.

Premium: USD564,000

DATE: October 31, 2017

TO: China Lodging Group, Limited
ATTENTION: Teo Nee Chuan
TELEPHONE: +86-21-61952011

FROM: JPMorgan Chase Bank, National Association
London Branch
25 Bank Street
Canary Wharf
London E14 5JP
England

SUBJECT: Additional Capped Call Transaction

REFERENCE NUMBER(S): []

The purpose of this agreement (this “**Confirmation**”) is to confirm the terms and conditions of the transaction entered into between **JPMorgan Chase Bank, National Association, London Branch (“Dealer”)**, represented by J.P. Morgan Securities LLC, as its agent, and China Lodging Group, Limited (“**Counterparty**”) on the Trade Date specified below (the “**Transaction**”). This Confirmation constitutes a “Confirmation” as referred to in the Agreement specified below. This Confirmation constitutes the entire agreement and understanding of the parties with respect to the subject matter and terms of the Transaction and supersedes all prior or contemporaneous written and oral communications with respect thereto.

The definitions contained in the 2002 ISDA Equity Derivatives Definitions (the “**Equity Definitions**”), as published by the International Swaps and Derivatives Association, Inc., are incorporated into this Confirmation. In the event of any inconsistency between the Equity Definitions and the terms of this Confirmation, the terms of this Confirmation shall govern, and in the event of any inconsistency between either the Equity Definitions or this Confirmation and the Agreement (as defined below), the Equity Definitions or this Confirmation, as the case may be, shall govern. For the purposes of the Equity Definitions, each reference herein to a Note Hedging Unit shall be deemed to be a reference to a Call or an Option, as context requires.

This Confirmation evidences a complete and binding agreement between Dealer and Counterparty as to the terms of the Transaction to which this Confirmation relates. This Confirmation shall supplement, form a part of, and be subject to an agreement (the “**Agreement**”) in the form of the ISDA 2002 Master Agreement as if Dealer and Counterparty had executed an agreement in such form (without any Schedule but with the elections set forth in this Confirmation). The Transaction shall be the only transaction under the Agreement.

The Transaction shall be considered a Share Option Transaction for purposes of the Equity Definitions, and shall have the following terms:

General:

Trade Date: October 31, 2017.

JPMorgan Chase Bank, National Association
Organised under the laws of the United States as a National Banking Association.
Main Office 1111 Polaris Parkway, Columbus, Ohio 43240
Registered as a branch in England & Wales branch No. BR000746
Registered Branch Office 25 Bank Street, Canary Wharf, London E14 5JP
Authorised by the Office of the Comptroller of the Currency in the jurisdiction of the USA.
Authorised by the Prudential Regulation Authority. Subject to regulation by the Financial Conduct Authority and to limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from us on request.

Effective Date: The closing date for the issuance of the Convertible Notes issued pursuant to the initial purchasers' option in accordance with the Purchase Agreement dated as of October 26, 2017 (the "**Purchase Agreement**") between Counterparty and the Initial Purchasers (as defined therein).

Option Style: Modified American, as described below under "Procedure for Exercise".

Option Type: Note Hedging Units.

Seller: Dealer.

Buyer: Counterparty.

Shares: The American Depositary Shares issued under the Deposit Agreement (as defined below) (Symbol: "HTHT"), each representing as of the date hereof four Underlying Shares.

Underlying Shares: The ordinary shares of Counterparty, nominal value USD 0.0001 per share.

Underlying Shares Issuer: Counterparty

Convertible Notes: 0.375% Convertible Senior Notes due 2022 of Counterparty, offered pursuant to an Offering Memorandum to be dated as of October 26, 2017 (the "**Offering Memorandum**") and issued pursuant to the indenture to be dated on or about November 3, 2017, by and between Counterparty and Wilmington Trust, N.A., as trustee (the "**Indenture**"). References herein to the Indenture refer to the draft of the Indenture most recently reviewed by the parties at the time of execution of this Confirmation. If any relevant sections of the Indenture are changed, added or renumbered upon execution of the Indenture, the parties will amend this Confirmation in good faith to preserve the economic intent of the parties. Subject to the foregoing, references herein to the Indenture shall be to the Indenture as executed, without giving effect to any amendment, supplement or modification thereto other than an amendment, supplement or modification that does not constitute an Amendment Event (as defined below) (a "**Permitted Amendment**"), subject to the provision set forth under "Settlement Amount" below relating to Counterparty Determinations, a Merger Supplemental Indenture (as defined below). If any amendment or supplement is made to the Indenture following execution thereof (other than pursuant to a Merger Supplemental Indenture or a Permitted Amendment) (x) the Calculation Agent shall determine the relevant Settlement Amount and Settlement Date for any Note Hedging Unit exercised thereafter in accordance with this Confirmation by referring to the relevant provisions of the Indenture without giving effect to such amendment or supplement, and (y) such supplement or amendment shall be disregarded for all other purposes hereunder. Terms in quotation marks that are not otherwise defined in this Confirmation shall have the

meanings set forth in the Indenture, unless the context requires otherwise.

Number of Note Hedging Units: 50,000, as reduced by any Note Hedging Units exercised hereunder.

Note Hedging Unit Entitlement: 5.4869.

Strike Price: USD1,000 *divided by* the Note Hedging Unit Entitlement, which equals approximately USD182.2523.

Cap Price: USD221.3060.

Applicable Percentage: 70%.

Premium: As provided in Annex A to this Confirmation.

Premium Payment Date: The Effective Date.

Exchange: The NASDAQ Global Select Market.

Related Exchanges: All Exchanges.

Calculation Agent: Dealer; *provided that*, following the occurrence and during the continuance of an Event of Default of the type described in Section 5(a)(vii) of the Agreement with respect to Dealer, Counterparty shall have the right to designate a nationally recognized independent equity derivatives dealer to replace Dealer as the Calculation Agent, and the parties shall work in good faith to execute any appropriate documentation required by such replacement Calculation Agent. Following any determination, adjustment or calculation by the Calculation Agent hereunder, upon a request by Counterparty, the Calculation Agent shall promptly (but in any event within three Scheduled Trading Days) provide to Counterparty by e-mail to the e-mail address provided by Counterparty in such request a report (in a commonly used file format for the storage and manipulation of financial data) displaying in reasonable detail the basis for such determination, adjustment or calculation (including any assumptions used in making such determination, adjustment or calculation), it being understood that the Calculation Agent shall not be obligated to disclose any proprietary or confidential models used by it for such determination, adjustment or calculation or any information that it may be subject to contractual, legal or regulatory obligations not to disclose.

Procedure for Exercise:

Potential Exercise Dates: Each Conversion Date.

Conversion Date: Each "Conversion Date" (other than in respect of an Early Conversion); *provided that*, in respect of any Note Hedging Units not previously exercised, a conversion and a Conversion Date shall be deemed to have occurred on the last day permitted under the Indenture.

Required Exercise on Conversion Dates: On each Conversion Date (other than any Conversion Date occurring prior to the 52nd Scheduled Trading Day prior to the Maturity Date (any such related conversion, an “**Early Conversion**”), to which the provisions of clause (b) under “Additional Termination Events” below shall apply), a number of Note Hedging Units equal to (i) the number of Convertible Notes in denominations of USD 1,000 principal amount with respect to which a Conversion Date has occurred *minus* (ii) the number of Note Hedging Units that are or are deemed to be automatically exercised in respect of such Conversion Date under the Base Capped Call Transaction Confirmation dated October 26, 2017 between Dealer and Counterparty (the “**Base Capped Call Confirmation**”), shall be exercised automatically; *provided* that in no event will the number of Note Hedging Units exercised or deemed exercised hereunder exceed the Number of Note Hedging Units.

Expiration Date: November 1, 2022.

Multiple Exercise: Applicable, as provided under “Required Exercise on Conversion Dates”.

Automatic Exercise: Applicable, as provided under “Required Exercise on Conversion Dates”.

Settlement Terms:

Settlement: In lieu of the obligations set forth in Sections 8.1 and 9.1 of the Equity Definitions, in respect of any validly exercised Note Hedging Unit, Dealer shall deliver to Counterparty, on the related Settlement Date, the Settlement Amount.

For the avoidance of doubt, to the extent Dealer is obligated to deliver Shares hereunder, the provisions of Sections 9.8, 9.9, 9.11 and 9.12 of the Equity Definitions shall be applicable to any such delivery of Shares, except that all references in such provisions to “Physical Settlement” and “Physically-settled” shall be read as references to “Share Settlement” and “Share Settled”; *provided* that the Representation and Agreement contained in Section 9.11 of the Equity Definitions shall be modified by excluding any representations therein relating to restrictions, obligations, limitations or requirements under applicable securities laws that exist as a result of the fact that Counterparty is the issuer of the Underlying Shares. “**Share Settlement**” means settlement of a Note Hedging Unit pursuant to “Settlement Amount” below, and “**Share Settled**” has a meaning correlative thereto.

Certificated Shares or Underlying Shares: Notwithstanding anything to the contrary in the Equity Definitions, Dealer may, in whole or in part, deliver Shares or Underlying Shares required to be delivered to Counterparty hereunder in certificated form in lieu of delivery through the Clearance System. With respect to such certificated Shares or Underlying Shares, the Representation and

Agreement contained in Section 9.11 of the Equity Definitions shall be modified by deleting the remainder of the provision after the word “encumbrance” in the fourth line thereof; *provided* that, in the event Counterparty uses such certificated Shares or Underlying Shares to settle its obligations with respect to Convertible Notes, Dealer shall reimburse Counterparty for any reasonable costs or expenses as they are incurred.

Daily VWAP:

For any “Trading Day”, the per Share volume-weighted average price as displayed under the heading “Bloomberg VWAP” on Bloomberg page “HTHT <equity> AQR” (or its equivalent successor if such page is not available) in respect of the period from the scheduled open of trading until the scheduled close of trading of the regular trading session on such Trading Day (or if such volume-weighted average price is unavailable, the market value of one Share on such Trading Day determined, using a volume-weighted average method, by the Calculation Agent). For the avoidance of doubt, Daily VWAP will be determined without regard to after-hours trading or any other trading outside of the regular trading session trading hours.

Settlement Amount:

The aggregate of the number of Shares for each Convertible Note in principal amount of USD 1,000 converted in respect of such Conversion Date equal to the product of the Applicable Percentage and the sum, for each of the 50 consecutive “Trading Days” commencing on the 52nd “Scheduled Trading Day” prior to the “Maturity Date” (such period, the “**Deemed Conversion Period**”), of (A) the excess, if any, of (X) 2.0% of the product of the “Conversion Rate” on such Trading Day and the lesser of (1) the Daily VWAP on such Trading Day and (2) the Cap Price on such Trading Day over (Y) USD 20, *divided by* (B) such Daily VWAP.

Following the occurrence of any Merger Event in which the holders of Shares or Underlying Shares receive only cash (a “**Cash Merger**”), the Settlement Amount in respect of any Note Hedging Unit exercised thereafter shall consist of an amount of cash equal to the product of the Applicable Percentage and the sum, if any, of (i) the product of the “Conversion Rate” (determined without giving effect to any Fundamental Change Adjustment or any Discretionary Adjustment as defined below) and the lesser of (1) the amount of cash received by a holder of one Share in such Merger Event and (2) the Cap Price over (ii) USD 1,000, in lieu of any Settlement Amount determined above.

The number of Shares included in the Settlement Amount shall not take into consideration any rounding pursuant to Section 14.02(j) of the Indenture. Instead Dealer will deliver cash in lieu of any fractional Shares based on (i) the Daily VWAP on the last “Trading Day” of the Deemed Conversion Period and (ii) the aggregate number of Note Hedging Units exercised on any Exercise Date.

In addition, and notwithstanding anything to the contrary herein:

(i) the Settlement Amount shall be determined by the Calculation Agent excluding any increase to the “Conversion Rate” pursuant to Section 14.03(a) of the Indenture (a “**Fundamental Change Adjustment**”) or any voluntary adjustment to the “Conversion Rate” pursuant to Section 14.04(h) of the Indenture (a “**Discretionary Adjustment**”); and

(ii) if Counterparty or its board of directors is permitted or required to exercise discretion under the terms of the Indenture with respect to any determination, calculation or adjustment (including, without limitation, any adjustment under Section 14.05 of the Indenture, any adjustment to the terms of the Convertible Notes following a Merger Event pursuant to Section 14.07(a) of the Indenture or any determination of the fair market value of distributed property, the volume weighted average price of Shares or the value of a “unit of Reference Property”) (any such determination, calculation or adjustment, a “**Counterparty Determination**”), Counterparty shall consult with Dealer with respect thereto and, if Dealer disagrees in good faith with such determination, calculation or adjustment, notwithstanding anything herein to the contrary, the Calculation Agent shall make such determination, calculation or adjustment for purposes of the Transaction.

Section 6.3(a) of the Equity Definitions is hereby amended by deleting the remainder of clause (ii) thereof following the words “at any time.”

Settlement Date: In respect of an Exercise Date, the date that falls one Settlement Cycle following the end of the Deemed Conversion Period (or, following the occurrence of a Cash Merger, the date that falls on the fifth “Business Day” following the applicable Exercise Date).

Settlement Currency: USD.

Share Adjustments:

Adjustment Event: Means any occurrence of any event or condition, as set forth in Section 14.04 or 14.05 of the Indenture, that would result in an adjustment under the Indenture to the “Conversion Rate” or any other term of the Convertible Notes; *provided* that in no event shall there be any adjustment hereunder as a result of a Fundamental Change Adjustment or a Discretionary Adjustment.

For the avoidance of doubt, Dealer shall not have any delivery or payment obligation hereunder, and no adjustment shall be made to the terms of the Transaction, on account of (i) any distribution of cash, property or securities by Counterparty to holders of the Convertible Notes (upon conversion or otherwise) or (ii) any other transaction in which holders of the Convertible Notes are entitled to participate, in each case, in lieu of an adjustment under the Indenture of the type referred to in the immediately preceding sentence (including, without limitation, pursuant to the fourth sentence of Section 14.04(c) of the

Indenture or the fourth sentence of Section 14.04(d) of the Indenture.

Method of Adjustment:

Calculation Agent Adjustment, which means that, notwithstanding Section 11.2(c) of the Equity Definitions, which Section shall not apply for purposes of the Transaction except as expressly provided herein, upon any Adjustment Event (excluding, for the avoidance of doubt, any Fundamental Change Adjustment or Discretionary Adjustment), the Calculation Agent shall make (i) an adjustment corresponding to the adjustment to be made pursuant to the Indenture to any one or more of the Strike Price, the Note Hedging Unit Entitlement, the composition of the Shares and any other variable relevant to the exercise, settlement, payment or other terms of the Transaction (other than the Number of Note Hedging Units and the Cap Price and subject to the provisions set forth under “Settlement Amount” above in respect of any Counterparty Determination); *provided* that, notwithstanding the foregoing, if any Adjustment Event occurs during the Deemed Conversion Period but no adjustment was made to any Convertible Note under the Indenture because the relevant “Holder” (as such term is defined in the Indenture) was deemed to be a record owner of the underlying Shares on the related “Conversion Date,” then the Calculation Agent shall make an adjustment, as determined by it based on the adjustment that would have otherwise applied under the Indenture, to the terms hereof in order to account for such Adjustment Event and (ii) a proportionate adjustment to the Cap Price to the extent any adjustment is made to the Strike Price pursuant to clause (i) above; *provided* that, upon the occurrence of any Adjustment Event and/or any Potential Adjustment Event, the Calculation Agent may, but without duplication of any adjustment pursuant to clause (i) and (ii) above, make any further adjustment to the Cap Price consistent with the “Calculation Agent Adjustment” set forth in Section 11.2(c) of the Equity Definitions (as modified hereby) to preserve the fair value of the Transaction to the parties after taking into account such Adjustment Event and/or Potential Adjustment Event; *provided, further*, that the Cap Price shall not be adjusted so that it is less than the Strike Price. In addition, if any Adjustment Event, or the effective date, “expiration date” (as used in the Indenture) or “Ex-Dividend Date” for such event, occurs during the Deemed Conversion Period, the Calculation Agent may make such further adjustments as it determines appropriate to the Settlement Amount for the relevant Note Hedging Units. Counterparty shall (x) reasonably promptly, but in any event within two Business Days, after the occurrence of any Adjustment Event and/or Merger Event, notify the Calculation Agent of such Adjustment Event and/or Merger Event, (y) give Dealer written notice, promptly following its determination thereof, of the section or sections of the Indenture and, if applicable, the formula therein, pursuant to which any adjustment is expected to be made to the Convertible Securities in connection with any Adjustment Event or Merger Event and (z) once the adjustments to be made to the terms of the Indenture and the Convertible Securities in respect of such Merger Event and/or Adjustment Event have been determined, reasonably promptly, but in any event with two Business Days, notify the Calculation Agent in writing of the details of such adjustments.

In connection with any Adjustment Event as a result of an event or condition set forth in Section 14.04(b) of the Indenture or Section 14.04(c) of the Indenture where, in either case, the period for determining “Y” (as such term is used in Section 14.04(b) of the Indenture) or “SP₀” (as such term is used in Section 14.04(c) of the Indenture), as the case may be, begins before Counterparty has publicly announced the event or condition giving rise to such Adjustment Event, then the Calculation Agent shall have the right to adjust the Cap Price (but in no event to a number lower than the Strike Price) as appropriate to reflect the reasonable costs (including, but not limited to, hedging mismatches and market losses) and reasonable expenses incurred by Dealer in connection with its hedging activities as a result of such event or condition not having been publicly announced prior to the beginning of such period.

If any Adjustment Event is declared and (a) the event or condition giving rise to such Adjustment Event is subsequently amended, modified, cancelled or abandoned after the period during which the formula for adjusting the “Conversion Rate” has commenced calculation or (b) the “Conversion Rate” (as defined in the Indenture) is adjusted as a result of such Adjustment Event and subsequently re-adjusted pursuant to Sections 14.04(a), 14.04(b) or 14.04(c) of the Indenture (each of clauses (a) and (b), an “**Adjustment Event Change**”) then, in each case, the Calculation Agent shall have the right to adjust the Cap Price (but in no event to a number lower than the Strike Price) as appropriate to reflect the reasonable costs (including, but not limited to, hedging mismatches and market losses) and reasonable expenses incurred by Dealer in connection with its hedging activities as a result of such Adjustment Event Change.

Extraordinary Events:

Merger Events:

Notwithstanding Section 12.1(b) of the Equity Definitions, except for purposes of the provisions set forth under “Consequences of Announcement Event” and “Announcement Event” below, a “Merger Event” means the occurrence of any event or condition set forth in Section 14.07(a) of the Indenture.

Notice of Merger Consideration:

In respect of any Merger Event, Counterparty shall notify the Calculation Agent of, if applicable, the weighted average of the kind and amounts of consideration to be received by the holders of Shares and Underlying Shares in any Merger Event who affirmatively make such an election, reasonably promptly, but in any event within two Business Days, upon determination thereof (and in any event prior to the effective date of the Merger Event), and Counterparty shall deliver to Dealer a copy of any supplemental indenture effecting such adjustments (a “**Merger Supplemental Indenture**”) as reasonably as practicable prior to execution thereof.

Consequences of Merger Events:

Notwithstanding Section 12.2 of the Equity Definitions, upon the occurrence of a Merger Event, the Calculation Agent shall make the

corresponding adjustment in respect of any adjustment under the Indenture to any one or more of the nature of the Shares, the Strike Price, the Note Hedging Unit Entitlement, the Settlement Date and any other variable relevant to the exercise, settlement or payment or other terms of the Transaction (other than the Number of Note Hedging Units and subject to the provisions set forth under "Settlement Amount" above in respect of any Counterparty Determination); provided that such adjustment shall be made without regard to any Fundamental Change Adjustment or any Discretionary Adjustment; *provided* further that if, with respect to a Merger Event, (i) the consideration for the Shares or Underlying Shares includes (or, at the option of a holder of Underlying Shares, may include) shares (or depositary receipts with respect to shares) of an entity or person that is not a corporation or entity that is treated as a corporation for U.S. federal income tax purposes organized under the laws of (1) the United States, any State thereof, the District of Columbia or the Cayman Islands or, (2) to the extent having the Underlying Shares Issuer organized under the laws of the jurisdictions in this clause (2) would not have a material adverse effect on Dealer's rights and obligations hereunder, Dealer's hedging activities or the costs of engaging in the foregoing and, provided that Counterparty negotiates in good faith with Dealer all the necessary and appropriate amendments to this Confirmation related to the foregoing in this clause (2), including, without limitation, causing its counsel to deliver written legal opinions reasonably requested by Dealer and will reimburse Dealer all of its out-of-pocket costs (including costs of its counsel) reasonably incurred by Dealer, the British Virgin Islands, Bermuda, Hong Kong or the United Kingdom (the jurisdictions listed in (1) and, to the extent the requirements listed in (2) are satisfied, the jurisdictions listed in (2), "**Permitted Merger Jurisdictions**"); or (ii) Counterparty following such Merger Event (A) will not be a corporation or entity that is treated as a corporation for U.S. federal income tax purposes organized under the laws of a Permitted Merger Jurisdiction or (B) will not be the Underlying Shares Issuer or a subsidiary of the Underlying Shares Issuer following such Merger Event, Cancellation and Payment (Calculation Agent Determination) may apply at Dealer's good faith, commercially reasonable election.

Consequences of Announcement Events:

If an Announcement Event occurs, the Calculation Agent will determine the cumulative economic effect of the Announcement Event on the theoretical value of the Transaction (i) on a date occurring a commercially reasonable period of time after the date of announcement of the relevant Announcement Event and (ii) on the Valuation Date or any earlier date of termination or cancellation for the Transaction (in each case, which may include, without limitation, any actual or expected change in volatility, dividends, correlation, stock loan rate or liquidity relevant to the Shares or Underlying Shares or to the Transaction whether prior to or after the Announcement Event or for any reasonable period of time), and if, in the case of clause (i) or (ii), such economic effect is material and Dealer so elects in its sole discretion, the Calculation Agent will (x) adjust the Cap Price (but in no event to a number lower than the Strike Price) to reflect such economic

effect and (y) determine the effective date of such adjustment; *provided* that, notwithstanding the foregoing, if the related Merger Date or Tender Offer Date, as the case may be, or any subsequent related Announcement Event, occurs on or prior to the effective date of such adjustment, any further adjustment to the terms of the Transaction with respect to such Merger Date, Tender Offer Date or Announcement Event pursuant to this Confirmation and/or the Equity Definitions shall take such earlier adjustment into account (and, for the avoidance of doubt, where Cancellation and Payment is applicable, the Determining Party shall take into account such adjustment in determining the Cancellation Amount); *provided further* that in no event shall the Cap Price be less than the Strike Price.

Announcement Event:

(i) The public statement or announcement by any person or entity of (x) any transaction or event that, if completed, would constitute a Merger Event or Tender Offer, (y) any acquisition by Underlying Shares Issuer or any of its subsidiaries where the aggregate consideration exceeds 25% of the market capitalization of the Underlying Shares Issuer as of the date of such announcement (an “**Acquisition Transaction**”) or (z) the firm intention to enter into a Merger Event or Tender Offer or an Acquisition Transaction, (ii) the public statement or announcement by the Underlying Shares Issuer of an intention to solicit or enter into, or to explore strategic alternatives or other similar undertakings that may include, a Merger Event or Tender Offer or an Acquisition Transaction or (iii) any subsequent public statement or announcement by any person or entity of a withdrawal, discontinuation, termination or other change to a transaction or intention that is the subject of an announcement of the type described in clause (i) or (ii) of this sentence; *provided* that, for the avoidance of doubt, the occurrence of an Announcement Event with respect to any transaction or intention shall not preclude the occurrence of a later Announcement Event described in clause (iii) above with respect to such transaction or intention. For purposes of this definition of “Announcement Event,” (A) “Merger Event” shall mean such term as defined under Section 12.1(b) of the Equity Definitions (but, for the avoidance of doubt, the remainder of the definition of “Merger Event” in Section 12.1(b) of the Equity Definitions following the definition of “Reverse Merger” therein shall be disregarded) and (B) “Tender Offer” shall mean such term as defined under Section 12.1(d) of the Equity Definitions.

Nationalization, Insolvency and Delisting:

Cancellation and Payment (Calculation Agent Determination); *provided* that in addition to the provisions of Section 12.6(a)(iii) of the Equity Definitions, it shall also constitute a Delisting if the Exchange is located in the United States and the Shares are not immediately re-listed, re-traded or re-quoted on any of the New York Stock Exchange, The NASDAQ Global Select Market or The NASDAQ Global Market (or their respective successors); if the Shares are immediately re-listed, re-traded or re-quoted on any such exchange or quotation system, such exchange or quotation system shall thereafter be deemed to be the Exchange.

Section 12.6(a)(ii) of the Equity Definitions is hereby amended by (1) deleting from the fourth line thereof the word “or” after the word “official” and inserting a comma therefor and (2) inserting at the end of subsection (B) thereof the following wording, “or, under the laws of the jurisdiction of organization of the Underlying Shares Issuer, any other impediment to or restriction on the transferability of any Share arises or becomes applicable including, without limitation, where (x) any transfer of a Share or alteration of the status of the members of the Issuer would be void unless a court of the Cayman Islands or any other such jurisdiction orders otherwise or (y) any transfer of a Share not being a transfer with the sanction of a liquidator, and any alteration in the status of the Issuer’s members, would be void.”

Additional Disruption Events:

Change in Law:

Applicable; *provided* that Section 12.9(a)(ii) of the Equity Definitions is hereby amended (i) by inserting the parenthetical “(including, for the avoidance of doubt and without limitation, the effectiveness, adoption or promulgation of new regulations authorized or mandated by existing statute)” at the end of clause (A) thereof, (ii) by the replacement of the word “Shares” with “Hedge Positions” in clause (X) thereof; (iii) by replacing in the third line thereof the phrase “the interpretation” with “or the announcement of the formal or informal interpretation” and (iv) immediately following the word “Transaction” in clause (X) thereof, adding the phrase “in the manner contemplated by the Hedging Party on the Trade Date”.

Failure to Deliver:

Applicable.

Insolvency Filing:

Applicable.

Hedging Disruption:

Applicable; *provided* that:

- (i) Section 12.9(a)(v) of the Equity Definitions is hereby amended by (a) inserting the following words at the end of clause (A) thereof: “in the manner contemplated by the Hedging Party on the Trade Date” and (b) inserting the following two phrases at the end of such Section:

“For the avoidance of doubt, the term “equity price risk” shall be deemed to include, but shall not be limited to, stock price and volatility risk. And, for the further avoidance of doubt, any such transactions or assets referred to in phrases (A) or (B) above must be available on commercially reasonable pricing terms. Any inability of the Hedging Party referred to in phrases (A) and (B) above that is solely attributable to the deterioration of the creditworthiness of the Hedging Party relative to comparable financial institutions shall not be deemed a Hedging Disruption”; and

- (ii) Section 12.9(b)(iii) of the Equity Definitions is hereby

amended by inserting in the third line thereof, after the words “to terminate the Transaction”, the words “or a portion of the Transaction affected by such Hedging Disruption”.

Hedging Party: Dealer for all applicable Additional Disruption Events; *provided* that, when making any determination or calculation as “Hedging Party,” Dealer shall be bound by the same obligations relating to required acts of the Calculation Agent as set forth in Section 1.40 of the Equity Definitions and this Confirmation as if the Hedging Party were the Calculation Agent. The parties agree that they will comply with the provisions set forth in the second sentence under “Calculation Agent” above, as if the Hedging Party were the Calculation Agent for purposes thereof.

Determining Party: Dealer for all applicable Extraordinary Events; *provided* that, when making any determination or calculation as “Determining Party,” Dealer shall be bound by the same obligations relating to required acts of the Calculation Agent as set forth in Section 1.40 of the Equity Definitions and this Confirmation as if the Determining Party were the Calculation Agent. The parties agree that they will comply with the provisions set forth in the second sentence under “Calculation Agent” above, as if the Determining Party were the Calculation Agent for purposes thereof.

Acknowledgements:

Non-Reliance: Applicable.

Agreements and Acknowledgements Regarding Hedging Activities: Applicable.

Additional Acknowledgements: Applicable.

Mutual Representations: Each of Dealer and Counterparty represents and warrants to, and agrees with, the other party that:

- (i) **Tax Disclosure.** Notwithstanding anything to the contrary herein, in the Equity Definitions or in the Agreement, and notwithstanding any express or implied claims of exclusivity or proprietary rights, the parties (and each of their employees, representatives or other agents) are authorized to disclose to any and all persons, beginning immediately upon commencement of their discussions and without limitation of any kind, the tax treatment and tax structure of the Transaction, and all materials of any kind (including opinions or other tax analyses) that are provided by either party to the other relating to such tax treatment and tax structure.
- (ii) **Commodity Exchange Act.** It is an “eligible contract participant” within the meaning of the U.S. Commodity Exchange Act, as amended (the “CEA”). The Transaction has been subject to individual negotiation by the parties. The Transaction has not been executed or traded on a “trading facility” as defined in the CEA.
- (iii) **Securities Act.** It is an “accredited investor” within the meaning of the U.S. Securities Act of 1933, as amended (the “Securities Act”).

Counterparty Representations: In addition to the representations and warranties in the Agreement and those contained elsewhere herein, Counterparty represents, warrants, acknowledges and covenants, as applicable, that:

- (i) Counterparty as of and immediately after the Trade Date and the Premium Payment Date (x) is not, and shall not be after giving effect to the transactions contemplated hereby, “insolvent” (as such term is defined in Section 101(32) of the U.S. Bankruptcy Code (Title 11 of the United States Code) (the “**Bankruptcy Code**”)), (y) would be able to purchase 2,606,278 Shares and the Underlying Shares represented by such number of Shares in compliance with the laws of the jurisdiction of Counterparty’s incorporation or organization, and (z), for the purposes of Cayman Islands law, is able to pay its debts.
- (ii) Counterparty shall promptly provide written notice to Dealer upon obtaining knowledge of the occurrence of any event that constitutes an Event of Default, a Potential Event of Default, an Adjustment Event or a Potential Adjustment Event; *provided, however*, that should Counterparty be in possession of material non-public information regarding Counterparty, the Underlying Shares or the Shares, Counterparty shall not communicate such information to Dealer in connection with the Transaction until such information no longer constitutes material non-public information.
- (iii) Counterparty’s financial condition is such that it has no need for liquidity with respect to its investment in the Transaction and no need to dispose of any portion thereof to satisfy any existing or contemplated undertaking or indebtedness.
- (iv) Counterparty’s investments in and liabilities in respect of the Transaction, which it understands are not readily marketable, are not disproportionate to its net worth, and Counterparty is able to bear any loss in connection with the Transaction, including the loss of its entire investment in the Transaction.
- (v) Counterparty understands, agrees and acknowledges that Dealer has no obligation or intention to register the Transaction under the Securities Act, any state securities law or other applicable federal securities law.
- (vi) Counterparty is not, and after giving effect to the transactions contemplated hereby will not be, required to be registered as an “investment company” as such term is defined in the Investment Company Act of 1940, as amended.
- (vii) Counterparty understands, agrees and acknowledges that no obligations of Dealer to it hereunder shall be entitled to the benefit of deposit insurance and that such obligations shall not be guaranteed by any affiliate of Dealer or any governmental agency.
- (viii) (A) Counterparty is acting for its own account, and it has made its own independent decisions to enter into the Transaction and as to whether the Transaction is appropriate or proper for it (including as to any legal, regulatory, tax, accounting or economic consequences arising from the Transaction) based upon its own judgment and upon advice from such advisers as it has deemed necessary (including legal, financial and accounting advisors), (B) Counterparty is not relying on any communication (written or oral) of Dealer or any of its affiliates as investment advice or as a recommendation to enter into the Transaction (it being understood that information and explanations related to the terms and conditions of the Transaction shall not be considered investment advice or a recommendation to enter into the Transaction) and (C) no communication (written or oral) received from Dealer or any of its affiliates shall be deemed to be an assurance or guarantee as to the expected results of the Transaction.

- (ix) Without limiting the generality of Section 13.1 of the Equity Definitions, Counterparty acknowledges that Dealer is not making any representations or warranties with respect to the treatment of the Transaction under ASC Topic 260, *Earnings Per Share*, ASC Topic 815, *Derivatives and Hedging*, ASC Topic 480, *Distinguishing Liabilities from Equity* and ASC Topic 815-40, *Derivatives and Hedging — Contracts in Entity's Own Equity* (or any successor issue statements), or under any other accounting guidance.
- (x) Counterparty is not entering into the Transaction and will not make any election hereunder for the purpose of (i) creating actual or apparent trading activity in the Shares or Underlying Shares (or any security convertible into or exchangeable for the Shares or Underlying Shares) or (ii) raising or depressing or otherwise manipulating the price of the Shares or Underlying Shares (or any security convertible into or exchangeable for the Shares or Underlying Shares), in either case in violation of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”).
- (xi) Counterparty’s filings under the Exchange Act that are required to be filed have been filed and, as of the respective dates thereof and as of the date of this representation, such filings when considered as a whole (with the more recent such filings deemed to amend inconsistent statements contained in any earlier such filings) do not contain any misstatement of a material fact or any omission of a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading.
- (xii) The Transaction, and any repurchase of the Shares and/or Underlying Shares by Counterparty in connection with the Transaction, has been approved by Counterparty’s board of directors and any such repurchase has been, or shall when so required be, publicly disclosed in its periodic filings under the Exchange Act and its financial statements and notes thereto.
- (xiii) To Counterparty’s knowledge, no state or local (including non-U.S. jurisdictions) or non-U.S. federal law, rule, regulation or regulatory order applicable to the Shares or the Issuer would give rise to any reporting, consent, registration or other requirement (including without limitation a requirement to obtain prior approval from any person or entity) as a result of Dealer or its affiliates having the power to vote, owning or holding (however defined) Shares; *provided* that Counterparty makes no representation or warranty regarding any such requirement that is applicable generally to the ownership of equity securities by Dealer solely as a result of it being a financial institution or broker-dealer.
- (xiv) Counterparty shall deliver to Dealer (A) on the Effective Date a customary opinion of Hong Kong counsel that the Transaction does not contravene the Facilities Agreement between Counterparty and Deutsche Bank AG, Hong Kong Branch, as Agent, dated as of May 18, 2017, (B) a customary opinion of Cayman counsel, dated as of such date and reasonably acceptable to Dealer in form and substance, with respect to the matters set forth in Section 3(a)(i)-(iv) of the Agreement and such other matters as Dealer may reasonably request prior to the Trade Date, (C) a resolution of the Counterparty’s board of directors (the “Board”) authorizing the Transaction and (D) on or before the Premium Payment Date, a solvency certificate with respect to Counterparty signed by a member of the Board, the chief executive officer or the chief financial officer of the Counterparty certifying the solvency of Counterparty as of and immediately after the Premium Payment Date (after giving effect to Counterparty’s payment of amounts required to be paid by Counterparty on such date under the Transaction and the other transactions described under “Use of Proceeds” in the Offering Memorandum related to the offering of the Convertible Notes), which solvency certificate is reasonably satisfactory to Dealer.
- (xv) Counterparty (A) is capable of evaluating investment risks independently, both in general and with regard to the Transaction; (B) will exercise independent judgment in evaluating the recommendations of any broker-dealer or its associated persons, unless it has otherwise notified the broker-dealer in writing; and (C) has total

assets of at least USD50 million.

- (xvi) All of the issued Underlying Shares have been duly and validly authorized and issued and are fully paid and non-assessable and none of the outstanding Underlying Shares have been issued in violation of any pre-emptive or similar rights of any security holder.

Miscellaneous:

No Set-Off. Neither party shall have the right to set off any obligation that it may have to the other party under the Transaction against any obligation such other party may have to it, whether arising under the Agreement, this Confirmation or any other agreement between the parties hereto, by operation of law or otherwise.

Qualified Financial Contracts. It is the intention of the parties that, in respect of Counterparty, (a) the Transaction shall constitute a “qualified financial contract” within the meaning of 12 U.S.C. Section 1821(e)(8)(D)(i) and (b) a Non-defaulting Party’s rights under Sections 5 and 6 of the Agreement constitute rights of the kind referred to in 12 U.S.C. Section 1821(e)(8)(A).

Method of Delivery. Whenever delivery of funds or other assets is required hereunder by or to Counterparty, such delivery shall be effected through DBSI. In addition, all notices, demands and communications of any kind relating to the Transaction between Dealer and Counterparty shall be transmitted exclusively through DBSI.

Staggered Settlement. Dealer may, by notice to Counterparty on or prior to any Settlement Date on which Dealer would be required to deliver Shares hereunder (a “**Nominal Settlement Date**”) if Dealer reasonably determines that it would not be advisable to deliver, or to acquire Shares to deliver, any or all of the Shares to be delivered by Dealer on any Settlement Date for the Transaction, elect to deliver such Shares on two or more dates (each, a “**Staggered Settlement Date**”) or at two or more times on the Nominal Settlement Date, in each case only to the extent reasonably necessary, as determined by Dealer in good faith, to avoid an Excess Ownership Position (as defined below), as follows: (i) in such notice, Dealer will specify to Counterparty the related Staggered Settlement Dates (each of which will be on or prior to such Nominal Settlement Date, but not prior to the beginning of the Deemed Conversion Period) or delivery times and how it will allocate the Shares it is required to deliver under “Settlement” above among the Staggered Settlement Dates or delivery times; and (ii) the aggregate number of Shares that Dealer will deliver to Counterparty hereunder on all such Staggered Settlement Dates and delivery times will equal the number of Shares that Dealer would otherwise be required to deliver on such Nominal Settlement Date.

Additional Termination Events.

- (a) The occurrence of (i) an “Event of Default” with respect to Counterparty under the terms of the Convertible Notes as set forth in Section 6.01 of the Indenture, and such event of default results in the Convertible Notes becoming or being declared due and payable pursuant to the Indenture or (ii) an Amendment Event shall be an Additional Termination Event, in each case with the Transaction as the sole Affected Transaction and Counterparty as the sole Affected Party and Dealer as the party entitled to designate an Early Termination Date pursuant to Section 6(b) of the Agreement (which Early Termination Date shall occur as promptly as commercially reasonably practicable but no later than the settlement date under the Indenture for such acceleration in the case of clause (i)). For the avoidance of doubt, the relevant Early Termination Amount in respect of an Amendment Event shall be calculated without giving effect to the relevant amendment.

“**Amendment Event**” means that Counterparty amends, modifies, supplements, waives or obtains a waiver with respect to any term of the Indenture or the Convertible Notes governing the principal amount, coupon, maturity, repurchase obligation of Counterparty, any redemption right of Counterparty, any term relating to conversion of the Convertible Notes (including, without limitation, changes to the conversion rate, conversion settlement dates, conversion rate adjustment provisions or conversion conditions), any term relating to required cancellation of the Convertible Notes or any term that would require consent of the holders of not less than 100% of the principal amount of the Convertible Notes to amend, in each case without the consent of Dealer (such consent not to be unreasonably withheld or delayed); *provided* that entry into a Merger Supplemental Indenture or an amendment pursuant to Section 10.01(h) of the Indenture shall not constitute an Amendment Event.

- (b) Upon any Early Conversion:
- (A) Counterparty shall, within thirty Scheduled Trading Days of the Conversion Date for such Early Conversion, provide written notice (an “**Early Conversion Notice**”) to Dealer specifying the number of Convertible Notes surrendered for conversion on the related Conversion Date (such Convertible Notes, the “**Affected Convertible Notes**”), and the giving of such Early Conversion Notice shall constitute an Additional Termination Event as provided in this clause (b);
- (B) following receipt of any such Early Conversion Notice, Dealer shall designate an Exchange Business Day as an Early Termination Date (which Exchange Business Day shall be on or as promptly as commercially reasonably practicable following the Conversion Date for such Early Conversion) with respect to the portion of the Transaction corresponding to a number of Note Hedging Units (the “**Affected Number of Note Hedging Units**”) equal to the lesser of (x) the number of Affected Convertible Notes minus the “Affected Number of Note Hedging Units” (as defined in the Base Capped Call Confirmation), if any, that relate to such Affected Convertible Notes and (y) the Number of Note Hedging Units as of the Conversion Date for such Early Conversion;
- (C) any payment hereunder with respect to such termination shall be a payment calculated pursuant to Section 6 of the Agreement as if (x) an Early Termination Date had been designated in respect of a Transaction having terms identical to the Transaction and a Number of Note Hedging Units equal to the Affected Number of Note Hedging Units, (y) Counterparty were the sole Affected Party with respect to such Additional Termination Event and (z) the terminated portion of the Transaction were the sole Affected Transaction.
- (D) for the avoidance of doubt, in determining the amount payable in respect of such Affected Transaction pursuant to Section 6 of the Agreement, Dealer shall assume that (x) the relevant Early Conversion and any conversions, adjustments, agreements, payments, deliveries or acquisitions by or on behalf of Counterparty leading thereto had not occurred, (y) no adjustments to the Conversion Rate have occurred pursuant to any Fundamental Change Adjustment or Discretionary Adjustment and (z) the corresponding Convertible Notes remain

outstanding; and

- (E) the Transaction shall remain in full force and effect, except that, as of the Conversion Date for such Early Conversion, the Number of Note Hedging Units shall be reduced by the Affected Number of Note Hedging Units.
- (c) Promptly (but in any event within five Scheduled Trading Days) following any Repurchase Event (as defined below), Counterparty shall notify Dealer of such Repurchase Event and the aggregate principal amount of Convertible Notes subject to such Repurchase Event (any such notice, a “**Convertible Notes Repurchase Notice**”); *provided* that any such Convertible Notes Repurchase Notice shall contain an acknowledgment by Counterparty of its responsibilities under applicable securities laws, and in particular Section 9 and Section 10(b) of the Exchange Act and the rules and regulations thereunder, in respect of such Repurchase Event and the delivery of such Convertible Notes Repurchase Notice; and further *provided* that, if Counterparty provides such notice later than five Scheduled Trading Days following such Repurchase Event and before the date that is 45 Scheduled Trading Days following such Repurchase Event and such delay is due to administrative error or any oversight in good faith, Counterparty shall be deemed to have fulfilled such notice obligation as determined by the Calculation Agent in its commercially reasonable discretion. The receipt by Dealer from Counterparty of any Convertible Notes Repurchase Notice shall constitute an Additional Termination Event as provided in this Section. Upon receipt of any such Convertible Notes Repurchase Notice, Dealer shall designate an Exchange Business Day following receipt of such Convertible Notes Repurchase Notice (which Exchange Business Day shall be on or as promptly as commercially reasonably practicable after the related settlement date for the relevant Repurchase Event) as an Early Termination Date with respect to the portion of the Transaction corresponding to a number of Note Hedging Units (the “**Repurchase Note Hedging Units**”) equal to the lesser of (A) the aggregate principal amount of such Convertible Notes specified in such Convertible Notes Repurchase Notice, divided by USD 1,000 and (B) the Number of Note Hedging Units as of the date Dealer designates such Early Termination Date and, as of such date, the Number of Note Hedging Units shall be reduced by the number of Repurchase Note Hedging Units. Any payment hereunder with respect to such termination (the “**Repurchase Unwind Payment**”) shall be calculated pursuant to Section 6 of the Agreement as if (1) an Early Termination Date had been designated in respect of a Transaction having terms identical to the Transaction and a Number of Note Hedging Units equal to the number of Repurchase Note Hedging Units, (2) Counterparty were the sole Affected Party with respect to such Additional Termination Event and (3) the terminated portion of the Transaction were the sole Affected Transaction (and, for the avoidance of doubt, (1) the provisions of the Section entitled “Alternative Calculations and Dealer Payment on Early Termination and on Certain Extraordinary Events” shall apply to any amount that is payable by Dealer to Counterparty pursuant to this clause (c) as if Counterparty was not the Affected Party and (2) in determining the amount payable in respect of such Affected Transaction pursuant to Section 6 of the Agreement, Dealer shall assume that (x) the relevant Repurchase Event and any conversions, adjustments, agreements, payments, deliveries or acquisitions by or on behalf of Counterparty leading thereto had not occurred, (y) no adjustments to the Conversion Rate have occurred pursuant to any Fundamental Change Adjustment or Discretionary Adjustment and (z) the corresponding Convertible Notes remain outstanding). “**Repurchase Event**” means that (i) any Convertible Notes are repurchased (whether pursuant to Section 15.01 or Section 15.02 of the Indenture or otherwise) by Counterparty or any of its subsidiaries, (ii) any Convertible Notes are delivered to Counterparty in exchange for delivery of any property or assets of Counterparty or any of its subsidiaries (howsoever described), (iii) any principal of any of the Convertible Notes is repaid prior to the final maturity date of the Convertible Notes (other than upon acceleration of the Convertible Notes described in clause (a) of this Section), or (iv) any Convertible Notes are exchanged by or for the benefit of the holders thereof for any other securities of Counterparty or any of its affiliates (or any other property, or any combination thereof) pursuant to any exchange offer or similar transaction; *provided* that any conversion of Convertible Notes pursuant to the terms of the Indenture shall not constitute a Repurchase Event.

Amendments and Additions to Equity Definitions. (i) For the purposes of this Confirmation the following definitions will apply:

“**Depository**” means, in relation to the Shares, Citibank, N.A., or any successor thereto from time to time.

“**Deposit Agreement**” means, (i) that certain Deposit Agreement by and among Underlying Shares Issuer, Depository and the holders and beneficial owners of the Shares and (ii) the other agreements or other instruments constituting the Shares, as from time to time amended or supplemented in accordance with their terms.

“**DS Amendment**” means, where specified as applicable to a definition or provision, that the following changes shall be made to such definition or provision: (a) all references to “Shares” shall be deleted and replaced with the words “Shares and/or the Underlying Shares, as appropriate”; and (b) all references to “Issuer” shall be deleted and replaced with the words “Issuer or Underlying Shares Issuer, as appropriate”.

“**Replacement DSs**” means depository shares or receipts, other than the Shares, over the same Underlying Shares.

(ii) The following amendments shall be made to the Equity Definitions:

- (A) The definition of Potential Adjustment Event in Section 11.2(e) of the Equity Definitions shall be amended as follows:
 - (i) the DS Amendment shall be applicable, provided that an event under Section 11.2(e)(i) to (vii) of the Equity Definitions in respect of the Underlying Shares shall not constitute a Potential Adjustment Event unless, in the opinion of the Calculation Agent, such event has a material effect on the theoretical value of the Shares; and
 - (ii)
 - (A) ‘or’ shall be deleted where it appears at the end of subsection (vi);
 - (B) ‘.’ shall be deleted where it appears at the end of subsection (vii) and replaced with ‘;’;
 - (C) the following shall be inserted as subsection (viii): “(viii) the making of any amendment or supplement to the terms of the Deposit Agreement; or”; and
 - (D) the following shall be inserted as provision (ix): “(ix) any other event as a result of an action by the Depository outside of the control of Counterparty and as a result of which (1) the Shares represent fewer or more Underlying Shares than, and/or any property or assets in addition to, or as a whole or partial replacement of, in each case, the number of Underlying Shares represented by the Shares prior to such event and (2) there is no corresponding adjustment to the Convertible Notes.”
- (B) In making any adjustment following any Potential Adjustment Event, the Calculation Agent may, but is not required to, have reference to (among other factors) any adjustment made by the Depository under the Deposit Agreement, any fees and/or expenses of the Depository and any withholding or deduction of taxes, in each case, in connection with any Potential Adjustment Event.
- (C) If a Potential Adjustment Event occurs under Section 11.2(e)(viii) of the Equity Definitions (as amended by this Confirmation), then the following further amendments shall be deemed to be made to Section 11.2(c) of the Equity Definitions in respect of such Potential Adjustment Event:
 - (i) the words “the Calculation Agent will determine whether such Potential Adjustment

Event has a material effect on the theoretical value of the relevant Shares, options on the Shares or the Transaction” shall be deleted and replaced with the words “the Calculation Agent will determine whether such Potential Adjustment Event has an economic effect on such Transaction”; and

- (ii) the words “as the Calculation Agent determines appropriate to account for that material effect” shall be deleted and replaced with the words “as the Calculation Agent determines appropriate to account for such economic effect on such Transaction”.
- (D) The definitions of “Merger Event”, “Announcement Date”, “Share-for-Share”, “Share-for-Other” and “Share-for-Combined” in Section 12.1 of the Equity Definitions shall be amended in accordance with the DS Amendment.
 - (E) In making any adjustment in respect of a Merger Event or Announcement Event in relation to the Underlying Shares, the Calculation Agent may, but is not required to, in determining any adjustment pursuant to Modified Calculation Adjustment, have reference to (amongst other factors) any adjustment made by the Depositary under the Deposit Agreement, any fees and/or expenses of the Depositary and any withholding or deduction of taxes in each case in connection with any Merger Event or Announcement Event.
 - (F) The definitions of Nationalization and Insolvency in Section 12.6 of the Equity Definitions shall be amended in accordance with the DS Amendment.
 - (G) The consequence of a Nationalization or Insolvency in respect of the Depositary shall be Cancellation and Payment.
 - (H) If a Delisting of the Shares occurs or the Depositary announces that the Deposit Agreement is (or will be) terminated, then:
 - (i) Cancellation and Payment will apply as provided in this Confirmation; *provided* that, if the Convertible Notes remain outstanding with respect to Replacement DSs, the Calculation Agent shall determine whether a replacement of the Shares with Replacement DSs or the Underlying Shares should take place and that one or more terms of the Transaction should be amended to preserve the fair value of the Transaction to the parties and if the Calculation Agent so determines, then Cancellation and Payment shall not apply in respect of such Delisting or termination of the Deposit Agreement, as applicable, and references to Shares herein shall be replaced by references to such Replacement DSs or the Underlying Shares, as applicable, with such amendments as shall be determined by the Calculation Agent; and
 - (ii) where Cancellation and Payment applies under (H)(i) above in respect of a termination of the Deposit Agreement, the Equity Definitions shall be interpreted as follows: (i) such termination shall be deemed to be an “Extraordinary Event”; (ii) Cancellation and Payment shall apply as defined in Section 12.6(c)(ii) of the Equity Definitions; and (iii) the definition of “Announcement Date” in Section 12.1(l) of the Equity Definitions shall include the following additional clause (vii) at the end of the first sentence thereof: “(vii) in the case of a termination of the Deposit Agreement, the date of the first public announcement by the Depositary that the Deposit Agreement is (or will be) terminated”.
 - (I) The definition of “Hedging Disruption” in the Equity Definitions shall be amended as follows:
 - (i) the words “any transaction(s) or asset(s) it deems necessary to hedge the equity price risk of entering into and performing its obligations with respect to the relevant

Transaction” shall be deleted and replaced with the words “(x) any Share(s) or any transaction(s) referencing any Share(s), that, in each case, it deems necessary to hedge the equity price risk and/or, (y) to the extent the Underlying Shares are listed on an exchange outside of the U.S., any transaction(s) or asset(s) it deems necessary to hedge the foreign exchange risk with respect to such Underlying Shares, in each case, of entering into and performing its obligations with respect to the relevant Transaction.”

- (J) The definition of “Insolvency Filing” in Section 12.9(a)(iv) of the Equity Definitions shall be amended in accordance with the DS Amendment.
- (K) For the avoidance of doubt, where a provision is amended by this Section in accordance with the DS Amendment, if the event described in such provision occurs in respect of the Underlying Shares or Underlying Shares Issuer, then the consequence of such event shall be interpreted consistently with the DS Amendment and such event.
- (L) Section 11.2(e)(vii) of the Equity Definitions is hereby amended by deleting the words “a diluting or concentrative” and replacing them with the words “a material” and adding the phrase “or the Note Hedging Units” at the end of the sentence.

Status of Claims in Bankruptcy. Dealer acknowledges and agrees that this Confirmation is not intended to convey to Dealer rights with respect to the Transaction that are senior to the claims of common or ordinary shareholders in any bankruptcy proceedings of Counterparty; *provided* that nothing herein shall limit or shall be deemed to limit Dealer’s right to pursue remedies in the event of a breach by Counterparty of its obligations and agreements with respect to the Transaction other than during Counterparty’s bankruptcy; *provided, further*, that nothing herein shall limit or shall be deemed to limit Dealer’s rights in respect of any transactions other than the Transaction.

No Collateral. Notwithstanding any provision of this Confirmation, the Agreement, Equity Definitions, or any other agreement between the parties to the contrary, the obligations of Counterparty under the Transaction are not secured by any collateral.

Securities Contract; Swap Agreement. The parties hereto agree and acknowledge that Dealer is a “financial institution,” “swap participant” and “financial participant” within the meaning of Sections 101(22), 101(53C) and 101(22A) of the Bankruptcy Code. The parties hereto further agree and acknowledge (A) that this Confirmation is (i) a “securities contract,” as such term is defined in Section 741(7) of the Bankruptcy Code, with respect to which each payment and delivery hereunder or in connection herewith is a “termination value,” “payment amount” or “other transfer obligation” within the meaning of Section 362 of the Bankruptcy Code and a “settlement payment” or a “transfer” within the meaning of Section 546 of the Bankruptcy Code, and (ii) a “swap agreement,” as such term is defined in Section 101(53B) of the Bankruptcy Code, with respect to which each payment and delivery hereunder or in connection herewith is a “termination value,” a “payment amount” or “other transfer obligation” within the meaning of Section 362 of the Bankruptcy Code and a “transfer” within the meaning of Section 546 of the Bankruptcy Code, and (B) that Dealer is entitled to the protections afforded by, among other sections, Section 362(b)(6), 362(b)(17), 362(b)(27), 362(o), 546(e), 546(g), 546(j), 548(d)(2), 555, 560 and 561 of the Bankruptcy Code.

Repurchase Notices. Counterparty shall, on any day on which Counterparty effects any repurchase of Shares or Underlying Shares, provide Dealer with a written notice of such repurchase (a “**Repurchase Notice**”) on such day if, following such repurchase, the Unit Equity Percentage as determined on such day is (a) equal to or greater than 8% and (b) greater by 0.5 % or more than the Unit Equity Percentage included in the immediately preceding Repurchase Notice (or, in the case of the first such Repurchase Notice, greater by 0.5% or more than the Unit Equity Percentage as of the date hereof). The “**Unit Equity Percentage**” as of any day is the fraction, expressed as a percentage, (i) the numerator of which is the sum of (A) the product of the number of Note Hedging Units and the Note Hedging Unit Entitlement and (B) the number of Underlying Shares underlying any other call option transaction between Dealer as seller and Counterparty as buyer, and (ii) the denominator of which is the number of Underlying Shares outstanding on such day. Counterparty agrees that if Counterparty ceases to qualify as a

“foreign private issuer” as defined in Rule 3b-4 under the Exchange Act, Counterparty will (to the fullest extent permitted by applicable law) indemnify and hold harmless Dealer and its affiliates and their respective officers, directors, employees, advisors, agents and controlling persons (each, a “**Section 16 Indemnified Person**”) from and against any and all losses (including losses relating to Dealer’s hedging activities as a consequence of becoming, or of the risk of becoming, a Section 16 “insider”, including without limitation, any forbearance from hedging activities or cessation of hedging activities and any losses in connection therewith with respect to the Transaction), claims, damages, judgments, liabilities and expenses (including reasonable attorney’s fees), joint or several, to which a Section 16 Indemnified Person may become subject, as a result of Counterparty’s failure to provide Dealer with a Repurchase Notice on the day and in the manner specified in this paragraph, and to reimburse, within 30 days upon written request, each of such Section 16 Indemnified Persons for any reasonable and documented out-of-pocket legal or other expenses incurred in connection with investigating, preparing for, providing testimony or other evidence in connection with or defending any of the foregoing. If any suit, action, proceeding (including any governmental or regulatory investigation), claim or demand shall be brought or asserted against the Section 16 Indemnified Person in respect of the foregoing, such Section 16 Indemnified Person shall promptly notify Counterparty in writing, and Counterparty, upon request of the Section 16 Indemnified Person, shall retain counsel reasonably satisfactory to the Section 16 Indemnified Person to represent the Section 16 Indemnified Person and any others Counterparty may designate in such proceeding and shall pay the fees and expenses of such counsel related to such proceeding. Counterparty shall not be liable for any settlement of any proceeding contemplated by this paragraph that is effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, Counterparty agrees to indemnify any Section 16 Indemnified Person from and against any loss or liability by reason of such settlement or judgment. Counterparty shall not, without the prior written consent of the Section 16 Indemnified Person, effect any settlement of any pending or threatened proceeding contemplated by this paragraph that is in respect of which any Section 16 Indemnified Person is or could have been a party and indemnity could have been sought hereunder by such Section 16 Indemnified Person, unless such settlement includes an unconditional release of such Section 16 Indemnified Person from all liability on claims that are the subject matter of such proceeding on terms reasonably satisfactory to such Section 16 Indemnified Person. If the indemnification provided for in this paragraph is unavailable to a Section 16 Indemnified Person or insufficient in respect of any losses, claims, damages or liabilities referred to therein, then Counterparty, in lieu of indemnifying such Section 16 Indemnified Person thereunder, shall contribute to the amount paid or payable by such Section 16 Indemnified Person as a result of such losses, claims, damages or liabilities. The remedies provided for in this paragraph are not exclusive and shall not limit any rights or remedies that may otherwise be available to any Section 16 Indemnified Person at law or in equity. The indemnity and contribution agreements contained in this paragraph shall remain operative and in full force and effect regardless of the termination of the Transaction.

Alternative Calculations and Dealer Payment on Early Termination and on Certain Extraordinary Events. If Dealer owes Counterparty any amount in connection with the Transaction pursuant to Sections 12.2 (and “Consequences of Merger Events” above), 12.6, 12.7 or 12.9 of the Equity Definitions (in each case, except in the case of an Extraordinary Event (x) that is within Counterparty’s control or (y) as a result of which the Shares or Underlying Shares have changed or will be changed into solely cash) or pursuant to Section 6(d)(ii) of the Agreement (in each case, except in the case of an Event of Default in which Counterparty is the Defaulting Party or a Termination Event in which Counterparty is the Affected Party, other than an Event of Default or a Termination Event that resulted from an event or events outside Counterparty’s control, an Early Conversion or a Repurchase Event) (a “**Dealer Payment Obligation**”), Dealer shall satisfy any such Dealer Payment Obligation by delivery of Termination Delivery Units (as defined below), unless Counterparty (A) gives irrevocable telephonic notice to Dealer, confirmed in writing within one Scheduled Trading Day, between the hours of 9:00 a.m. and 4:00 p.m. New York time on the Early Termination Date or other date the Transaction is terminated, as applicable, that such Dealer Payment Obligation should be satisfied by delivery of cash and (B) remakes the representation set forth under “No Material Non-Public Information” below on the date of such notice. If Dealer shall deliver Termination Delivery Units as set forth herein, within a commercially reasonable period of time following the determination by Dealer of the number of Termination Delivery Units, Dealer shall deliver to Counterparty such number of Termination Delivery Units, and the provisions of Sections 9.8, 9.9, 9.11 (in each case, modified as described above) and 9.12 of the Equity Definitions shall be applicable, except that all references to “Shares” shall be read as references to “Termination Delivery Units”. The number of Termination Delivery Units shall be determined by Dealer as the amount of the Dealer Payment Obligation that would have been otherwise due in USD *divided by* the value of one Termination Delivery Unit, as determined by Dealer in its

discretion by commercially reasonable means, including the purchase price paid in connection with the purchase of any such Termination Delivery Unit (such value, the “**Termination Delivery Unit Price**”). The Calculation Agent shall adjust the Termination Delivery Units by replacing any fractional portion of a security therein with an amount of cash equal to the value of such fractional security as determined by the Calculation Agent based on the values used to calculate the Termination Delivery Unit Price.

“**Termination Delivery Unit**” means one Share or, if the Shares or Underlying Shares have changed into cash or any other property or the right to receive cash or any other property as the result of an Insolvency, Nationalization or Merger Event, a unit consisting of the number or amount of each type of property received by a holder of one Share (without consideration of any requirement to pay cash or other consideration in lieu of fractional amounts of any securities) in such Insolvency, Nationalization or Merger Event, as determined by the Calculation Agent. If such Insolvency, Nationalization or Merger Event involves a choice of consideration to be received by holders, the Calculation Agent shall determine the composition of such consideration in a commercially reasonable manner.

Regulation M. Counterparty is not on the date hereof engaged in a distribution, as such term is used in Regulation M under the Exchange Act, of any securities of Counterparty (for the avoidance of doubt including Shares and Underlying Shares) other than a distribution meeting the requirements of the exception set forth in Sections 101(b)(10) and 102(b)(7) of Regulation M under the Exchange Act. Counterparty shall not, until the second Scheduled Trading Day immediately following the Effective Date, engage in any such distribution.

No Material Non-Public Information. Counterparty represents and warrants to Dealer that it is not aware of any material nonpublic information concerning itself, the Shares or the Underlying Shares.

Right to Extend. Dealer may postpone any potential Exercise Date or Settlement Date or postpone or extend any other date of valuation or delivery with respect to some or all of the relevant Note Hedging Units (in which event the Calculation Agent shall make appropriate adjustments to the Settlement Amount for such Note Hedging Units), if Dealer determines, in its commercially reasonable discretion and, in the case of clause (a), based on the advice of counsel, that (a) a Regulatory Disruption has occurred or (b) such extension is reasonably necessary or appropriate to (i) preserve Dealer’s hedging or hedge unwind activity hereunder in light of existing liquidity conditions (but only if there is a material decrease in liquidity relative to Dealer’s expectations on the Trade Date) or (ii) enable Dealer to effect transactions with respect to the Shares or Underlying Shares in connection with its hedging, hedge unwind or settlement activity hereunder in a manner that would, if Dealer were the Issuer or an affiliated purchaser of the Issuer, be in compliance with applicable legal, regulatory or self-regulatory requirements, or with related policies and procedures adopted in good faith by Dealer (so long as such policies and procedures would generally be applicable to counterparties similar to Counterparty and transactions similar to the Transaction); *provided* that no such Exercise Date, Settlement Date or other date of valuation or delivery shall be extended more than 50 Trading Days after the original such date. “**Regulatory Disruption**” shall mean any event that Dealer reasonably determines, based on advice of counsel, makes it appropriate with regard to any legal, regulatory or self-regulatory requirements or related policies and procedures (whether or not such requirements, policies or procedures are imposed by law or have been voluntarily adopted by Dealer), for Dealer to refrain from or decrease any market activity in connection with the Transaction; *provided* that Dealer shall use its commercially reasonable best efforts to avoid a Regulatory Disruption that is solely within its control.

Transfer or Assignment. Either party may transfer or assign any of its rights or obligations under the Transaction with the prior written consent of the non-transferring party, such consent not to be unreasonably withheld or delayed. For the avoidance of doubt, Dealer may condition its consent on any of the following, without limitation: (i) the receipt by Dealer of opinions and documentation reasonably satisfactory to Dealer in connection with such transfer, (ii) such transfer being effected on terms reasonably satisfactory to Dealer with respect to any legal and regulatory requirements relevant to Dealer, (iii) that, in Dealer’s reasonable determination, Dealer will not be required, as a result of such transfer, to pay the transferee an amount under Section 2(d)(i)(4) of the Agreement greater than the amount, if any, that Dealer would have been required to pay to Counterparty in the absence of such transfer, (iv) that, in Dealer’s reasonable determination, no Event of Default, Potential Event of Default or Termination Event will occur as a result of such transfer and (v) that Counterparty will continue to be obligated to provide notices hereunder relating to the Convertible Notes and will continue to be obligated under the provisions set forth under “Repurchase Notices” herein.

If, (a) at any time (1) the Equity Percentage exceeds 9% or (2) Dealer, Dealer Group (as defined below) or any person whose ownership position would be aggregated with that of Dealer or Dealer Group (Dealer, Dealer Group or any such person, a “**Dealer Person**”) under any federal, state or local (including non-U.S.) laws, rules, regulations or regulatory orders, or any organizational documents or contracts of Counterparty that are, in each case, applicable to ownership of Shares or Underlying Shares (excluding those arising under Sections 13 or 16 of the Exchange Act, “**Applicable Restrictions**”), owns, beneficially owns, constructively owns, controls, holds the power to vote or otherwise meets a relevant definition of ownership in connection with a transaction with Counterparty in excess of a number of Shares and/or Underlying Shares, as applicable equal to (x) the number of Shares or Underlying Shares, as applicable that would give rise to reporting, registration, filing or notification obligations or other requirements (including obtaining prior approval by a state, federal or non-U.S. regulator) of a Dealer Person, in each case that is reasonably likely to result in an adverse effect on a Dealer Person, under Applicable Restrictions, as reasonably determined by Dealer, and with respect to which such requirements have not been met or the relevant approval has not been received *minus* (y) 1% of the number of Shares or Underlying Shares, as applicable, outstanding on the date of determination (either such condition described in clause (1) or (2), an “**Excess Ownership Position**”), and (b) Dealer is unable, after commercially reasonable efforts, to effect a transfer or assignment on pricing and terms and within a time period reasonably acceptable to it of all or a portion of the Transaction pursuant to the preceding paragraph such that an Excess Ownership Position no longer exists, Dealer may designate any Scheduled Trading Day as an Early Termination Date with respect to a portion (the “**Terminated Portion**”) of the Transaction, such that an Excess Ownership Position no longer exists following such partial termination. In the event that Dealer so designates an Early Termination Date with respect to a portion of the Transaction, a payment shall be made pursuant to Section 6 of the Agreement as if (i) an Early Termination Date had been designated in respect of a Transaction having terms identical to the Transaction and a Number of Note Hedging Units equal to the Terminated Portion, (ii) Counterparty shall be the sole Affected Party with respect to such partial termination and (iii) such Transaction shall be the only Terminated Transaction (and, for the avoidance of doubt, the provisions set forth under the caption “Alternative Calculations and Dealer Payment on Early Termination and on Certain Extraordinary Events” shall apply to any amount that is payable by Dealer to Counterparty pursuant to this sentence). The “**Equity Percentage**” as of any day is the fraction, expressed as a percentage, (A) the numerator of which is the number of Underlying Shares that Dealer and any of its affiliates subject to aggregation with Dealer for purposes of the “beneficial ownership” test under Section 13 of the Exchange Act and all persons who may form a “group” (within the meaning of Rule 13d-5(b)(1) under the Exchange Act) with Dealer (collectively, “**Dealer Group**”) “beneficially own” (within the meaning of Section 13 of the Exchange Act) in connection with a transaction with Counterparty without duplication on such day (or to the extent that the equivalent calculation under Section 16 of the Exchange Act and the rules and regulations thereunder results in a higher number, such number) and (B) the denominator of which is the number of Underlying Shares outstanding on such day.

Designation by Dealer. Notwithstanding any other provision in this Confirmation to the contrary requiring or allowing Dealer to purchase, sell, receive or deliver any Shares or other securities to or from Counterparty, Dealer may designate any of its affiliates to purchase, sell, receive or deliver such Shares or other securities and otherwise to perform Dealer’s obligations in respect of the Transaction and any such designee may assume such obligations. Dealer shall be discharged of its obligations to Counterparty solely to the extent of any such performance; *provided* that Dealer’s obligations shall be reinstated, as though such performance had not been rendered by such affiliate, in the event and to the extent Counterparty is required to repay or reimburse the amount of value of any payment or other performance by such affiliate on the grounds of the insolvency or other legal, regulatory or contractual constraint on the affiliate’s payment or performance of such obligation.

Service of Process. Counterparty hereby appoints Cogency Global Inc., 10 E. 40th Street, 10th Floor, New York, New York 10016, United States of America to receive, for it and on its behalf, service of process in any Proceedings.

Severability; Illegality. Notwithstanding anything to the contrary in the Agreement, if compliance by either party with any provision of the Transaction would be unenforceable or illegal, (a) the parties shall negotiate in good faith to resolve such unenforceability or illegality in a manner that preserves the economic benefits of the transactions contemplated hereby and (b) the other provisions of the Transaction shall not be invalidated, but shall remain in full force and effect.

Waiver of Jury Trial. EACH PARTY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY SUIT, ACTION OR PROCEEDING RELATING TO THE TRANSACTION. EACH PARTY (I) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF THE OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF SUCH A SUIT, ACTION OR PROCEEDING, SEEK TO ENFORCE THE FOREGOING WAIVER AND (II) ACKNOWLEDGES THAT IT AND THE OTHER PARTY HAVE BEEN INDUCED TO ENTER INTO THE TRANSACTION, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS PROVIDED HEREIN.

Agreements and Acknowledgements Regarding Hedging. Counterparty understands, acknowledges and agrees that: (A) at any time on and prior to the Expiration Date, Dealer and its affiliates may buy or sell Shares, Underlying Shares or other securities or buy or sell options or futures contracts or enter into swaps or other derivative securities in order to adjust its hedge position with respect to the Transaction; (B) Dealer and its affiliates also may be active in the market for Shares or Underlying Shares other than in connection with hedging activities in relation to the Transaction; (C) Dealer shall make its own determination as to whether, when or in what manner any hedging or market activities in securities of Issuer shall be conducted and shall do so in a manner that it deems appropriate to hedge its price and market risk with respect to the Daily VWAP; and (D) any market activities of Dealer and its affiliates with respect to Shares or Underlying Shares may affect the market price and volatility of Shares or Underlying Shares, as well as the Daily VWAP, each in a manner that may be adverse to Counterparty.

Early Unwind. In the event the sale of the “Additional Notes” (as defined in the Purchase Agreement) is not consummated with the initial purchasers thereof for any reason by the close of business in New York on November 3, 2017 (or such later date as agreed upon by the parties) (November 3, 2017 or such later date as agreed upon being the “**Early Unwind Date**”), the Transaction shall automatically terminate (the “**Early Unwind**”) on the Early Unwind Date and (a) the Transaction and all of the respective rights and obligations of Dealer and Counterparty under the Transaction shall be cancelled and terminated and (b) each party shall be released and discharged by the other party from and agrees not to make any claim against the other party with respect to any obligations or liabilities of the other party arising out of and to be performed in connection with the Transaction either prior to or after the Early Unwind Date; *provided* that, if such an Early Unwind is solely due to an event within Counterparty’s control, Counterparty shall purchase from Dealer on the Early Unwind Date all Shares and Underlying Shares purchased by Dealer or one or more of its affiliates, and assume, or reimburse the cost of, derivatives and other hedging activities entered into by Dealer or one or more of its affiliates, in each case, in connection with hedging of the Transaction and the unwind of such hedging activities. The amount payable by Counterparty shall be Dealer’s (or its affiliates) actual cost of such Shares and Underlying Shares and unwind cost of such derivatives and other hedging activities as Dealer informs Counterparty and shall be paid in immediately available funds on the Early Unwind Date. Dealer and Counterparty represent and acknowledge to the other that, subject to the proviso included in the second preceding sentence, upon an Early Unwind, all obligations with respect to the Transaction shall be deemed fully and finally discharged.

Payment by Counterparty. In the event that, following payment of the Premium, (i) an Early Termination Date occurs or is designated with respect to the Transaction as a result of a Termination Event or an Event of Default (other than an Event of Default arising under Section 5(a)(ii) or 5(a)(iv) of the Agreement) and, as a result, Counterparty owes to Dealer an amount calculated under Section 6(e) of the Agreement, or (ii) Counterparty owes to Dealer pursuant to Section 12.7 or 12.9 of the Equity Definitions or this Confirmation, an amount calculated under Section 12.8 of the Equity Definitions), such amount shall be deemed to be zero.

Other Adjustments Pursuant to the Equity Definitions. Notwithstanding anything to the contrary in this Confirmation, solely for the purpose of adjusting the Cap Price, the term “Merger Event” shall have the meaning assigned to such term in the Equity Definitions (as amended above), and upon the occurrence of a Merger Date, as such term is defined in the Equity Definitions, the Calculation Agent may adjust the Cap Price to preserve the fair value of the Note Hedging Units to Dealer; *provided* that in no event shall the Cap Price be less than the Strike Price; *provided, further*, that any adjustment to the Cap Price made pursuant to this Section shall be made without duplication of any other adjustment or determination hereunder (including, for the avoidance of doubt,

adjustments or determinations made in accordance with “Method of Adjustment,” “Consequences of Merger Events” and “Consequences of Announcement Events” above).

Role of Agent. Each party agrees and acknowledges that (i) J.P. Morgan Securities LLC, an affiliate of Dealer (“JPMS”), has acted solely as agent and not as principal with respect to the Transaction and (ii) JPMS has no obligation or liability, by way of guaranty, endorsement or otherwise, in any manner in respect of the Transaction (including, if applicable, in respect of the settlement thereof). Each party agrees it will look solely to the other party (or any guarantor in respect thereof) for performance of such other party’s obligations under the Transaction. JPMS is authorized to act as agent for Dealer.

Taxes, Foreign Account Tax Compliance Act and HIRE Act. Counterparty is classified as a corporation for the U.S. federal income tax purposes. No income received or to be received under this Agreement will be effectively connected with the conduct of a trade or business by Counterparty in the United States. Counterparty is a “non-U.S. branch of a foreign person” as that term is used in Section 1.1441-4(a)(3)(ii) of the United States Treasury Regulations (the “Regulations”), and it is a “foreign person” as that term is used in Section 1.6041-4(a)(4) of the Regulations. The term “Indemnifiable Tax” as defined in Section 14 of this Agreement shall not include any U.S. federal withholding tax imposed or collected pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code (a “FATCA Withholding Tax”). For the avoidance of doubt, a FATCA Withholding Tax is a Tax the deduction or withholding of which is required by applicable law for the purposes of Section 2(d) of this Agreement. The parties agree that the definitions and provisions contained in the ISDA 2015 Section 871(m) Protocol, as published by the International Swaps and Derivatives Association, Inc. and as may be amended, supplemented, replaced or superseded from time to time (the “871(m) Protocol”) shall apply to this Agreement as if the parties had adhered to the 871(m) Protocol as of the effective date of this Agreement. If there is any inconsistency between this provision and a provision in any other agreement executed between the parties, this provision shall prevail unless such other agreement expressly overrides the provisions of the 871(m) Protocol. Each of Dealer and Counterparty shall provide to the other party tax forms and documents required to be delivered pursuant to Sections 1471(b) or Section 1472(b) (1) of the Code promptly upon request by the other party and any other tax forms and documents they are legally able to provide that are reasonably requested by the other party.

U.S. Tax Forms. Without limiting the generality of the foregoing, Counterparty will provide a US Tax Form W-8BEN-E upon the execution of this Agreement and promptly upon reasonable demand by Dealer.

Governing Law; Jurisdiction. THIS CONFIRMATION AND ANY CLAIM, CONTROVERSY OR DISPUTE ARISING UNDER OR RELATED TO THIS CONFIRMATION SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK. THE PARTIES HERETO IRREVOCABLY SUBMIT TO THE EXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK AND THE UNITED STATES COURT FOR THE SOUTHERN DISTRICT OF NEW YORK IN CONNECTION WITH ALL MATTERS RELATING HERETO AND WAIVE ANY OBJECTION TO THE LAYING OF VENUE IN, AND ANY CLAIM OF INCONVENIENT FORUM WITH RESPECT TO, THESE COURTS.

Contact information. For purposes of the Agreement (unless otherwise specified in the Agreement), all notices to the parties shall be delivered by electronic mail with a copy to follow by overnight courier, addressed as follows:

(a) Counterparty

China Lodging Group, Limited
No. 2266 Hongqiao Road
Shanghai, 200336, PRC
Attention: Teo Nee Chuan

(b) Dealer

JPMorgan Chase Bank, National Association
EDG Marketing Support
Email: edg_notices@jpmorgan.com
edg.us.flow.corporates.mo@jpmorgan.com
Facsimile No: 1-866-886-4506


This Confirmation may be executed in several counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

Please confirm that the foregoing correctly sets forth the terms of our agreement by executing this Confirmation and returning it to J.P. Morgan Securities LLC, 383 Madison Ave, New York, NY 10179, and by email to EDG_Notices@jpmorgan.com and edg.us.flow.corporates.mo@jpmorgan.com.

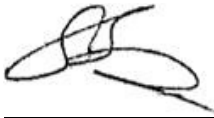
We are very pleased to have executed the Transaction with you and we look forward to completing other transactions with you in the near future.

Very truly yours,

**J.P. Morgan Securities LLC, as agent for
JPMorgan Chase Bank, National Association**

By: 

Name:
Title:

By: 

Name:
Title:

[Signature Page to Additional Capped Call Confirmation]

Counterparty hereby agrees to, accepts and confirms the terms of the foregoing as of the Trade Date.

CHINA LODGING GROUP, LIMITED

A handwritten signature in black ink, consisting of a large, stylized initial 'H' followed by a cursive name.

By: _____
Name:
Title:

[Signature Page to Additional Capped Call Confirmation]

The Premium for the Transaction is set forth below.

Premium: USD1,974,000

DATE: October 31, 2017

TO: China Lodging Group, Limited
ATTENTION: Teo Nee Chuan
TELEPHONE: +86-21-61952011

FROM: Morgan Stanley & Co. LLC
 1585 Broadway, 5th Floor
 New York, NY 10036

SUBJECT: Additional Capped Call Transaction

REFERENCE NUMBER(S): []

The purpose of this agreement (this “**Confirmation**”) is to confirm the terms and conditions of the transaction entered into between **Morgan Stanley & Co. LLC** (“**Dealer**”) and China Lodging Group, Limited (“**Counterparty**”) on the Trade Date specified below (the “**Transaction**”). This Confirmation constitutes a “Confirmation” as referred to in the Agreement specified below. This Confirmation constitutes the entire agreement and understanding of the parties with respect to the subject matter and terms of the Transaction and supersedes all prior or contemporaneous written and oral communications with respect thereto.

The definitions contained in the 2002 ISDA Equity Derivatives Definitions (the “**Equity Definitions**”), as published by the International Swaps and Derivatives Association, Inc., are incorporated into this Confirmation. In the event of any inconsistency between the Equity Definitions and the terms of this Confirmation, the terms of this Confirmation shall govern, and in the event of any inconsistency between either the Equity Definitions or this Confirmation and the Agreement (as defined below), the Equity Definitions or this Confirmation, as the case may be, shall govern. For the purposes of the Equity Definitions, each reference herein to a Note Hedging Unit shall be deemed to be a reference to a Call or an Option, as context requires.

This Confirmation evidences a complete and binding agreement between Dealer and Counterparty as to the terms of the Transaction to which this Confirmation relates. This Confirmation shall supplement, form a part of, and be subject to an agreement (the “**Agreement**”) in the form of the ISDA 2002 Master Agreement as if Dealer and Counterparty had executed an agreement in such form (without any Schedule but with the elections set forth in this Confirmation). The Transaction shall be the only transaction under the Agreement.

The Transaction shall be considered a Share Option Transaction for purposes of the Equity Definitions, and shall have the following terms:

General:

Trade Date: October 31, 2017.

Effective Date: The closing date for the issuance of the Convertible Notes issued pursuant to the initial purchasers’ option in accordance with the Purchase Agreement dated as of October 26, 2017 (the “**Purchase Agreement**”) between Counterparty and the Initial Purchasers (as defined therein).

Option Style: Modified American, as described below under “Procedure for Exercise”.

Option Type: Note Hedging Units.

Seller: Dealer.

Buyer: Counterparty.

Shares: The American Depositary Shares issued under the Deposit Agreement (as defined below) (Symbol: "HTHT"), each representing as of the date hereof four Underlying Shares.

Underlying Shares: The ordinary shares of Counterparty, nominal value USD 0.0001 per share.

Underlying Shares Issuer: Counterparty

Convertible Notes: 0.375% Convertible Senior Notes due 2022 of Counterparty, offered pursuant to an Offering Memorandum to be dated as of October 26, 2017 (the "**Offering Memorandum**") and issued pursuant to the indenture to be dated on or about November 3, 2017, by and between Counterparty and Wilmington Trust, N.A., as trustee (the "**Indenture**"). References herein to the Indenture refer to the draft of the Indenture most recently reviewed by the parties at the time of execution of this Confirmation. If any relevant sections of the Indenture are changed, added or renumbered upon execution of the Indenture, the parties will amend this Confirmation in good faith to preserve the economic intent of the parties. Subject to the foregoing, references herein to the Indenture shall be to the Indenture as executed, without giving effect to any amendment, supplement or modification thereto other than an amendment, supplement or modification that does not constitute an Amendment Event (as defined below) (a "**Permitted Amendment**"), subject to the provision set forth under "Settlement Amount" below relating to Counterparty Determinations, a Merger Supplemental Indenture (as defined below). If any amendment or supplement is made to the Indenture following execution thereof (other than pursuant to a Merger Supplemental Indenture or a Permitted Amendment) (x) the Calculation Agent shall determine the relevant Settlement Amount and Settlement Date for any Note Hedging Unit exercised thereafter in accordance with this Confirmation by referring to the relevant provisions of the Indenture without giving effect to such amendment or supplement, and (y) such supplement or amendment shall be disregarded for all other purposes hereunder. Terms in quotation marks that are not otherwise defined in this Confirmation shall have the meanings set forth in the Indenture, unless the context requires otherwise.

Number of Note Hedging Units: 50,000, as reduced by any Note Hedging Units exercised hereunder.

Note Hedging Unit Entitlement: 5.4869.

Strike Price: USD1,000 *divided by* the Note Hedging Unit Entitlement, which equals approximately USD182.2523.

Cap Price: USD221.3060.

Applicable Percentage: 10%.

Premium: As provided in Annex A to this Confirmation.

Premium Payment Date: The Effective Date.

Exchange: The NASDAQ Global Select Market.

Related Exchanges: All Exchanges.

Calculation Agent: Dealer; *provided* that, following the occurrence and during the continuance of an Event of Default of the type described in Section 5(a)(vii) of the Agreement with respect to Dealer, Counterparty shall have the right to designate a nationally recognized independent equity derivatives dealer to replace Dealer as the Calculation Agent, and the parties shall work in good faith to execute any appropriate documentation required by such replacement Calculation Agent. Following any determination, adjustment or calculation by the Calculation Agent hereunder, upon a request by Counterparty, the Calculation Agent shall promptly (but in any event within three Scheduled Trading Days) provide to Counterparty by e-mail to the e-mail address provided by Counterparty in such request a report (in a commonly used file format for the storage and manipulation of financial data) displaying in reasonable detail the basis for such determination, adjustment or calculation (including any assumptions used in making such determination, adjustment or calculation), it being understood that the Calculation Agent shall not be obligated to disclose any proprietary or confidential models used by it for such determination, adjustment or calculation or any information that it may be subject to contractual, legal or regulatory obligations not to disclose.

Procedure for Exercise:

Potential Exercise Dates: Each Conversion Date.

Conversion Date: Each "Conversion Date" (other than in respect of an Early Conversion); *provided* that, in respect of any Note Hedging Units not previously exercised, a conversion and a Conversion Date shall be deemed to have occurred on the last day permitted under the Indenture.

Required Exercise on Conversion Dates: On each Conversion Date (other than any Conversion Date occurring prior to the 52nd Scheduled Trading Day prior to the Maturity Date (any such related conversion, an "**Early Conversion**"), to which the provisions of clause (b) under "Additional Termination Events" below shall apply), a number of Note Hedging Units equal to (i) the number of Convertible Notes in denominations of USD 1,000 principal amount with respect to which a Conversion Date has occurred *minus* (ii) the number of Note Hedging Units that are or are deemed to be automatically exercised in respect of such Conversion Date under the

Base Capped Call Transaction Confirmation dated October 26, 2017 between Dealer and Counterparty (the “**Base Capped Call Confirmation**”), shall be exercised automatically; *provided* that in no event will the number of Note Hedging Units exercised or deemed exercised hereunder exceed the Number of Note Hedging Units.

Expiration Date: November 1, 2022.

Multiple Exercise: Applicable, as provided under “Required Exercise on Conversion Dates”.

Automatic Exercise: Applicable, as provided under “Required Exercise on Conversion Dates”.

Settlement Terms:

Settlement: In lieu of the obligations set forth in Sections 8.1 and 9.1 of the Equity Definitions, in respect of any validly exercised Note Hedging Unit, Dealer shall deliver to Counterparty, on the related Settlement Date, the Settlement Amount.

For the avoidance of doubt, to the extent Dealer is obligated to deliver Shares hereunder, the provisions of Sections 9.8, 9.9, 9.11 and 9.12 of the Equity Definitions shall be applicable to any such delivery of Shares, except that all references in such provisions to “Physical Settlement” and “Physically-settled” shall be read as references to “Share Settlement” and “Share Settled”; *provided* that the Representation and Agreement contained in Section 9.11 of the Equity Definitions shall be modified by excluding any representations therein relating to restrictions, obligations, limitations or requirements under applicable securities laws that exist as a result of the fact that Counterparty is the issuer of the Underlying Shares. “**Share Settlement**” means settlement of a Note Hedging Unit pursuant to “Settlement Amount” below, and “**Share Settled**” has a meaning correlative thereto.

Certificated Shares or Underlying Shares: Notwithstanding anything to the contrary in the Equity Definitions, Dealer may, in whole or in part, deliver Shares or Underlying Shares required to be delivered to Counterparty hereunder in certificated form in lieu of delivery through the Clearance System. With respect to such certificated Shares or Underlying Shares, the Representation and Agreement contained in Section 9.11 of the Equity Definitions shall be modified by deleting the remainder of the provision after the word “encumbrance” in the fourth line thereof; *provided* that, in the event Counterparty uses such certificated Shares or Underlying Shares to settle its obligations with respect to Convertible Notes, Dealer shall reimburse Counterparty for any reasonable costs or expenses as they are incurred.

Daily VWAP: For any “Trading Day”, the per Share volume-weighted average price as displayed under the heading “Bloomberg VWAP” on Bloomberg page

“HTHT <equity> AQR” (or its equivalent successor if such page is not available) in respect of the period from the scheduled open of trading until the scheduled close of trading of the regular trading session on such Trading Day (or if such volume-weighted average price is unavailable, the market value of one Share on such Trading Day determined, using a volume-weighted average method, by the Calculation Agent). For the avoidance of doubt, Daily VWAP will be determined without regard to after-hours trading or any other trading outside of the regular trading session trading hours.

Settlement Amount:

The aggregate of the number of Shares for each Convertible Note in principal amount of USD 1,000 converted in respect of such Conversion Date equal to the product of the Applicable Percentage and the sum, for each of the 50 consecutive “Trading Days” commencing on the 52nd “Scheduled Trading Day” prior to the “Maturity Date” (such period, the “**Deemed Conversion Period**”), of (A) the excess, if any, of (X) 2.0% of the product of the “Conversion Rate” on such Trading Day and the lesser of (1) the Daily VWAP on such Trading Day and (2) the Cap Price on such Trading Day over (Y) USD 20, *divided by* (B) such Daily VWAP.

Following the occurrence of any Merger Event in which the holders of Shares or Underlying Shares receive only cash (a “**Cash Merger**”), the Settlement Amount in respect of any Note Hedging Unit exercised thereafter shall consist of an amount of cash equal to the product of the Applicable Percentage and the excess, if any, of (i) the product of the “Conversion Rate” (determined without giving effect to any Fundamental Change Adjustment or any Discretionary Adjustment as defined below) and the lesser of (1) the amount of cash received by a holder of one Share in such Merger Event and (2) the Cap Price over (ii) USD 1,000, in lieu of any Settlement Amount determined above.

The number of Shares included in the Settlement Amount shall not take into consideration any rounding pursuant to Section 14.02(j) of the Indenture. Instead Dealer will deliver cash in lieu of any fractional Shares based on (i) the Daily VWAP on the last “Trading Day” of the Deemed Conversion Period and (ii) the aggregate number of Note Hedging Units exercised on any Exercise Date.

In addition, and notwithstanding anything to the contrary herein:

(i) the Settlement Amount shall be determined by the Calculation Agent excluding any increase to the “Conversion Rate” pursuant to Section 14.03(a) of the Indenture (a “**Fundamental Change Adjustment**”) or any voluntary adjustment to the “Conversion Rate” pursuant to Section 14.04(h) of the Indenture (a “**Discretionary Adjustment**”); and

(ii) if Counterparty or its board of directors is permitted or required to exercise discretion under the terms of the Indenture with respect to any determination, calculation or adjustment (including,

without limitation, any adjustment under Section 14.05 of the Indenture, any adjustment to the terms of the Convertible Notes following a Merger Event pursuant to Section 14.07(a) of the Indenture or any determination of the fair market value of distributed property, the volume weighted average price of Shares or the value of a “unit of Reference Property”) (any such determination, calculation or adjustment, a “**Counterparty Determination**”), Counterparty shall consult with Dealer with respect thereto and, if Dealer disagrees in good faith with such determination, calculation or adjustment, notwithstanding anything herein to the contrary, the Calculation Agent shall make such determination, calculation or adjustment for purposes of the Transaction.

Section 6.3(a) of the Equity Definitions is hereby amended by deleting the remainder of clause (ii) thereof following the words “at any time.”

Settlement Date: In respect of an Exercise Date, the date that falls one Settlement Cycle following the end of the Deemed Conversion Period (or, following the occurrence of a Cash Merger, the date that falls on the fifth “Business Day” following the applicable Exercise Date).

Settlement Currency: USD.

Share Adjustments:

Adjustment Event: Means any occurrence of any event or condition, as set forth in Section 14.04 or 14.05 of the Indenture, that would result in an adjustment under the Indenture to the “Conversion Rate” or any other term of the Convertible Notes; *provided* that in no event shall there be any adjustment hereunder as a result of a Fundamental Change Adjustment or a Discretionary Adjustment.

For the avoidance of doubt, Dealer shall not have any delivery or payment obligation hereunder, and no adjustment shall be made to the terms of the Transaction, on account of (i) any distribution of cash, property or securities by Counterparty to holders of the Convertible Notes (upon conversion or otherwise) or (ii) any other transaction in which holders of the Convertible Notes are entitled to participate, in each case, in lieu of an adjustment under the Indenture of the type referred to in the immediately preceding sentence (including, without limitation, pursuant to the fourth sentence of Section 14.04(c) of the Indenture or the fourth sentence of Section 14.04(d) of the Indenture.

Method of Adjustment: Calculation Agent Adjustment, which means that, notwithstanding Section 11.2(c) of the Equity Definitions, which Section shall not apply for purposes of the Transaction except as expressly provided herein, upon any Adjustment Event (excluding, for the avoidance of doubt, any Fundamental Change Adjustment or Discretionary Adjustment), the Calculation Agent shall make (i) an adjustment corresponding to the adjustment to be made pursuant to the Indenture to any one or more of the Strike Price, the Note Hedging Unit Entitlement, the composition of

the Shares and any other variable relevant to the exercise, settlement, payment or other terms of the Transaction (other than the Number of Note Hedging Units and the Cap Price and subject to the provisions set forth under “Settlement Amount” above in respect of any Counterparty Determination); *provided* that, notwithstanding the foregoing, if any Adjustment Event occurs during the Deemed Conversion Period but no adjustment was made to any Convertible Note under the Indenture because the relevant “Holder” (as such term is defined in the Indenture) was deemed to be a record owner of the underlying Shares on the related “Conversion Date,” then the Calculation Agent shall make an adjustment, as determined by it based on the adjustment that would have otherwise applied under the Indenture, to the terms hereof in order to account for such Adjustment Event and (ii) a proportionate adjustment to the Cap Price to the extent any adjustment is made to the Strike Price pursuant to clause (i) above; *provided* that, upon the occurrence of any Adjustment Event and/or any Potential Adjustment Event, the Calculation Agent may, but without duplication of any adjustment pursuant to clause (i) and (ii) above, make any further adjustment to the Cap Price consistent with the “Calculation Agent Adjustment” set forth in Section 11.2(c) of the Equity Definitions (as modified hereby) to preserve the fair value of the Transaction to the parties after taking into account such Adjustment Event and/or Potential Adjustment Event; *provided, further*, that the Cap Price shall not be adjusted so that it is less than the Strike Price. In addition, if any Adjustment Event, or the effective date, “expiration date” (as used in the Indenture) or “Ex-Dividend Date” for such event, occurs during the Deemed Conversion Period, the Calculation Agent may make such further adjustments as it determines appropriate to the Settlement Amount for the relevant Note Hedging Units. Counterparty shall (x) reasonably promptly, but in any event within two Business Days, after the occurrence of any Adjustment Event and/or Merger Event, notify the Calculation Agent of such Adjustment Event and/or Merger Event, (y) give Dealer written notice, promptly following its determination thereof, of the section or sections of the Indenture and, if applicable, the formula therein, pursuant to which any adjustment is expected to be made to the Convertible Securities in connection with any Adjustment Event or Merger Event and (z) once the adjustments to be made to the terms of the Indenture and the Convertible Securities in respect of such Merger Event and/or Adjustment Event have been determined, reasonably promptly, but in any event with two Business Days, notify the Calculation Agent in writing of the details of such adjustments.

In connection with any Adjustment Event as a result of an event or condition set forth in Section 14.04(b) of the Indenture or Section 14.04(c) of the Indenture where, in either case, the period for determining “Y” (as such term is used in Section 14.04(b) of the Indenture) or “SP₀” (as such term is used in Section 14.04(c) of the Indenture), as the case may be, begins before Counterparty has publicly announced the event or condition giving rise to such Adjustment Event, then the Calculation Agent shall have the right to adjust the Cap Price (but in no event to a number lower than the Strike Price) as appropriate

to reflect the reasonable costs (including, but not limited to, hedging mismatches and market losses) and reasonable expenses incurred by Dealer in connection with its hedging activities as a result of such event or condition not having been publicly announced prior to the beginning of such period.

If any Adjustment Event is declared and (a) the event or condition giving rise to such Adjustment Event is subsequently amended, modified, cancelled or abandoned after the period during which the formula for adjusting the "Conversion Rate" has commenced calculation or (b) the "Conversion Rate" (as defined in the Indenture) is adjusted as a result of such Adjustment Event and subsequently re-adjusted pursuant to Sections 14.04(a), 14.04(b) or 14.04(c) of the Indenture (each of clauses (a) and (b), an "**Adjustment Event Change**") then, in each case, the Calculation Agent shall have the right to adjust the Cap Price (but in no event to a number lower than the Strike Price) as appropriate to reflect the reasonable costs (including, but not limited to, hedging mismatches and market losses) and reasonable expenses incurred by Dealer in connection with its hedging activities as a result of such Adjustment Event Change.

Extraordinary Events:

Merger Events:

Notwithstanding Section 12.1(b) of the Equity Definitions, except for purposes of the provisions set forth under "Consequences of Announcement Event" and "Announcement Event" below, a "Merger Event" means the occurrence of any event or condition set forth in Section 14.07(a) of the Indenture.

Notice of Merger Consideration:

In respect of any Merger Event, Counterparty shall notify the Calculation Agent of, if applicable, the weighted average of the kind and amounts of consideration to be received by the holders of Shares and Underlying Shares in any Merger Event who affirmatively make such an election, reasonably promptly, but in any event within two Business Days, upon determination thereof (and in any event prior to the effective date of the Merger Event), and Counterparty shall deliver to Dealer a copy of any supplemental indenture effecting such adjustments (a "**Merger Supplemental Indenture**") as reasonably as practicable prior to execution thereof.

Consequences of Merger Events:

Notwithstanding Section 12.2 of the Equity Definitions, upon the occurrence of a Merger Event, the Calculation Agent shall make the corresponding adjustment in respect of any adjustment under the Indenture to any one or more of the nature of the Shares, the Strike Price, the Note Hedging Unit Entitlement, the Settlement Date and any other variable relevant to the exercise, settlement or payment or other terms of the Transaction (other than the Number of Note Hedging Units and subject to the provisions set forth under "Settlement Amount" above in respect of any Counterparty Determination); provided that such adjustment shall be made without regard to any Fundamental Change Adjustment or any Discretionary Adjustment; *provided* further that if, with respect to a Merger Event, (i) the consideration for the

Shares or Underlying Shares includes (or, at the option of a holder of Underlying Shares, may include) shares (or depositary receipts with respect to shares) of an entity or person that is not a corporation or entity that is treated as a corporation for U.S. federal income tax purposes organized under the laws of (1) the United States, any State thereof, the District of Columbia or the Cayman Islands or, (2) to the extent having the Underlying Shares Issuer organized under the laws of the jurisdictions in this clause (2) would not have a material adverse effect on Dealer's rights and obligations hereunder, Dealer's hedging activities or the costs of engaging in the foregoing and, provided that Counterparty negotiates in good faith with Dealer all the necessary and appropriate amendments to this Confirmation related to the foregoing in this clause (2), including, without limitation, causing its counsel to deliver written legal opinions reasonably requested by Dealer and will reimburse Dealer all of its out-of-pocket costs (including costs of its counsel) reasonably incurred by Dealer, the British Virgin Islands, Bermuda, Hong Kong or the United Kingdom (the jurisdictions listed in (1) and, to the extent the requirements listed in (2) are satisfied, the jurisdictions listed in (2), "**Permitted Merger Jurisdictions**"); or (ii) Counterparty following such Merger Event (A) will not be a corporation or entity that is treated as a corporation for U.S. federal income tax purposes organized under the laws of a Permitted Merger Jurisdiction or (B) will not be the Underlying Shares Issuer or a subsidiary of the Underlying Shares Issuer following such Merger Event, Cancellation and Payment (Calculation Agent Determination) may apply at Dealer's good faith, commercially reasonable election.

Consequences of Announcement Events:

If an Announcement Event occurs, the Calculation Agent will determine the cumulative economic effect of the Announcement Event on the theoretical value of the Transaction (i) on a date occurring a commercially reasonable period of time after the date of announcement of the relevant Announcement Event and (ii) on the Valuation Date or any earlier date of termination or cancellation for the Transaction (in each case, which may include, without limitation, any actual or expected change in volatility, dividends, correlation, stock loan rate or liquidity relevant to the Shares or Underlying Shares or to the Transaction whether prior to or after the Announcement Event or for any reasonable period of time), and if, in the case of clause (i) or (ii), such economic effect is material and Dealer so elects in its sole discretion, the Calculation Agent will (x) adjust the Cap Price (but in no event to a number lower than the Strike Price) to reflect such economic effect and (y) determine the effective date of such adjustment; *provided* that, notwithstanding the foregoing, if the related Merger Date or Tender Offer Date, as the case may be, or any subsequent related Announcement Event, occurs on or prior to the effective date of such adjustment, any further adjustment to the terms of the Transaction with respect to such Merger Date, Tender Offer Date or Announcement Event pursuant to this Confirmation and/or the Equity Definitions shall take such earlier adjustment into account (and, for the avoidance of doubt, where Cancellation and Payment is applicable, the Determining Party shall take into account such adjustment in determining the

Cancellation Amount); *provided further* that in no event shall the Cap Price be less than the Strike Price.

Announcement Event:

(i) The public statement or announcement by any person or entity of (x) any transaction or event that, if completed, would constitute a Merger Event or Tender Offer, (y) any acquisition by Underlying Shares Issuer or any of its subsidiaries where the aggregate consideration exceeds 25% of the market capitalization of the Underlying Shares Issuer as of the date of such announcement (an “**Acquisition Transaction**”) or (z) the firm intention to enter into a Merger Event or Tender Offer or an Acquisition Transaction, (ii) the public statement or announcement by the Underlying Shares Issuer of an intention to solicit or enter into, or to explore strategic alternatives or other similar undertakings that may include, a Merger Event or Tender Offer or an Acquisition Transaction or (iii) any subsequent public statement or announcement by any person or entity of a withdrawal, discontinuation, termination or other change to a transaction or intention that is the subject of an announcement of the type described in clause (i) or (ii) of this sentence; *provided* that, for the avoidance of doubt, the occurrence of an Announcement Event with respect to any transaction or intention shall not preclude the occurrence of a later Announcement Event described in clause (iii) above with respect to such transaction or intention. For purposes of this definition of “Announcement Event,” (A) “Merger Event” shall mean such term as defined under Section 12.1(b) of the Equity Definitions (but, for the avoidance of doubt, the remainder of the definition of “Merger Event” in Section 12.1(b) of the Equity Definitions following the definition of “Reverse Merger” therein shall be disregarded) and (B) “Tender Offer” shall mean such term as defined under Section 12.1(d) of the Equity Definitions.

Nationalization, Insolvency and Delisting:

Cancellation and Payment (Calculation Agent Determination); *provided* that in addition to the provisions of Section 12.6(a)(iii) of the Equity Definitions, it shall also constitute a Delisting if the Exchange is located in the United States and the Shares are not immediately re-listed, re-traded or re-quoted on any of the New York Stock Exchange, The NASDAQ Global Select Market or The NASDAQ Global Market (or their respective successors); if the Shares are immediately re-listed, re-traded or re-quoted on any such exchange or quotation system, such exchange or quotation system shall thereafter be deemed to be the Exchange.

Section 12.6(a)(ii) of the Equity Definitions is hereby amended by (1) deleting from the fourth line thereof the word “or” after the word “official” and inserting a comma therefor and (2) inserting at the end of subsection (B) thereof the following wording, “or, under the laws of the jurisdiction of organization of the Underlying Shares Issuer, any other impediment to or restriction on the transferability of any Share arises or becomes applicable including, without limitation, where (x) any transfer of a Share or alteration of the status of the members of the Issuer would be void unless a court of the Cayman Islands or any other such jurisdiction orders otherwise or (y) any transfer of a Share not being a

transfer with the sanction of a liquidator, and any alteration in the status of the Issuer's members, would be void."

Additional Disruption Events:

Change in Law:

Applicable; *provided* that Section 12.9(a)(ii) of the Equity Definitions is hereby amended (i) by inserting the parenthetical "(including, for the avoidance of doubt and without limitation, the effectiveness, adoption or promulgation of new regulations authorized or mandated by existing statute)" at the end of clause (A) thereof, (ii) by the replacement of the word "Shares" with "Hedge Positions" in clause (X) thereof; (iii) by replacing in the third line thereof the phrase "the interpretation" with "or the announcement of the formal or informal interpretation" and (iv) immediately following the word "Transaction" in clause (X) thereof, adding the phrase "in the manner contemplated by the Hedging Party on the Trade Date".

Failure to Deliver:

Applicable.

Insolvency Filing:

Applicable.

Hedging Disruption:

Applicable; *provided* that:

- (i) Section 12.9(a)(v) of the Equity Definitions is hereby amended by (a) inserting the following words at the end of clause (A) thereof: "in the manner contemplated by the Hedging Party on the Trade Date" and (b) inserting the following two phrases at the end of such Section:

"For the avoidance of doubt, the term "equity price risk" shall be deemed to include, but shall not be limited to, stock price and volatility risk. And, for the further avoidance of doubt, any such transactions or assets referred to in phrases (A) or (B) above must be available on commercially reasonable pricing terms. Any inability of the Hedging Party referred to in phrases (A) and (B) above that is solely attributable to the deterioration of the creditworthiness of the Hedging Party relative to comparable financial institutions shall not be deemed a Hedging Disruption"; and

- (ii) Section 12.9(b)(iii) of the Equity Definitions is hereby amended by inserting in the third line thereof, after the words "to terminate the Transaction", the words "or a portion of the Transaction affected by such Hedging Disruption".

Hedging Party:

Dealer for all applicable Additional Disruption Events; *provided* that, when making any determination or calculation as "Hedging Party," Dealer shall be bound by the same obligations relating to required acts of the Calculation Agent as set forth in Section 1.40 of the Equity Definitions and this Confirmation as if the Hedging Party were the

Calculation Agent. The parties agree that they will comply with the provisions set forth in the second sentence under "Calculation Agent" above, as if the Hedging Party were the Calculation Agent for purposes thereof.

Determining Party:

Dealer for all applicable Extraordinary Events; *provided* that, when making any determination or calculation as "Determining Party," Dealer shall be bound by the same obligations relating to required acts of the Calculation Agent as set forth in Section 1.40 of the Equity Definitions and this Confirmation as if the Determining Party were the Calculation Agent. The parties agree that they will comply with the provisions set forth in the second sentence under "Calculation Agent" above, as if the Determining Party were the Calculation Agent for purposes thereof.

Acknowledgements:

Non-Reliance:

Applicable.

Agreements and Acknowledgements
Regarding Hedging Activities:

Applicable.

Additional Acknowledgements:

Applicable.

Mutual Representations: Each of Dealer and Counterparty represents and warrants to, and agrees with, the other party that:

- (i) **Tax Disclosure.** Notwithstanding anything to the contrary herein, in the Equity Definitions or in the Agreement, and notwithstanding any express or implied claims of exclusivity or proprietary rights, the parties (and each of their employees, representatives or other agents) are authorized to disclose to any and all persons, beginning immediately upon commencement of their discussions and without limitation of any kind, the tax treatment and tax structure of the Transaction, and all materials of any kind (including opinions or other tax analyses) that are provided by either party to the other relating to such tax treatment and tax structure.
- (ii) **Commodity Exchange Act.** It is an "eligible contract participant" within the meaning of the U.S. Commodity Exchange Act, as amended (the "CEA"). The Transaction has been subject to individual negotiation by the parties. The Transaction has not been executed or traded on a "trading facility" as defined in the CEA.
- (iii) **Securities Act.** It is an "accredited investor" within the meaning of the U.S. Securities Act of 1933, as amended (the "**Securities Act**").

Counterparty Representations: In addition to the representations and warranties in the Agreement and those contained elsewhere herein, Counterparty represents, warrants, acknowledges and covenants, as applicable, that:

- (i) Counterparty as of and immediately after the Trade Date and the Premium Payment Date (x) is not, and shall not be after giving effect to the transactions contemplated hereby, "insolvent" (as such term is defined in Section 101(32) of the U.S. Bankruptcy Code (Title 11 of the United States Code) (the "**Bankruptcy Code**")), (y) would be able to purchase 2,606,278 Shares and the Underlying Shares represented by such number of Shares in compliance with the laws of the jurisdiction of Counterparty's incorporation or organization, and (z), for the purposes of Cayman Islands law, is able to pay its debts.

- (ii) Counterparty shall promptly provide written notice to Dealer upon obtaining knowledge of the occurrence of any event that constitutes an Event of Default, a Potential Event of Default, an Adjustment Event or a Potential Adjustment Event; *provided, however*, that should Counterparty be in possession of material non-public information regarding Counterparty, the Underlying Shares or the Shares, Counterparty shall not communicate such information to Dealer in connection with the Transaction until such information no longer constitutes material non-public information.
- (iii) Counterparty's financial condition is such that it has no need for liquidity with respect to its investment in the Transaction and no need to dispose of any portion thereof to satisfy any existing or contemplated undertaking or indebtedness.
- (iv) Counterparty's investments in and liabilities in respect of the Transaction, which it understands are not readily marketable, are not disproportionate to its net worth, and Counterparty is able to bear any loss in connection with the Transaction, including the loss of its entire investment in the Transaction.
- (v) Counterparty understands, agrees and acknowledges that Dealer has no obligation or intention to register the Transaction under the Securities Act, any state securities law or other applicable federal securities law.
- (vi) Counterparty is not, and after giving effect to the transactions contemplated hereby will not be, required to be registered as an "investment company" as such term is defined in the Investment Company Act of 1940, as amended.
- (vii) Counterparty understands, agrees and acknowledges that no obligations of Dealer to it hereunder shall be entitled to the benefit of deposit insurance and that such obligations shall not be guaranteed by any affiliate of Dealer or any governmental agency.
- (viii) (A) Counterparty is acting for its own account, and it has made its own independent decisions to enter into the Transaction and as to whether the Transaction is appropriate or proper for it (including as to any legal, regulatory, tax, accounting or economic consequences arising from the Transaction) based upon its own judgment and upon advice from such advisers as it has deemed necessary (including legal, financial and accounting advisors), (B) Counterparty is not relying on any communication (written or oral) of Dealer or any of its affiliates as investment advice or as a recommendation to enter into the Transaction (it being understood that information and explanations related to the terms and conditions of the Transaction shall not be considered investment advice or a recommendation to enter into the Transaction) and (C) no communication (written or oral) received from Dealer or any of its affiliates shall be deemed to be an assurance or guarantee as to the expected results of the Transaction.
- (ix) Without limiting the generality of Section 13.1 of the Equity Definitions, Counterparty acknowledges that Dealer is not making any representations or warranties with respect to the treatment of the Transaction under ASC Topic 260, *Earnings Per Share*, ASC Topic 815, *Derivatives and Hedging*, ASC Topic 480, *Distinguishing Liabilities from Equity* and ASC Topic 815-40, *Derivatives and Hedging — Contracts in Entity's Own Equity* (or any successor issue statements), or under any other accounting guidance.
- (x) Counterparty is not entering into the Transaction and will not make any election hereunder for the purpose of (i) creating actual or apparent trading activity in the Shares or Underlying Shares (or any security convertible into or exchangeable for the Shares or Underlying Shares) or (ii) raising or depressing or otherwise manipulating the price of the Shares or Underlying Shares (or any security convertible into or exchangeable for the Shares or Underlying Shares), in either case in violation of the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**").

- (xi) Counterparty's filings under the Exchange Act that are required to be filed have been filed and, as of the respective dates thereof and as of the date of this representation, such filings when considered as a whole (with the more recent such filings deemed to amend inconsistent statements contained in any earlier such filings) do not contain any misstatement of a material fact or any omission of a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading.
- (xii) The Transaction, and any repurchase of the Shares and/or Underlying Shares by Counterparty in connection with the Transaction, has been approved by Counterparty's board of directors and any such repurchase has been, or shall when so required be, publicly disclosed in its periodic filings under the Exchange Act and its financial statements and notes thereto.
- (xiii) To Counterparty's knowledge, no state or local (including non-U.S. jurisdictions) or non-U.S. federal law, rule, regulation or regulatory order applicable to the Shares or the Issuer would give rise to any reporting, consent, registration or other requirement (including without limitation a requirement to obtain prior approval from any person or entity) as a result of Dealer or its affiliates having the power to vote, owning or holding (however defined) Shares; *provided* that Counterparty makes no representation or warranty regarding any such requirement that is applicable generally to the ownership of equity securities by Dealer solely as a result of it being a financial institution or broker-dealer.
- (xiv) Counterparty shall deliver to Dealer (A) on the Effective Date a customary opinion of Hong Kong counsel that the Transaction does not contravene the Facilities Agreement between Counterparty and Deutsche Bank AG, Hong Kong Branch, as Agent, dated as of May 18, 2017, (B) a customary opinion of Cayman counsel, dated as of such date and reasonably acceptable to Dealer in form and substance, with respect to the matters set forth in Section 3(a)(i)-(iv) of the Agreement and such other matters as Dealer may reasonably request prior to the Trade Date, (C) a resolution of the Counterparty's board of directors (the "**Board**") authorizing the Transaction and (D) on or before the Premium Payment Date, a solvency certificate with respect to Counterparty signed by a member of the Board, the chief executive officer or the chief financial officer of the Counterparty certifying the solvency of Counterparty as of and immediately after the Premium Payment Date (after giving effect to Counterparty's payment of amounts required to be paid by Counterparty on such date under the Transaction and the other transactions described under "Use of Proceeds" in the Offering Memorandum related to the offering of the Convertible Notes), which solvency certificate is reasonably satisfactory to Dealer.
- (xv) Counterparty (A) is capable of evaluating investment risks independently, both in general and with regard to the Transaction; (B) will exercise independent judgment in evaluating the recommendations of any broker-dealer or its associated persons, unless it has otherwise notified the broker-dealer in writing; and (C) has total assets of at least USD50 million.
- (xvi) All of the issued Underlying Shares have been duly and validly authorized and issued and are fully paid and non-assessable and none of the outstanding Underlying Shares have been issued in violation of any pre-emptive or similar rights of any security holder.

Miscellaneous:

No Set-Off. Neither party shall have the right to set off any obligation that it may have to the other party under the Transaction against any obligation such other party may have to it, whether arising under the Agreement, this

Confirmation or any other agreement between the parties hereto, by operation of law or otherwise.

Qualified Financial Contracts. It is the intention of the parties that, in respect of Counterparty, (a) the Transaction shall constitute a “qualified financial contract” within the meaning of 12 U.S.C. Section 1821(e)(8)(D)(i) and (b) a Non-defaulting Party’s rights under Sections 5 and 6 of the Agreement constitute rights of the kind referred to in 12 U.S.C. Section 1821(e)(8)(A).

Method of Delivery. Whenever delivery of funds or other assets is required hereunder by or to Counterparty, such delivery shall be effected through DBSI. In addition, all notices, demands and communications of any kind relating to the Transaction between Dealer and Counterparty shall be transmitted exclusively through DBSI.

Staggered Settlement. Dealer may, by notice to Counterparty on or prior to any Settlement Date on which Dealer would be required to deliver Shares hereunder (a “**Nominal Settlement Date**”) if Dealer reasonably determines that it would not be advisable to deliver, or to acquire Shares to deliver, any or all of the Shares to be delivered by Dealer on any Settlement Date for the Transaction, elect to deliver such Shares on two or more dates (each, a “**Staggered Settlement Date**”) or at two or more times on the Nominal Settlement Date, in each case only to the extent reasonably necessary, as determined by Dealer in good faith, to avoid an Excess Ownership Position (as defined below), as follows: (i) in such notice, Dealer will specify to Counterparty the related Staggered Settlement Dates (each of which will be on or prior to such Nominal Settlement Date, but not prior to the beginning of the Deemed Conversion Period) or delivery times and how it will allocate the Shares it is required to deliver under “Settlement” above among the Staggered Settlement Dates or delivery times; and (ii) the aggregate number of Shares that Dealer will deliver to Counterparty hereunder on all such Staggered Settlement Dates and delivery times will equal the number of Shares that Dealer would otherwise be required to deliver on such Nominal Settlement Date.

Additional Termination Events.

- (a) The occurrence of (i) an “Event of Default” with respect to Counterparty under the terms of the Convertible Notes as set forth in Section 6.01 of the Indenture, and such event of default results in the Convertible Notes becoming or being declared due and payable pursuant to the Indenture or (ii) an Amendment Event shall be an Additional Termination Event, in each case with the Transaction as the sole Affected Transaction and Counterparty as the sole Affected Party and Dealer as the party entitled to designate an Early Termination Date pursuant to Section 6(b) of the Agreement (which Early Termination Date shall occur as promptly as commercially reasonably practicable but no later than the settlement date under the Indenture for such acceleration in the case of clause (i)). For the avoidance of doubt, the relevant Early Termination Amount in respect of an Amendment Event shall be calculated without giving effect to the relevant amendment.

“**Amendment Event**” means that Counterparty amends, modifies, supplements, waives or obtains a waiver with respect to any term of the Indenture or the Convertible Notes governing the principal amount, coupon, maturity, repurchase obligation of Counterparty, any redemption right of Counterparty, any term relating to conversion of the Convertible Notes (including, without limitation, changes to the conversion rate, conversion settlement dates, conversion rate adjustment provisions or conversion conditions), any term relating to required cancellation of the Convertible Notes or any term that would require consent of the holders of not less than 100% of the principal amount of the Convertible Notes to amend, in each case without the consent of Dealer (such consent not to be unreasonably withheld or delayed); *provided* that entry into a Merger Supplemental Indenture or an amendment pursuant to Section 10.01(h) of the Indenture shall not constitute an Amendment Event.

- (b) Upon any Early Conversion:
- (A) Counterparty shall, within thirty Scheduled Trading Days of the Conversion Date for such Early Conversion, provide written notice (an “**Early Conversion Notice**”) to Dealer specifying the number of Convertible Notes surrendered for conversion on the related Conversion Date (such Convertible Notes, the “**Affected Convertible Notes**”), and the giving of such Early Conversion Notice shall constitute an Additional Termination Event as provided in this clause (b);
- (B) following receipt of any such Early Conversion Notice, Dealer shall designate an Exchange Business Day as an Early Termination Date (which Exchange Business Day shall be on or as promptly as commercially reasonably practicable following the Conversion Date for such Early Conversion) with respect to the portion of the Transaction corresponding to a number of Note Hedging Units (the “**Affected Number of Note Hedging Units**”) equal to the lesser of (x) the number of Affected Convertible Notes minus the “Affected Number of Note Hedging Units” (as defined in the Base Capped Call Confirmation), if any, that relate to such Affected Convertible Notes and (y) the Number of Note Hedging Units as of the Conversion Date for such Early Conversion;
- (C) any payment hereunder with respect to such termination shall be a payment calculated pursuant to Section 6 of the Agreement as if (x) an Early Termination Date had been designated in respect of a Transaction having terms identical to the Transaction and a Number of Note Hedging Units equal to the Affected Number of Note Hedging Units, (y) Counterparty were the sole Affected Party with respect to such Additional Termination Event and (z) the terminated portion of the Transaction were the sole Affected Transaction.
- (D) for the avoidance of doubt, in determining the amount payable in respect of such Affected Transaction pursuant to Section 6 of the Agreement, Dealer shall assume that (x) the relevant Early Conversion and any conversions, adjustments, agreements, payments, deliveries or acquisitions by or on behalf of Counterparty leading thereto had not occurred, (y) no adjustments to the Conversion Rate have occurred pursuant to any Fundamental Change Adjustment or Discretionary Adjustment and (z) the corresponding Convertible Notes remain

outstanding; and

- (E) the Transaction shall remain in full force and effect, except that, as of the Conversion Date for such Early Conversion, the Number of Note Hedging Units shall be reduced by the Affected Number of Note Hedging Units.
- (c) Promptly (but in any event within five Scheduled Trading Days) following any Repurchase Event (as defined below), Counterparty shall notify Dealer of such Repurchase Event and the aggregate principal amount of Convertible Notes subject to such Repurchase Event (any such notice, a “**Convertible Notes Repurchase Notice**”); *provided* that any such Convertible Notes Repurchase Notice shall contain an acknowledgment by Counterparty of its responsibilities under applicable securities laws, and in particular Section 9 and Section 10(b) of the Exchange Act and the rules and regulations thereunder, in respect of such Repurchase Event and the delivery of such Convertible Notes Repurchase Notice; and further *provided* that, if Counterparty provides such notice later than five Scheduled Trading Days following such Repurchase Event and before the date that is 45 Scheduled Trading Days following such Repurchase Event and such delay is due to administrative error or any oversight in good faith, Counterparty shall be deemed to have fulfilled such notice obligation as determined by the Calculation Agent in its commercially reasonable discretion. The receipt by Dealer from Counterparty of any Convertible Notes Repurchase Notice shall constitute an Additional Termination Event as provided in this Section. Upon receipt of any such Convertible Notes Repurchase Notice, Dealer shall designate an Exchange Business Day following receipt of such Convertible Notes Repurchase Notice (which Exchange Business Day shall be on or as promptly as commercially reasonably practicable after the related settlement date for the relevant Repurchase Event) as an Early Termination Date with respect to the portion of the Transaction corresponding to a number of Note Hedging Units (the “**Repurchase Note Hedging Units**”) equal to the lesser of (A) the aggregate principal amount of such Convertible Notes specified in such Convertible Notes Repurchase Notice, divided by USD 1,000 and (B) the Number of Note Hedging Units as of the date Dealer designates such Early Termination Date and, as of such date, the Number of Note Hedging Units shall be reduced by the number of Repurchase Note Hedging Units. Any payment hereunder with respect to such termination (the “**Repurchase Unwind Payment**”) shall be calculated pursuant to Section 6 of the Agreement as if (1) an Early Termination Date had been designated in respect of a Transaction having terms identical to the Transaction and a Number of Note Hedging Units equal to the number of Repurchase Note Hedging Units, (2) Counterparty were the sole Affected Party with respect to such Additional Termination Event and (3) the terminated portion of the Transaction were the sole Affected Transaction (and, for the avoidance of doubt, (1) the provisions of the Section entitled “Alternative Calculations and Dealer Payment on Early Termination and on Certain Extraordinary Events” shall apply to any amount that is payable by Dealer to Counterparty pursuant to this clause (c) as if Counterparty was not the Affected Party and (2) in determining the amount payable in respect of such Affected Transaction pursuant to Section 6 of the Agreement, Dealer shall assume that (x) the relevant Repurchase Event and any conversions, adjustments, agreements, payments, deliveries or acquisitions by or on behalf of Counterparty leading thereto had not occurred, (y) no adjustments to the Conversion Rate have occurred pursuant to any Fundamental Change Adjustment or Discretionary Adjustment and (z) the corresponding Convertible Notes remain outstanding). “**Repurchase Event**” means that (i) any Convertible Notes are repurchased (whether pursuant to Section 15.01 or Section 15.02 of the Indenture or otherwise) by Counterparty or any of its subsidiaries, (ii) any Convertible Notes are delivered to Counterparty in exchange for delivery of any property or assets of Counterparty or any of its subsidiaries (howsoever described), (iii) any principal of any of the Convertible Notes is repaid prior to the final maturity date of the Convertible Notes (other than upon acceleration of the Convertible Notes described in clause (a) of this Section), or (iv) any Convertible Notes are exchanged by or for the benefit of the holders thereof for any other securities of Counterparty or any of its affiliates (or any other property, or any combination thereof) pursuant to any exchange offer or similar transaction; *provided* that any conversion of Convertible Notes pursuant to the terms of the Indenture shall not constitute a Repurchase Event.

Amendments and Additions to Equity Definitions. (i) For the purposes of this Confirmation the following definitions will apply:

“Depository” means, in relation to the Shares, Citibank, N.A., or any successor thereto from time to time.

“Deposit Agreement” means, (i) that certain Deposit Agreement by and among Underlying Shares Issuer, Depository and the holders and beneficial owners of the Shares and (ii) the other agreements or other instruments constituting the Shares, as from time to time amended or supplemented in accordance with their terms.

“DS Amendment” means, where specified as applicable to a definition or provision, that the following changes shall be made to such definition or provision: (a) all references to “Shares” shall be deleted and replaced with the words “Shares and/or the Underlying Shares, as appropriate”; and (b) all references to “Issuer” shall be deleted and replaced with the words “Issuer or Underlying Shares Issuer, as appropriate”.

“Replacement DSs” means depository shares or receipts, other than the Shares, over the same Underlying Shares.

(ii) The following amendments shall be made to the Equity Definitions:

- (A) The definition of Potential Adjustment Event in Section 11.2(e) of the Equity Definitions shall be amended as follows:
 - (i) the DS Amendment shall be applicable, provided that an event under Section 11.2(e)(i) to (vii) of the Equity Definitions in respect of the Underlying Shares shall not constitute a Potential Adjustment Event unless, in the opinion of the Calculation Agent, such event has a material effect on the theoretical value of the Shares; and
 - (ii)
 - (A) ‘or’ shall be deleted where it appears at the end of subsection (vi);
 - (B) ‘.’ shall be deleted where it appears at the end of subsection (vii) and replaced with ‘;’;
 - (C) the following shall be inserted as subsection (viii): “(viii) the making of any amendment or supplement to the terms of the Deposit Agreement; or”; and
 - (D) the following shall be inserted as provision (ix): “(ix) any other event as a result of an action by the Depository outside of the control of Counterparty and as a result of which (1) the Shares represent fewer or more Underlying Shares than, and/or any property or assets in addition to, or as a whole or partial replacement of, in each case, the number of Underlying Shares represented by the Shares prior to such event and (2) there is no corresponding adjustment to the Convertible Notes.”
- (B) In making any adjustment following any Potential Adjustment Event, the Calculation Agent may, but is not required to, have reference to (among other factors) any adjustment made by the Depository under the Deposit Agreement, any fees and/or expenses of the Depository and any withholding or deduction of taxes, in each case, in connection with any Potential Adjustment Event.
- (C) If a Potential Adjustment Event occurs under Section 11.2(e)(viii) of the Equity Definitions (as amended by this Confirmation), then the following further amendments shall be deemed to be made to Section 11.2(c) of the Equity Definitions in respect of such Potential Adjustment Event:
 - (i) the words “the Calculation Agent will determine whether such Potential Adjustment

Event has a material effect on the theoretical value of the relevant Shares, options on the Shares or the Transaction” shall be deleted and replaced with the words “the Calculation Agent will determine whether such Potential Adjustment Event has an economic effect on such Transaction”; and

- (ii) the words “as the Calculation Agent determines appropriate to account for that material effect” shall be deleted and replaced with the words “as the Calculation Agent determines appropriate to account for such economic effect on such Transaction”.
- (D) The definitions of “Merger Event”, “Announcement Date”, “Share-for-Share”, “Share-for-Other” and “Share-for-Combined” in Section 12.1 of the Equity Definitions shall be amended in accordance with the DS Amendment.
 - (E) In making any adjustment in respect of a Merger Event or Announcement Event in relation to the Underlying Shares, the Calculation Agent may, but is not required to, in determining any adjustment pursuant to Modified Calculation Adjustment, have reference to (amongst other factors) any adjustment made by the Depositary under the Deposit Agreement, any fees and/or expenses of the Depositary and any withholding or deduction of taxes in each case in connection with any Merger Event or Announcement Event.
 - (F) The definitions of Nationalization and Insolvency in Section 12.6 of the Equity Definitions shall be amended in accordance with the DS Amendment.
 - (G) The consequence of a Nationalization or Insolvency in respect of the Depositary shall be Cancellation and Payment.
 - (H) If a Delisting of the Shares occurs or the Depositary announces that the Deposit Agreement is (or will be) terminated, then:
 - (i) Cancellation and Payment will apply as provided in this Confirmation; *provided* that, if the Convertible Notes remain outstanding with respect to Replacement DSs, the Calculation Agent shall determine whether a replacement of the Shares with Replacement DSs or the Underlying Shares should take place and that one or more terms of the Transaction should be amended to preserve the fair value of the Transaction to the parties and if the Calculation Agent so determines, then Cancellation and Payment shall not apply in respect of such Delisting or termination of the Deposit Agreement, as applicable, and references to Shares herein shall be replaced by references to such Replacement DSs or the Underlying Shares, as applicable, with such amendments as shall be determined by the Calculation Agent; and
 - (ii) where Cancellation and Payment applies under (H)(i) above in respect of a termination of the Deposit Agreement, the Equity Definitions shall be interpreted as follows: (i) such termination shall be deemed to be an “Extraordinary Event”; (ii) Cancellation and Payment shall apply as defined in Section 12.6(c)(ii) of the Equity Definitions; and (iii) the definition of “Announcement Date” in Section 12.1(l) of the Equity Definitions shall include the following additional clause (vii) at the end of the first sentence thereof: “(vii) in the case of a termination of the Deposit Agreement, the date of the first public announcement by the Depositary that the Deposit Agreement is (or will be) terminated”.
 - (I) The definition of “Hedging Disruption” in the Equity Definitions shall be amended as follows:
 - (i) the words “any transaction(s) or asset(s) it deems necessary to hedge the equity price risk of entering into and performing its obligations with respect to the relevant

Transaction” shall be deleted and replaced with the words “(x) any Share(s) or any transaction(s) referencing any Share(s), that, in each case, it deems necessary to hedge the equity price risk and/or, (y) to the extent the Underlying Shares are listed on an exchange outside of the U.S., any transaction(s) or asset(s) it deems necessary to hedge the foreign exchange risk with respect to such Underlying Shares, in each case, of entering into and performing its obligations with respect to the relevant Transaction.”

- (J) The definition of “Insolvency Filing” in Section 12.9(a)(iv) of the Equity Definitions shall be amended in accordance with the DS Amendment.
- (K) For the avoidance of doubt, where a provision is amended by this Section in accordance with the DS Amendment, if the event described in such provision occurs in respect of the Underlying Shares or Underlying Shares Issuer, then the consequence of such event shall be interpreted consistently with the DS Amendment and such event.
- (L) Section 11.2(e)(vii) of the Equity Definitions is hereby amended by deleting the words “a diluting or concentrative” and replacing them with the words “a material” and adding the phrase “or the Note Hedging Units” at the end of the sentence.

Status of Claims in Bankruptcy. Dealer acknowledges and agrees that this Confirmation is not intended to convey to Dealer rights with respect to the Transaction that are senior to the claims of common or ordinary shareholders in any bankruptcy proceedings of Counterparty; *provided* that nothing herein shall limit or shall be deemed to limit Dealer’s right to pursue remedies in the event of a breach by Counterparty of its obligations and agreements with respect to the Transaction other than during Counterparty’s bankruptcy; *provided, further*, that nothing herein shall limit or shall be deemed to limit Dealer’s rights in respect of any transactions other than the Transaction.

No Collateral. Notwithstanding any provision of this Confirmation, the Agreement, Equity Definitions, or any other agreement between the parties to the contrary, the obligations of Counterparty under the Transaction are not secured by any collateral.

Securities Contract; Swap Agreement. The parties hereto agree and acknowledge that Dealer is a “financial institution,” “swap participant” and “financial participant” within the meaning of Sections 101(22), 101(53C) and 101(22A) of the Bankruptcy Code. The parties hereto further agree and acknowledge (A) that this Confirmation is (i) a “securities contract,” as such term is defined in Section 741(7) of the Bankruptcy Code, with respect to which each payment and delivery hereunder or in connection herewith is a “termination value,” “payment amount” or “other transfer obligation” within the meaning of Section 362 of the Bankruptcy Code and a “settlement payment” or a “transfer” within the meaning of Section 546 of the Bankruptcy Code, and (ii) a “swap agreement,” as such term is defined in Section 101(53B) of the Bankruptcy Code, with respect to which each payment and delivery hereunder or in connection herewith is a “termination value,” a “payment amount” or “other transfer obligation” within the meaning of Section 362 of the Bankruptcy Code and a “transfer” within the meaning of Section 546 of the Bankruptcy Code, and (B) that Dealer is entitled to the protections afforded by, among other sections, Section 362(b)(6), 362(b)(17), 362(b)(27), 362(o), 546(e), 546(g), 546(j), 548(d)(2), 555, 560 and 561 of the Bankruptcy Code.

Repurchase Notices. Counterparty shall, on any day on which Counterparty effects any repurchase of Shares or Underlying Shares, provide Dealer with a written notice of such repurchase (a “**Repurchase Notice**”) on such day if, following such repurchase, the Unit Equity Percentage as determined on such day is (a) equal to or greater than 8% and (b) greater by 0.5 % or more than the Unit Equity Percentage included in the immediately preceding Repurchase Notice (or, in the case of the first such Repurchase Notice, greater by 0.5% or more than the Unit Equity Percentage as of the date hereof). The “**Unit Equity Percentage**” as of any day is the fraction, expressed as a percentage, (i) the numerator of which is the sum of (A) the product of the number of Note Hedging Units and the Note Hedging Unit Entitlement and (B) the number of Underlying Shares underlying any other call option transaction between Dealer as seller and Counterparty as buyer, and (ii) the denominator of which is the number of Underlying Shares outstanding on such day. Counterparty agrees that if Counterparty ceases to qualify as a

“foreign private issuer” as defined in Rule 3b-4 under the Exchange Act, Counterparty will (to the fullest extent permitted by applicable law) indemnify and hold harmless Dealer and its affiliates and their respective officers, directors, employees, advisors, agents and controlling persons (each, a “**Section 16 Indemnified Person**”) from and against any and all losses (including losses relating to Dealer’s hedging activities as a consequence of becoming, or of the risk of becoming, a Section 16 “insider”, including without limitation, any forbearance from hedging activities or cessation of hedging activities and any losses in connection therewith with respect to the Transaction), claims, damages, judgments, liabilities and expenses (including reasonable attorney’s fees), joint or several, to which a Section 16 Indemnified Person may become subject, as a result of Counterparty’s failure to provide Dealer with a Repurchase Notice on the day and in the manner specified in this paragraph, and to reimburse, within 30 days upon written request, each of such Section 16 Indemnified Persons for any reasonable and documented out-of-pocket legal or other expenses incurred in connection with investigating, preparing for, providing testimony or other evidence in connection with or defending any of the foregoing. If any suit, action, proceeding (including any governmental or regulatory investigation), claim or demand shall be brought or asserted against the Section 16 Indemnified Person in respect of the foregoing, such Section 16 Indemnified Person shall promptly notify Counterparty in writing, and Counterparty, upon request of the Section 16 Indemnified Person, shall retain counsel reasonably satisfactory to the Section 16 Indemnified Person to represent the Section 16 Indemnified Person and any others Counterparty may designate in such proceeding and shall pay the fees and expenses of such counsel related to such proceeding. Counterparty shall not be liable for any settlement of any proceeding contemplated by this paragraph that is effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, Counterparty agrees to indemnify any Section 16 Indemnified Person from and against any loss or liability by reason of such settlement or judgment. Counterparty shall not, without the prior written consent of the Section 16 Indemnified Person, effect any settlement of any pending or threatened proceeding contemplated by this paragraph that is in respect of which any Section 16 Indemnified Person is or could have been a party and indemnity could have been sought hereunder by such Section 16 Indemnified Person, unless such settlement includes an unconditional release of such Section 16 Indemnified Person from all liability on claims that are the subject matter of such proceeding on terms reasonably satisfactory to such Section 16 Indemnified Person. If the indemnification provided for in this paragraph is unavailable to a Section 16 Indemnified Person or insufficient in respect of any losses, claims, damages or liabilities referred to therein, then Counterparty, in lieu of indemnifying such Section 16 Indemnified Person thereunder, shall contribute to the amount paid or payable by such Section 16 Indemnified Person as a result of such losses, claims, damages or liabilities. The remedies provided for in this paragraph are not exclusive and shall not limit any rights or remedies that may otherwise be available to any Section 16 Indemnified Person at law or in equity. The indemnity and contribution agreements contained in this paragraph shall remain operative and in full force and effect regardless of the termination of the Transaction.

Alternative Calculations and Dealer Payment on Early Termination and on Certain Extraordinary Events. If Dealer owes Counterparty any amount in connection with the Transaction pursuant to Sections 12.2 (and “Consequences of Merger Events” above), 12.6, 12.7 or 12.9 of the Equity Definitions (in each case, except in the case of an Extraordinary Event (x) that is within Counterparty’s control or (y) as a result of which the Shares or Underlying Shares have changed or will be changed into solely cash) or pursuant to Section 6(d)(ii) of the Agreement (in each case, except in the case of an Event of Default in which Counterparty is the Defaulting Party or a Termination Event in which Counterparty is the Affected Party, other than an Event of Default or a Termination Event that resulted from an event or events outside Counterparty’s control, an Early Conversion or a Repurchase Event) (a “**Dealer Payment Obligation**”), Dealer shall satisfy any such Dealer Payment Obligation by delivery of Termination Delivery Units (as defined below), unless Counterparty (A) gives irrevocable telephonic notice to Dealer, confirmed in writing within one Scheduled Trading Day, between the hours of 9:00 a.m. and 4:00 p.m. New York time on the Early Termination Date or other date the Transaction is terminated, as applicable, that such Dealer Payment Obligation should be satisfied by delivery of cash and (B) remakes the representation set forth under “No Material Non-Public Information” below on the date of such notice. If Dealer shall deliver Termination Delivery Units as set forth herein, within a commercially reasonable period of time following the determination by Dealer of the number of Termination Delivery Units, Dealer shall deliver to Counterparty such number of Termination Delivery Units, and the provisions of Sections 9.8, 9.9, 9.11 (in each case, modified as described above) and 9.12 of the Equity Definitions shall be applicable, except that all references to “Shares” shall be read as references to “Termination Delivery Units”. The number of Termination Delivery Units shall be determined by Dealer as the amount of the Dealer Payment Obligation that would have been otherwise due in USD *divided by* the value of one Termination Delivery Unit, as determined by Dealer in its

discretion by commercially reasonable means, including the purchase price paid in connection with the purchase of any such Termination Delivery Unit (such value, the “**Termination Delivery Unit Price**”). The Calculation Agent shall adjust the Termination Delivery Units by replacing any fractional portion of a security therein with an amount of cash equal to the value of such fractional security as determined by the Calculation Agent based on the values used to calculate the Termination Delivery Unit Price.

“**Termination Delivery Unit**” means one Share or, if the Shares or Underlying Shares have changed into cash or any other property or the right to receive cash or any other property as the result of an Insolvency, Nationalization or Merger Event, a unit consisting of the number or amount of each type of property received by a holder of one Share (without consideration of any requirement to pay cash or other consideration in lieu of fractional amounts of any securities) in such Insolvency, Nationalization or Merger Event, as determined by the Calculation Agent. If such Insolvency, Nationalization or Merger Event involves a choice of consideration to be received by holders, the Calculation Agent shall determine the composition of such consideration in a commercially reasonable manner.

Regulation M. Counterparty is not on the date hereof engaged in a distribution, as such term is used in Regulation M under the Exchange Act, of any securities of Counterparty (for the avoidance of doubt including Shares and Underlying Shares) other than a distribution meeting the requirements of the exception set forth in Sections 101(b)(10) and 102(b)(7) of Regulation M under the Exchange Act. Counterparty shall not, until the second Scheduled Trading Day immediately following the Effective Date, engage in any such distribution.

No Material Non-Public Information. Counterparty represents and warrants to Dealer that it is not aware of any material nonpublic information concerning itself, the Shares or the Underlying Shares.

Right to Extend. Dealer may postpone any potential Exercise Date or Settlement Date or postpone or extend any other date of valuation or delivery with respect to some or all of the relevant Note Hedging Units (in which event the Calculation Agent shall make appropriate adjustments to the Settlement Amount for such Note Hedging Units), if Dealer determines, in its commercially reasonable discretion and, in the case of clause (a), based on the advice of counsel, that (a) a Regulatory Disruption has occurred or (b) such extension is reasonably necessary or appropriate to (i) preserve Dealer’s hedging or hedge unwind activity hereunder in light of existing liquidity conditions (but only if there is a material decrease in liquidity relative to Dealer’s expectations on the Trade Date) or (ii) enable Dealer to effect transactions with respect to the Shares or Underlying Shares in connection with its hedging, hedge unwind or settlement activity hereunder in a manner that would, if Dealer were the Issuer or an affiliated purchaser of the Issuer, be in compliance with applicable legal, regulatory or self-regulatory requirements, or with related policies and procedures adopted in good faith by Dealer (so long as such policies and procedures would generally be applicable to counterparties similar to Counterparty and transactions similar to the Transaction); *provided* that no such Exercise Date, Settlement Date or other date of valuation or delivery shall be extended more than 50 Trading Days after the original such date. “**Regulatory Disruption**” shall mean any event that Dealer reasonably determines, based on advice of counsel, makes it appropriate with regard to any legal, regulatory or self-regulatory requirements or related policies and procedures (whether or not such requirements, policies or procedures are imposed by law or have been voluntarily adopted by Dealer), for Dealer to refrain from or decrease any market activity in connection with the Transaction; *provided* that Dealer shall use its commercially reasonable best efforts to avoid a Regulatory Disruption that is solely within its control.

Transfer or Assignment. Either party may transfer or assign any of its rights or obligations under the Transaction with the prior written consent of the non-transferring party, such consent not to be unreasonably withheld or delayed. For the avoidance of doubt, Dealer may condition its consent on any of the following, without limitation: (i) the receipt by Dealer of opinions and documentation reasonably satisfactory to Dealer in connection with such transfer, (ii) such transfer being effected on terms reasonably satisfactory to Dealer with respect to any legal and regulatory requirements relevant to Dealer, (iii) that, in Dealer’s reasonable determination, Dealer will not be required, as a result of such transfer, to pay the transferee an amount under Section 2(d)(i)(4) of the Agreement greater than the amount, if any, that Dealer would have been required to pay to Counterparty in the absence of such transfer, (iv) that, in Dealer’s reasonable determination, no Event of Default, Potential Event of Default or Termination Event will occur as a result of such transfer and (v) that Counterparty will continue to be obligated to provide notices hereunder relating to the Convertible Notes and will continue to be obligated under the provisions set forth under “Repurchase Notices” herein.

If, (a) at any time (1) the Equity Percentage exceeds 9% or (2) Dealer, Dealer Group (as defined below) or any person whose ownership position would be aggregated with that of Dealer or Dealer Group (Dealer, Dealer Group or any such person, a “**Dealer Person**”) under any federal, state or local (including non-U.S.) laws, rules, regulations or regulatory orders, or any organizational documents or contracts of Counterparty that are, in each case, applicable to ownership of Shares or Underlying Shares (excluding those arising under Sections 13 or 16 of the Exchange Act, “**Applicable Restrictions**”), owns, beneficially owns, constructively owns, controls, holds the power to vote or otherwise meets a relevant definition of ownership in connection with a transaction with Counterparty in excess of a number of Shares and/or Underlying Shares, as applicable equal to (x) the number of Shares or Underlying Shares, as applicable that would give rise to reporting, registration, filing or notification obligations or other requirements (including obtaining prior approval by a state, federal or non-U.S. regulator) of a Dealer Person, in each case that is reasonably likely to result in an adverse effect on a Dealer Person, under Applicable Restrictions, as reasonably determined by Dealer, and with respect to which such requirements have not been met or the relevant approval has not been received *minus* (y) 1% of the number of Shares or Underlying Shares, as applicable, outstanding on the date of determination (either such condition described in clause (1) or (2), an “**Excess Ownership Position**”), and (b) Dealer is unable, after commercially reasonable efforts, to effect a transfer or assignment on pricing and terms and within a time period reasonably acceptable to it of all or a portion of the Transaction pursuant to the preceding paragraph such that an Excess Ownership Position no longer exists, Dealer may designate any Scheduled Trading Day as an Early Termination Date with respect to a portion (the “**Terminated Portion**”) of the Transaction, such that an Excess Ownership Position no longer exists following such partial termination. In the event that Dealer so designates an Early Termination Date with respect to a portion of the Transaction, a payment shall be made pursuant to Section 6 of the Agreement as if (i) an Early Termination Date had been designated in respect of a Transaction having terms identical to the Transaction and a Number of Note Hedging Units equal to the Terminated Portion, (ii) Counterparty shall be the sole Affected Party with respect to such partial termination and (iii) such Transaction shall be the only Terminated Transaction (and, for the avoidance of doubt, the provisions set forth under the caption “Alternative Calculations and Dealer Payment on Early Termination and on Certain Extraordinary Events” shall apply to any amount that is payable by Dealer to Counterparty pursuant to this sentence). The “**Equity Percentage**” as of any day is the fraction, expressed as a percentage, (A) the numerator of which is the number of Underlying Shares that Dealer and any of its affiliates subject to aggregation with Dealer for purposes of the “beneficial ownership” test under Section 13 of the Exchange Act and all persons who may form a “group” (within the meaning of Rule 13d-5(b)(1) under the Exchange Act) with Dealer (collectively, “**Dealer Group**”) “beneficially own” (within the meaning of Section 13 of the Exchange Act) in connection with a transaction with Counterparty without duplication on such day (or to the extent that the equivalent calculation under Section 16 of the Exchange Act and the rules and regulations thereunder results in a higher number, such number) and (B) the denominator of which is the number of Underlying Shares outstanding on such day.

Designation by Dealer. Notwithstanding any other provision in this Confirmation to the contrary requiring or allowing Dealer to purchase, sell, receive or deliver any Shares or other securities, or make or receive any payment in cash, to or from Counterparty, Dealer may designate any of its affiliates to purchase, sell, receive or deliver such Shares or other securities, or to make or receive such payment in cash, and otherwise to perform Dealer’s obligations in respect of the Transaction and any such designee may assume such obligations. Dealer shall be discharged of its obligations to Counterparty only to the extent of any such performance.

Service of Process. Counterparty hereby appoints Cogency Global Inc., 10 E. 40th Street, 10th Floor, New York, New York 10016, United States of America to receive, for it and on its behalf, service of process in any Proceedings.

Severability; Illegality. Notwithstanding anything to the contrary in the Agreement, if compliance by either party with any provision of the Transaction would be unenforceable or illegal, (a) the parties shall negotiate in good faith to resolve such unenforceability or illegality in a manner that preserves the economic benefits of the transactions contemplated hereby and (b) the other provisions of the Transaction shall not be invalidated, but shall remain in full force and effect.

Waiver of Jury Trial. EACH PARTY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY SUIT,

ACTION OR PROCEEDING RELATING TO THE TRANSACTION. EACH PARTY (I) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF THE OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF SUCH A SUIT, ACTION OR PROCEEDING, SEEK TO ENFORCE THE FOREGOING WAIVER AND (II) ACKNOWLEDGES THAT IT AND THE OTHER PARTY HAVE BEEN INDUCED TO ENTER INTO THE TRANSACTION, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS PROVIDED HEREIN.

Agreements and Acknowledgements Regarding Hedging. Counterparty understands, acknowledges and agrees that: (A) at any time on and prior to the Expiration Date, Dealer and its affiliates may buy or sell Shares, Underlying Shares or other securities or buy or sell options or futures contracts or enter into swaps or other derivative securities in order to adjust its hedge position with respect to the Transaction; (B) Dealer and its affiliates also may be active in the market for Shares or Underlying Shares other than in connection with hedging activities in relation to the Transaction; (C) Dealer shall make its own determination as to whether, when or in what manner any hedging or market activities in securities of Issuer shall be conducted and shall do so in a manner that it deems appropriate to hedge its price and market risk with respect to the Daily VWAP; and (D) any market activities of Dealer and its affiliates with respect to Shares or Underlying Shares may affect the market price and volatility of Shares or Underlying Shares, as well as the Daily VWAP, each in a manner that may be adverse to Counterparty.

Early Unwind. In the event the sale of the “Additional Notes” (as defined in the Purchase Agreement) is not consummated with the initial purchasers thereof for any reason by the close of business in New York on November 3, 2017 (or such later date as agreed upon by the parties) (November 3, 2017 or such later date as agreed upon being the “**Early Unwind Date**”), the Transaction shall automatically terminate (the “**Early Unwind**”) on the Early Unwind Date and (a) the Transaction and all of the respective rights and obligations of Dealer and Counterparty under the Transaction shall be cancelled and terminated and (b) each party shall be released and discharged by the other party from and agrees not to make any claim against the other party with respect to any obligations or liabilities of the other party arising out of and to be performed in connection with the Transaction either prior to or after the Early Unwind Date; *provided* that, if such an Early Unwind is solely due to an event within Counterparty’s control, Counterparty shall purchase from Dealer on the Early Unwind Date all Shares and Underlying Shares purchased by Dealer or one or more of its affiliates, and assume, or reimburse the cost of, derivatives and other hedging activities entered into by Dealer or one or more of its affiliates, in each case, in connection with hedging of the Transaction and the unwind of such hedging activities. The amount payable by Counterparty shall be Dealer’s (or its affiliates) actual cost of such Shares and Underlying Shares and unwind cost of such derivatives and other hedging activities as Dealer informs Counterparty and shall be paid in immediately available funds on the Early Unwind Date. Dealer and Counterparty represent and acknowledge to the other that, subject to the proviso included in the second preceding sentence, upon an Early Unwind, all obligations with respect to the Transaction shall be deemed fully and finally discharged.

Payment by Counterparty. In the event that, following payment of the Premium, (i) an Early Termination Date occurs or is designated with respect to the Transaction as a result of a Termination Event or an Event of Default (other than an Event of Default arising under Section 5(a)(ii) or 5(a)(iv) of the Agreement) and, as a result, Counterparty owes to Dealer an amount calculated under Section 6(e) of the Agreement, or (ii) Counterparty owes to Dealer pursuant to Section 12.7 or 12.9 of the Equity Definitions or this Confirmation, an amount calculated under Section 12.8 of the Equity Definitions), such amount shall be deemed to be zero.

Other Adjustments Pursuant to the Equity Definitions. Notwithstanding anything to the contrary in this Confirmation, solely for the purpose of adjusting the Cap Price, the term “Merger Event” shall have the meaning assigned to such term in the Equity Definitions (as amended above), and upon the occurrence of a Merger Date, as such term is defined in the Equity Definitions, the Calculation Agent may adjust the Cap Price to preserve the fair value of the Note Hedging Units to Dealer; *provided* that in no event shall the Cap Price be less than the Strike Price; *provided, further*, that any adjustment to the Cap Price made pursuant to this Section shall be made without duplication of any other adjustment or determination hereunder (including, for the avoidance of doubt, adjustments or determinations made in accordance with “Method of Adjustment,” “Consequences of Merger Events” and “Consequences of Announcement Events” above).

Taxes, Foreign Account Tax Compliance Act and HIRE Act. Counterparty is classified as a corporation for the U.S. federal income tax purposes. No income received or to be received under this Agreement will be effectively connected with the conduct of a trade or business by Counterparty in the United States. Counterparty is a “non-U.S. branch of a foreign person” as that term is used in Section 1.1441-4(a)(3)(ii) of the United States Treasury Regulations (the “**Regulations**”), and it is a “foreign person” as that term is used in Section 1.6041-4(a)(4) of the Regulations. The term “Indemnifiable Tax” as defined in Section 14 of this Agreement shall not include any U.S. federal withholding tax imposed or collected pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code (a “**FATCA Withholding Tax**”). For the avoidance of doubt, a FATCA Withholding Tax is a Tax the deduction or withholding of which is required by applicable law for the purposes of Section 2(d) of this Agreement. The parties agree that the definitions and provisions contained in the ISDA 2015 Section 871(m) Protocol, as published by the International Swaps and Derivatives Association, Inc. and as may be amended, supplemented, replaced or superseded from time to time (the “**871(m) Protocol**”) shall apply to this Agreement as if the parties had adhered to the 871(m) Protocol as of the effective date of this Agreement. If there is any inconsistency between this provision and a provision in any other agreement executed between the parties, this provision shall prevail unless such other agreement expressly overrides the provisions of the 871(m) Protocol. Each of Dealer and Counterparty shall provide to the other party tax forms and documents required to be delivered pursuant to Sections 1471(b) or Section 1472(b)(1) of the Code promptly upon request by the other party and any other tax forms and documents they are legally able to provide that are reasonably requested by the other party.

U.S. Tax Forms. Without limiting the generality of the foregoing, Counterparty will provide a US Tax Form W-8BEN-E upon the execution of this Agreement and promptly upon reasonable demand by Dealer.

Governing Law; Jurisdiction. THIS CONFIRMATION AND ANY CLAIM, CONTROVERSY OR DISPUTE ARISING UNDER OR RELATED TO THIS CONFIRMATION SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK. THE PARTIES HERETO IRREVOCABLY SUBMIT TO THE EXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK AND THE UNITED STATES COURT FOR THE SOUTHERN DISTRICT OF NEW YORK IN CONNECTION WITH ALL MATTERS RELATING HERETO AND WAIVE ANY OBJECTION TO THE LAYING OF VENUE IN, AND ANY CLAIM OF INCONVENIENT FORUM WITH RESPECT TO, THESE COURTS.

Contact information. For purposes of the Agreement (unless otherwise specified in the Agreement), all notices to the parties shall be delivered by electronic mail with a copy to follow by overnight courier, addressed as follows:

(a) Counterparty

China Lodging Group, Limited
No. 2266 Hongqiao Road
Shanghai, 200336, PRC
Attention: Teo Nee Chuan

(b) Dealer

To: Morgan Stanley & Co. LLC
1585 Broadway, 5th Floor
New York, NY 10036
Attn: Global Capital Markets
Telephone: +1 212 761-9363, +852 3963-0262
Facsimile: +1 212 404-9481, +852 3748-1315
Email: nycd-notices@morganstanley.com, asiaced@morganstanley.com

With a copy to: Morgan Stanley & Co. LLC
1221 Avenue of the Americas, 34th Floor

Attn: New York, NY 10020
Telephone: Global Capital Markets
+1 212 761-9363, +852 3963-0262
Facsimile: +1 212 404-9481, +852 3748-1315
Email: nycd-notices@morganstanley.com, asiaced@morganstanley.com

This Confirmation may be executed in several counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

Counterparty hereby agrees (a) to check this Confirmation and (b) to confirm that the foregoing correctly sets forth the terms of the Transaction by signing in the space provided below and returning to Dealer a facsimile or electronic version of the fully-executed Confirmation at +1 212 507-1429 and usequitysolutions@morganstanley.com. Originals shall be provided for your execution upon request.

We are very pleased to have executed the Transaction with you and we look forward to completing other transactions with you in the near future.

Very truly yours,

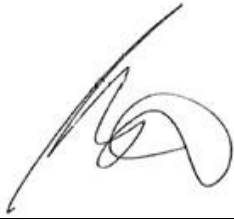
MORGAN STANLEY & CO. LLC

By: /s/ Michael Lazar
Name: Michael Lazar
Title: Executive Director

[Signature Page to Additional Capped Call Confirmation]

Counterparty hereby agrees to, accepts and confirms the terms of the foregoing as of the Trade Date.

CHINA LODGING GROUP, LIMITED

A handwritten signature in black ink, consisting of a large, stylized initial 'A' followed by a cursive name.

By: _____
Name:
Title:

[Signature Page to Additional Capped Call Confirmation]

The Premium for the Transaction is set forth below.

Premium: USD282,000

CHINA LODGING GROUP, LIMITED

and

Wilmington Trust, National Association

as Trustee

INDENTURE

Dated as of November 3, 2017

US\$475,000,000 0.375% CONVERTIBLE SENIOR NOTES DUE 2022

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INDENTURE dated as of November 3, 2017, between China Lodging Group, Limited, a Cayman Islands exempted company, as issuer (the “**Company**”, as more fully set forth in Section 1.01) and Wilmington Trust, National Association, a national banking association, as trustee (the “**Trustee**”, as more fully set forth in Section 1.01).

WITNESSETH:

WHEREAS, for its lawful corporate purposes, the Company has duly authorized the issuance of its 0.375% Convertible Senior Notes due 2022 (the “**Notes**”), in the aggregate principal amount of \$475,000,000 (including \$50,000,000 in aggregate principal amount of additional Notes purchased by the Initial Purchasers pursuant to the exercise of their option to purchase additional Notes as set forth in the Purchase Agreement), and in order to provide the terms and conditions upon which the Notes are to be authenticated, issued and delivered, the Company has duly authorized the execution and delivery of this Indenture; and

WHEREAS, the Form of Note, the certificate of authentication to be borne by each Note, the Form of Notice of Conversion, the Form of Fundamental Change Repurchase Notice, the Form of Repurchase Notice, the Form of Assignment and Transfer, the Form of Certificate Re: Exchange for Regulation S Note or Rule 144A Note, as the case may be, to be borne by the Notes are to be substantially in the forms hereinafter provided; and

WHEREAS, all acts and things necessary to make the Notes, when executed by the Company and authenticated and delivered by the Trustee, as in this Indenture provided, the valid, binding and legal obligations of the Company, and this Indenture a valid agreement according to its terms, have been done and performed, and the execution of this Indenture and the issuance hereunder of the Notes have in all respects been duly authorized.

NOW, THEREFORE, THIS INDENTURE

That in order to declare the terms and conditions upon which the Notes are, and are to be, authenticated, issued and delivered, and in consideration of the premises and of the purchase and acceptance of the Notes by the Holders thereof, the Company covenants and agrees with the Trustee for the equal and proportionate benefit of the respective Holders from time to time of the Notes (except as otherwise provided below), as follows:

ARTICLE 1 DEFINITIONS

Section 1.01 *Definitions.* The terms defined in this Section 1.01 (except as herein otherwise expressly provided or unless the context otherwise requires) for all purposes of this Indenture and of any indenture supplemental hereto shall have the respective meanings specified in this Section 1.01. The words “herein,” “hereof,” “hereunder,” and words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision. The terms defined in this Article include the plural as well as the singular.

“**Additional ADSs**” shall have the meaning specified in Section 14.03(a).

“**Additional Amounts**” shall have the meaning specified in Section 4.07(a).

“**Additional Interest**” means all amounts, if any, payable pursuant to Section 4.06(d), Section 4.06(e), and Section 6.03, as applicable.

“**ADS**” means an American Depositary Share, issued pursuant to the Deposit Agreement, representing four ordinary shares of the Company as of the date of this Indenture, and deposited with the ADS Custodian.

“**ADS Custodian**” means Citibank N.A. — Hong Kong, with respect to the ADSs delivered pursuant to the Deposit Agreement, or any successor entity thereto.

“**ADS Depositary**” means Citibank, N.A., as depositary for the ADSs.

“**ADS Price**” shall have the meaning specified in Section 14.03(c).

“**Affiliate**” of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, “control,” when used with respect to any specified Person means the power to direct or cause the direction of the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“**Agents**” means the Paying Agent, the Note Registrar and the Conversion Agent.

“**Applicable Tax Law**” shall have the meaning specified in Section 4.07.

“**Applicable Taxes**” shall have the meaning specified in Section 4.07.

“**Board of Directors**” means the board of directors of the Company or a committee of such board duly authorized to act for it hereunder.

“**Board Resolution**” means a copy of a resolution certified by the Secretary of the Company to have been duly adopted by the Board of Directors, and to be in full force and effect on the date of such certification, and delivered to the Trustee.

“**Business Day**” means, with respect to any Note, any day other than a Saturday, Sunday or day on which the Federal Reserve Bank of New York is authorized or required by law or executive order to close or to be closed.

“**Capital Stock**” means, for any entity, any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) stock issued by that entity.

“**Change in Tax Law**” shall have the meaning specified in Section 16.01(a).

“**Clause A Distribution**” shall have the meaning specified in Section 14.04(c).

“**Clause B Distribution**” shall have the meaning specified in Section 14.04(c).

“**Clause C Distribution**” shall have the meaning specified in Section 14.04(c).

“**close of business**” means 5:00 p.m. (New York City time).

“**Code**” means the U.S. Internal Revenue Code of 1986, as amended.

“**Commission**” means the U.S. Securities and Exchange Commission.

“**Common Equity**” of any Person means ordinary share capital or Capital Stock of such Person that is generally entitled (a) to vote in the election of directors of such Person or (b) if such Person is not a corporation, to vote or otherwise participate in the selection of the governing body, partners, managers or others that will control the management or policies of such Person.

“**Company**” shall have the meaning specified in the first paragraph of this Indenture, and subject to the provisions of Article 11, shall include its successors and assigns.

“**Company Notice**” shall have the meaning specified in Section 15.01(a).

“**Company Order**” means a written order of the Company, signed by an Officer of the Company and delivered to the Trustee.

“**Conversion Agent**” shall have the meaning specified in Section 4.02.

“**Conversion Date**” shall have the meaning specified in Section 14.02(c).

“**Conversion Obligation**” shall have the meaning specified in Section 14.01.

“**Conversion Rate**” shall have the meaning specified in Section 14.01.

“**Corporate Trust Office**” means an office of the Trustee at which at any time its corporate trust business shall be administered, which office at the date hereof is located at 50 South Sixth Street, Suite 1290, Minneapolis, MN 55402, Attention: China Lodging Group, Account Manager, Fax: (612) 217-5651, or such other address as the Trustee may designate from time to time by notice to the Holders and the Company, or the corporate trust office of any successor trustee (or such other address as such successor trustee may designate from time to time by notice to the Holders and the Company).

“**Default**” means any event that is, or after notice or passage of time, or both, would be, an Event of Default.

“**Defaulted Amounts**” means any amounts on any Note (including, without limitation, the Repurchase Price, the Tax Redemption Price, the Fundamental Change Repurchase Price, principal and interest) that are payable but are not punctually paid or duly provided for (without taking into account any applicable grace period).

“**Deposit Agreement**” means the deposit agreement dated as of March 25, 2010, by and among the Company, the ADS Depository and all holders and beneficial owners of ADSs issued thereunder or, if amended or supplemented as provided therein, as so amended or supplemented.

“**Depository**” means, with respect to each Global Note, the Person specified in Section 2.05(c) as the Depository with respect to such Notes, until a successor shall have been appointed and become such pursuant to the applicable provisions of this Indenture, and thereafter, “**Depository**” shall mean or include such successor.

“**Distributed Property**” shall have the meaning specified in Section 14.04(c).

“**Effective Date**” shall have the meaning specified in Section 14.03(c).

“**Event of Default**” shall have the meaning specified in Section 6.01.

“**Ex-Dividend Date**” means the first date on which the ADSs trade on the applicable exchange or in the applicable market, regular way, without the right to receive the issuance, dividend or distribution in question, from the Company or, if applicable, from the seller of the ADSs on such exchange or market (in the form of due bills or otherwise) as determined by such exchange or market.

“**Exchange Act**” means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

“**Existing Principal Shareholders**” (each, an “**Existing Principal Shareholder**”) mean Mr. Qi Ji, Ms. Tong Tong Zhao, Mr. John Jiong Wu, Accor S.A. and Ctrip.com International, Ltd., together with any other respective “person” or “group” subject to aggregation of the ordinary share capital of the Company (including ordinary share capital held in the form of ADSs) with any of the aforementioned persons and entities under Section 13(d) of the Exchange Act.

“**Expiration Date**” shall have the meaning specified in Section 14.04(e).

“**Expiring Rights**” means any rights, options or warrants to purchase ordinary shares or ADSs that expire on or prior to the Maturity Date.

“**FATCA**” shall have the meaning specified in Section 4.07.

“**Form of Assignment and Transfer**” shall mean the “Form of Assignment and Transfer” attached as Attachment 4 to the Form of Note attached hereto as Exhibit A.

“**Form of Fundamental Change Repurchase Notice**” shall mean the “Form of Fundamental Change Repurchase Notice” attached as Attachment 2 to the Form of Note attached hereto as Exhibit A.

“**Form of Notice of Conversion**” shall mean the “Form of Notice of Conversion” attached as Attachment 1 to the Form of Note attached hereto as Exhibit A.

“**Form of Repurchase Notice**” shall mean the “Form of Repurchase Notice” attached as Attachment 3 to the Form of Note attached hereto as Exhibit A.

“**Fundamental Change**” shall be deemed to have occurred at the time after the Notes are originally issued if any of the following occurs:

- (a) (1) a “person” or “group” within the meaning of Section 13(d) of the Exchange Act, other than:
 - (x) the Company and its Subsidiaries, and
 - (y) the Existing Principal Shareholders or any of their respective affiliates that directly or indirectly through one or more intermediaries is controlling, is controlled by, or is under common control with, any or all of the Existing Principal Shareholders,

files a Schedule TO or any schedule, form or report under the Exchange Act disclosing that such person or group has become the direct or indirect “beneficial owner” of the ordinary share capital (including ordinary share capital held in the form of ADSs) of the Company representing more than 50.0% of the voting power of the ordinary share capital (including ordinary share capital held in the form of ADSs) of the Company; or

(2) the Existing Principal Shareholders (together with any of their respective affiliates that directly or indirectly through one or more intermediaries is controlling, is controlled by, or is under common control with, any or all of the Existing Principal Shareholders) have become the direct or indirect “beneficial owners” of the ordinary share capital (including ordinary share capital held in the form of ADSs) of the Company representing, in the aggregate, more than 75% of the ordinary share capital (including ordinary share capital held in the form of ADSs) of the Company;

provided that, as used in this clause (a)(1), the term “beneficial owner” shall have the meaning defined in Rule 13d-3 under the Exchange Act;

- (b) the consummation of (1) any recapitalization, reclassification or change of the ordinary shares or the ADSs (other than changes resulting from a subdivision or combination) as a result of which the ordinary shares or the ADSs would be converted into, or exchanged for, stock, other securities, other property or assets; (2) any share exchange, consolidation or merger of the Company, or any similar transaction, pursuant to which the ordinary shares or the ADSs will be converted into cash, securities or other property; or (3) any conveyance, sale, lease or other transfer in one transaction or a series of transactions of all or substantially all of the consolidated assets of the Company and its Subsidiaries, taken as a whole, to any Person other than one of the Company’s wholly-owned Subsidiaries; *provided*, however, that a transaction described in clause (2) in which the holders of all classes of the ordinary share capital of the Company immediately prior to such transaction own, directly or indirectly, more than 50% of all classes of common equity of the continuing or surviving corporation or transferee or the parent thereof immediately after such transaction shall not be a fundamental change pursuant to this clause (b);
- (c) the shareholders of the Company approve any plan or proposal for the liquidation or dissolution of the Company (other than in a transaction described in clause (b) above); or

- (d) the ADSs of the Company (or other common equity or ADSs underlying the Notes into which the Notes are then convertible) cease to be listed on any of The New York Stock Exchange, The NASDAQ Global Select Market or The NASDAQ Global Market (or any of their respective successors);

provided, however, that a transaction or event described in clause (b) above shall not constitute a Fundamental Change, if at least 90% of the consideration received or to be received by holders of the ADSs (excluding cash payments for fractional ADSs) in the transaction or event that would otherwise constitute a Fundamental Change consists of shares of Common Equity or ADSs in respect of Common Equity that are listed on The New York Stock Exchange, the NASDAQ Global Select Market or The NASDAQ Global Market (or any of their respective successors) or that will be so listed when issued or exchanged in connection with such transaction or event that would otherwise constitute a Fundamental Change under clause (b) of the definition thereof, and as a result of such transaction or event, the Notes become convertible into such consideration, excluding cash payments for any fractional ADSs; for the avoidance of doubt, an event that is not considered a Fundamental Change pursuant to this *proviso* shall not be a Fundamental Change solely because such event could also be subject to clause (a) above.

“**Fundamental Change Company Notice**” shall have the meaning specified in Section 15.02(b).

“**Fundamental Change Repurchase Date**” shall have the meaning specified in Section 15.02.

“**Fundamental Change Repurchase Notice**” shall have the meaning specified in Section 15.02(a)(i).

“**Fundamental Change Repurchase Price**” shall have the meaning specified in Section 15.02.

“**Global Note**” shall have the meaning specified in Section 2.05(b).

“**Guarantor Subsidiary**” means any existing or subsequently acquired or organized direct or indirect Subsidiary that guarantees any secured or unsecured debt securities issued by the Company subsequent to the date of this Indenture in an offering registered pursuant to the Securities Act or in an offering exempt from such registration pursuant to Rule 144A and/or Regulation S and/or any other exemption from registration available under the Securities Act.

“**Holder**,” as applied to any Note, or other similar terms (but excluding the term “beneficial holder”), shall mean any Person in whose name at the time a particular Note is registered on the Note Register.

“**Indenture**” means this instrument as originally executed or, if amended or supplemented as herein provided, as so amended or supplemented.

“**Initial Purchasers**” means Deutsche Bank Securities Inc., J.P. Morgan Securities LLC, Moran Stanley & Co. International plc, and UBS Securities LLC.

“**Interest Payment Date**” means each May 1 and November 1 of each year, beginning on May 1, 2018.

“**Last Reported Sale Price**” of the ADSs on any Trading Day means the closing sale price per ADS (or if no closing sale price is reported, the average of the bid and ask prices or, if more than one in either case, the average of the average bid and the average ask prices) on that date as reported in composite transactions for the principal U.S. national or regional securities exchange on which the ADSs are listed. If the ADSs are not listed for trading on a U.S. national or regional securities exchange on the relevant date, the “**Last Reported Sale Price**” shall be the last quoted bid price for the ADSs in the over-the-counter market on the relevant date as reported by OTC Markets Group Inc. or a similar organization. If the ADSs are not so quoted, the “**Last Reported Sale Price**” shall be the average of the mid-point of the last bid and ask prices for the ADSs on the relevant date from each of at least three nationally recognized independent investment banking firms selected by the Company for this purpose.

“**Market Disruption Event**” means, if the ADSs of the Company are listed for trading on The NASDAQ Global Select Market or listed on another United States national or regional securities exchange, the occurrence or existence during the one-half hour period ending on the scheduled close of trading on any scheduled Trading Day of any material suspension or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the securities exchange or otherwise) in the ADSs of the Company or in any options, contracts or futures contracts relating to the ADSs of the Company.

“**Make-Whole Fundamental Change**” means any transaction or event described in clause (a), (b), (c) or (d) of the definition of Fundamental Change (determined after giving effect to any exceptions to or exclusions from such definition, including in the proviso immediately succeeding clause (d) of the definition thereof, but without regard to the proviso in clause (b) of the definition thereof).

“**Maturity Date**” means November 1, 2022.

“**Merger Event**” shall have the meaning specified in Section 14.07(a).

“**Note**” or “**Notes**” shall have the meaning specified in the first paragraph of the recitals of this Indenture.

“**Notes Fungibility Date**” means the date, if any, following the Resale Restriction Termination Date on which all of the Rule 144A Notes and all of the Regulation S Notes are no longer Restricted Securities, do not bear the restrictive legend required by Section 2.05(c), are fungible for U.S. securities law purposes and are assigned an identical, unrestricted CUSIP number.

“**Note Register**” shall have the meaning specified in Section 2.05(a).

“**Note Registrar**” shall have the meaning specified in Section 2.05(a).

“**Notice of Conversion**” shall have the meaning specified in Section 14.02(b).

“**Offering Memorandum**” means the preliminary offering memorandum dated October 26, 2017, as supplemented by the pricing term sheet dated October 26, 2017, relating to the offering and sale of the Notes.

“**Officer**” means, with respect to the Company, the Executive Chairman, the Directors, the Chief Executive Officer, the Chief Financial Officer or the Secretary (whether or not designated by a number or numbers or word or words added before or after the title “**Vice President**”).

“**Officers’ Certificate**,” when used with respect to the Company, means a certificate that is delivered to the Trustee and that is signed by any two Officers of the Company. Each such certificate shall include the statements provided for in Section 17.06 if and to the extent required by the provisions of such Section. One of the Officers giving an Officers’ Certificate pursuant to Section 4.09 shall be the principal executive, financial or accounting officer of the Company.

“**open of business**” means 9:00 a.m. (New York City time).

“**Opinion of Counsel**” means an opinion in writing signed by legal counsel and in a form reasonably acceptable to the Trustee, who may be an employee of or counsel to the Company, or other counsel acceptable to the Trustee, that is delivered to the Trustee. Each such opinion shall include the statements provided for in Section 17.06 if and to the extent required by the provisions of such Section 17.06.

“**ordinary shares**” means the ordinary shares of the Company, par value \$0.0001 per share, at the date of this Indenture, subject to Section 14.07.

“**outstanding**,” when used with reference to Notes, shall, subject to the provisions of Section 8.04, mean, as of any particular time, all Notes authenticated and delivered by the Trustee under this Indenture, except:

- (a) Notes theretofore canceled by the Trustee or accepted by the Trustee for cancellation;
- (b) Notes, or portions thereof, that have become due and payable and in respect of which monies in the necessary amount shall have been deposited with the Trustee or with any Paying Agent (other than the Company) or shall have been set aside and segregated in trust by the Company (if the Company shall act as its own Paying Agent);
- (c) Notes that have been paid pursuant to Section 2.06 or Notes in lieu of which, or in substitution for which, other Notes shall have been authenticated and delivered pursuant to the terms of Section 2.06 unless proof satisfactory to the Trustee is presented that any such Notes are held by protected purchasers in due course;
- (d) Notes converted pursuant to Article 14 and required to be cancelled pursuant to Section 2.08; and
- (e) Notes repurchased by the Company pursuant to the third sentence of Section 2.10.

“**Paying Agent**” shall have the meaning specified in Section 4.02.

“**Person**” means an individual, a corporation, a limited liability company, an association, a partnership, a joint venture, a joint stock company, a trust, an unincorporated organization or a government or an agency or a political subdivision thereof.

“**Physical Notes**” means permanent certificated Notes in registered form issued in minimum denominations of \$1,000 principal amount and multiples thereof.

“**PRC Enterprise Income Tax Law**” means the Enterprise Income Tax Law of the People’s Republic of China, adopted on March 16, 2007 (as subsequently amended or substituted);

“**Predecessor Note**” of any particular Note means every previous Note evidencing all or a portion of the same debt as that evidenced by such particular Note; and, for the purposes of this definition, any Note authenticated and delivered under Section 2.06 in lieu of or in exchange for a mutilated, lost, destroyed or stolen Note shall be deemed to evidence the same debt as the mutilated, lost, destroyed or stolen Note that it replaces.

“**Purchase Agreement**” means that certain Purchase Agreement, dated as of October 26, 2017 among the Company and the Initial Purchasers relating to the issuance and sale of the Notes.

“**Record Date**” means, with respect to any dividend, distribution or other transaction or event in which the holders of the ordinary shares (directly or in the form of ADSs) (or other applicable security) have the right to receive any cash, securities or other property or in which the ordinary shares (directly or in the form of ADSs) (or such other security) is exchanged for or converted into any combination of cash, securities or other property, the date fixed for determination of security holders entitled to receive such cash, securities or other property (whether such date is fixed by the Board of Directors, statute, contract or otherwise).

“**Reference Property**” shall have the meaning specified in Section 14.07(a).

“**Regular Record Date,**” with respect to any Interest Payment Date, shall mean the April 15 or October 15 (whether or not such day is a Business Day) immediately preceding the applicable May 1 or November 1 Interest Payment Date, respectively.

“**Regulation S**” means Regulation S under the Securities Act or any successor to such regulation.

“**Regulation S Notes**” means the Notes initially offered and sold pursuant to Regulation S.

“**Relevant Taxing Jurisdiction**” shall have the meaning specified in Section 4.07(a).

“**Repurchase Date**” shall have the meaning specified in Section 15.01(a).

“**Repurchase Expiration Time**” shall have the meaning specified in Section 15.01(a).

“**Repurchase Notice**” shall have the meaning specified in Section 15.01(a).

“**Repurchase Price**” shall have the meaning specified in Section 15.01(a).

“**Resale Restriction Termination Date**” shall have the meaning specified in Section 2.05(c).

“**Responsible Officer**” means, when used with respect to the Trustee, any officer within the corporate trust department of the Trustee having direct responsibility for the administration of this Indenture, or to whom any corporate trust matter is referred because of such person’s knowledge of and familiarity with the particular subject and who shall have direct responsibility for the administration of this Indenture.

“**Restricted Securities**” shall have the meaning specified in Section 2.05(c).

“**Rule 144A**” means Rule 144A as promulgated under the Securities Act.

“**Rule 144A Notes**” means the notes initially offered and sold pursuant to Rule 144A.

“**Scheduled Trading Day**” means a day that is scheduled to be a trading day on the primary United States national or regional securities exchange or market on which the ADSs of the Company are listed or admitted for trading. If the ADSs of the Company are not so listed or admitted for trading, “Scheduled Trading Day” means a “Business Day.”

“**Securities Act**” means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

“**Significant Subsidiary**” means a Subsidiary of the Company that meets the definition of “significant subsidiary” in Article 1, Rule 1-02 of Regulation S-X under the Exchange Act.

“**Spin-Off**” shall have the meaning specified in Section 14.04(c).

“**Subsidiary**” means, with respect to any Person, any corporation, association, partnership or other business entity of which more than 50% of the total voting power of shares of Capital Stock or other interests (including partnership interests) entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers, general partners or trustees thereof is at the time owned or controlled, directly or indirectly, by (i) such Person; (ii) such Person and one or more Subsidiaries of such Person; or (iii) one or more Subsidiaries of such Person.

“**Successor Company**” shall have the meaning specified in Section 11.01(a).

“**Successor Guarantor Subsidiary**” shall mean, in respect of a Guarantor Subsidiary, the resulting, surviving or transferee Person or the Person which acquires by conveyance, transfer, lease or other disposition all or substantially all of such Guarantor Subsidiary’s properties and assets, other than the Company.

“**Tax Redemption**” shall have the meaning specified in Section 16.01.

“**Tax Redemption Date**” shall have the meaning specified in Section 16.02(a).

“**Tax Redemption Notice**” shall have the meaning specified in Section 16.02(a).

“**Tax Redemption Price**” means, for any Notes to be redeemed pursuant to Section 16.01, 100% of the principal amount of such Notes, plus accrued and unpaid interest (including any Additional Amounts), if any, to, but

excluding, the Tax Redemption Date (unless the Tax Redemption Date falls after a Regular Record Date but on or prior to the immediately succeeding Interest Payment Date, in which case the Tax Redemption Price will be equal to 100% of the principal amount of such Notes) including, for the avoidance of doubt, any Additional Amounts with respect to such amount.

“**Trading Day**” means a scheduled trading day on which (i) trading in the ADSs of the Company generally occurs on The NASDAQ Global Select Market or, if the ADSs are not then listed on The NASDAQ Global Select Market, on the principal other United States national or regional securities exchange on which the ADSs are then listed or, if the ADSs are not then listed on a United States national or regional securities exchange, on the principal other market on which the ADSs are then traded, and (ii) there is no market disruption event; if the ADSs are not so listed or traded, “Trading Day” means a “Business Day.”

“**transfer**” shall have the meaning specified in Section 2.05(c).

“**Trigger Event**” shall have the meaning specified in Section 14.04(c).

“**Trust Indenture Act**” means the Trust Indenture Act of 1939, as amended, as it was in force at the date of execution of this Indenture; *provided, however*, that in the event the Trust Indenture Act of 1939 is amended after the date hereof, the term “Trust Indenture Act” shall mean, to the extent required by such amendment, the Trust Indenture Act of 1939, as so amended.

“**Trustee**” means the Person named as the “Trustee” in the first paragraph of this Indenture until a successor trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter “Trustee” shall mean or include each Person who is then a Trustee hereunder.

“**unit of Reference Property**” shall have the meaning specified in Section 14.07(a).

“**U.S. Person**” shall have the meaning as such term is defined under Regulation S.

“**Valuation Period**” shall have the meaning specified in Section 14.04(c).

Section 1.02 *References to Interest.* Unless the context otherwise requires, any reference to interest on, or in respect of, any Note in this Indenture shall be deemed to include Additional Interest if, in such context, Additional Interest is, was or would be payable pursuant to any of Section 4.06(d), Section 4.06(e) and Section 6.03. Unless the context otherwise requires, any express mention of Additional Interest in any provision hereof shall not be construed as excluding Additional Interest in those provisions hereof where such express mention is not made.

ARTICLE 2 ISSUE, DESCRIPTION, EXECUTION, REGISTRATION AND EXCHANGE OF NOTES

Section 2.01 *Designation and Amount.* The Notes shall be designated as the “0.375% Convertible Senior Notes due 2022.” The aggregate principal amount of Notes that may be authenticated and delivered under this Indenture is initially limited to \$475,000,000 issuance of its 0.375% Convertible Senior Notes due 2022 (the “Notes”), in the aggregate principal amount of \$475,000,000, subject to Section 2.10 and except for Notes authenticated and delivered upon registration or transfer of, or in exchange for, or in lieu of other Notes pursuant to Section 2.05, Section 2.06, Section 2.07, Section 10.04, Section 14.02 and Section 15.04.

Section 2.02 *Form of Notes.* The Notes and the Trustee’s certificate of authentication to be borne by such Notes shall be substantially in the respective forms set forth in Exhibit A, the terms and provisions of which shall constitute, and are hereby expressly incorporated in and made a part of this Indenture. To the extent applicable, the Company and the Trustee, by their execution and delivery of this Indenture, expressly agree to such terms and provisions and to be bound thereby. To the extent any provision of any Note conflicts with the express provisions of this Indenture, the provisions of this Indenture shall govern and be controlling.

Any Global Note may be endorsed with or have incorporated in the text thereof such legends or recitals or changes not inconsistent with the provisions of this Indenture as may be required by the Depositary, or as may be required to comply with any applicable law or any regulation thereunder or with the rules and regulations of any securities exchange or automated quotation system upon which the Notes may be listed or traded or designated for issuance or to conform with any usage with respect thereto, or to indicate any special limitations or restrictions to which any particular Notes are subject.

Any of the Notes may have such letters, numbers or other marks of identification and such notations, legends or endorsements as the Officers executing the same may approve (execution thereof to be conclusive evidence of such approval) and as are not inconsistent with the provisions of this Indenture, or as may be required to comply with any law or with any rule or regulation made pursuant thereto or with any rule or regulation of any securities exchange or automated quotation system on which the Notes may be listed or designated for issuance, or to conform to usage or to indicate any special limitations or restrictions to which any particular Notes are subject.

Each Global Note shall represent such principal amount of the outstanding Notes as shall be specified therein and shall provide that it shall represent the aggregate principal amount of outstanding Notes from time to time endorsed thereon and that the aggregate principal amount of outstanding Notes represented thereby may from time to time be increased or reduced to reflect repurchases, redemptions, cancellations, conversions, transfers or exchanges permitted hereby. Any endorsement of the Global Note to reflect the amount of any increase or decrease in the amount of outstanding Notes represented thereby shall be made by the Trustee or the Note Registrar in such manner and upon instructions given by the Holder of such Notes in accordance with this Indenture. Payment of principal (including the Repurchase Price, the Tax Redemption Price and the Fundamental Change Repurchase Price, if applicable) of, and accrued and unpaid interest on, the Global Note shall be made to the Holder of such Note on the date of payment, unless a record date or other means of determining Holders eligible to receive payment is provided for herein.

Section 2.03 *Date and Denomination of Notes; Payments of Interest and Defaulted Amounts.* (a) The Notes shall be issuable in registered form without coupons in minimum denominations of \$1,000 principal amount and integral multiples of \$1,000 in excess thereof. Each Note shall be dated the date of its authentication and shall bear interest from the date specified on the face of such Note. Accrued interest on the Notes shall be computed on the basis of a 360-day year composed of twelve 30-day months and, for partial months, on the basis of actual days elapsed over a 30-day month.

(b) The Person in whose name any Note (or its Predecessor Note) is registered on the Note Register at the close of business on any Regular Record Date with respect to any Interest Payment Date shall be entitled to receive the interest payable on such Interest Payment Date. Interest shall be payable at the office or agency of the Company maintained by the Company for such purposes, which shall initially be the Corporate Trust Office. The Company shall pay, or cause the Paying Agent to pay, interest (i) on Physical Notes, if any, (A) to Holders holding Physical Notes, if any, having an aggregate principal amount of \$1,000,000 or less, by check mailed (at the Company's expense) to the Holders of these Notes at their address as it appears in the Note Register and (B) to Holders holding Physical Notes having an aggregate principal amount of more than \$1,000,000, either by check mailed (at the Company's expense) to such Holders or, upon application by such Holder to the Note Registrar not later than the relevant Regular Record Date, by wire transfer in immediately available funds to that Holder's account within the United States, which application shall remain in effect until the Holder notifies, in writing, the Note Registrar to the contrary or (ii) on any Global Note by wire transfer of immediately available funds to the account of the Depositary or its nominee.

(c) Any Defaulted Amounts shall forthwith cease to be payable to the Holder on the relevant payment date but shall accrue interest per annum at the rate per annum borne by the Notes plus 1.00%, subject to the enforceability thereof under applicable law, from, and including, such relevant payment date, and such Defaulted Amounts together with such interest thereon shall be paid by the Company as provided in Section 2.03(d) below.

(d) The Company may elect to make payment of any Defaulted Amounts to the Persons in whose names the Notes (or their respective Predecessor Notes) are registered at the close of business on a

special record date for the payment of such Defaulted Amounts, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of the Defaulted Amounts proposed to be paid on each Note and the date of the proposed payment (which shall be not less than 25 days after the receipt by the Trustee of such notice), and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount to be paid in respect of such Defaulted Amounts or shall make arrangements satisfactory to the Trustee for such deposit on or prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Amounts as in this clause provided. Thereupon the Company shall fix a special record date for the payment of such Defaulted Amounts which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment, and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Company shall promptly notify the Trustee in writing of such special record date and the Trustee, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Amounts and the special record date therefor to be mailed, first-class postage prepaid (at the Company's expense), to each Holder at its address as it appears in the Note Register or, in the case of Global Notes, sent electronically in accordance with the applicable procedures of the Depositary, not less than 10 days prior to such special record date, in the form of notice prepared by the Company. Notice of the proposed payment of such Defaulted Amounts and the special record date therefor having been so sent, such Defaulted Amounts shall be paid to the Persons in whose names the Notes (or their respective Predecessor Notes) are registered at the close of business on such special record date.

Section 2.04 *Execution, Authentication and Delivery of Notes.* The Notes shall be signed in the name and on behalf of the Company by the manual or facsimile signature of its Chief Executive Officer or Chief Financial Officer. With the delivery of this Indenture, the Company is furnishing, and from time to time thereafter may furnish, a certificate substantially in the form of Exhibit B (an "**Authorization Certificate**") identifying and certifying the incumbency and specimen (and/or facsimile) signatures of its active authorized Officers. Until the Trustee receives a subsequent Authorization Certificate, the Trustee shall be entitled to conclusively rely on the last Authorization Certificate delivered to it for purposes of determining the relevant authorized Officers. Typographical and other minor errors or defects in any signature shall not affect the validity or enforceability of any Note which has been duly authenticated and delivered by the Trustee.

At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Notes executed by the Company to the Trustee for authentication, together with a Company Order for the authentication and delivery of such Notes, and the Trustee in accordance with such Company Order shall authenticate and deliver such Notes, without any further action by the Company hereunder.

The Company Order shall specify the amount of Notes to be authenticated (including the initial amount of Rule 144A Notes and the initial amount of Regulation S Notes), the applicable rate at which interest will accrue on such Notes, the date on which the original issuance of such Notes is to be authenticated, the date from which interest will begin to accrue, the date or dates on which interest on such Notes will be payable and the date on which the principal of such Notes will be payable and other terms relating to such Notes. The Trustee shall thereupon authenticate and deliver said Notes to or upon the written order of the Company (as set forth in such Company Order).

The Trustee shall have the right to decline to authenticate and deliver any Notes under this Indenture (a) unless and until it receives from the Company a Company Order instructing it to so authenticate and deliver such Notes and an Officers' Certificate and Opinion of Counsel in accordance with Section 17.06 hereof; (b) if the Trustee determines that such action may not lawfully be taken; or (c) if the Trustee determines that such action would expose to Trustee to personal liability, unless indemnity and/or security satisfactory to the Trustee against such liability is provided to the Trustee.

Only such Notes as shall bear thereon a certificate of authentication substantially in the form set forth on the form of Note attached as Exhibit A hereto, executed manually by an authorized officer of the Trustee, shall be entitled to the benefits of this Indenture or be valid or obligatory for any purpose. Such certificate by the Trustee upon any Note executed by the Company shall be conclusive evidence that the Note so authenticated has been duly authenticated and delivered hereunder and that the Holder is entitled to the benefits of this Indenture.

In case any Officer of the Company who shall have signed any of the Notes shall cease to be such Officer before the Notes so signed shall have been authenticated and delivered by the Trustee, or disposed of by the Company, such Notes nevertheless may be authenticated and delivered or disposed of as though the Person who signed such Notes had not ceased to be such Officer of the Company; and any Note may be signed on behalf of the Company by such Persons as, at the actual date of the execution of such Note, shall be the Officers of the Company, although at the date of the execution of this Indenture any such Person was not such an Officer.

Section 2.05 *Exchange and Registration of Transfer of Notes; Restrictions on Transfer; Depositary.* (a) The Company shall cause to be kept a register (the register maintained in such office or in any other office or agency of the Company designated pursuant to Section 4.02, the “**Note Register**”) in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Notes and of transfers of Notes. Such register shall be in written form or in any form capable of being converted into written form within a reasonable period of time. The Trustee is hereby initially appointed the “**Note Registrar**” for the purpose of registering Notes and transfers of Notes as herein provided. The Company may appoint one or more co-Note Registrars in accordance with Section 4.02.

Prior to the Notes Fungibility Date, upon surrender for registration of transfer of any physical Rule 144A Note or physical Regulation S Note, as the case may be, to the Note Registrar or any co-Note Registrar, and satisfaction of the requirements for such transfer set forth in this Section 2.05, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new physical Rule 144A Notes or physical Regulation S Notes, as the case may be, of any authorized denominations and of a like aggregate principal amount and bearing such restrictive legends as may be required by this Indenture. Following the Notes Fungibility Date, upon surrender for registration of transfer of any Physical Note to the Note Registrar or any co-Note Registrar, and satisfaction of the requirements for such transfer set forth in this Section 2.05, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Physical Notes of any authorized denominations and of a like aggregate principal amount and not bearing the restrictive legends required by Section 2.05(c).

Prior to the Notes Fungibility Date, Rule 144A Notes and Regulation S Notes, as the case may be, may be exchanged for other Rule 144A Notes or Regulation S Notes, as the case may be, of any authorized denominations and of a like aggregate principal amount, upon surrender of the Rule 144A Notes or Regulation S Notes, as the case may be, to be exchanged at any such office or agency maintained by the Company pursuant to Section 4.02. Prior to the Notes Fungibility Date, (A) Regulation S Notes (or beneficial interests therein) may be exchanged for Rule 144A Notes (or an increase in the aggregate principal amount represented by a Global Note that constitutes a Rule 144A Note) only if (1) such exchange occurs in connection with a transfer of the Notes (or a beneficial interest therein) under Rule 144A and (2) the transferor first delivers to the Trustee a written certificate, in the form attached to such Note, to the effect that the Notes (or such beneficial interest) are being transferred to a Person (a) who the transferor reasonably believes to be a QIB; (b) purchasing for its own account or the account of a QIB in a transaction meeting the requirements of Rule 144A; and (c) in accordance with all applicable securities laws of the states of the United States and other jurisdictions and (B) Rule 144A Notes (or beneficial interests therein) may only be exchanged for Regulation S Notes (or an increase in the aggregate principal amount represented by a Global Note that constitutes a Regulation S Note) if the transferor first delivers to the Trustee a written certificate, in the form attached to such Note, to the effect that such transfer is being made in accordance with Rule 903 or 904 of Regulation S. Whenever any Rule 144A Notes or Regulation S Notes, as the case may be, are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Rule 144A Notes or Regulation S Notes, as the case may be, that the Holder making the exchange is entitled to receive, bearing registration numbers not contemporaneously outstanding. Following the Notes Fungibility Date, Notes may be exchanged for other Notes of any authorized denominations and of a like aggregate principal amount but not bearing the restrictive legend required by Section 2.05(c), upon surrender of the Notes to be exchanged at any such office or agency maintained by the Company pursuant to Section 4.02. Whenever any Notes are so surrendered for exchange, the Company shall execute, and the Trustee shall, upon receipt of a Company Order, authenticate and deliver, the Notes that the Holder making the exchange is entitled to receive, bearing registration numbers not contemporaneously outstanding.

All Notes presented or surrendered for registration of transfer or for exchange, redemption, repurchase or conversion shall (if so required by the Company, the Trustee, the Note Registrar or any co-Note Registrar) be duly

endorsed, or be accompanied by a written instrument or instruments of transfer in form satisfactory to the Note Registrar and duly executed, by the Holder thereof or its attorney-in-fact duly authorized in writing.

No service charge shall be imposed by the Company, the Note Registrar, any co-Note Registrar or the Paying Agent for any exchange or registration of transfer of Notes, but the Company may require a Holder to pay a sum sufficient to cover any documentary, stamp or similar issue or transfer tax required in connection therewith as a result of the name of the Holder of new Notes issued upon such exchange or registration of transfer being different from the name of the Holder of the old Notes surrendered for exchange or registration of transfer. The Company shall pay the Depository's fees for issuance of the ADSs due upon conversion of the Notes.

None of the Company, the Trustee, the Note Registrar or any co-Note Registrar shall be required to exchange or register a transfer of (i) any Notes surrendered for conversion or, if a portion of any Note is surrendered for conversion, such portion thereof surrendered for conversion or (ii) any Notes, or a portion of any Note, surrendered for repurchase (and not withdrawn) in accordance with Article 15.

All Notes issued upon any registration of transfer or exchange of Notes in accordance with this Indenture shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture as the Notes surrendered upon such registration of transfer or exchange.

The Trustee shall have no responsibility or obligation to any direct or indirect participant or any other Person with respect to the accuracy of the books or records, or the acts or omissions, of the Depository or its nominee or of any participant or member thereof, with respect to any ownership interest in the Notes or with respect to the delivery to any direct or indirect participant or other Person (other than the Depository) of any notice (including any notice of redemption) or the payment of any amount, under or with respect to such Notes. All notices and communications to be given to the Noteholders and all payments to be made to Noteholders under the Notes shall be given or made only to or upon the order of the registered Noteholders (which shall be the Depository or its nominee in the case of a Global Note). The rights of beneficial owners in any Global Note shall be exercised only through the Depository subject to the customary procedures of the Depository. The Trustee may rely and shall be fully protected in relying upon information furnished by the Depository with respect to its direct or indirect participants.

The Trustee shall have no obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer imposed under this Indenture or under applicable law with respect to any transfer of any interest in any Note (including any transfers between or among direct or indirect participants in any Global Note) other than to require delivery of such certificates as are expressly required by, and to do so if and when expressly required by, the terms of this Indenture, and to examine the same to determine substantial compliance as to form with the express requirements hereof.

(b) So long as the Notes are eligible for book-entry settlement with the Depository, unless otherwise required by law, subject to the fourth paragraph from the end of Section 2.05(c) all Notes shall be represented by one or more Notes in global form (each, a "**Global Note**") registered in the name of the Depository or the nominee of the Depository. The transfer and exchange of beneficial interests in a Global Note that does not involve the issuance of a Physical Note shall be effected through the Depository in accordance with this Indenture (including the restrictions on transfer set forth herein) and the procedures of the Depository therefor. Prior to the Notes Fungibility Date, the Rule 144A Notes shall be represented by one or more Global Notes and the Regulation S Notes shall be represented by one or more separate Global Notes. Following the Notes Fungibility Date, the Rule 144A Notes and the Regulation S Notes may be represented by one or more of the same Global Notes.

(c) Every Note that bears or is required under this Section 2.05(c) to bear the legend set forth in this Section 2.05 (c) (together with any ADSs (including the ordinary shares represented thereby) delivered upon conversion of the Notes that is required to bear the legend set forth in Section 2.05(d), collectively, the "**Restricted Securities**") shall be subject to the restrictions on transfer set forth in this Section 2.05(c) (including the legend set forth below), unless such restrictions on transfer shall be eliminated or otherwise waived by written consent of the Company, and the Holder of each such Restricted Security, by such Holder's acceptance thereof, agrees to be bound by all such restrictions on transfer. As

used in this Section 2.05(c) and Section 2.05(d), the term “transfer” encompasses any sale, pledge, transfer or other disposition whatsoever of any Restricted Security.

Until the date (the “Resale Restriction Termination Date”) that is the later of (1) the date that is one year after the last date of original issuance of the Notes, or such shorter period of time as permitted by Rule 144 under the Securities Act or any successor provision thereto, and (2) such later date, if any, as may be required by applicable law, any certificate evidencing a Rule 144A Note (and all securities issued in exchange therefor or substitution thereof, other than ADSs (including the ordinary shares represented thereby) issued upon conversion thereof, which shall bear the legend set forth in Section 2.05(d), if applicable) shall bear a legend in substantially the following form (unless such Rule 144A Notes have been transferred pursuant to a registration statement that has become or been declared effective under the Securities Act and that continues to be effective at the time of such transfer, or sold pursuant to the exemption from registration provided by Rule 144 or any similar provision then in force under the Securities Act, or unless otherwise agreed by the Company in writing, with notice thereof to the Trustee):

THIS SECURITY, THE AMERICAN DEPOSITARY SHARES ISSUABLE UPON CONVERSION OF THIS SECURITY PRIOR TO THE RESALE RESTRICTION TERMINATION (AS DEFINED BELOW) AND THE ORDINARY SHARES REPRESENTED THEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, OR OF A BENEFICIAL INTEREST HEREIN, THE ACQUIRER:

(1) REPRESENTS THAT IT, AND ANY ACCOUNT FOR WHICH IT IS ACTING, (A) IS A “QUALIFIED INSTITUTIONAL BUYER” (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) OR (B) IS A NON-U.S. PERSON LOCATED OUTSIDE THE UNITED STATES (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT), AND THAT IT EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO EACH SUCH ACCOUNT, AND

(2) AGREES FOR THE BENEFIT OF CHINA LODGING GROUP, LIMITED (THE “COMPANY”) THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY, THE AMERICAN DEPOSITARY SHARES ISSUABLE UPON CONVERSION OF THIS SECURITY, OR THE ORDINARY SHARES REPRESENTED THEREBY, OR ANY BENEFICIAL INTEREST HEREIN OR THEREIN PRIOR TO THE DATE (THE “RESALE RESTRICTION TERMINATION DATE”) THAT IS THE LATER OF (X) ONE YEAR AFTER THE LAST ORIGINAL ISSUE DATE HEREOF OR SUCH SHORTER PERIOD OF TIME AS PERMITTED BY RULE 144 UNDER THE SECURITIES ACT OR ANY SUCCESSOR PROVISION THERETO AND (Y) SUCH LATER DATE, IF ANY, AS MAY BE REQUIRED BY APPLICABLE LAW, EXCEPT:

(A) TO THE COMPANY OR ANY SUBSIDIARY THEREOF;

(B) THROUGH OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT;

(C) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT OF THE COMPANY THAT COVERS THE RESALE OF THIS SECURITY OR SUCH AMERICAN DEPOSITARY SHARES AND ORDINARY SHARES;

(D) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT; OR

(E) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT.

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH CLAUSE (2)(E) ABOVE, THE COMPANY, THE DEPOSITARY AND THE TRUSTEE RESERVE THE RIGHT TO

REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS.

NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

EACH HOLDER AND BENEFICIAL OWNER, BY ITS ACCEPTANCE OF THIS SECURITY EVIDENCED HEREBY, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS.

NO AFFILIATE (WITHIN THE MEANING OF RULE 144 UNDER THE SECURITIES ACT (“RULE 144”)) OF CHINA LODGING GROUP, LIMITED OR ANY PERSON THAT IS NOT AN AFFILIATE OF CHINA LODGING GROUP, LIMITED, BUT WAS AN AFFILIATE (WITHIN THE MEANING OF RULE 144) OF CHINA LODGING GROUP, LIMITED DURING THE THREE IMMEDIATELY PRECEDING MONTHS, OTHER THAN CHINA LODGING GROUP, LIMITED, OR ANY SUBSIDIARY OF CHINA LODGING GROUP, LIMITED, MAY PURCHASE, OTHERWISE ACQUIRE OR OWN THE NOTES EVIDENCED HEREBY, THE AMERICAN DEPOSITARY SHARES ISSUED UPON CONVERSION THEREOF OR THE ORDINARY SHARES OF CHINA LODGING GROUP, LIMITED REPRESENTED BY SUCH AMERICAN DEPOSITARY SHARES ISSUED UPON CONVERSION OF THESE NOTES OR A BENEFICIAL INTEREST THEREIN.

Until the Resale Restriction Termination Date, any certificate evidencing a Regulation S Note (and all securities issued in exchange therefor or substitution thereof, other than ADSs (including the ordinary shares represented thereby) issued upon conversion thereof, which shall bear the legend set forth in Section 2.05(d), if applicable) shall bear a legend in substantially the following form (unless such Regulation S Notes have been transferred pursuant to a registration statement that has become or been declared effective under the Securities Act and that continues to be effective at the time of such transfer, or sold pursuant to the exemption from registration provided by Rule 144 or any similar provision then in force under the Securities Act, or unless otherwise agreed by the Company in writing, with notice thereof to the Trustee):

THIS SECURITY, THE AMERICAN DEPOSITARY SHARES ISSUABLE UPON CONVERSION OF THIS SECURITY PRIOR TO THE RESALE RESTRICTION TERMINATION (AS DEFINED BELOW) AND THE ORDINARY SHARES REPRESENTED THEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, OR OF A BENEFICIAL INTEREST HEREIN, THE ACQUIRER:

(1) REPRESENTS THAT IT, AND ANY ACCOUNT FOR WHICH IT IS ACTING, (A) IS A “QUALIFIED INSTITUTIONAL BUYER” (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) OR (B) IS A NON-U.S. PERSON LOCATED OUTSIDE THE UNITED STATES (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT), AND THAT IT EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO EACH SUCH ACCOUNT, AND

(2) AGREES FOR THE BENEFIT OF CHINA LODGING GROUP, LIMITED (THE “COMPANY”) THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY, THE AMERICAN DEPOSITARY SHARES ISSUABLE UPON CONVERSION OF THIS SECURITY, OR THE ORDINARY SHARES REPRESENTED THEREBY, OR ANY BENEFICIAL INTEREST HEREIN OR THEREIN PRIOR TO THE DATE (THE “RESALE RESTRICTION TERMINATION DATE”) THAT IS THE LATER OF (X) ONE YEAR AFTER THE LAST ORIGINAL ISSUE DATE HEREOF OR SUCH SHORTER PERIOD OF TIME AS PERMITTED BY RULE 144 UNDER THE SECURITIES ACT OR ANY SUCCESSOR PROVISION THERETO AND (Y) SUCH LATER DATE, IF ANY, AS MAY BE REQUIRED BY APPLICABLE LAW, EXCEPT:

(A) TO THE COMPANY OR ANY SUBSIDIARY THEREOF;

(B) THROUGH OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATIONS UNDER THE SECURITIES ACT;

(C) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT OF THE COMPANY THAT COVERS THE RESALE OF THIS SECURITY OR SUCH AMERICAN DEPOSITARY SHARES AND ORDINARY SHARES;

(D) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT; OR

(E) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT.

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH CLAUSE (2)(E) ABOVE, THE COMPANY, THE DEPOSITARY AND THE TRUSTEE RESERVE THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS.

NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

EACH HOLDER AND BENEFICIAL OWNER, BY ITS ACCEPTANCE OF THIS SECURITY EVIDENCED HEREBY, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS.

NO AFFILIATE (WITHIN THE MEANING OF RULE 144 UNDER THE SECURITIES ACT (“RULE 144”)) OF CHINA LODGING GROUP, LIMITED OR ANY PERSON THAT IS NOT AN AFFILIATE OF CHINA LODGING GROUP, LIMITED, BUT WAS AN AFFILIATE (WITHIN THE MEANING OF RULE 144) OF CHINA LODGING GROUP, LIMITED DURING THE THREE IMMEDIATELY PRECEDING MONTHS, OTHER THAN CHINA LODGING GROUP, LIMITED, OR ANY SUBSIDIARY OF CHINA LODGING GROUP, LIMITED, MAY PURCHASE, OTHERWISE ACQUIRE OR OWN THE NOTES EVIDENCED HEREBY, THE AMERICAN DEPOSITARY SHARES ISSUED UPON CONVERSION THEREOF OR THE ORDINARY SHARES OF CHINA LODGING GROUP, LIMITED REPRESENTED BY SUCH AMERICAN DEPOSITARY SHARES ISSUED UPON CONVERSION OF THESE NOTES OR A BENEFICIAL INTEREST THEREIN.

No transfer of any Note prior to the Resale Restriction Termination Date will be registered by the Note Registrar unless the applicable box on the Form of Assignment and Transfer has been checked.

Any Note (or security issued in exchange or substitution therefor) as to which such restrictions on transfer shall have expired in accordance with their terms may, upon surrender of such Note for exchange to the Note Registrar in accordance with the provisions of this Section 2.05, be exchanged for a new Note or Notes, of like tenor and aggregate principal amount, which shall not bear the restrictive legend required by this Section 2.05(c) and shall not be assigned a restricted CUSIP number. The Company shall be entitled to instruct the Trustee in writing to so surrender any Global Note as to which such restrictions on transfer shall have expired in accordance with their terms for exchange, and, upon such instruction, and provided that all applicable procedures of the Depositary in connection with any such exchange have been complied with, the Trustee shall so surrender such Global Note for exchange; and any new Global Note so exchanged therefor shall not bear the restrictive legend specified in this Section 2.05(c) and shall not be assigned a restricted CUSIP number. The Company shall promptly notify the Trustee upon the occurrence of the Resale Restriction Termination Date and after a registration statement, if any,

with respect to the Notes or the ADSs (including the ordinary shares represented thereby) issued upon conversion of the Notes has been declared effective under the Securities Act.

Notwithstanding any other provisions of this Indenture (other than the provisions set forth in this Section 2.05(c)), a Global Note may not be transferred as a whole or in part except (i) by the Depository to a nominee of the Depository or by a nominee of the Depository to the Depository or another nominee of the Depository or by the Depository or any such nominee to a successor Depository or a nominee of such successor Depository and (ii) for transfers of portions of a Global Note in certificated form made upon request of a member of, or a participant in, the Depository (for itself or on behalf of a beneficial owner) by written notice given to the Trustee by or on behalf of the Depository in accordance with customary procedures of the Depository and in compliance with this Section 2.05(c).

The Depository shall be a clearing agency registered under the Exchange Act. The Company initially appoints The Depository Trust Company to act as Depository with respect to each Global Note. Initially, each Global Note shall be issued to the Depository, registered in the name of Cede & Co., as the nominee of the Depository, and deposited with the Trustee as custodian for Cede & Co.

If (i) the Depository notifies the Company at any time that the Depository is unwilling or unable to continue as depository for the Global Notes and a successor depository is not appointed within 90 days, (ii) the Depository ceases to be registered as a clearing agency under the Exchange Act and a successor depository is not appointed within 90 days or (iii) an Event of Default with respect to the Notes has occurred and is continuing and a beneficial owner of any Note requests that its beneficial interest therein be issued as a Physical Note, the Company shall execute, and the Trustee, upon receipt of an Officers' Certificate and a Company Order for the authentication and delivery of Notes, shall authenticate and deliver (x) in the case of clause (iii), a Physical Note to such beneficial owner in a principal amount equal to the principal amount of such Note corresponding to such beneficial owner's beneficial interest and (y) in the case of clause (i) or (ii), Physical Notes to each beneficial owner of the related Global Notes (or a portion thereof) in an aggregate principal amount equal to the aggregate principal amount of such Global Notes in exchange for such Global Notes, and upon delivery of the Global Notes to the Trustee such Global Notes shall be canceled.

Physical Notes issued in exchange for all or a part of the Global Note pursuant to this Section 2.05(c) shall be registered in such names and in such authorized denominations as the Depository, pursuant to instructions from its direct or indirect participants or otherwise, shall instruct the Trustee in writing. Upon execution and authentication, the Trustee shall deliver such Physical Notes to the Persons in whose names such Physical Notes are so registered.

At such time as all interests in a Global Note have been converted, canceled, redeemed, repurchased or transferred, such Global Note shall be, upon receipt thereof, canceled by the Trustee in accordance with standing procedures and existing instructions of the Depository. At any time prior to such cancellation, if any interest in a Global Note is exchanged for Physical Notes, converted, canceled, repurchased or transferred to a transferee who receives Physical Notes therefor or any Physical Note is exchanged or transferred for part of such Global Note, the principal amount of such Global Note shall, in accordance with the standing procedures and existing instructions of the Depository, be appropriately reduced or increased, as the case may be, and an endorsement shall be made on such Global Note, by the Trustee, to reflect such reduction or increase.

None of the Company, the Trustee, the Paying Agent, any agent of the Company or any agent of the Trustee shall have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests of a Global Note or maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

(d) Until the Resale Restriction Termination Date, any certificate representing ADSs (including the ordinary shares represented thereby) issued upon conversion of a Rule 144A Note shall bear a legend in substantially the following form (unless the Rule 144A Note or such ADSs (including the ordinary shares represented thereby) have been transferred pursuant to a registration statement that has become or been declared effective under the Securities Act and that continues to be effective at the time of such transfer, or pursuant to the exemption from registration provided by Rule 144 or any similar provision then in force under the Securities Act, or such ADS or the ordinary shares represented thereby have been

issued upon conversion of Rule 144A Notes that have been transferred pursuant to a registration statement that has become or been declared effective under the Securities Act and that continues to be effective at the time of such transfer, or pursuant to the exemption from registration provided by Rule 144 or any similar provision then in force under the Securities Act, or unless otherwise agreed by the Company with written notice thereof to the Trustee and any transfer agent for the ADSs):

THIS SECURITY AND THE ORDINARY SHARES REPRESENTED THEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, OR OF A BENEFICIAL INTEREST HEREIN, THE ACQUIRER:

(1) REPRESENTS THAT IT, AND ANY ACCOUNT FOR WHICH IT IS ACTING, (A) IS A "QUALIFIED INSTITUTIONAL BUYER" (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) OR (B) IS A NON-U.S. PERSON LOCATED OUTSIDE THE UNITED STATES (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT), AND THAT IT EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO EACH SUCH ACCOUNT AND THAT IT AND ANY SUCH ACCOUNT IS NOT AN AFFILIATE OF CHINA LODGING GROUP, LIMITED (THE "COMPANY"), AND

(2) AGREES FOR THE BENEFIT OF THE COMPANY THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY OR THE ORDINARY SHARES REPRESENTED THEREBY, OR ANY BENEFICIAL INTEREST HEREIN OR THEREIN PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") THAT IS THE LATER OF (X) ONE YEAR AFTER THE LAST ORIGINAL ISSUE DATE HEREOF OR SUCH SHORTER PERIOD OF TIME AS PERMITTED BY RULE 144 UNDER THE SECURITIES ACT OR ANY SUCCESSOR PROVISION THERETO AND (Y) SUCH LATER DATE, IF ANY, AS MAY BE REQUIRED BY APPLICABLE LAW, EXCEPT:

(A) TO THE COMPANY OR ANY SUBSIDIARY THEREOF;

(B) THROUGH OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT;

(C) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT OF THE COMPANY THAT COVERS THE RESALE OF THIS SECURITY OR THE ORDINARY SHARES REPRESENTED THEREBY;

(D) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT; OR

(E) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT.

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH CLAUSE (2)(E) ABOVE, THE COMPANY AND THE DEPOSITARY RESERVE THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS.

NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

NO AFFILIATE (WITHIN THE MEANING OF RULE 144 UNDER THE SECURITIES ACT (“RULE 144”)) OF CHINA LODGING GROUP, LIMITED OR ANY PERSON THAT IS NOT AN AFFILIATE OF CHINA LODGING GROUP, LIMITED, BUT WAS AN AFFILIATE (WITHIN THE MEANING OF RULE 144) OF CHINA LODGING GROUP, LIMITED DURING THE THREE IMMEDIATELY PRECEDING MONTHS MAY PURCHASE, OTHERWISE ACQUIRE OR OWN THIS SECURITY OR THE ORDINARY SHARES OF CHINA LODGING GROUP, LIMITED REPRESENTED THEREBY OR A BENEFICIAL INTEREST THEREIN.

EACH HOLDER AND BENEFICIAL OWNER, BY ITS ACCEPTANCE OF THIS SECURITY EVIDENCED HEREBY, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS.

Until the Resale Restriction Termination Date, any stock certificate representing ADSs (including the ordinary shares represented thereby) issued upon conversion of a Regulation S Note shall bear a legend in substantially the following form (unless the Regulation S Note or such ADSs (including the ordinary shares represented thereby) have been transferred pursuant to a registration statement that has become or been declared effective under the Securities Act and that continues to be effective at the time of such transfer, or pursuant to the exemption from registration provided by Rule 144 or any similar provision then in force under the Securities Act, or such ADSs (including the ordinary shares represented thereby) have been issued upon conversion of Regulation S Notes that have been transferred pursuant to a registration statement that has become or been declared effective under the Securities Act and that continues to be effective at the time of such transfer, or pursuant to the exemption from registration provided by Rule 144 or any similar provision then in force under the Securities Act, or unless otherwise agreed by the Company with written notice thereof to the Trustee and any transfer agent for the ADSs):

THIS SECURITY AND THE ORDINARY SHARES REPRESENTED THEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, OR OF A BENEFICIAL INTEREST HEREIN, THE ACQUIRER:

(1) REPRESENTS THAT IT, AND ANY ACCOUNT FOR WHICH IT IS ACTING, (A) IS A “QUALIFIED INSTITUTIONAL BUYER” (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) OR (B) IS A NON-U.S. PERSON LOCATED OUTSIDE THE UNITED STATES (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT), AND THAT IT EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO EACH SUCH ACCOUNT AND THAT IT AND ANY SUCH ACCOUNT IS NOT AN AFFILIATE OF CHINA LODGING GROUP, LIMITED (THE “COMPANY”), AND

(2) AGREES FOR THE BENEFIT OF CHINA LODGING GROUP, LIMITED (THE “COMPANY”) THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY OR THE ORDINARY SHARES REPRESENTED THEREBY, OR ANY BENEFICIAL INTEREST HEREIN OR THEREIN PRIOR TO THE DATE (THE “RESALE RESTRICTION TERMINATION DATE”) THAT IS THE LATER OF (X) ONE YEAR AFTER THE LAST ORIGINAL ISSUE DATE HEREOF OR SUCH SHORTER PERIOD OF TIME AS PERMITTED BY RULE 144 UNDER THE SECURITIES ACT OR ANY SUCCESSOR PROVISION THERETO AND (Y) SUCH LATER DATE, IF ANY, AS MAY BE REQUIRED BY APPLICABLE LAW, EXCEPT:

(A) TO THE COMPANY OR ANY SUBSIDIARY THEREOF;

(B) THROUGH OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT;

(C) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT OF THE COMPANY THAT COVERS THE RESALE OF THIS SECURITY OR THE ORDINARY SHARES REPRESENTED THEREBY;

(D) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT; OR

(E) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT.

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH CLAUSE (2)(E) ABOVE, THE COMPANY AND THE DEPOSITARY RESERVE THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS.

NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

NO AFFILIATE (WITHIN THE MEANING OF RULE 144 UNDER THE SECURITIES ACT (“RULE 144”)) OF CHINA LODGING GROUP, LIMITED OR ANY PERSON THAT IS NOT AN AFFILIATE OF CHINA LODGING GROUP, LIMITED, BUT WAS AN AFFILIATE (WITHIN THE MEANING OF RULE 144) OF CHINA LODGING GROUP, LIMITED DURING THE THREE IMMEDIATELY PRECEDING MONTHS MAY PURCHASE, OTHERWISE ACQUIRE OR OWN THIS SECURITY OR THE ORDINARY SHARES OF CHINA LODGING GROUP, LIMITED REPRESENTED BY SUCH AMERICAN DEPOSITARY SHARES ISSUED UPON CONVERSION OF THESE NOTES OR A BENEFICIAL INTEREST THEREIN.

EACH HOLDER AND BENEFICIAL OWNER, BY ITS ACCEPTANCE OF THIS SECURITY EVIDENCED HEREBY, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS.

Any such ADSs as to which such restrictions on transfer shall have expired in accordance with their terms may, upon surrender of the certificates representing such ADSs for exchange in accordance with the procedures of the transfer agent for the ADSs, be exchanged for a new certificate or certificates for a like aggregate number of ADSs, which shall not bear the restrictive legend required by this Section 2.05(d).

(e) Any Note or ADS delivered upon the conversion or exchange of a Note that is repurchased or owned by any Affiliate of the Company may not be resold by such Affiliate unless registered under the Securities Act or resold pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act in a transaction that results in such Note or ADS, as the case may be, no longer being a “**restricted security**” (as defined under Rule 144 under the Securities Act). The Company shall cause any Note that is repurchased or owned by it to be surrendered to the Trustee for cancellation in accordance with Section 2.08.

Section 2.06 *Mutilated, Destroyed, Lost or Stolen Notes.* In case any Note shall become mutilated or be destroyed, lost or stolen, the Company in its discretion may execute, and upon the receipt of a Company Order, the Trustee shall authenticate and deliver, a new Note, bearing a registration number not contemporaneously outstanding, in exchange and substitution for the mutilated Note, or in lieu of and in substitution for the Note so destroyed, lost or stolen. In every case the applicant for a substituted Note shall furnish to the Company and to the Trustee such security and/or indemnity as may be required by them to save each of them harmless from any loss, liability, cost or expense caused by or connected with such substitution, and, in every case of destruction, loss or theft, the applicant shall also furnish to the Company and to the Trustee evidence to their satisfaction of the destruction, loss or theft of such Note and of the ownership thereof.

The Trustee may authenticate any such substituted Note and deliver the same upon the receipt of such security and/or indemnity as the Trustee and the Company may require. No service charge shall be imposed by the Company, the Note Registrar, any co-Note Registrar or the Paying Agent upon the issuance of any substitute Note,

but the Company and the Trustee may require a Holder to pay a sum sufficient to cover any documentary, stamp or similar issue or transfer tax required in connection therewith as a result of the name of the Holder of the new substitute Note being different from the name of the Holder of the old Note that became mutilated or was destroyed, lost or stolen. In case any Note that has matured or is about to mature or has been surrendered for required repurchase or redemption or is about to be converted in accordance with Article 14 shall become mutilated or be destroyed, lost or stolen, the Company may, in its sole discretion, instead of issuing a substitute Note, pay or authorize the payment of, or convert or authorize the conversion of, the same (without surrender thereof except in the case of a mutilated Note), as the case may be, if the applicant for such payment or conversion shall furnish to the Company and to the Trustee such security and/or indemnity as may be required by them to save each of them harmless for any loss, liability, cost or expense caused by or connected with such substitution, and, in every case of destruction, loss or theft, evidence satisfactory to the Company, and the Trustee evidence of their satisfaction of the destruction, loss or theft of such Note and of the ownership thereof.

Every substitute Note issued pursuant to the provisions of this Section 2.06 by virtue of the fact that any Note is destroyed, lost or stolen shall constitute an additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Note shall be found at any time, and shall be entitled to all the benefits of (but shall be subject to all the limitations set forth in) this Indenture equally and proportionately with any and all other Notes duly issued hereunder. To the extent permitted by law, all Notes shall be held and owned upon the express condition that the foregoing provisions are exclusive with respect to the replacement or payment or conversion or repurchase or redemption of mutilated, destroyed, lost or stolen Notes and shall preclude any and all other rights or remedies notwithstanding any law or statute existing or hereafter enacted to the contrary with respect to the replacement or payment or redemption or conversion of negotiable instruments or other securities without their surrender.

Section 2.07 *Temporary Notes.* Pending the preparation of Physical Notes, the Company may execute and the Trustee shall, upon receipt of a Company Order, authenticate and deliver temporary Notes (printed or lithographed). Temporary Notes shall be issuable in any authorized denomination, and substantially in the form of the Physical Notes but with such omissions, insertions and variations as may be appropriate for temporary Notes, all as may be determined by the Company. Every such temporary Note shall be executed by the Company and authenticated by the Trustee upon the same conditions and in substantially the same manner, and with the same effect, as the Physical Notes. Without unreasonable delay, the Company shall execute and deliver to the Trustee Physical Notes (other than any Global Note) and thereupon any or all temporary Notes (other than any Global Note) may be surrendered in exchange therefor, at each office or agency maintained by the Company pursuant to Section 4.02 and the Trustee shall, upon receipt of a Company Order, authenticate and deliver in exchange for such temporary Notes an equal aggregate principal amount of Physical Notes. Such exchange shall be made by the Company at its own expense and without any charge therefor. Until so exchanged, the temporary Notes shall in all respects be entitled to the same benefits and subject to the same limitations under this Indenture as Physical Notes authenticated and delivered hereunder.

Section 2.08 *Cancellation of Notes Paid, Converted, Etc.* The Company shall cause all Notes surrendered for the purpose of payment, repurchase, redemption, registration of transfer or exchange or conversion, if surrendered to any Person other than the Trustee (including any of the Company's agents, Subsidiaries or Affiliates), to be delivered and surrendered to the Trustee for cancellation. All Notes delivered to the Trustee shall be canceled promptly by it, and, except in the case of Notes surrendered for registration of transfer or exchange, no Notes shall be authenticated in exchange thereof except as expressly permitted by any of the provisions of this Indenture. The Trustee shall cancel such Notes in accordance with its customary procedures and, after such cancellation, shall deliver a certificate of such cancellation to the Company, at the Company's written request in a Company Order.

Section 2.09 *CUSIP Numbers.* The Company in issuing the Notes may use "CUSIP" numbers (if then generally in use), and, if so, the Trustee shall use "CUSIP" numbers in all notices issued to Holders as a convenience to such Holders; *provided* that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Notes or on such notice and that reliance may be placed only on the other identification numbers printed on the Notes. The Company shall promptly notify the Trustee in writing of any change in the "CUSIP" numbers. Prior to the Notes Fungibility Date, the Rule 144A Notes and the Regulation S Notes shall have different "CUSIP" numbers. Following the Notes Fungibility Date, the Rule 144A Notes and the

Regulation S Notes shall have the same “CUSIP” number if exchanged in accordance with the applicable procedures of the Depository.

Section 2.10 *Additional Notes; Repurchases.* The Company may, without the consent of the Holders and notwithstanding Section 2.01, reopen this Indenture and issue additional Notes hereunder with the same terms and with the same CUSIP number (or, if prior to the Fungibility Date, the same CUSIP numbers as the Rule 144A Notes or the Regulation S Notes, as applicable) as the Notes initially issued hereunder (except for any differences in the issue price, issue date and interest accrued, if any) in an unlimited aggregate principal amount; *provided* that any such additional Notes must be issued under a separate CUSIP number from both the Rule 144A Notes and the Regulation S Notes, unless (i) they are fungible with the Rule 144A Notes or the Regulation S Notes, as applicable, for securities law purposes and (ii) they are issued pursuant to a “qualified reopening” of the Rule 144A Notes or the Regulation S Notes, as applicable, are otherwise treated as part of the same “issue” of debt instruments as the Rule 144A Notes or the Regulation S Notes, as applicable, or are issued with no more than a *de minimis* amount of original discount, in each case for U.S. federal income tax purposes. Prior to the issuance of any such additional Notes, the Company shall deliver to the Trustee a Company Order, an Officers’ Certificate and an Opinion of Counsel, such Officers’ Certificate and Opinion of Counsel to cover such matters, in addition to those required by Section 17.06, as the Trustee shall reasonably request. The Rule 144 Notes, the Regulation S Notes and any additional Notes would be treated as a single class for all purposes under the Indenture and would vote together as one class on all matters with respect to the Notes. In addition, the Company may, to the extent permitted by law, and directly or indirectly (regardless of whether such Notes are surrendered to the Company), repurchase Notes in the open market or otherwise, whether by the Company or through its Subsidiaries or through a private or public tender or exchange offer or through counterparties to private agreements. The Company shall cause any Notes so repurchased to be surrendered to the Trustee for cancellation in accordance with Section 2.08 and upon receipt of a Company Order, the Trustee shall cancel all Notes so surrendered and such Notes shall no longer be considered outstanding under this Indenture upon their repurchase. The Company may also enter into cash-settled swaps or other derivatives with respect to the Notes. For the avoidance of doubt, any Notes underlying such cash-settled swaps or other derivatives shall not be required to be surrendered to the Trustee for cancellation in accordance with Section 2.08 and will continue to be considered outstanding for purposes of this Indenture, subject to the provisions of Section 8.04.

ARTICLE 3 SATISFACTION AND DISCHARGE

Section 3.01 *Satisfaction and Discharge.* This Indenture shall, upon request of the Company contained in an Officers’ Certificate cease to be of further effect, and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture, when (a) (i) all Notes theretofore authenticated and delivered (other than (x) Notes which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 2.06 and (y) Notes for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust, as provided in Section 4.04(d)) have been delivered to the Trustee for cancellation; or (ii) the Company has deposited cash with the Trustee or delivered ADSs to Holders (solely to satisfy the Company’s Conversion Obligation, if applicable), as applicable, after the Notes have become due and payable, whether on the Maturity Date, the Repurchase Date, any Fundamental Change Repurchase Date, upon Tax Redemption or conversion or otherwise, sufficient to pay all of the outstanding Notes and all other sums due and payable under this Indenture by the Company (including, without limitation sums due to the Trustee with respect to the Notes); and (b) the Company has delivered to the Trustee an Officers’ Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with. Notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Company to the Trustee under Section 7.06 shall survive.

ARTICLE 4 PARTICULAR COVENANTS OF THE COMPANY

Section 4.01 *Payment of Principal and Interest.* The Company covenants and agrees that it will cause to be paid the principal (including the Repurchase Price, the Tax Redemption Price and the Fundamental Change

Repurchase Price, if applicable) of, and accrued and unpaid interest on, each of the Notes at the places, at the respective times and in the manner provided herein and in the Notes.

Section 4.02 *Maintenance of Office or Agency.* The Company will maintain an office or agency (which will be the Corporate Trust Office initially) where the Notes may be surrendered for registration of transfer or exchange or for presentation for payment or repurchase (“**Paying Agent**”) or for conversion (“**Conversion Agent**”) and where notices and demands to or upon the Company in respect of the Notes and this Indenture may be served. The Company will give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made at the Corporate Trust Office; provided, however, the legal service of process against the Company shall in no circumstances be made at an office of the Trustee.

The Company may also from time to time designate as co-Note Registrars one or more other offices or agencies where the Notes may be presented or surrendered for any or all such purposes and may from time to time rescind such designations. The Company will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency. The terms “**Paying Agent**” and “**Conversion Agent**” include any such additional or other offices or agencies, as applicable.

The Company hereby initially designates the Trustee as the Paying Agent, Note Registrar and Conversion Agent, and the office or agency of the Trustee shall be considered as one such office or agency of the Company for each of the aforesaid purposes.

Section 4.03 *Appointments to Fill Vacancies in Trustee’s Office.* The Company, whenever necessary to avoid or fill a vacancy in the office of Trustee, will appoint, in the manner provided in Section 7.09, a Trustee, so that there shall at all times be a Trustee hereunder.

Section 4.04 *Provisions as to Paying Agent.* (a) If the Company shall appoint a Paying Agent other than the Trustee, the Company will cause such Paying Agent to execute and deliver to the Trustee an instrument in which such agent shall agree with the Trustee, subject to the provisions of this Section 4.04:

- (i) that it will hold all sums held by it as such agent for the payment of the principal (including the Repurchase Price, Tax Redemption Price and the Fundamental Change Repurchase Price, if applicable) of, and accrued and unpaid interest on, the Notes for the benefit of the Holders of the Notes;
- (ii) that it will give the Trustee prompt notice of any failure by the Company to make any payment of the principal (including the Repurchase Price, Tax Redemption Price and the Fundamental Change Repurchase Price, if applicable) of, and accrued and unpaid interest on, the Notes when the same shall be due and payable; and
- (iii) that at any time during the continuance of an Event of Default, upon request of the Trustee, it will forthwith pay to the Trustee all sums so held.

The Company shall, on or before each due date of the principal (including the Repurchase Price, Tax Redemption Price and the Fundamental Change Repurchase Price, if applicable) of, or accrued and unpaid interest on, the Notes, deposit with the Paying Agent a sum sufficient to pay such principal (including the Repurchase Price, Tax Redemption Price and the Fundamental Change Repurchase Price, if applicable) or accrued and unpaid interest and (unless such Paying Agent is the Trustee) the Company will promptly notify the Trustee of any failure to take such action; *provided* that such deposit must be received by the Paying Agent by 10:00 a.m., New York City time, on the relevant due date. The Paying Agent shall not be bound to make any payment until it has received, in immediately available and cleared funds, an amount which shall be sufficient to pay, as applicable, the aggregate amount of principal (including Repurchase Price, Tax Redemption Price and Fundamental Change Repurchase Price, if applicable) of, or accrued and unpaid interest on, the Notes when such principal or interest shall become

due and payable. The Paying Agent shall not be responsible or liable for any delay in making the payment if it does not receive funds before 10:00 a.m. on the payment date.

(b) If the Company shall act as its own Paying Agent, it will, on or before each due date of the principal (including the Repurchase Price, Tax Redemption Price and the Fundamental Change Repurchase Price, if applicable) of, and accrued and unpaid interest on, the Notes, set aside, segregate and hold in trust for the benefit of the Holders of the Notes a sum sufficient to pay such principal (including the Repurchase Price, Tax Redemption Price and the Fundamental Change Repurchase Price, if applicable) and accrued and unpaid interest so becoming due and will promptly notify the Trustee in writing of any failure to take such action and of any failure by the Company to make any payment of the principal (including the Repurchase Price, Tax Redemption Price and the Fundamental Change Repurchase Price, if applicable) of, or accrued and unpaid interest on, the Notes when the same shall become due and payable. Upon an Event of Default under Section 6.01(i) or Section 6.01(j), the Trustee shall automatically become the Paying Agent.

(c) Anything in this Section 4.04 to the contrary notwithstanding, the Company may, at any time, for the purpose of obtaining a satisfaction and discharge of this Indenture, or for any other reason, pay, cause to be paid or deliver to the Trustee all sums or amounts held by the Company in trust or by any Paying Agent as required by this Section 4.04, such sums or amounts to be held by the Trustee upon the trusts herein contained and upon such payment or delivery by the Company or any Paying Agent to the Trustee, the Company or such Paying Agent shall be released from all further liability but only with respect to such sums or amounts.

(d) Subject to applicable abandoned property law and the Trustee's and the Paying Agent's customary procedures, any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of principal (including the Repurchase Price, Tax Redemption Price and the Fundamental Change Repurchase Price, if applicable) of, and accrued and unpaid interest on, any Note and remaining unclaimed for two years after such principal (including consideration upon conversion, the Repurchase Price, Tax Redemption Price and the Fundamental Change Repurchase Price, if applicable) or interest has become due and payable shall be paid or delivered, as the case may be, to the Company on request of the Company contained in an Officers' Certificate, or (if then held by the Company) shall be discharged from such trust; and the Holder of such Note shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such money, and all liability of the Company as trustee thereof, shall thereupon cease; *provided, however*, that the Trustee or such Paying Agent, before being required to make any such repayment or delivery, may at the expense of the Company cause to be published once, in a newspaper published in the English language, customarily published on each Business Day and of general circulation in The Borough of Manhattan, The City of New York, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining will be repaid or delivered to the Company.

Section 4.05 *Existence.* Subject to Article 11, the Company shall do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence. The Company shall promptly provide the Trustee with written notice of any change to its name, jurisdiction of incorporation or change to its corporate organization.

Section 4.06 *Rule 144A Information Requirement and Annual Reports.* (a) At any time the Company is not subject to Section 13 or 15(d) of the Exchange Act, the Company shall, so long as any of the Notes, any ADSs deliverable upon conversion thereof or any ordinary shares underlying ADSs deliverable upon conversion thereof shall, at such time, constitute "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, promptly provide to the Trustee and shall, upon written request, provide to any Holder, beneficial owner or prospective purchaser of such Notes or the ADSs deliverable upon conversion of such Notes, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act to facilitate the resale of such Notes or ADSs pursuant to Rule 144A. The Company shall take such further action as any Holder or beneficial owner of such Notes or such ADSs may reasonably request, to the extent from time to time required to enable such Holder or

beneficial owner to sell such Notes or ADSs in accordance with Rule 144A, as such rule may be amended from time to time.

(a) [Reserved.]

(b) The Company shall provide to the Trustee within 15 days after the same are required to be filed with the Commission, copies of any documents or reports that the Company is required to file with the Commission pursuant to Section 13 or 15(d) of the Exchange Act (giving effect to any applicable grace period provided by Rule 12b-25 under the Exchange Act). Any such document or report that the Company files with the Commission via the Commission's EDGAR system shall be deemed to be provided to the Trustee for purposes of this Section 4.06 (b) at the time such documents are filed via the EDGAR system. The Trustee shall have no obligation to determine if and when the Company's statements or reports are publically available and/or accessible electronically.

(c) Delivery of the reports and documents described in this Section 4.06 to the Trustee is for informational purposes only, and the Trustee's receipt of such shall not constitute actual or constructive notice or knowledge of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to conclusively rely on an Officers' Certificate).

(d) If, at any time during the six-month period beginning on, and including, the date that is six months after the last date of original issuance of the Notes, the Company fails to timely file any document or report that it is required to file with the Commission pursuant to Section 13 or 15(d) of the Exchange Act, as applicable (after giving effect to all applicable grace periods thereunder and other than reports on Form 6-K), or the Notes are not otherwise freely tradable by Holders other than the Company's Affiliates (or Holders that were the Company's Affiliates at any time during the three months immediately preceding), as a result of restrictions pursuant to U.S. securities laws or the terms of this Indenture or the Notes, the Company shall pay Additional Interest on the Notes. Such Additional Interest shall accrue on the Notes at the rate of 0.50% per annum of the principal amount of the Notes outstanding for each day during such period for which the Company's failure to file has occurred and is continuing or the period during which the Notes are not freely tradable by Holders that are not Affiliates of the Company (or are not the Company's Affiliates at any time during the three months immediately preceding), as the case may be, without restrictions pursuant to U.S. securities laws or the terms of this Indenture or the Notes. As used in this Section 4.06(d), documents or reports that the Company is required to "file" with the Commission pursuant to Section 13 or 15(d) of the Exchange Act do not include documents or reports that the Company furnishes to the Commission pursuant to Section 13 or 15(d) of the Exchange Act.

(e) If, and for so long as, the restrictive legend on the Notes specified in Section 2.05(c) has not been removed, the Notes are assigned a restricted CUSIP or the Notes are not otherwise freely tradable by Holders other than the Company's Affiliates (or Holders that were the Company's Affiliates at any time during the three months immediately preceding), without restrictions pursuant to U.S. securities laws or the terms of this Indenture or the Notes, as of the 365th day after the last date of original issuance of the Notes, the Company shall pay Additional Interest on the Notes at a rate equal to 0.50% per annum of the principal amount of Notes outstanding until the restrictive legend on the Notes has been removed in accordance with Section 2.05(c), the Notes have been assigned an unrestricted CUSIP and the Notes are freely tradable by Holders other than the Company's Affiliates (or Holders that were the Company's Affiliates at any time during the three months immediately preceding), without restrictions pursuant to U.S. securities laws or the terms of this Indenture or the Notes.

(f) Additional Interest will be payable in arrears on each Interest Payment Date following accrual in the same manner as regular interest on the Notes.

(g) The Additional Interest that is payable in accordance with Section 4.06(d) or Section 4.06(e) shall be in addition to, and not in lieu of, any Additional Interest that may be payable as a result of the Company's election pursuant to Section 6.03. In no event shall Additional Interest accrue on any day under the terms of this Indenture (taking any Additional Interest payable pursuant to Section 4.06(d) and

Section 4.06(e) together with any Additional Interest payable pursuant to Section 6.03) at annual rate in excess of 0.50%, in the aggregate, for any violation or Default caused by the Company's failure to be current in respect of its Exchange Act reporting obligations.

(h) If Additional Interest is payable by the Company pursuant to Section 4.06(d) or Section 4.06(e), the Company shall deliver to the Trustee an Officers' Certificate to that effect stating (i) the amount of such Additional Interest that is payable and (ii) the date on which such Additional Interest is payable. Unless and until a Responsible Officer of the Trustee receives at the Corporate Trust Office such a certificate, the Trustee may assume without inquiry that no such Additional Interest is payable.

Section 4.07 *Additional Amounts.* (a) All payments and deliveries made by, or on behalf of, the Company or any successor to the Company under or with respect to this Indenture and the Notes, including, but not limited to, payments of principal (including, if applicable, the Repurchase Price, the Tax Redemption Price and the Fundamental Change Repurchase Price), premium, if any, payments of interest, including any additional interest and payments of cash and/or deliveries of ADSs or any other consideration due on a conversion of a Note (together with payment of cash in lieu of any fractional ADS or other consideration) upon conversion of the Notes, shall be made without withholding, deduction or reduction for any other collection at source for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied (including any penalties and interest related thereto) (the "**Applicable Taxes**"), unless such withholding or deduction or reduction is required by law or by other regulation or governmental policy having the force of law (including an official interpretation or application of such laws or regulations by any legislative body, court, governmental agency, taxing authority or regulatory authority) ("**Applicable Tax Law**"). In the event that any such withholding or deduction is required by or within (x) the Cayman Islands or the People's Republic of China (or, in each case, any political subdivision or taxing authority thereof or therein), (y) any jurisdiction in which we or any successor are, for tax purposes, incorporated, organized or resident or doing business (or any political subdivision or taxing authority thereof or therein) or (z) any jurisdiction from or through which payment is made or deemed made (or any political subdivision or taxing authority thereof or therein) (each of (x), (y) and (z), as applicable, a "**Relevant Taxing Jurisdiction**"), the Company shall pay or deliver to each beneficial owner such additional amounts of cash, ADSs or other consideration, as applicable (the "**Additional Amounts**") as may be necessary to ensure that the net amount received by the beneficial owner after such withholding or deduction (and after deducting any Applicable Taxes on the additional amounts) will equal the amounts that would have been received by such beneficial owner had no such withholding or deduction been required; provided that no additional amounts will be payable:

(i) for or on account of:

(A) any applicable taxes that would not have been imposed but for:

(1) the existence of any present or former connection between the relevant Holder or beneficial owner of such Note and the Relevant Taxing Jurisdiction, other than merely acquiring or holding such Note, receiving ADSs or other consideration upon conversion of a Note or the receipt of payments or the exercise or enforcement of rights thereunder, including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Relevant Taxing Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;

(2) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of (including the Repurchase Price, Tax Redemption Price and Fundamental Change Repurchase Price, if applicable), premium, if any, and interest, including any additional interest on, such Note or the delivery of ADSs (together with payment of cash in lieu of any fractional ADS) upon conversion of such Note became due and payable pursuant to the terms thereof or was made or duly provided for (except to the extent that the Holder or beneficial owner of such Note would have been entitled to Additional Amounts had such Note been presented for payment on the last day of such 30-day period); or

(3) the failure of the Holder or beneficial owner to comply with a timely written request from the Company or any successor of the Company, addressed to the Holder or beneficial owner, as the case may be, in each case, to the extent such Holder or beneficial owner is legally entitled to, to provide certification, information, documents or other evidence concerning such Holder's or beneficial owner's nationality, residence, identity or connection with the Relevant Taxing Jurisdiction, or to make any declaration or satisfy any other reporting requirement relating to such matters, if and to the extent that due and timely compliance with such request is required by statute, regulation or administrative practice of the Relevant Taxing Jurisdiction in order to reduce or eliminate any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder or beneficial owner; *provided that*, in the case of Applicable Taxes that are value added taxes or other local levies imposed by the People's Republic of China, the provision of any certification, information, documents or other evidence described in this clause (i)(A)(3) would not be materially more onerous, in form, in procedure, or in the substance of information disclosed, to a Holder or beneficial owner than comparable information or other reporting requirements imposed under U.S. tax law, regulations and administrative practice (such as U.S. Internal Revenue Service Forms W-8BEN, W-8BEN-E and W-9, or any successor forms), reasonable procedure for the collection of such documentation has been implemented and is in effect at the time that such written request is received;

(B) any estate, inheritance, gift, sale, personal property or similar Applicable Taxes;

(C) any Applicable Taxes that are payable otherwise than by withholding or deduction or any other collection at source from payments under or with respect to the Notes;

(D) any Applicable Taxes required to be withheld or deducted under Sections 1471 to 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "Code") (or any amended or successor versions of such Sections that is substantively comparable and not materially more onerous to comply with) ("FATCA"), any regulations or other official guidance thereunder, any intergovernmental agreement or agreement pursuant to Section 1471(b)(1) of the Code entered into in connection with FATCA, or any law, regulation or other official guidance enacted in any jurisdiction implementing FATCA or an intergovernmental agreement; or

(E) any combination of Applicable Taxes referred to in the preceding clauses (A), (B), (C) or (D); or

(ii) with respect to any payment of the principal of (including the Repurchase Price, Tax Redemption Price and Fundamental Change Repurchase Price, if applicable), premium, if any, and interest on, such Note to a Holder, if the Holder is a fiduciary, partnership or Person other than the sole beneficial owner of that payment to the extent that such payment would be required to be included in the income under the laws of the Relevant Taxing Jurisdiction, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner or beneficial owner been the Holder thereof.

In addition to the foregoing, the Company will also pay and indemnify the Holder of the Notes and the beneficial owner for any present or future stamp, issue, registration, value added, court or documentary taxes, or any other excise or property taxes, charges or similar levies or taxes (including penalties, interest and any other reasonable expenses related thereto) which are levied by any Relevant Taxing Jurisdiction (and in the case of enforcement, any jurisdiction) on the execution, delivery, registration or enforcement of any of the Notes, this Indenture or any other document or instrument referred to therein, or the receipt of payments with respect thereto (including the receipt of ADSs or other consideration due upon conversion).

If the Company becomes obligated to pay Additional Amounts with respect to any payment under or with respect to the Notes, the Company will deliver to the Trustee and the Paying Agent if other

than the Trustee on a date that is at least 30 days prior to the date of that payment (unless the obligation to pay Additional Amounts arises after the 30th day prior to that payment date, in which case the Company will notify the Trustee and the Paying Agent promptly thereafter) an Officers' Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable. The Officers' Certificate must also set forth any other information reasonably necessary to enable the Paying Agent or the Conversion Agent, as the case may be, to pay Additional Amounts to Holders on the relevant payment date. The Trustee and the Paying Agent shall be entitled to rely solely on such Officers' Certificate as conclusive proof that such payments are necessary. The Company will provide the Trustee and the Paying Agent with documentation reasonably satisfactory to the Trustee evidencing the payment of Additional Amounts.

The Company will make all withholdings and deductions required by law and will remit the full amount deducted or withheld to the relevant taxing authority in accordance with applicable law. The Company will provide to the Trustee an official receipt or, if official receipts are not obtainable, an Officers' Certificate evidencing the payment of any Applicable Taxes so deducted or withheld. The Company shall attach to each certified copy or other document an Officers' Certificate stating the amount of such Applicable Taxes paid per \$1,000 principal amount of the Notes then outstanding. Upon written request of a Holder, copies of those receipts or other documentation, as the case may be, will be made available by the Trustee.

(b) Any reference in this Indenture or the Notes in any context to the payment of cash and/or the delivery of ADSs (together with payments of cash for any fractional ADS) upon conversion of the Notes or the payment of principal of (including the Repurchase Price, Tax Redemption Price and Fundamental Change Repurchase Price, if applicable), any premium or interest including any additional interest on, any Note or any other amount payable with respect to such Note, shall be deemed to include any payment of Additional Amounts provided for in this Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

(c) The foregoing obligations shall survive termination, defeasance or discharge of this Indenture or any transfer by a Holder or a beneficial owner of its Notes and will apply *mutatis mutandis* to any jurisdiction in which any Successor Company is then, for tax purposes, incorporated, organized or resident or doing business (or any political subdivision or taxing authority thereof or therein) or any jurisdiction from or through which payment under or with respect to the Notes is made or deemed made by or on behalf of such Successor Company (or any political subdivision or taxing authority thereof or therein).

(d) Notwithstanding anything to the contrary herein, the Company, the Trustee and the Paying Agent shall be entitled to make any withholding or deduction pursuant to FATCA

Section 4.08 *Stay, Extension and Usury Laws.* The Company covenants (to the extent that it may lawfully do so) that it shall not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law or other law that would prohibit or forgive the Company from paying all or any portion of the principal of or interest on the Notes as contemplated herein, wherever enacted, now or at any time hereafter in force, or that may affect the covenants or the performance of this Indenture; and the Company (to the extent it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

Section 4.09 *Compliance Certificate; Statements as to Defaults.* The Company shall deliver to the Trustee within 120 days after the end of each fiscal year of the Company (beginning with the fiscal year ending on December 31, 2017) an Officers' Certificate stating that a review has been conducted of the Company's activities under this Indenture and whether the Company has fulfilled its obligations hereunder, and whether the authorized Officers thereof have knowledge of any Default by the Company that occurred during the previous year that is then continuing and, if so, specifying each such Default and the nature thereof.

In addition, the Company shall deliver to the Trustee, as soon as possible, and in any event within 30 days after the Company becomes aware of the occurrence of any Default if such Default is then continuing, an Officers'

Certificate setting forth the details of such Default, its status and the action that the Company is taking or proposing to take in respect thereof. The Trustee shall have no responsibility to take any steps to ascertain whether any Event of Default or Default has occurred, and until (i) a Responsible Officer of the Trustee has received an Officers' Certificate regarding such an occurrence, or (ii) the Trustee has received written notice at the Corporate Trust Office from the Holders of at least 25% in aggregate principal amount of the Notes then outstanding regarding such an occurrence, the Trustee is entitled to assume, without liability, that no Event of Default or Default has occurred.

Section 4.10 *Further Instruments and Acts.* Upon request of the Trustee, the Company will execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper to carry out more effectively the purposes of this Indenture.

ARTICLE 5
LISTS OF HOLDERS AND REPORTS BY THE COMPANY AND THE TRUSTEE

Section 5.01 *Lists of Holders.* The Company covenants and agrees that it will furnish or cause to be furnished to the Trustee, semi annually, not more than 15 days after each April 15 and October 15 (but in any event at least three Business Days before) May 1 and November 1 in each year beginning with April 15, 2018, and at such other times as the Trustee may request in writing, within 30 days after receipt by the Company of any such request (or such lesser time as the Trustee may reasonably request in order to enable it to timely provide any notice to be provided by it hereunder), a list in such form as the Trustee may reasonably require of the names and addresses of the Holders as of a date not more than 15 days (or such other date as the Trustee may reasonably request in order to so provide any such notices) prior to the time such information is furnished, except that no such list need be furnished so long as the Trustee is acting as Note Registrar.

Section 5.02 *Preservation and Disclosure of Lists.* The Trustee shall preserve, in as current a form as is reasonably practicable, all information as to the names and addresses of the Holders contained in the most recent list furnished to it as provided in Section 5.01 or maintained by the Trustee in its capacity as Note Registrar, if so acting. The Trustee may destroy any list furnished to it as provided in Section 5.01 upon receipt of a new list so furnished.

ARTICLE 6
DEFAULTS AND REMEDIES

Section 6.01 *Events of Default.* The following events shall be "**Events of Default**" with respect to the Notes:

- (a) failure by the Company to pay any installment of interest or Additional Amounts, if any, on any of the Notes, when due and payable, which failure continues for 30 days after the date when due;
- (b) failure by the Company to pay when due the principal, the Tax Redemption Price, the Repurchase Price or any Fundamental Change Repurchase Price of any Note, in each case, when the same becomes due and payable;
- (c) failure by the Company to deliver when due the consideration deliverable upon conversion of any Notes and such failure continues for a period of three Business Days;
- (d) failure by the Company to issue a Tax Redemption Notice in accordance with Section 16.02, the Company Notice pursuant to Section 15.01(a), a Fundamental Change Company Notice in accordance with Section 15.02(c) or notice of a Make-Whole Fundamental Change or a Tax Redemption in accordance with Section 14.03(a), in each case, when due, and such failure continues for a period of five Business Days;
- (e) failure by the Company to comply with its obligations under Article 11;

(f) failure by the Company for 60 days after written notice to the Company by the Trustee or to the Company and the Trustee by Holders of at least 25% in the aggregate principal amount of the Notes then outstanding to comply with (or obtain a waiver with respect to) any of its terms, covenants or agreements contained in the Notes or this Indenture not otherwise provided for in this Section 6.01;

(g) default by the Company or any Significant Subsidiary of the Company with respect to any mortgage, agreement or other instrument under which there may be outstanding, or by which there may be secured or evidenced, any indebtedness for money borrowed in excess of \$25 million (or the foreign currency equivalent thereof) in the aggregate of the Company and/or any such Significant Subsidiary, whether such indebtedness now exists or shall hereafter be created (i) resulting in such indebtedness becoming or being declared due and payable or (ii) constituting a failure to pay the principal or interest of any such indebtedness when due and payable at its stated maturity, upon redemption, upon required repurchase, upon declaration of acceleration or otherwise, in each case, after the expiration of any applicable grace period, if such default is not cured or waived, or such acceleration is not rescinded, within 30 days after written notice to the Company by the Trustee or to the Company and the Trustee by holders of at least 25% in the aggregate principal amount of the Notes then outstanding, in accordance with this Indenture;

(h) a final judgment for the payment of \$25 million (or the foreign currency equivalent thereof) or more (excluding any amounts covered by insurance or bond) rendered against the Company or any Significant Subsidiary of the Company by a court of competent jurisdiction, which judgment is not paid, bonded or otherwise discharged or stayed within 60 days after (i) the date on which the right to appeal thereof has expired if no such appeal has commenced, or (ii) the date on which all rights to appeal have been extinguished;

(i) the Company or any Significant Subsidiary shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to the Company or any such Significant Subsidiary or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of the Company or any such Significant Subsidiary or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due;

(j) an involuntary case or other proceeding shall be commenced against the Company or any Significant Subsidiary seeking liquidation, reorganization or other relief with respect to the Company or such Significant Subsidiary or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of the Company or such Significant Subsidiary or any substantial part of its property; or

(k) except as permitted under this Indenture or a supplemental indenture in respect of a guarantee to be provided pursuant to Article 13 of this Indenture: (x) any guarantee by a Guarantor Subsidiary of the obligations of the Company under the Notes and the Indenture is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect (other than following a release set out in Article 13), or (y) any Guarantor Subsidiary, or any Person acting on behalf thereof, denies or disaffirms its obligations under its guarantee provided pursuant to Article 13 hereof.

Section 6.02 *Acceleration; Rescission and Annulment.* If one or more Events of Default shall have occurred and be continuing (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body), then, and in each and every such case (other than an Event of Default specified in Section 6.01(i) or Section 6.01(j) with respect to the Company or any of its Significant Subsidiaries), unless the principal of all of the Notes shall have already become due and payable, the Trustee may by notice in writing to the Company, or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding determined subject to Section 8.04, by notice in writing to the Company and to the Trustee may declare 100% of the principal of, and accrued and unpaid interest on, all the Notes to be due and

payable immediately, and upon any such declaration the same shall become and shall automatically be immediately due and payable, anything contained in this Indenture or in the Notes to the contrary notwithstanding. If an Event of Default specified in Section 6.01(i) or Section 6.01(j) with respect to the Company or any of its Significant Subsidiaries occurs and is continuing, 100% of the principal of, and accrued and unpaid interest on, all Notes shall become and shall automatically be immediately due and payable without any action on the part of the Trustee. If an Event of Default occurs and is continuing, all agents of the Company appointed under this Indenture will be required to act on the direction of the Trustee.

The immediately preceding paragraph, however, is subject to the conditions that if, at any time after the principal of the Notes shall have been so declared due and payable, and before any judgment or decree for the payment of the monies due shall have been obtained or entered as hereinafter provided, the Company shall pay or shall deposit with the Trustee a sum sufficient to pay installments of accrued and unpaid interest upon all Notes and the principal of any and all Notes that shall have become due otherwise than by acceleration (with interest on overdue installments of accrued and unpaid interest to the extent that payment of such interest is enforceable under applicable law, and on such principal at the rate per annum borne by the Notes *plus* 1.00%) and amounts due to the Trustee pursuant to Section 7.06, and if (1) rescission would not conflict with any judgment or decree of a court of competent jurisdiction, (2) all payments to the Trustee have been made, and (3) any and all existing Events of Default under this Indenture, other than the nonpayment of the principal of and accrued and unpaid interest on Notes that shall have become due solely by such acceleration, shall have been cured or waived pursuant to Section 6.09, then and in every such case (except as provided in the immediately succeeding sentence) the Holders of a majority in aggregate principal amount of the Notes then outstanding, by written notice to the Company and to the Trustee, may waive all Defaults or Events of Default with respect to the Notes and rescind and annul such declaration and its consequences and such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured for every purpose of this Indenture; but no such waiver or rescission and annulment shall extend to or shall affect any subsequent Default or Event of Default, or shall impair any right consequent thereon. Notwithstanding anything to the contrary herein, no such waiver or rescission and annulment shall extend to or shall affect any Default or Event of Default resulting from (i) the nonpayment of the principal of, or accrued and unpaid interest on, any Notes, (ii) a failure to pay the Tax Redemption Price, the Repurchase Price or any Fundamental Change Repurchase Price of any Note or (iii) a failure to deliver the consideration due upon conversion of the Notes.

Section 6.03 *Additional Interest.* Notwithstanding anything in this Indenture or in the Notes to the contrary, to the extent the Company elects, the sole remedy for an Event of Default relating to the Company's failure to comply with its obligations as set forth in Section 4.06(b) shall after the occurrence of such an Event of Default (which, with respect to an Event of Default described in Section 6.01(f), shall be the 60th day after written notice is provided to the Company in accordance with Section 6.01(f)) consist exclusively of the right to receive Additional Interest on the Notes at a rate equal to:

(a) 0.25% per annum of the principal amount of the Notes outstanding for each day during the period beginning on, and including, the date on which such an Event of Default first occurs and ending on the earlier of (i) the date on which such Event of Default is cured or validly waived and (ii) the 90th day immediately following, and including, the date on which such Event of Default first occurred; and

(b) if such Event of Default has not been cured or validly waived prior to the 91st day immediately following, and including, the date on which such Event of Default first occurred, 0.50% per annum of the principal amount of the Notes outstanding for each day during the period beginning on, and including, the 91st day immediately following, and including, the date on which such an Event of Default first occurred and ending on the earlier of (i) the date on which such Event of Default is cured or validly waived and (ii) the 180th day immediately following, and including, the date on which such Event of Default first occurred.

Interest payable pursuant to this Section 6.03 shall be in addition to, not in lieu of, any Additional Interest payable pursuant to Section 4.06(d) or Section 4.06(e). In no event shall Additional Interest accrue on the Notes on any day under this Indenture (taking any Additional Interest payable pursuant to this Section 6.03 together with any Additional Interest payable pursuant to Section 4.06(d) and Section 4.06(e)) at an annual rate accruing in excess of 0.50%, in the aggregate, for any violation or Default caused by the Company's failure to be current in respect of its Exchange Act reporting obligations. If the Company so elects, such Additional Interest shall be payable in the same

manner and on the same dates as regular interest on the Notes. On the 181st day after such Event of Default (if the Event of Default with respect to the Company's obligations under Section 4.06(b) is not cured or waived prior to such 181st day), the Notes will be subject to acceleration as provided in Section 6.02. In the event the Company does not elect to pay Additional Interest following an Event of Default in accordance with this Section 6.03 or the Company elected to make such payment but does not pay the Additional Interest when due, the Notes shall be subject to acceleration as provided in Section 6.02.

In order to elect to pay Additional Interest as the sole remedy during the first 180 days after the occurrence of any Event of Default described in the immediately preceding paragraph, the Company must notify in writing all Holders of the Notes, the Trustee and the Paying Agent of such election prior to the beginning of such 180-day period. Upon the failure to timely give such notice, the Notes shall be immediately subject to acceleration as provided in Section 6.02.

Section 6.04 *Payments of Notes on Default; Suit Therefor.* If an Event of Default described in clause (a) or (b) of Section 6.01 shall have occurred, the Company shall, upon demand of the Trustee or at the request of Holders of at least 25% in aggregate principal amount of the Notes then outstanding determined subject to Section 8.04 and subject to indemnity and/or security satisfactory to the Trustee, pay to the Trustee, for the benefit of the Holders of the Notes, the whole amount then due and payable on the Notes for principal and interest, if any, with interest on any overdue principal and interest, if any, at the rate per annum borne by the Notes at such time *plus* 1.00%, and, in addition thereto, such further amount as shall be sufficient to cover any amounts due to the Trustee under Section 7.06. If the Company shall fail to pay such amounts forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, may prosecute such proceeding to judgment or final decree and may enforce the same against the Company or any other obligor upon the Notes and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property of the Company or any other obligor upon the Notes, wherever situated.

In the event there shall be pending proceedings for the bankruptcy or for the reorganization of the Company or any other obligor on the Notes under title 11 of the United States Code, or any other applicable law, or in case a receiver, assignee or trustee in bankruptcy or reorganization, liquidator, sequestrator or similar official shall have been appointed for or taken possession of the Company or such other obligor, the property of the Company or such other obligor, or in the event of any other judicial proceedings relative to the Company or such other obligor upon the Notes, or to the creditors or property of the Company or such other obligor, the Trustee, irrespective of whether the principal of the Notes shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand pursuant to the provisions of this Section 6.04, shall be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount of principal and accrued and unpaid interest, if any, in respect of the Notes, and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents and to take such other actions as it may deem necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and of the Holders allowed in such judicial proceedings relative to the Company or any other obligor on the Notes, its or their creditors, or its or their property, and to collect and receive any monies or other property payable or deliverable on any such claims, and to distribute the same after the deduction of any amounts due to the Trustee under Section 7.06; and any receiver, assignee or trustee in bankruptcy or reorganization, liquidator, custodian or similar official is hereby authorized by each of the Holders to make such payments to the Trustee, as administrative expenses, and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due to it for reasonable compensation, expenses, advances and disbursements, including agents and counsel fees, and including any other amounts due to the Trustee under Section 7.06, incurred by it up to the date of such distribution. To the extent that such payment of reasonable compensation, expenses, advances and disbursements out of the estate in any such proceedings shall be denied for any reason, payment of the same shall be secured by a lien on, and shall be paid out of, any and all distributions, dividends, monies, securities and other property that the Holders of the Notes may be entitled to receive in such proceedings, whether in liquidation or under any plan of reorganization or arrangement or otherwise.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting such

Holder or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

All rights of action and of asserting claims under this Indenture, or under any of the Notes, may be enforced by the Trustee without the possession of any of the Notes, or the production thereof at any trial or other proceeding relative thereto, and any such suit or proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Notes.

In any proceedings brought by the Trustee (and in any proceedings involving the interpretation of any provision of this Indenture to which the Trustee shall be a party) the Trustee shall be held to represent all the Holders of the Notes, and it shall not be necessary to make any Holders of the Notes parties to any such proceedings.

In case the Trustee shall have proceeded to enforce any right under this Indenture and such proceedings shall have been discontinued or abandoned because of any waiver pursuant to Section 6.09 or any rescission and annulment pursuant to Section 6.02 or for any other reason or shall have been determined adversely to the Trustee, then and in every such case the Company, the Holders, and the Trustee shall, subject to any determination in such proceeding, be restored respectively to their several positions and rights hereunder, and all rights, remedies and powers of the Company, the Holders, and the Trustee shall continue as though no such proceeding had been instituted.

Section 6.05 *Application of Monies or Property Collected by Trustee.* Any monies or property collected by the Trustee pursuant to this Article 6 or otherwise after an Event of Default has occurred and is continuing with respect to the Notes shall be applied in the following order, at the date or dates fixed by the Trustee for the distribution of such monies or property, upon presentation of the several Notes, and stamping thereon the payment, if only partially paid, and upon surrender thereof, if fully paid:

First, to the payment of all amounts due to the Trustee, including its agents and counsel, under Section 7.06 and any payments due to the Paying Agent, the Conversion Agent and the Note Registrar;

Second, in case the principal of the outstanding Notes shall not have become due and be unpaid, to the payment of interest on, and any cash due upon conversion of, the Notes in default in the order of the date due of the payments of such interest and cash due upon conversion, as the case may be, with interest (to the extent that such interest has been collected by the Trustee) upon such overdue payments at the rate per annum borne by the Notes at such time *plus* 1.00%, such payments to be made ratably to the Persons entitled thereto;

Third, in case the principal of the outstanding Notes shall have become due, by declaration or otherwise, and be unpaid to the payment of the whole amount (including, if applicable, the payment of the Repurchase Price, Tax Redemption Price or Fundamental Change Repurchase Price and any cash due upon conversion) then owing and unpaid upon the Notes for principal and interest, if any, with interest on the overdue principal and, to the extent that such interest has been collected by the Trustee, upon overdue installments of interest at the rate per annum borne by the Notes at such time *plus* 1.00%, and in case such monies shall be insufficient to pay in full the whole amounts so due and unpaid upon the Notes, then to the payment of such principal (including, if applicable, the Repurchase Price, Tax Redemption Price or Fundamental Change Repurchase Price) and interest without preference or priority of principal over interest, or of interest over principal or of any installment of interest over any other installment of interest, or of any Note over any other Note, ratably to the aggregate of such principal (including, if applicable, the Repurchase Price or Fundamental Change Repurchase Price and any cash due upon conversion) and accrued and unpaid interest; and

Fourth, to the payment of the remainder, if any, to the Company or as a court of competent jurisdiction shall direct.

Section 6.06 *Proceedings by Holders.* Except to enforce the right to receive payment of principal (including, if applicable, the Repurchase Price, Tax Redemption Price or Fundamental Change Repurchase Price) or interest when due, or the right to receive payment or delivery of the consideration due upon conversion, no Holder of any Note shall have any right by virtue of or by availing of any provision of this Indenture to institute any suit, action or proceeding in equity or at law upon or under or with respect to this Indenture, or for the appointment of a receiver, trustee, liquidator, custodian or other similar official, or for any other remedy hereunder, unless:

- (a) such Holder previously shall have given to the Trustee written notice of an Event of Default and of the continuance thereof, as herein provided;
- (b) Holders of at least 25% in aggregate principal amount of the Notes then outstanding shall have made written request upon the Trustee to institute such action, suit or proceeding in its own name as Trustee hereunder;
- (c) such Holders shall have offered to the Trustee such security and/or indemnity satisfactory to it against any loss, liability or expense to be incurred therein or thereby;
- (d) the Trustee for 60 days after its receipt of such notice, request and offer of security and/or indemnity, shall have neglected or refused to institute any such action, suit or proceeding; and
- (e) no direction that, in the opinion of the Trustee, is inconsistent with such written request shall have been given to the Trustee by the Holders of a majority of the aggregate principal amount of the Notes then outstanding within such 60-day period pursuant to Section 6.09,

it being understood and intended, and being expressly covenanted by the taker and Holder of every Note with every other taker and Holder and the Trustee that no one or more Holders shall have any right in any manner whatever by virtue of or by availing of any provision of this Indenture to affect, disturb or prejudice the rights of any other Holder, or to obtain or seek to obtain priority over or preference to any other such Holder, or to enforce any right under this Indenture, except in the manner herein provided and for the equal, ratable and common benefit of all Holders (except as otherwise provided herein). For the protection and enforcement of this Section 6.06, each and every Holder and the Trustee shall be entitled to such relief as can be given either at law or in equity.

Notwithstanding any other provision of this Indenture and any provision of any Note, the right of any Holder to receive payment or delivery, as the case may be, of (x) the principal (including the Repurchase Price, Tax Redemption Price and the Fundamental Change Repurchase Price, if applicable) of, (y) accrued and unpaid interest on, and (z) the consideration due upon conversion of, such Note, on or after the respective due dates expressed or provided for in such Note or in this Indenture, or to institute suit for the enforcement of any such payment or delivery, as the case may be, on or after such respective dates against the Company shall not be impaired or affected without the consent of such Holder.

Section 6.07 *Proceedings by Trustee.* In case of an Event of Default, the Trustee may proceed to protect and enforce the rights vested in it by this Indenture by such appropriate judicial proceedings as are necessary to protect and enforce any of such rights, either by suit in equity or by action at law or by proceeding in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Indenture or in aid of the exercise of any power granted in this Indenture, or to enforce any other legal or equitable right vested in the Trustee by this Indenture or by law.

Section 6.08 *Remedies Cumulative and Continuing.* Except as provided in the last paragraph of Section 6.06, all powers and remedies given by this Article 6 to the Trustee or to the Holders shall, to the extent permitted by law, be deemed cumulative and not exclusive of any thereof or of any other powers and remedies available to the Trustee or the Holders of the Notes, by judicial proceedings or otherwise, to enforce the performance or observance of the covenants and agreements contained in this Indenture, and no delay or omission of the Trustee or of any Holder of any of the Notes to exercise any right or power accruing upon any Default or Event of Default shall impair any such right or power, or shall be construed to be a waiver of any such Default or Event of Default or any acquiescence therein; and, subject to the provisions of Section 6.06, every power and remedy given

by this Article 6 or by law to the Trustee or to the Holders may be exercised from time to time, and as often as shall be deemed expedient, by the Trustee or by the Holders.

Section 6.09 *Direction of Proceedings and Waiver of Defaults by Majority of Holders.* The Holders of a majority of the aggregate principal amount of the Notes at the time outstanding determined subject to Section 8.04 shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee with respect to Notes; *provided, however*, that (a) such direction shall not be in conflict with any rule of law or with this Indenture, and (b) the Trustee may take any other action deemed proper by the Trustee that is not inconsistent with such direction. The Trustee may refuse to follow any direction that it determines is unduly prejudicial to the rights of any other Holder or that would involve the Trustee in personal liability, or if it is not provided with security and/or indemnity to its satisfaction. Prior to taking any action under this Indenture, the Trustee will be entitled to security and/or indemnification satisfactory to it in its sole discretion against all losses, liabilities and expenses caused by taking or not taking such action. In addition, the Trustee will not be required to expend its own funds under any circumstances. The Holders of a majority in aggregate principal amount of the Notes at the time outstanding determined subject to Section 8.04 may on behalf of the Holders of all of the Notes waive any past Default or Event of Default hereunder and its consequences except (i) a default in the payment of accrued and unpaid interest on, or the principal (including, if applicable, the Repurchase Price, Tax Redemption Price or Fundamental Change Repurchase Price) of, the Notes when due that has not been cured pursuant to the provisions of Section 6.02, (ii) a failure by the Company to pay or deliver, or cause to be delivered, as the case may be, the consideration due upon conversion of the Notes or (iii) a default in respect of a covenant or provision hereof which under Article 10 cannot be modified or amended without the consent of each Holder of an outstanding Note affected. Upon any such waiver the Company, the Trustee and the Holders of the Notes shall be restored to their former positions and rights hereunder; but no such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereon. Whenever any Default or Event of Default hereunder shall have been waived as permitted by this Section 6.09, said Default or Event of Default shall for all purposes of the Notes and this Indenture be deemed to have been cured and to be not continuing; but no such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereon.

Section 6.10 *Notice of Defaults and Events of Default.* If a Default or Event of Default occurs and is continuing and a Responsible Officer of the Trustee is notified in writing, the Trustee shall, within 90 days after a Responsible Officer of the Trustee has obtained actual knowledge of the occurrence and continuance of such Default or Event of Default, send to all Holders (at the Company's expense) as the names and addresses of such Holders appear upon the Note Register, notice of all such Defaults known to a Responsible Officer, unless such Defaults shall have been cured or waived before the giving of such notice; *provided* that the Trustee shall not be deemed to have knowledge of any occurrence of a Default or Event of Default unless a Responsible Officer has received written notice at the Corporate Trust Office from the Company or a Holder. Except in the case of a Default in the payment of the principal of (including the Repurchase Price, Tax Redemption Price and the Fundamental Change Repurchase Price, if applicable), or accrued and unpaid interest on, any of the Notes or a Default in the payment or delivery of the consideration due upon conversion, the Trustee shall be protected in withholding such notice if and so long as a Responsible Officer of the Trustee (in its sole discretion) in good faith determines that the withholding of such notice is in the interests of the Holders.

Section 6.11 *Undertaking to Pay Costs.* All parties to this Indenture agree, and each Holder of any Note by its acceptance thereof shall be deemed to have agreed, that any court may, in its discretion, require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees and expenses, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; *provided* that the provisions of this Section 6.11 (to the extent permitted by law) shall not apply to any suit instituted by or against the Trustee, to any suit instituted by any Holder, or group of Holders, holding in the aggregate more than 10% in principal amount of the Notes at the time outstanding determined subject to Section 8.04, or to any suit instituted by any Holder for the enforcement of the payment of the principal of or accrued and unpaid interest on any Note (including, but not limited to, the Repurchase Price, Tax Redemption Price and the Fundamental Change Repurchase Price) on or after the due date expressed or provided for

in such Note or to any suit for the enforcement of the right to convert any Note in accordance with the provisions of Article 14.

ARTICLE 7
CONCERNING THE TRUSTEE

Section 7.01 *Duties and Responsibilities of Trustee.* The Trustee, prior to the occurrence of an Event of Default and after the curing or waiver of all Events of Default that may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. In case an Event of Default has occurred that has not been cured or waived, of which a Responsible Officer the Trustee has actual knowledge pursuant to Section 7.02(j) the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in its exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs; *provided* that if an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under this Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee indemnity and/or security satisfactory to it against the costs, expenses and liabilities that might be incurred by it in compliance with such request or direction.

No provision of this Indenture shall be construed to relieve the Trustee from liability for its own grossly negligent action, its own grossly negligent failure to act or its own willful misconduct as proven in a final decision in a court of competent jurisdiction, except that:

- (a) prior to the occurrence of an Event of Default and after the curing or waiving of all Events of Default that may have occurred:
 - (i) the duties and obligations of the Trustee shall be determined solely by the express provisions of this Indenture, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Indenture and no implied covenants or obligations shall be read into this Indenture against the Trustee; and
 - (ii) in the absence of gross negligence and willful misconduct on the part of the Trustee as proven in a final decision in a court of competent jurisdiction, the Trustee may conclusively and without liability rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but, in the case of any such certificates or opinions that by any provisions hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture (but need not confirm or investigate the accuracy of any mathematical calculations or other facts stated therein);
- (b) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer or Officers of the Trustee, unless it shall be proved in a final decision in a court of competent jurisdiction that the Trustee was grossly negligent in ascertaining the pertinent facts;
- (c) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a majority of the aggregate principal amount of the Notes at the time outstanding determined as provided in Section 8.04 relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture;
- (d) whether or not therein provided, every provision of this Indenture relating to the conduct or affecting the liability of, or affording protection to, the Trustee shall be subject to the provisions of this Section and Section 7.02;

(e) the Trustee shall not be liable in respect of any payment (as to the correctness of amount, entitlement to receive or any other matters relating to payment) or notice effected by the Company or any Paying Agent or any records maintained by any co-Note Registrar with respect to the Notes;

(f) if any party fails to deliver a notice relating to an event the fact of which, pursuant to this Indenture, requires notice to be sent to the Trustee, the Trustee may conclusively and without liability rely on its failure to receive such notice as reason to act as if no such event occurred;

(g) in the event that the Trustee is also acting as Note Registrar, Paying Agent or Conversion Agent, the rights, privileges, immunities and protections, including without limitation, its right to be indemnified, afforded to the Trustee pursuant to this Article 7 shall also be afforded to such Note Registrar, Paying Agent or Conversion Agent;

(h) the Trustee shall have no duty to inquire, no duty to determine and no duty to monitor as to the performance of the Company's covenants in this Indenture or the financial performance of the Company; the Trustee shall be entitled to assume, until it has received written notice in accordance with this Indenture, that the Company is properly performing its duties hereunder;

(i) the Trustee shall be under no obligation to enforce any of the provisions of this Indenture unless it is instructed by Holders of at least 25% of the aggregate principal amount of outstanding Notes determined as provided in Section 8.04 and is provided with security and/or indemnity satisfactory to it; and

(j) the Trustee will be under no obligation to exercise any of the rights or powers under this Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee indemnity and/or security satisfactory to it against any costs, expenses and liabilities that might be incurred by it in compliance with such request or direction.

None of the provisions contained in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.

Section 7.02 *Reliance on Documents, Opinions, Etc.* Except as otherwise provided in Section 7.01:

(a) the Trustee may conclusively and without liability rely and shall be fully protected in acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, Note, coupon or other paper or document (whether in its original or facsimile form) believed by it in good faith to be genuine and to have been signed or presented by the proper party or parties;

(b) any request, direction, order or demand of the Company mentioned herein shall be sufficiently evidenced by an Officers' Certificate (unless other evidence in respect thereof be herein specifically prescribed); and any Board Resolution may be evidenced to the Trustee by a copy thereof certified by the Secretary of the Company;

(c) the Trustee may consult with counsel and require an Opinion of Counsel and any advice of such counsel or Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken or omitted by it hereunder in good faith and in reliance upon such advice or Opinion of Counsel;

(d) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises

of the Company, personally or by agent or attorney at the expense of the Company and shall incur no liability of any kind by reason of such inquiry or investigation;

(e) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, delegates, custodians, nominees or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent, delegate, representative, custodian, nominee or attorney appointed by it with due care hereunder;

(f) the permissive rights of the Trustee enumerated herein shall not be construed as duties;

(g) under no circumstances and notwithstanding any contrary provision included herein, neither the Trustee, the Paying Agent, the Conversion Agent nor the Note Registrar shall be responsible or liable for special, indirect, punitive, or consequential damages or loss of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether any of them have been advised of the likelihood of such loss or damage and regardless of the form of action; this provision shall remain in full force and effect notwithstanding the discharge of the Notes, the termination of this Indenture or the resignation, replacement or removal of the Trustee, the Paying Agent, the Conversion Agent and the Note Registrar;

(h) the Trustee, the Paying Agent, the Conversion Agent and the Note Registrar may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would, in its opinion based upon legal advice in the relevant jurisdiction, be contrary to any law of that jurisdiction or, to the extent applicable, of New York; furthermore, the Trustee may also refrain from taking such action if it would otherwise render it liable to any Person in that jurisdiction or New York or if, in its opinion based on such legal advice, it would not have the power to do the relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction or in New York or if it is determined by any court or other competent authority in that jurisdiction that it does not have such power;

(i) the Trustee shall not be required to give any bond or surety in respect of the performance of its powers and duties hereunder;

(j) the Trustee shall not be deemed to have knowledge of an Event of Default except (i) any Event of Default described in Section 6.01(a), Section 6.01(b) or Section 6.01(c) or (ii) any Event of Default of which a Responsible Officer of the Trustee shall have received at the Corporate Trust Office written notification thereof from the Company or a Holder, and such notice references the Notes of this Indenture;

(k) the Trustee may request that the Company deliver Officers' Certificates setting forth the names of individuals and their titles and specimen signatures of officers authorized at such time to take specified actions pursuant to this Indenture, which Officers' Certificates may be signed by any Person authorized to sign an Officers' Certificate, as the case may be, including any Person specified as so authorized in any such certificate previously delivered and not superseded;

(l) the Trustee shall not be responsible or liable for any action it takes or omits to take in good faith which it reasonably believes to be authorized or within its rights or powers;

(m) the Trustee shall not be responsible or liable for any action taken or omitted by it in good faith at the direction, in accordance with Section 6.09, of the Holders of not less than a majority in aggregate principal amount of the Notes at the time outstanding determined in accordance with Section 8.04 as to the time, method and place of conducting any proceeding for any remedy available to the Trustee or the exercising of any power conferred by this Indenture;

(n) The Trustee shall not be responsible for any inaccuracy in the information obtained from the Company or for any inaccuracy or omission in the records which may result from such information or any failure by the Trustee to perform its duties as set forth herein as a result of any inaccuracy or incompleteness; and

(o) neither the Trustee nor any agent thereof shall have any responsibility or liability for any actions taken or not taken by the Depository.

Section 7.03 *No Responsibility for Recitals, Etc.* The recitals, statements, warranties and representations contained herein and in the Notes (except in the Trustee's certificate of authentication) shall be taken as the statements of the Company, and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representations as to the accuracy or correctness of the same or the execution, legality, effectiveness, adequacy, genuineness, validity, enforceability or admissibility in evidence of this Indenture or of the Notes. The Trustee shall not be accountable for the use or application by the Company of any Notes or the proceeds of any Notes authenticated and delivered by the Trustee in conformity with the provisions of this Indenture. Notwithstanding the generality of the foregoing, each Holder shall be solely responsible for making its own independent appraisal of, and investigation into, the financial condition, creditworthiness, condition, affairs, status and nature of the Company, and the Trustee shall not at any time have any responsibility for the same and each Holder shall not rely on the Trustee in respect thereof.

Section 7.04 *Trustee, Paying Agents, Conversion Agents or Note Registrar May Own Notes.* The Trustee, any Paying Agent, any Conversion Agent or Note Registrar, in its individual or any other capacity, may become the owner or pledgee of Notes with the same rights it would have if it were not the Trustee, Paying Agent, Conversion Agent or Note Registrar, and nothing herein shall obligate any of them to account for any profits earned from any business or transactional relationship.

Section 7.05 *Monies to Be Held in Trust.* All monies received by the Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received. Money held by the Trustee in trust or by the Paying Agent hereunder need not be segregated from other funds except to the extent required by law. Neither the Trustee nor the Paying Agent shall be under any liability for interest on any money received by it hereunder.

Section 7.06 *Compensation and Expenses of Trustee.* (a) The Company covenants and agrees to pay to the Trustee from time to time, and the Trustee shall be entitled to, reasonable compensation for all services rendered by it hereunder in any capacity (which shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust) as mutually agreed to in writing between the Trustee and the Company, and the Company will pay or reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances reasonably incurred or made by the Trustee in accordance with any of the provisions of this Indenture in any capacity thereunder (including the reasonable compensation and the expenses and disbursements of its agents and counsel and of all Persons not regularly in its employ) except any such expense, disbursement or advance as shall have been caused by its gross negligence or willful misconduct as proven in a final decision in a court of competent jurisdiction. The Company also covenants to indemnify the Trustee in any capacity under this Indenture (including without limitation as Note Registrar, Conversion Agent and Paying Agent) and any other document or transaction entered into in connection herewith, and to hold it harmless against, any loss, claim (provided that the Company need not pay for settlement of any such claim made without its consent, which consent shall not be unreasonably withheld), damage, liability or expense (whether arising from third party claims or claims by or against the Company) incurred without gross negligence or willful misconduct on the part of the Trustee, its officers, directors, agents or employees, as the case may be as proven in a final decision in a court of competent jurisdiction, and arising out of or in connection with the acceptance or administration of this Indenture or in any other capacity hereunder, including the costs and expenses of defending themselves against any claim of liability in the premises or enforcing this indemnity. The obligations of the Company under this Section 7.06 to compensate or indemnify the Trustee and to pay or reimburse the Trustee for expenses, disbursements and advances shall be secured by a senior claim to which the Notes are hereby made subordinate on all money or property held or collected by the Trustee, except, subject to the effect of Section 6.05, funds held in trust herewith for the benefit of the Holders of particular Notes. The Trustee's right to receive payment of any amounts due under this Section 7.06 shall not be subordinate to any other liability or indebtedness of the Company. The indemnity under this Section 7.06(a) is payable upon demand by the Trustee. The obligation of the Company under this Section 7.06(a) shall survive the satisfaction and discharge of the Notes, the termination of this Indenture and the resignation or removal of the Trustee. The Company need not pay for any settlement made without its consent, which consent shall not be unreasonably withheld. The indemnification provided in this Section 7.06(a) shall extend to the officers, directors, agents and

employees of the Trustee. Subject to Section 7.02(e), any negligence or misconduct of any agent, delegate, attorney or representative, in each case, of the Trustee, shall not affect indemnification of the Trustee.

Without prejudice to any other rights available to the Trustee under applicable law, when the Trustee and its agents incur expenses or render services after an Event of Default specified in Section 6.01(i) or Section 6.01(j) occurs, the expenses and the compensation for the services are intended to constitute expenses of administration under any bankruptcy, insolvency or similar laws.

Section 7.07 *Officers' Certificate as Evidence.* Except as otherwise provided in Section 7.01, whenever in the administration of the provisions of this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or omitting any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by an Officers' Certificate delivered to the Trustee, and such Officers' Certificate shall be full warrant to the Trustee for any action taken or omitted by it under the provisions of this Indenture upon the faith thereof.

Section 7.08 *Eligibility of Trustee.* There shall at all times be a Trustee hereunder which shall be a Person that is eligible pursuant to the Trust Indenture Act to act as such and has a combined capital and surplus of at least \$50,000,000. If such Person publishes reports of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such Person shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

Section 7.09 *Resignation or Removal of Trustee.* (a) The Trustee may at any time resign by giving 60 days written notice of such resignation to the Company and by sending notice thereof to the Holders at their addresses as they shall appear on the Note Register. Upon receiving such notice of resignation, the Company shall promptly appoint a successor trustee by written instrument, in duplicate, executed by order of the Board of Directors, one copy of which instrument shall be delivered to the resigning Trustee and one copy to the successor trustee. If no successor trustee shall have been so appointed and have accepted appointment within 60 days after the sending of such notice of resignation to the Holders, the resigning Trustee may appoint a successor trustee on behalf of and at the expense of the Company or it may, upon ten Business Days' notice to the Company and the Holders, at the expense of the Company petition any court of competent jurisdiction for the appointment of a successor trustee, or any Holder who has been a bona fide holder of a Note or Notes for at least six months may, subject to the provisions of Section 6.11, on behalf of himself or herself and all others similarly situated, petition any such court for the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, appoint a successor trustee.

- (b) In case at any time any of the following shall occur:
 - (i) the Trustee shall cease to be eligible in accordance with the provisions of Section 7.08 and shall fail to resign after written request therefor by the Company or by any such Holder, or
 - (ii) the Trustee shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in either case, the Company may by a Board Resolution remove the Trustee and appoint a successor trustee by written instrument, in duplicate, executed by order of the Board of Directors, one copy of which instrument shall be delivered to the Trustee so removed and one copy to the successor trustee, or, subject to the provisions of Section 6.11, any Holder who has been a bona fide holder of a Note or Notes for at least six months may, on behalf of himself or herself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, remove the Trustee and appoint a successor trustee.

(c) The Holders of a majority in aggregate principal amount of the Notes at the time outstanding, as determined in accordance with Section 8.04, may at any time remove the Trustee and nominate a successor trustee that shall be deemed appointed as successor trustee unless within ten days after notice to the Company of such nomination the Company objects thereto, in which case the Trustee so removed or any Holder, upon the terms and conditions and otherwise as in Section 7.09(a) provided, may petition any court of competent jurisdiction for an appointment of a successor trustee.

(d) Any resignation or removal of the Trustee and appointment of a successor trustee pursuant to any of the provisions of this Section 7.09 shall become effective upon acceptance of appointment by the successor trustee as provided in Section 7.10.

Section 7.10 *Acceptance by Successor Trustee.* Any successor trustee appointed as provided in Section 7.09 shall execute, acknowledge and deliver to the Company and to its predecessor trustee an instrument accepting such appointment hereunder, and thereupon the resignation or removal of the predecessor trustee shall become effective and such successor trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, duties and obligations of its predecessor hereunder, with like effect as if originally named as Trustee herein; but, nevertheless, on the written request of the Company or of the successor trustee, the trustee ceasing to act shall, upon payment of any amounts then due to it pursuant to the provisions of Section 7.06, execute and deliver an instrument transferring to such successor trustee all the rights and powers of the trustee so ceasing to act. Upon request of any such successor trustee, the Company shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor trustee all such rights and powers. Any trustee ceasing to act shall, nevertheless, retain a senior claim to which the Notes are hereby made subordinate on all money or property held or collected by such trustee as such, except for funds held in trust for the benefit of Holders of particular Notes, to secure any amounts then due to it pursuant to the provisions of Section 7.06.

No successor trustee shall accept appointment as provided in this Section 7.10 unless at the time of such acceptance such successor trustee shall be eligible under the provisions of Section 7.08.

Upon acceptance of appointment by a successor trustee as provided in this Section 7.10, each of the Company and the successor trustee, at the written direction and at the expense of the Company shall send or cause to be sent notice of the succession of such trustee hereunder to the Holders at their addresses as they shall appear on the Note Register. If the Company fails to send such notice within ten days after acceptance of appointment by the successor trustee, the successor trustee shall cause such notice to be sent at the expense of the Company.

Section 7.11 *Succession by Merger, Etc.* Any corporation or other entity into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation or other entity resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation or other entity succeeding to all or substantially all of the corporate trust business of the Trustee (including the administration of this Indenture), shall be the successor to the Trustee hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto; *provided* that in the case of any corporation or other entity succeeding to all or substantially all of the corporate trust business of the Trustee such corporation or other entity shall be eligible under the provisions of Section 7.08.

In case at the time such successor to the Trustee shall succeed to the trusts created by this Indenture, any of the Notes shall have been authenticated but not delivered, any such successor to the Trustee may adopt the certificate of authentication of any predecessor trustee, and deliver such Notes so authenticated; and in case at that time any of the Notes shall not have been authenticated, any successor to the Trustee may authenticate such Notes either in the name of any predecessor trustee hereunder or in the name of the successor trustee; and in all such cases such certificates shall have the full force which it is anywhere in the Notes or in this Indenture provided that the certificate of the Trustee shall have; *provided, however*, that the right to adopt the certificate of authentication of any predecessor trustee or to authenticate Notes in the name of any predecessor trustee shall apply only to its successor or successors by merger, conversion or consolidation.

Section 7.12 *Trustee's Application for Instructions from the Company.* Any application by the Trustee for written instructions from the Company (other than with regard to any action proposed to be taken or omitted to be taken by the Trustee that affects the rights of the Holders of the Notes under this Indenture) may, at the option of

the Trustee, set forth in writing any action proposed to be taken or omitted by the Trustee under this Indenture and the date on and/or after which such action shall be taken or such omission shall be effective. The Trustee shall not be liable for any action taken by, or omission of, the Trustee in accordance with a proposal included in such application on or after the date specified in such application (which date shall not be less than three Business Days after the date any Officer that the Company has indicated to the Trustee should receive such application actually receives such application, unless any such Officer shall have consented in writing to any earlier date), unless, prior to taking any such action (or the effective date in the case of any omission), the Trustee shall have received written instructions in accordance with this Indenture in response to such application specifying the action to be taken or omitted.

ARTICLE 8 CONCERNING THE HOLDERS

Section 8.01 *Action by Holders.* Whenever in this Indenture it is provided that the Holders of a specified percentage of the aggregate principal amount of the Notes may take any action (including the making of any demand or request, the giving of any notice, consent or waiver or the taking of any other action), the fact that at the time of taking any such action, the Holders of such specified percentage have joined therein may be evidenced (a) by any instrument or any number of instruments of similar tenor executed by Holders in person or by agent or proxy appointed in writing, or (b) by the record of the Holders voting in favor thereof at any meeting of Holders duly called and held in accordance with the provisions of Article 9, or (c) by a combination of such instrument or instruments and any such record of such a meeting of Holders. Whenever the Company or the Trustee solicits the taking of any action by the Holders of the Notes, the Company or the Trustee may fix, but shall not be required to, in advance of such solicitation, a date as the record date for determining Holders entitled to take such action. The record date if one is selected shall be not more than fifteen days prior to the date of commencement of solicitation of such action.

Section 8.02 *Proof of Execution by Holders.* Subject to the provisions of Section 7.01, Section 7.02 and Section 9.05, proof of the execution of any instrument by a Holder or its agent or proxy shall be sufficient if made in accordance with such reasonable rules and regulations as may be prescribed by the Trustee or in such manner as shall be satisfactory to the Trustee. The holding of Notes shall be proved by the Note Register or by a certificate of the Note Registrar. The record of any Holders' meeting shall be proved in the manner provided in Section 9.06.

Section 8.03 *Who Are Deemed Absolute Owners.* The Company, the Trustee, any Paying Agent, any Conversion Agent and any Note Registrar may deem the Person in whose name a Note shall be registered upon the Note Register to be, and may treat it as, the absolute owner of such Note (whether or not such Note shall be overdue and notwithstanding any notation of ownership or other writing thereon made by any Person other than the Company or any Note Registrar) for the purpose of receiving payment of or on account of the principal of and (subject to Section 2.03) accrued and unpaid interest on such Note, for the purpose of conversion of such Note and for all other purposes; and neither the Company nor the Trustee nor any Paying Agent nor any Conversion Agent nor any Note Registrar shall be affected by any notice to the contrary. All such payments or deliveries so made to any Holder for the time being, or upon its order, shall be valid, and, to the extent of the sums or ADSs so paid or delivered, effectual to satisfy and discharge the liability for monies payable or ADSs deliverable upon any such Note. Notwithstanding anything to the contrary in this Indenture or the Notes following an Event of Default, any Holder of a beneficial interest in a Global Note may directly enforce against the Company, without the consent, solicitation, proxy, authorization or any other action of the Depository or any other Person, such Holder's right to exchange such beneficial interest for a Note in certificated form in accordance with the provisions of this Indenture.

Section 8.04 *Company-Owned Notes Disregarded.* In determining whether the Holders of the requisite aggregate principal amount of Notes have concurred in any direction, consent, waiver or other action under this Indenture, Notes that are owned by the Company, by any Subsidiary or by any Affiliate of the Company or any Subsidiary shall be disregarded and deemed not to be outstanding for the purpose of any such determination; *provided* that for the purposes of determining whether the Trustee shall be protected in relying on any such direction, consent, waiver or other action only Notes in respect of which a Responsible Officer is notified in writing shall be so disregarded. Notwithstanding the foregoing, Notes so owned that have been pledged in good faith may be regarded as outstanding for the purposes of this Section 8.04 if the pledgee shall establish its right to so act with respect to such Notes and that the pledgee is not the Company, a Subsidiary or an Affiliate of the Company or a

Subsidiary. Within five days of acquisition of the Notes by any of the above described Persons or at the request of the Trustee, the Company shall furnish to the Trustee promptly an Officers' Certificate listing and identifying all Notes, if any, known by the Company to be owned or held by or for the account of any of the above described Persons; and, subject to Section 7.01, the Trustee shall be entitled to accept such Officers' Certificate as conclusive evidence of the facts therein set forth and of the fact that all Notes not listed therein are outstanding for the purpose of any such determination.

Section 8.05 *Revocation of Consents; Future Holders Bound.* At any time prior to (but not after) the evidencing to the Trustee, as provided in Section 8.01, of the taking of any action by the Holders of the percentage of the aggregate principal amount of the Notes specified in this Indenture in connection with such action, any Holder of a Note that is shown by the evidence to be included in the Notes the Holders of which have consented to such action may, by filing written notice with the Trustee at its Corporate Trust Office and upon proof of holding as provided in Section 8.02, revoke such action so far as concerns such Note. Except as aforesaid, any such action taken by the Holder of any Note shall be conclusive and binding upon such Holder and upon all future Holders and owners of such Note and of any Notes issued in exchange or substitution therefor or upon registration of transfer thereof, irrespective of whether any notation in regard thereto is made upon such Note or any Note issued in exchange or substitution therefor or upon registration of transfer thereof.

ARTICLE 9 HOLDERS' MEETINGS

Section 9.01 *Purpose of Meetings.* A meeting of Holders may be called at any time and from time to time pursuant to the provisions of this Article 9 for any of the following purposes:

- (a) to give any notice to the Company or to the Trustee or to give any directions to the Trustee permitted under this Indenture, or to consent to the waiving of any Default or Event of Default hereunder (in each case, as permitted under this Indenture) and its consequences, or to take any other action authorized to be taken by Holders pursuant to any of the provisions of Article 6;
- (b) to remove the Trustee and nominate a successor trustee pursuant to the provisions of Article 7;
- (c) to consent to the execution of an indenture or indentures supplemental hereto pursuant to the provisions of Section 10.02; or
- (d) to take any other action authorized to be taken by or on behalf of the Holders of any specified aggregate principal amount of the Notes under any other provision of this Indenture or under applicable law.

Section 9.02 *Call of Meetings by Trustee.* The Trustee may (in its sole discretion and without obligation) at any time call a meeting of Holders to take any action specified in Section 9.01, to be held at such time and at such place as the Trustee shall determine. Notice of every meeting of the Holders, setting forth the time and the place of such meeting and in general terms the action proposed to be taken at such meeting and the establishment of any record date pursuant to Section 8.01, shall be sent to Holders of such Notes at their addresses as they shall appear on the Note Register. Such notice shall also be sent to the Company. Such notices shall be sent not less than 20 nor more than 90 days prior to the date fixed for the meeting.

Any meeting of Holders shall be valid without notice if the Holders of all Notes then outstanding are present in person or by proxy or if notice is waived before or after the meeting by the Holders of all Notes then outstanding, and if the Company and the Trustee are either present by duly authorized representatives or have, before or after the meeting, waived notice.

Section 9.03 *Call of Meetings by Company or Holders.* In case at any time the Company, pursuant to a Board Resolution, or the Holders of at least 10% of the aggregate principal amount of the Notes then outstanding, shall have requested the Trustee to call a meeting of Holders, by written request setting forth in reasonable detail the

action proposed to be taken at the meeting, and the Trustee shall not have sent the notice of such meeting within 20 days after receipt of such request, then the Company or such Holders may determine the time and the place for such meeting and may call such meeting to take any action authorized in Section 9.01, by sending notice thereof as provided in Section 9.02.

Section 9.04 *Qualifications for Voting.* To be entitled to vote at any meeting of Holders a Person shall (a) be a Holder of one or more Notes on the record date pertaining to such meeting or (b) be a Person appointed by an instrument in writing as proxy by a Holder of one or more Notes on the record date pertaining to such meeting. The only Persons who shall be entitled to be present or to speak at any meeting of Holders shall be the Persons entitled to vote at such meeting and their counsel and any representatives of the Trustee and its counsel and any representatives of the Company and its counsel.

Section 9.05 *Regulations.* Notwithstanding any other provisions of this Indenture, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of Holders, in regard to proof of the holding of Notes and of the appointment of proxies, and in regard to the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall think fit.

The Trustee shall, by an instrument in writing, appoint a temporary chairman of the meeting, unless the meeting shall have been called by the Company or by Holders as provided in Section 9.03, in which case the Company or the Holders calling the meeting, as the case may be, shall in like manner appoint a temporary chairman. A permanent chairman and a permanent secretary of the meeting shall be elected by vote of the Holders of a majority in principal amount of the Notes represented at the meeting and entitled to vote at the meeting.

Subject to the provisions of Section 8.04, at any meeting of Holders each Holder or proxy-holder shall be entitled to one vote for each \$1,000 principal amount of Notes held or represented by him or her; provided, however, that no vote shall be cast or counted at any meeting in respect of any Note challenged as not outstanding and ruled by the chairman of the meeting to be not outstanding. The chairman of the meeting shall have no right to vote other than by virtue of Notes held by it or instruments in writing as aforesaid duly designating it as the proxy to vote on behalf of other Holders. Any meeting of Holders duly called pursuant to the provisions of Section 9.02 or Section 9.03 may be adjourned from time to time by the Holders of a majority of the aggregate principal amount of Notes represented at the meeting, whether or not constituting a quorum, and the meeting may be held as so adjourned without further notice.

Minutes shall be made of all resolutions and proceedings at every meeting and, if purporting to be signed by the chairman of that meeting or of the next succeeding meeting of Holders of the Notes, shall be conclusive evidence of the matters in them. Until the contrary is proved every meeting for which minutes have been so made and signed shall be deemed to have been duly convened and held and all resolutions passed or proceedings transacted at it to have been duly passed and transacted.

Section 9.06 *Voting.* The vote upon any resolution submitted to any meeting of Holders shall be by written ballot on which shall be subscribed the signatures of the Holders or of their representatives by proxy and the outstanding aggregate principal amount of the Notes held or represented by them. The permanent chairman of the meeting shall appoint two inspectors of votes who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their verified written reports in duplicate of all votes cast at the meeting. A record in duplicate of the proceedings of each meeting of Holders shall be prepared by the secretary of the meeting and there shall be attached to said record the original reports of the inspectors of votes on any vote by ballot taken thereat and affidavits by one or more Persons having knowledge of the facts setting forth a copy of the notice of the meeting and showing that said notice was sent as provided in Section 9.02. The record shall show the aggregate principal amount of the Notes voting in favor of or against any resolution. The record shall be signed and verified by the affidavits of the permanent chairman and secretary of the meeting and one of the duplicates shall be delivered to the Company and the other to the Trustee to be preserved by the Trustee, the latter to have attached thereto the ballots voted at the meeting.

Any record so signed and verified shall be conclusive evidence of the matters therein stated.

Section 9.07 *No Delay of Rights by Meeting.* Nothing contained in this Article 9 shall be deemed or construed to authorize or permit, by reason of any call of a meeting of Holders or any rights expressly or impliedly conferred hereunder to make such call, any hindrance or delay in the exercise of any right or rights conferred upon or reserved to the Trustee or to the Holders under any of the provisions of this Indenture or of the Notes.

ARTICLE 10
SUPPLEMENTAL INDENTURES

Section 10.01 *Supplemental Indentures Without Consent of Holders.* The Company, when authorized by the resolutions of the Board of Directors, and the Trustee, at the Company's expense and direction, may from time to time and at any time enter into an indenture or indentures supplemental hereto for one or more of the following purposes:

- (a) to cure any ambiguity, omission, inconsistency or correct or supplement any defective provision contained in this Indenture or the Notes in a manner that does not adversely affect the rights of any Holder; to provide for (x) the assumption by a Successor Company of the obligations of the Company under this Indenture and the Notes pursuant to Article 11 or (y) the assumption by a Successor Guarantor Subsidiary of the obligations of a Guarantor Subsidiary under this Indenture and the Notes;
- (b) to (i) add guarantees with respect to the Notes, including any guarantee of a Guarantor Subsidiary pursuant to Article 13 of this Indenture and (ii) to release any guarantee of a Guarantor Subsidiary pursuant to Article 13 of this Indenture;
- (c) to otherwise secure the Notes;
- (d) to add to the covenants or Events of Defaults of the Company for the benefit of the Holders or surrender any right or power conferred upon the Company;
- (e) upon the occurrence of any transaction or event described in Section 14.07(a), to
 - (i) provide that the Notes are convertible into Reference Property, subject to Section 14.07, and
 - (ii) effect the related changes to the terms of the Notes described under Section 14.07(a), in each case, in accordance with Section 14.07;
- (f) *[Reserved.]*
- (g) to make any other changes to this Indenture that do not adversely affect the interests of any Holder; or
- (h) to conform the provisions of this Indenture or the Notes to the "Description of the Notes" section of the Offering Memorandum.

Upon the written request of the Company, the Trustee is hereby authorized to join with the Company in the execution of any such supplemental indenture, to make any further appropriate agreements and stipulations that may be therein contained, but the Trustee shall not be obligated to, but may in its discretion, enter into any supplemental indenture that affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

Any supplemental indenture authorized by the provisions of this Section 10.01 may be executed by the Company and the Trustee without the consent of the Holders of any of the Notes at the time outstanding, notwithstanding any of the provisions of Section 10.02.

Section 10.02 *Supplemental Indentures with Consent of Holders.* With the consent (evidenced as provided in Article 8) of the Holders of at least a majority of the aggregate principal amount of the Notes then

outstanding (determined in accordance with Article 8 and including, without limitation, consents obtained in connection with a repurchase of, or tender or exchange offer for, Notes), the Company, when authorized by the resolutions of the Board of Directors, and the Trustee, at the Company's expense, may from time to time and at any time enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or any supplemental indenture or of modifying in any manner the rights of the Holders; *provided, however,* that, without the consent of each Holder of an outstanding Note affected, no such supplemental indenture shall:

- (a) reduce the amount of Notes whose Holders must consent to an amendment;
- (b) alter the manner of calculation or rate of accrual of interest on any Note or change the time of payment of any installment of interest on any Note;
- (c) reduce the principal amount with respect to any of the Notes or change the Maturity Date of any Note;
- (d) make any change that adversely affects the conversion rights of any Notes;
- (e) reduce the Tax Redemption Price, the Repurchase Price or the Fundamental Change Repurchase Price of any Note or amend or modify in any manner adverse to the Holders the Company's obligation to make such payments, whether through an amendment or waiver of provisions in the covenants, definitions or otherwise;
- (f) make any Note payable in a currency or securities other than that stated in the Notes;
- (g) change the ranking of the Notes;
- (h) impair the right of any Holder to receive payment of principal and interest on such Holder's Notes on or after the due dates therefor (including the Tax Redemption Price, the Repurchase Price and the Fundamental Change Repurchase Price, if applicable) or to institute suit for the enforcement of any payment on or with respect to such Holder's Note or with respect to the conversion of any Note;
- (i) change the Company's obligation to pay Additional Amounts on any Note; make any change in this Article 10 that requires each Holder's consent or in the waiver provisions in Section 6.02 or Section 6.09 or change the percentage in aggregate principal amount of outstanding Notes necessary to amend this Indenture under this Article 10 or in the waiver provisions in Section 6.02 or Section 6.09; or
- (j) release a Guarantor Subsidiary, if any, from its obligations in respect of the Notes and the Indenture, except in accordance with the terms of the Indenture or a supplemental indenture in respect of its guarantee.

Upon the written request of the Company, and upon the filing with the Trustee of evidence of the consent of Holders as aforesaid and subject to Section 10.05, the Trustee shall join with the Company in the execution of such supplemental indenture unless (i) the Trustee has not received an Officers' Certificate and Opinion of Counsel as contemplated by Section 10.05 or (ii) such supplemental indenture affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion, but shall not be obligated to, enter into such supplemental indenture.

Holders do not need under this Section 10.02 to approve the particular form of any proposed supplemental indenture. It shall be sufficient if such Holders approve the substance thereof. After any supplemental indenture becomes effective under Section 10.01 or Section 10.02, the Company shall send or cause to be sent to the Holders a notice briefly describing such supplemental indenture. However, the failure to give such notice to all the Holders, or any defect in the notice, will not impair or affect the validity of the supplemental indenture.

Section 10.03 *Effect of Supplemental Indentures.* Upon the execution of any supplemental indenture pursuant to the provisions of this Article 10, this Indenture shall be and be deemed to be modified and amended in accordance therewith and the respective rights, limitation of rights, obligations, duties and immunities under this Indenture of the Trustee, the Company and the Holders shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments and all the terms and conditions of any such supplemental indenture shall be and be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

Section 10.04 *Notation on Notes.* Notes authenticated and delivered after the execution of any supplemental indenture pursuant to the provisions of this Article 10 may, at the Company's expense, bear a notation as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Notes so modified as to conform, in the opinion of the Board of Directors, to any modification of this Indenture contained in any such supplemental indenture may, at the Company's expense, be prepared and executed by the Company, authenticated by the Trustee upon receipt of a Company Order and delivered in exchange for the Notes then outstanding, upon surrender of such Notes then outstanding.

Section 10.05 *Evidence of Compliance of Supplemental Indenture to Be Furnished Trustee.* In addition to the documents required by Section 17.06, the Trustee shall receive an Officers' Certificate and an Opinion of Counsel each stating and as conclusive evidence that any supplemental indenture executed pursuant hereto complies with the requirements of this Article 10 and is permitted or authorized by this Indenture and is not contrary to law and, with respect to such Opinion of Counsel, that such supplemental indenture is the legal, valid and binding obligation of the Company, enforceable against it in accordance with its terms, subject to customary exceptions.

ARTICLE 11 CONSOLIDATION, MERGER, SALE, CONVEYANCE AND LEASE

Section 11.01 *Company May Consolidate, Etc. on Certain Terms.* Subject to the provisions of Section 11.02, the Company shall not consolidate with, merge with or into, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its properties and assets to another Person other than to one or more of the wholly-owned Subsidiaries of the Company, unless:

(a) the resulting, surviving or transferee Person or the Person which acquires by conveyance, transfer, lease or other disposition all or substantially all of the Company's properties and assets (the "**Successor Company**"), if not the Company, shall be a corporation, limited liability company, partnership, trust or other business entity organized and existing under the laws of the United States of America, any State thereof, the District of Columbia, the Cayman Islands, the British Virgin Islands, Bermuda, Hong Kong or the United Kingdom, the Successor Company (if not the Company) shall expressly assume, by a supplemental indenture all of the obligations of the Company under the Notes and this Indenture (including, for the avoidance of doubt, the obligation to pay Additional Amounts pursuant to Section 4.07);

(b) immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing under this Indenture;

(c) the Company shall have undertaken commercially reasonable efforts to restructure the Notes so that, after any such transaction is given effect, any conversion of the Notes will be exempt from the registration requirements of the Securities Act pursuant to Section 3(a)(9) thereof; and

(d) if, upon the occurrence of any such transaction, (x) the Notes would become convertible pursuant to this Indenture into securities issued by an issuer other than the Successor Company, and (y) the Successor Company is a wholly owned subsidiary of the issuer of such securities into which the notes have become convertible, such other issuer shall fully and unconditionally guarantee on a senior basis the Successor Company's obligations under this Indenture and the Notes.

For purposes of this Section 11.01, the sale, conveyance, transfer, lease or disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Company to another Person, which properties and

assets, if held by the Company instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Company on a consolidated basis, shall be deemed to be the sale, conveyance, transfer or lease of all or substantially all of the properties and assets of the Company to another Person.

Section 11.02 *Successor Corporation to Be Substituted.* In case of any such consolidation, merger, sale, conveyance, transfer, lease or disposition and upon the assumption by the Successor Company, by supplemental indenture, executed and delivered to the Trustee and satisfactory in form to the Trustee, of the due and punctual payment of the principal of and accrued and unpaid interest on all of the Notes (including, for the avoidance of doubt, any Additional Amounts), the due and punctual delivery or payment, as the case may be, of any consideration due upon conversion of the Notes (including, for the avoidance of doubt, any Additional Amounts) and the due and punctual performance of all of the covenants and conditions of this Indenture to be performed by the Company, such Successor Company (if not the Company) shall succeed to and, except in the case of a lease of all or substantially all of the Company's properties and assets, shall be substituted for the Company, with the same effect as if it had been named herein as the party of the first part. Such Successor Company thereupon may cause to be signed, and may issue either in its own name or in the name of the Company any or all of the Notes issuable hereunder which theretofore shall not have been signed by the Company and delivered to the Trustee; and, upon the order of such Successor Company instead of the Company and subject to all the terms, conditions and limitations in this Indenture prescribed, the Trustee shall authenticate and shall deliver, or cause to be authenticated and delivered, any Notes that previously shall have been signed and delivered by the Officers of the Company to the Trustee for authentication, and any Notes that such Successor Company thereafter shall cause to be signed and delivered to the Trustee for that purpose. All the Notes so issued shall in all respects have the same legal rank and benefit under this Indenture as the Notes theretofore or thereafter issued in accordance with the terms of this Indenture as though all of such Notes had been issued at the date of the execution hereof. In the event of any such consolidation, merger, sale, conveyance, transfer or disposition (but not in the case of a lease), upon compliance with this Article 11 the Person named as the "Company" in the first paragraph of this Indenture (or any successor that shall thereafter have become such in the manner prescribed in this Article 11) may be dissolved, wound up and liquidated at any time thereafter and, except in the case of a lease, such Person shall be released from its liabilities as obligor and maker of the Notes and from its obligations under this Indenture and the Notes.

In case of any such consolidation, merger, sale, conveyance, transfer, lease or disposition, such changes in phraseology and form (but not in substance) may be made in the Notes thereafter to be issued as may be appropriate.

Section 11.03 *Opinion of Counsel to Be Given to Trustee.* If the Company is not the Successor Company, no consolidation, merger, sale, conveyance, transfer, lease or other disposition shall be effective unless the Trustee shall receive an Officers' Certificate and an Opinion of Counsel each stating and as conclusive evidence that any such consolidation, merger, sale, conveyance, transfer, lease or disposition and any such assumption and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture, complies with the provisions of this Article 11 and that such supplemental indenture is the legal, valid and binding obligation of the Successor Company, enforceable against it in accordance with its terms, subject to customary exceptions.

ARTICLE 12 IMMUNITY OF INCORPORATORS, STOCKHOLDERS, OFFICERS AND DIRECTORS

Section 12.01 *Indenture and Notes Solely Corporate Obligations.* No recourse for the payment of the principal of or accrued and unpaid interest on any Note, nor for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company in this Indenture or in any supplemental indenture or in any Note, nor because of the creation of any indebtedness represented thereby, shall be had against any incorporator, stockholder, employee, agent, Officer or director or Subsidiary, as such, past, present or future, of the Company or of any successor corporation, either directly or through the Company or any successor corporation, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly understood that all such liability is hereby expressly waived and released as a condition of, and as a consideration for, the execution of this Indenture and the issue of the Notes.

ARTICLE 13
GUARANTOR SUBSIDIARIES' GUARANTEES

Section 13.01 *Future Subsidiary Guarantees.* To the extent permitted by applicable law, the Company shall cause each Guarantor Subsidiary to execute and deliver to the Trustee a supplemental indenture pursuant to Section 9.01 hereof, under which such Guarantor Subsidiary will guarantee payment of the Notes on terms substantially similar to the then respective guarantee by such Guarantor Subsidiary. The guarantee of any such Guarantor Subsidiary shall be released in the event the guarantor is no longer a Guarantor Subsidiary within the meaning of this Indenture.

ARTICLE 14
CONVERSION OF NOTES

Section 14.01 *Conversion Privilege.* Subject to and upon compliance with the provisions of this Article 14, each Holder of a Note shall have the right, at such Holder's option, to convert all or any portion (if the portion to be converted is \$1,000 principal amount or an integral multiple thereof) of such Note at any time prior to the close of business on the second Scheduled Trading Day immediately preceding the Maturity Date at an initial conversion rate of 5.4869 ADSs (subject to adjustment as provided in this Article 14, the "**Conversion Rate**") per \$1,000 principal amount of Notes (subject to, and in accordance with, the settlement provisions of Section 14.02, the "**Conversion Obligation**").

Section 14.02 *Conversion Procedure; Settlement Upon Conversion.*

(a) Upon conversion of any Note and subject to Section 14.02(k), the Company shall cause to be delivered to the converting Holder, in respect of each \$1,000 principal amount of Notes being converted, a number of ADSs equal to the Conversion Rate, together with a cash payment, if applicable, in lieu of any fractional ADS in accordance with subsection (j) of this Section 14.02, on the earlier of (x) the fifth Business Day immediately following the relevant Conversion Date and (y) the third Business Day (which, solely for the purposes of this clause (y), shall also not include days on which banking institutions in the Cayman Islands and/or Hong Kong are authorized or obligated by law or executive order to close or be closed) immediately following the relevant conversion date.

(b) Subject to Section 14.02(e), before any Holder of a Note shall be entitled to convert a Note as set forth above, such Holder shall (i) in the case of a Global Note, comply with the procedures of the Depositary in effect at that time to convert such Note and, if required, pay funds equal to interest payable on the next Interest Payment Date to which such Holder is not entitled as set forth in Section 14.02(h), and (ii) in the case of a Physical Note (1) complete, manually sign and deliver a duly completed irrevocable notice to the Conversion Agent as set forth in the Form of Notice of Conversion (or a facsimile thereof) (a "**Notice of Conversion**") at the office of the Conversion Agent and state in writing therein the principal amount of Notes to be converted and the name or names (with addresses) in which such Holder wishes any ADSs to be registered upon settlement of the Conversion Obligation, (2) surrender such Physical Notes, duly endorsed to the Company or in blank (and accompanied by appropriate endorsement and transfer documents), at the office of the Conversion Agent, (3) if required, furnish appropriate endorsements and transfer documents, (4) if required, pay funds equal to interest payable on the next Interest Payment Date to which such Holder is not entitled as set forth in Section 14.02(h) and (5) if required, pay all transfer and similar Taxes. The Trustee (and if different, the Conversion Agent) shall notify the Company of any conversion pursuant to this Article 14 on the Conversion Date for such conversion. No Notice of Conversion with respect to any Notes may be delivered and no Notes may be surrendered by a Holder for conversion thereof if such Holder has also delivered a Repurchase Notice or Fundamental Change Repurchase Notice to the Company in respect of such Notes and not validly withdrawn such Repurchase Notice or Fundamental Change Repurchase Notice in accordance with Section 15.03. Any Notice of Conversion shall be deposited in duplicate at the office of any Conversion Agent on any Business Day from 9:00 a.m. to 3:00 p.m. at the location of the Conversion Agent to which such Notice of Conversion is delivered. Any Notice of Conversion and any Physical Note (if issued) deposited outside the hours specified or on a day that is not a Business Day at the location of the Conversion Agent shall for all purposes be deemed to have been deposited with that Conversion Agent between 9:00 a.m. and 3:00

p.m. on the next Business Day. If more than one Note shall be surrendered for conversion at one time by the same Holder, the Conversion Obligation with respect to such Notes shall be computed on the basis of the aggregate principal amount of the Notes (or specified portions thereof to the extent permitted thereby) so surrendered. None of the agents of the Trustee shall have any responsibility whatsoever with respect to the issuance and delivery of the ADSs to the converting Holder.

(c) A Note shall be deemed to have been converted immediately prior to the close of business on the date (the “**Conversion Date**”) that the Holder has complied with the requirements set forth in subsection (b) above. The Company shall issue or cause to be issued, and deliver to such Holder, or such Holder’s nominee or nominees, a book-entry transfer through the Depository for the full number of whole ADSs to which such Holder shall be entitled in satisfaction of the Company’s Conversion Obligation.

(d) In case any Physical Note shall be surrendered for partial conversion, the Company shall execute and instruct the Trustee who shall authenticate and deliver to or upon the written order of the Holder of the Note so surrendered a new Note or Notes in authorized denominations in an aggregate principal amount equal to the unconverted portion of the surrendered Note, without payment of any service charge by the converting Holder but, if required by the Company or Trustee, with payment of a sum sufficient to cover any documentary, stamp or similar issue or transfer tax or similar governmental charge required by law or that may be imposed in connection therewith as a result of the name of the Holder of the new Notes issued upon such conversion being different from the name of the Holder of the old Notes surrendered for such conversion.

(e) If a Holder submits a Note for conversion, the Company shall pay any documentary, stamp or similar issue or transfer tax due on the delivery of the ADSs upon conversion of the Notes, unless the tax is due because the Holder requests such ADSs to be issued in a name other than the Holder’s name, in which case the Holder shall pay that tax. The Company may refuse to deliver the certificates representing the ADSs being issued in a name other than the Holder’s name until the Company receives a sum sufficient to pay any tax that is due by such Holder in accordance with the immediately preceding sentence. The Company shall pay the Depository’s fees for issuance of the ADSs. The Company shall also pay and/or indemnify each Holder and beneficial owners of the Notes and/or ADSs issuable upon conversion of the Notes for applicable fees and expenses payable to, or withheld by, the Depository (including, for the avoidance of doubt, by means of a reduction in any amounts or property payable or deliverable in respect of any ADSs or in the value of deposited amounts or property represented by any ADSs) for the issuance of all ADSs deliverable upon conversion (including, with respect to any ADSs subject to a restricted CUSIP and/or restrictive legends upon issuance, any of the foregoing with respect to the removal of any such restrictions from such ADSs).

(f) Except as provided in Section 14.04, no adjustment shall be made for dividends on any ADSs delivered upon the conversion of any Note as provided in this Article 14.

(g) Upon the conversion of an interest in a Global Note, the Trustee shall make a notation on such Global Note as to the reduction in the principal amount represented thereby. The Company shall notify the Trustee in writing of any conversion of Notes effected through any Conversion Agent other than the Trustee.

(h) Upon conversion, a Holder shall not receive any separate cash payment for accrued and unpaid interest, if any, except as set forth below. The Company’s settlement of the Conversion Obligation shall be deemed to satisfy in full its obligation to pay the principal amount of the Note and accrued and unpaid interest, if any, to, but not including, the relevant Conversion Date. As a result, accrued and unpaid interest, if any, to, but not including, the relevant Conversion Date shall be deemed to be paid in full rather than cancelled, extinguished or forfeited. Notwithstanding the foregoing, if Notes are converted after the close of business on a Regular Record Date, Holders of such Notes as of the close of business on such Regular Record Date will receive the full amount of interest payable on such Notes on the corresponding Interest Payment Date notwithstanding the conversion. However, notes surrendered for conversion during the period after the close of business on any Regular Record Date to the open of business on the immediately following Interest Payment Date must be accompanied by funds equal to the amount of

interest payable on the Notes so converted; *provided* that no such payment shall be required (1) for conversions following the Regular Record Date immediately preceding the Maturity Date; (2) if the Company has delivered a Tax Redemption Notice pursuant to Article 16 and has specified therein a Tax Redemption Date that is after a Regular Record Date and on or prior to the second Business Day immediately following the corresponding Interest Payment Date; (3) if the Company has specified a Fundamental Change Repurchase Date that is after a Regular Record Date and on or prior to the third Business Day immediately following the corresponding Interest Payment Date; or (4) to the extent of any Defaulted Amounts, if any Defaulted Amounts exist at the time of conversion with respect to such Note. For the avoidance of doubt, all Holders on the Regular Record Date immediately preceding the Maturity Date will receive the full amount of interest payable on such Notes on the Maturity Date, regardless of whether such Notes have been converted following such Regular Record Date.

(i) The Person in whose name the certificate for any ADSs delivered upon conversion is registered shall be treated as a holder of record of such ADSs as of the close of business on the relevant Conversion Date. Upon a conversion of Notes, such Person shall no longer be a Holder of such Notes surrendered for conversion.

(j) The Company shall not issue any fractional ADS upon conversion of the Notes and shall instead pay cash in lieu of any fractional ADS deliverable upon conversion based on the Last Reported Sale Price of the ADSs (x) on the relevant Conversion Date, or (y) if such Conversion Date is not a Trading Day, on the Trading Day immediately preceding such Conversion Date.

(k) If a Conversion Date occurs (i) following the Regular Record Date immediately preceding the Maturity Date, subject to clause (ii) below, we will make such delivery (and payment, if applicable) on the Maturity Date or (ii) after ordinary shares of the Company have been replaced by reference property consisting solely of cash in accordance with Section 14.07, we will pay the consideration due in respect of conversion on the tenth Business Day immediately following the related Conversion Date.

Section 14.03 *Increased Conversion Rate Applicable to Certain Notes Surrendered in Connection with Make-Whole Fundamental Change and Tax Redemption.* (a) If (i) a Make-Whole Fundamental Change occurs prior to, and including, the second Scheduled Trading Day prior to the Maturity Date or (ii) the Company delivers a Tax Redemption Notice and, in each case, a Holder elects to convert its Notes in connection with such Make-Whole Fundamental Change or such Tax Redemption, as the case may be, the Company shall, under the circumstances described below, increase the Conversion Rate for the Notes so surrendered for conversion by a number of additional ADSs (the “**Additional ADSs**”), as set forth below. A conversion of Notes shall be deemed for these purposes to be “in connection with” such Make-Whole Fundamental Change if the relevant Notice of Conversion is received by the Conversion Agent from, and including, the Effective Date of the Make-Whole Fundamental Change up to, and including, the close of business on the Business Day immediately prior to the related Fundamental Change Repurchase Date (or, in the case of a Make-Whole Fundamental Change that would have been a Fundamental Change but for the *proviso* in clause (b) of the definition thereof, the 35th Business Day immediately following the Effective Date of such Make-Whole Fundamental Change). A conversion of Notes shall be deemed for these purposes to be “in connection with” a Tax Redemption if the relevant Notice of Conversion is received by the Conversion Agent from, and including, the date the Company delivers a Tax Redemption Notice to, and including, the second Business Day immediately prior to the related Tax Redemption Date. The Company shall provide written notification to Holders, the Trustee and the Conversion Agent of the Effective Date of any Make-Whole Fundamental Change and issue a press release announcing such Effective Date no later than five Business Days after such Effective Date.

(a) [Reserved.]

(b) Upon surrender of Notes for conversion in connection with a Make-Whole Fundamental Change or Tax Redemption, the Company shall cause to be delivered ADSs, including the Additional ADSs, in accordance with Section 14.02; *provided, however*, that if, at the effective time of a Make-Whole Fundamental Change described in clause (b) of the definition of Fundamental Change, the Reference Property following such Make-Whole Fundamental Change is composed entirely of cash, for any

conversion of Notes following the Effective Date of such Make-Whole Fundamental Change, the Conversion Obligation shall be calculated based solely on the ADS Price for the transaction and shall be deemed to be an amount of cash per \$1,000 principal amount of converted Notes equal to the Conversion Rate (including any adjustment for Additional ADSs), multiplied by such ADS Price.

(c) The number of Additional ADSs, if any, by which the Conversion Rate shall be increased shall be determined by reference to the table below, based on (i) the date on which the Make-Whole Fundamental Change occurs or becomes effective or, in the case of a Tax Redemption, the date on which the Company delivers a Tax Redemption Notice (in each case, the “Effective Date”) and (ii) the price paid (or deemed to be paid) per ADS in the Make-Whole Fundamental Change or, in the case of a Tax Redemption, the average of the Last Reported Sale Prices of the ADSs over the five Trading Day period ending on, and including, the Trading Day immediately preceding the date the Company delivers such Tax Redemption Notice (in each case, the “ADS Price”). If the holders of the ADSs receive in exchange for their ADSs only cash in a Make-Whole Fundamental Change described in clause (b) of the definition of Fundamental Change, the ADS Price shall be the cash amount paid per ADS. Otherwise, the ADS Price shall be the average of the Last Reported Sale Prices of the ADSs over the five Trading Day period ending on, and including, the Trading Day immediately preceding the Effective Date of the Make-Whole Fundamental Change.

(d) The ADS Prices set forth in the column headings of the table below shall be adjusted as of any date on which the Conversion Rate of the Notes is otherwise adjusted. The adjusted ADS Prices shall equal the ADS Prices applicable immediately prior to such adjustment, multiplied by a fraction, the numerator of which is the Conversion Rate immediately prior to such adjustment giving rise to the ADS Price adjustment and the denominator of which is the Conversion Rate as so adjusted. The number of Additional ADSs set forth in the table below shall be adjusted in the same manner and at the same time as the Conversion Rate as set forth in Section 14.04.

(e) The following table sets forth the number of Additional ADSs to be received per \$1,000 principal amount of Notes pursuant to this Section 14.03 for each ADS Price and Effective Date set forth below:

Effective Date	ADS Price												
	\$130.18	\$150.00	\$160.00	\$170.00	\$182.25	\$190.00	\$200.00	\$225.00	\$250.00	\$300.00	\$350.00	\$400.00	\$500.00
November 3, 2017	2.1947	1.5874	1.3475	1.1484	0.9485	0.8425	0.7247	0.5021	0.3514	0.1741	0.0848	0.0385	0.0035
November 1, 2018	2.1947	1.5648	1.3137	1.1070	0.9016	0.7936	0.6747	0.4538	0.3080	0.1427	0.0639	0.0256	0.0007
November 1, 2019	2.1947	1.5180	1.2529	1.0380	0.8281	0.7195	0.6015	0.3879	0.2518	0.1053	0.0409	0.0126	0.0000
November 1, 2020	2.1947	1.3995	1.1403	0.9299	0.7248	0.6193	0.5055	0.3040	0.1817	0.0616	0.0169	0.0021	0.0000
November 1, 2021	2.1947	1.3046	1.0156	0.7860	0.5699	0.4630	0.3524	0.1737	0.0819	0.0136	0.0002	0.0000	0.0000
November 1, 2022	2.1947	1.1792	0.7625	0.3949	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

The exact ADS Prices and Effective Dates may not be set forth in the table above, in which case:

(i) if the ADS Price is between two ADS Prices in the table above or the Effective Date is between two Effective Dates in the table, the number of Additional ADSs shall be determined by a straight-line interpolation between the number of Additional ADSs set forth for the higher and lower ADS Prices and the earlier and later Effective Dates, as applicable, based on a 365-day year;

(ii) if the ADS Price is greater than \$500 per ADS (subject to adjustment in the same manner as the ADS Prices set forth in the column headings of the table above pursuant to Section 14.03(d)), no Additional ADSs shall be added to the Conversion Rate; and

(iii) if the ADS Price is less than \$130.18 per ADS (subject to adjustment in the same manner as the ADS Prices set forth in the column headings of the table above pursuant to Section 14.03(d)), no Additional ADSs shall be added to the Conversion Rate.

Notwithstanding the foregoing, in no event shall the Conversion Rate per \$1,000 principal amount of Notes exceed 7.6816 ADSs, subject to adjustment in the same manner as the Conversion Rate pursuant to Section 14.04.

(e) Nothing in this Section 14.03 shall prevent an adjustment to the Conversion Rate pursuant to Section 14.04.

Section 14.04 *Adjustment of Conversion Rate.* If the number of ordinary shares represented by the ADSs is changed, after the date of this Indenture, for any reason other than one or more of the events described in this Section 14.04, the Company shall make an appropriate adjustment to the Conversion Rate such that the number of ordinary shares represented by the ADSs upon which conversion of the Notes is based remains the same.

Notwithstanding the adjustment provisions set out in this Section 14.04, if the Company distributes to holders of the ordinary shares any cash, rights, options, warrants, shares of Capital Stock or similar equity interest, evidences of indebtedness or other assets or property of the Company (but excluding any Expiring Rights) and a corresponding distribution is not made to holders of the ADSs, but, instead, the ADSs shall represent, in addition to ordinary shares, such cash, rights, options, warrants, shares of Capital Stock or similar equity interest, evidences of indebtedness or other assets or property of the Company, then an adjustment to the Conversion Rate set out in this Section 14.04 shall not be made until and unless a corresponding distribution (if any) is made to holders of the ADSs, and such adjustment to the Conversion Rate shall be based on the distribution made to the holders of the ADSs and not on the distribution made to the holders of the ordinary shares. However, in the event that the Company issues or distributes to all holders of the ordinary shares any Expiring Rights, notwithstanding the immediately preceding sentence, the Company shall adjust the Conversion Rate pursuant to Section 14.04(b) (in the case of Expiring Rights entitling holders of the ordinary shares for a period of not more than 60 calendar days after the announcement date of such issuance to subscribe for or purchase ordinary shares) or Section 14.04(c) (in the case of all other Expiring Rights).

For the avoidance of doubt, if any event set out in this Section 14.04 results in a change to the number of ordinary shares represented by the ADSs, then such change shall be deemed to satisfy the Company's obligation to effect the relevant adjustment to the Conversion Rate on account of such event to the extent such change produces the same economic result as the adjustment to the Conversion Rate that would otherwise have been made on account of such event.

Subject to the foregoing, the Conversion Rate shall be adjusted from time to time by the Company if any of the following events set out in Sections 14.04(a) — 14.04(e) (other than a share split or a share combination) occurs, except that the Company shall not make any adjustments to the Conversion Rate if all Holders of the Notes participate, at the same time and upon the same terms as holders of the ADSs and solely as a result of holding the Notes, in any of the transactions set out in this Section 14.04, without having to convert their Notes, as if they held a number of ADSs equal to the Conversion Rate then in effect, *multiplied by* the principal amount (expressed in thousands) of Notes held by such Holder. Neither the Trustee nor the Conversion Agent shall have any responsibility to monitor the accuracy of the calculation of any adjustment to the Conversion Rate. Notice of any adjustment to the Conversion Rate shall be given by the Company promptly to the Holders, the Trustee, the Paying Agent and the Conversion Agent and shall be conclusive and binding on the Holders, absent manifest error.

(d) If the Company exclusively issues ordinary shares as a dividend or distribution on all or substantially all the ordinary shares, or if the Company effects a share split or share combination, the Conversion Rate shall be adjusted based on the following formula:

$$CR_1 = CR_0 \times \frac{OS_1}{OS_0}$$

where,

- CR₀ = the Conversion Rate in effect immediately prior to the close of business on the Record Date for such dividend or distribution, or immediately prior to the open of business on the effective date of such share split or share combination, as applicable;
- CR₁ = the Conversion Rate in effect immediately after the close of business on the Record Date for such dividend or distribution, or immediately after the open of business on the effective date of such share split or share combination, as applicable;
- OS₀ = the number of ordinary shares of the Company outstanding immediately prior to the close of business on the Record Date for such dividend or distribution, or immediately prior to the open of business on the effective date of such share split or share combination, as applicable; and
- OS₁ = the number of the ordinary shares of the Company outstanding immediately after giving effect to such dividend or distribution, or immediately after the effective date of such share split or share combination.

Any adjustment made under this Section 14.04(a) shall become effective immediately after the close of business on the Record Date for such dividend or distribution, or immediately after the open of business on the effective date for such share split or share combination, as applicable.

If any dividend or distribution set forth in this Section 14.04(a) is declared but not so paid or made, the Conversion Rate shall be immediately readjusted, effective as of the date the Board of Directors determines not to pay such dividend or distribution, to the Conversion Rate that would then be in effect if such dividend or distribution had not been declared.

(e) If the Company issues to all or substantially all holders of the ordinary shares of the Company (directly or in the form of ADSs) any rights, options or warrants entitling them, for a period of not more than 60 calendar days after the announcement date of such issuance, to subscribe for or purchase ordinary shares of the Company at a price per ordinary share that is less than the average of the Last Reported Sale Prices of the ADSs (divided by the number of ordinary shares then represented by one ADS on each relevant Trading Day) or to subscribe for or purchase ADSs of the Company, at a price per ADS less than the average of the Last Reported Sale Prices, in each case, over the 10 consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the date of announcement of such issuance, the Conversion Rate shall be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{OS_0 + X}{OS_0 + Y}$$

Where,

- CR₀ = the Conversion Rate in effect immediately prior to the close of business on the Record Date for such issuance;
- CR₁ = the Conversion Rate in effect immediately after the close of business on such Record Date;
- OS₀ = the number of the ordinary shares of the Company outstanding immediately prior to the close of business on such Record Date;
- X = the total number of the ordinary shares of the Company (directly or in the form of ADSs) issuable pursuant to such rights, options or warrants; and

Y = the number of the ordinary shares of the Company equal to (i) the aggregate price payable to exercise such rights, options or warrants, divided by (ii) the quotient of (a) the average of the Last Reported Sale Prices of the ADSs over the 10 consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the date of announcement of the issuance of such rights, options or warrants divided by (b) the number of ordinary shares represented by one ADS on each such Trading Day.

Any increase made under this Section 14.04(b) shall be made successively whenever any such rights, options or warrants are issued and shall become effective immediately after the close of business on the Record Date for such issuance. To the extent that ordinary shares of the Company (directly or in the form of ADSs) are not delivered after the expiration of such rights, options or warrants, the Conversion Rate shall be readjusted to the Conversion Rate that would then be in effect had the increase with respect to the issuance of such rights, options or warrants been made on the basis of delivery of only the number of the ordinary shares of the Company actually delivered (directly or in the form of ADSs). If such rights, options or warrants are not so issued, the Conversion Rate shall be readjusted to the Conversion Rate that would then be in effect if such the Record Date for such issuance had not occurred.

For purposes of this Section 14.04(b), in determining whether any rights, options or warrants entitle the holders to subscribe for or purchase ordinary shares of the Company at a price per ordinary share that is less than such average of the Last Reported Sale Prices of the ADSs (*divided by* the number of ordinary shares represented by one ADS on each relevant Trading Day) or to subscribe for or purchase the ADSs at a price per ADS less than such average of the Last Reported Sale Prices of the ADSs, in each case, over the 10 consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the date of announcement for such issuance, and in determining the aggregate offering price of such ordinary shares or ADSs, as the case may be, there shall be taken into account any consideration received by the Company for such rights, options or warrants and any amount payable on exercise or conversion thereof, the value of such consideration, if other than cash, to be determined by the Board of Directors.

(f) If the Company distributes shares of its Capital Stock, evidences of its indebtedness, other assets or property of the Company or rights, options or warrants to acquire its Capital Stock or other securities, to all or substantially all holders of the ordinary shares (directly or in the form of ADSs), excluding (i) dividends, distributions, rights, options or warrants as to which an adjustment was effected pursuant to Section 14.04(a) or Section 14.04(b), (ii) dividends or distributions paid exclusively in cash as to which an adjustment was effected pursuant to Section 14.04(d), and (iii) Spin-Offs as to which the provisions set forth below in this Section 14.04(c) shall apply (any of such shares of Capital Stock, evidences of indebtedness, other assets or property or rights, options or warrants to acquire Capital Stock or other securities of the Company, the “**Distributed Property**”), then the Conversion Rate shall be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{SP_0}{SP_0 - FMV}$$

where,

CR₀ = the Conversion Rate in effect immediately prior to the close of business on the Record Date for such distribution;

CR₁ = the Conversion Rate in effect immediately after the close of business on such Record Date;

SP₀ = the average of the Last Reported Sale Prices of the ADSs (divided by the number of ordinary shares represented by one ADS on each relevant Trading Day) over the 10 consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the Ex-Dividend Date for such distribution; and

FMV = the fair market value (as determined by the Board of Directors) of the Distributed Property with respect to each outstanding ordinary share (directly or in the form of ADSs) on the Ex-Dividend Date for such distribution.

Any increase made under the above portion of this Section 14.04(c) shall become effective immediately after the close of business on the Record Date for such distribution. If such distribution is not so paid or made, the Conversion Rate shall be readjusted to the Conversion Rate that would then be in effect if such distribution had not been declared.

Notwithstanding the foregoing, if “FMV” (as defined above) is equal to or greater than “SP₀” (as defined above), in lieu of the foregoing increase, each Holder of a Note shall receive, in respect of each \$1,000 principal amount thereof, at the same time and upon the same terms as holders of the ADSs receive the Distributed Property, the amount and kind of Distributed Property such Holder would have received if such Holder owned a number of ADSs based on the Conversion Rate in effect on the Ex-Dividend Date for the distribution.

With respect to an adjustment pursuant to this Section 14.04(c) where there has been a payment of a dividend or other distribution on the ordinary shares (directly or in the form of ADSs) of shares of Capital Stock of any class or series, or similar equity interest, of or relating to a Subsidiary or other business unit of the Company, that are, or, when such dividend or other distribution is complete, will be, listed or admitted for trading on a U.S. national securities exchange or a reasonably comparable non-U.S. equivalent (a “Spin-Off”), the Conversion Rate shall be increased based on the following formula: where,

$$CR_1 = CR_0 \times \frac{FMV_0 + MP_0}{MP_0}$$

where,

CR₀ = the Conversion Rate in effect immediately prior to the close of business on the Record Date for the Spin-Off;

CR₁ = the Conversion Rate in effect immediately after the close of business on the Record Date for the Spin-Off;

FMV₀ = the average of the Last Reported Sale Prices of the Capital Stock or similar equity interest distributed to holders of the ordinary shares (directly or in the form of ADSs) applicable to one ordinary share (determined by reference to the definition of Last Reported Sale Price as set forth in Section 1.01 as if references therein to the ADSs were to such Capital Stock or similar equity interest) over the first 10 consecutive Trading Day period after, and including, the Ex-Dividend Date for the Spin-Off (the “Valuation Period”); and

MP₀ = the average of the Last Reported Sale Prices of the ADSs (divided by the number of ordinary shares then represented by one ADS on each relevant Trading Day) over the Valuation Period.

The adjustment to the Conversion Rate under the preceding paragraph shall be determined on the last Trading Day of the Valuation Period but will be given effect immediately after the close of business on the Record Date for the Spin-Off; provided that in respect of any conversion during the Valuation Period, references in the portion of this Section 14.04(c) related to Spin-Offs to 10 Trading Days shall be deemed to be replaced with such lesser number of Trading Days as have elapsed from, and including, the Ex-Dividend Date for such Spin-Off to, and excluding, the Conversion Date in determining the Conversion Rate.

For purposes of this Section 14.04(c) (and subject in all respect to Section 14.11), rights, options or warrants distributed by the Company to all holders of the ordinary shares (directly or in the form of ADSs) entitling them to subscribe for or purchase shares of the Company’s Capital Stock, including ordinary shares (either initially or under certain circumstances), which rights, options or warrants, until the occurrence of a specified event or events (“Trigger Event”): (i) are deemed to be transferred with such ordinary shares (directly or in the form of ADSs); (ii)

are not exercisable; and (iii) are also issued in respect of future issuances of the ordinary shares (directly or in the form of ADSs), shall be deemed not to have been distributed for purposes of this Section 14.04(c) (and no adjustment to the Conversion Rate under this Section 14.04(c) will be required) until the occurrence of the earliest Trigger Event, whereupon such rights, options or warrants shall be deemed to have been distributed and an appropriate adjustment (if any is required) to the Conversion Rate shall be made under this Section 14.04(c). If any such right, option or warrant, including any such existing rights, options or warrants distributed prior to the date of this Indenture, are subject to events, upon the occurrence of which such rights, options or warrants become exercisable to purchase different securities, evidences of indebtedness or other assets, then the date of the occurrence of any and each such event shall be deemed to be the date of distribution and Record Date with respect to new rights, options or warrants with such rights (in which case the existing rights, options or warrants shall be deemed to terminate and expire on such date without exercise by any of the holders thereof). In addition, in the event of any distribution (or deemed distribution) of rights, options or warrants, or any Trigger Event or other event (of the type described in the immediately preceding sentence) with respect thereto that was counted for purposes of calculating a distribution amount for which an adjustment to the Conversion Rate under this Section 14.04(c) was made, (1) in the case of any such rights, options or warrants that shall all have been redeemed or purchased without exercise by any holders thereof, upon such final redemption or purchase (x) the Conversion Rate shall be readjusted as if such rights, options or warrants had not been issued and (y) the Conversion Rate shall then again be readjusted to give effect to such distribution, deemed distribution or Trigger Event, as the case may be, as though it were a cash distribution, equal to the per ordinary share redemption or purchase price received by a holder or holders of ordinary shares (directly or in the form of ADSs) with respect to such rights, options or warrants (assuming such holder had retained such rights, options or warrants), made to all holders of ordinary shares (directly or in the form of ADSs) as of the date of such redemption or purchase, and (2) in the case of such rights, options or warrants that shall have expired or been terminated without exercise by any holders thereof, the Conversion Rate shall be readjusted as if such rights, options and warrants had not been issued.

For purposes of Section 14.04(a), Section 14.04(b) and this Section 14.04(c), any dividend or distribution to which this Section 14.04(c) is applicable that also includes one or both of:

(A) a dividend or distribution of ordinary shares (directly or in the form of ADSs) to which Section 14.04(a) is applicable (the “**Clause A Distribution**”); or

(B) a dividend or distribution of rights, options or warrants to which Section 14.04(b) is applicable (the “**Clause B Distribution**”),

then (1) such dividend or distribution, other than the Clause A Distribution and the Clause B Distribution, shall be deemed to be a dividend or distribution to which this Section 14.04(c) is applicable (the “**Clause C Distribution**”) and any Conversion Rate adjustment required by this Section 14.04(c) with respect to such Clause C Distribution shall then be made, and (2) the Clause A Distribution and Clause B Distribution shall be deemed to immediately follow the Clause C Distribution and any Conversion Rate adjustment required by Section 14.04(a) and Section 14.04 (b) with respect thereto shall then be made, except that, if determined by the Company (I) the “Record Date” of the Clause A Distribution and the Clause B Distribution shall be deemed to be the Record Date of the Clause C Distribution and (II) any ordinary shares (directly or in the form of ADSs) included in the Clause A Distribution or Clause B Distribution shall be deemed not to be “outstanding immediately prior to the close of business on such Record Date or immediately after the open of business on such effective date, as applicable” within the meaning of Section 14.04(a) or “outstanding immediately prior to the close of business on such Record Date” within the meaning of Section 14.04(b).

(d) If any cash dividend or distribution is made to all or substantially all holders of the ordinary shares (directly or in the form of ADSs), the Conversion Rate shall be adjusted based on the following formula:

$$CR_1 = CR_0 \times \frac{SP_0}{SP_0 - C}$$

where,

- CR₀ = the Conversion Rate in effect immediately prior to the close of business on the Record Date for such dividend or distribution;
- CR₁ = the Conversion Rate in effect immediately after the close of business on such Record Date;
- SP₀ = the Last Reported Sale Price of the ADSs (divided by the number of ordinary shares then represented by one ADS on such Trading Day) on the Trading Day immediately preceding the Ex-Dividend Date for such dividend or distribution; and
- C = the amount in cash per ordinary share the Company distributes to all or substantially all holders of the ordinary shares (directly or in the form of ADSs).

Any increase pursuant to this Section 14.04(d) shall become effective immediately after the close of business on the Record Date for such dividend or distribution. If such dividend or distribution is not so paid, the Conversion Rate shall be readjusted, effective as of the date the Board of Directors determines not to make or pay such dividend or distribution, to be the Conversion Rate that would then be in effect if such dividend or distribution had not been declared.

Notwithstanding the foregoing, if “C” (as defined above) is equal to or greater than “SP₀” (as defined above), in lieu of the foregoing increase, each Holder of a Note shall receive, for each \$1,000 principal amount of the Notes, at the same time and upon the same terms as holders of the ADSs, the amount of cash that such Holder would have received if such Holder owned a number of ADSs based on the Conversion Rate on the Ex-Dividend Date for such cash dividend or distribution.

(e) If the Company or any of its Subsidiaries make a payment in respect of a tender or exchange offer for the ordinary shares of the Company (directly or in the form of ADSs), to the extent that the cash and value of any other consideration included in the payment per ordinary share or ADS exceeds the Last Reported Sale Price of the ADSs (divided by, in relation to ordinary shares, the number of ordinary shares then represented by one ADS on such Trading Day) on the Trading Day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender or exchange offer (such last date, the “**Expiration Date**”), the Conversion Rate shall be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{AC + (SP_1 \times OS_1)}{OS_0 \times SP_1}$$

where,

- CR₀ = the Conversion Rate in effect immediately prior to the close of business on the Expiration date;
- CR₁ = the Conversion Rate in effect immediately after the close of business on the Expiration date;
- AC = the aggregate value of all cash and any other consideration (as determined by the Board of Directors) paid or payable for the ordinary shares of the Company (directly or in the form of ADSs, as the case may be) purchased in such tender or exchange offer;
- OS₀ = the number of the ordinary shares outstanding immediately prior to the close of business on the Expiration Date (prior to giving effect to the purchase of all ordinary shares or ADSs, as the case may be, accepted for purchase or exchange in such tender or exchange offer);
- OS₁ = the number of the ordinary shares of the Company outstanding immediately after the close of business on the date such tender or exchange offer expires (after giving effect to the purchase of all ordinary shares or ADSs, as the case may be, accepted for purchase or exchange in such tender or exchange offer); and

SPI = the average of the Last Reported Sale Prices of the ADSs (divided by the number of ordinary shares then represented by one ADS on each such Trading Day) over the 10 consecutive Trading Day period commencing on, and including, the Trading Day next succeeding the Expiration Date.

The adjustment to the Conversion Rate under this Section 14.04(e) shall occur at the close of business on the 10th Trading Day immediately following, and including, the Trading Day next succeeding the Expiration Date; provided that in respect of any conversion within the 10 Trading Days immediately following, and including, the Trading Day next succeeding the Expiration Date, references in this Section 14.04(e) with respect to 10 Trading Days shall be deemed replaced with such lesser number of Trading Days as have elapsed from, and including, the Trading Day next succeeding the Expiration Date to, and including, the Conversion Date in determining the Conversion Rate. No adjustment to the Conversion Rate under this Section 14.04(e) shall be made if such adjustment would result in a decrease in the Conversion Rate.

(f) [Reserved.]

(g) Except as stated herein, the Company shall not adjust the Conversion Rate for the issuance of ordinary shares or ADSs or any securities convertible into or exchangeable for ordinary shares or ADSs or the right to purchase ordinary shares or ADSs or such convertible or exchangeable securities.

(h) In addition to those adjustments required by clauses (a), (b), (c), (d) and (e) of this Section 14.04, and to the extent permitted by applicable law and subject to the applicable rules of The NASDAQ Global Select Market, the Company from time to time may increase the Conversion Rate by any amount for a period of at least 20 Business Days if the Board of Directors determines that such increase would be in the Company's best interest, and the Company may (but is not required to) increase the Conversion Rate to avoid or diminish any income tax to holders of the ordinary shares or the ADSs or rights to purchase ordinary shares or ADSs in connection with a dividend or distribution of ordinary shares or ADSs (or rights to acquire ordinary shares or ADSs) or similar event.

(i) Notwithstanding anything to the contrary in this Article 14, the Conversion Rate shall not be adjusted:

(i) upon the issuance of any ordinary shares or ADSs pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on the Company's securities and the investment of additional optional amounts in ordinary shares or ADSs under any plan;

(ii) upon the issuance of any ordinary shares or ADSs or options or rights to purchase those ordinary shares or ADSs pursuant to any present or future employee, director or consultant benefit plan or program of or assumed by the Company or any of the Company's Subsidiaries;

(iii) upon the issuance of any ordinary shares or ADSs pursuant to any option, warrant, right or exercisable, exchangeable or convertible security not described in clause (i) of this subsection and outstanding as of the date the Notes were first issued;

(iv) solely for a change in the par value of the ordinary shares; or

(v) for accrued and unpaid interest, if any.

(j) All calculations and other determinations under this Article 14 shall be made by the Company and shall be made to the nearest one-ten thousandth (1/10,000) of an ADS.

(k) Whenever the Conversion Rate is adjusted as herein provided, the Company shall promptly file with the Trustee (and the Conversion Agent if not the Trustee) an Officers' Certificate setting forth the Conversion Rate after such adjustment and setting forth a brief statement of the facts requiring

such adjustment. Unless and until a Responsible Officer of the Trustee shall have received such Officers' Certificate, the Trustee shall not be deemed to have knowledge of any adjustment of the Conversion Rate and may assume without inquiry that the last Conversion Rate of which it has knowledge is still in effect. Promptly after delivery of such certificate, the Company shall prepare a notice of such adjustment of the Conversion Rate setting forth the adjusted Conversion Rate and the date on which each adjustment becomes effective and shall send such notice of such adjustment of the Conversion Rate to each Holder at its last address appearing on the Note Register (or in the case of Global Notes, electronically in accordance with the applicable procedures of the Depository) with a copy to the Trustee and Conversion Agent (if other than the Trustee). Failure to deliver such notice shall not affect the legality or validity of any such adjustment.

(l) For purposes of this Section 14.04, the number of ordinary shares at any time outstanding shall not include ordinary shares held in the treasury of the Company (directly or in the form of ADSs) so long as the Company does not pay any dividend or make any distribution on ordinary shares held in the treasury of the Company (directly or in the form of ADSs), but shall include ordinary shares issuable in respect of scrip certificates issued in lieu of fractions of ordinary shares.

(m) For purposes of this Section 14.04, the “**effective date**” means the first date on which the ADSs trade on the applicable exchange or in the applicable market, regular way, reflecting the relevant share split or share combination, as applicable.

Section 14.05 *Adjustments of Prices.* Whenever any provision of this Indenture requires the Company to calculate the Last Reported Sale Prices or the ADS Price for purposes of a Make-Whole Fundamental Change or a Tax Redemption over a span of multiple days, the Board of Directors shall make appropriate adjustments to each to account for any adjustment to the Conversion Rate that becomes effective pursuant to Section 14.04, or any event requiring an adjustment to the Conversion Rate pursuant to Section 14.04 where the Record Date, effective date or expiration date, as the case may be, of the event occurs, at any time during the period when such Last Reported Sale Prices or ADS Prices are to be calculated.

Section 14.06 *Ordinary Shares to Be Fully Paid.* The Company shall provide, free from preemptive rights, out of its authorized but unissued ordinary shares or ordinary shares held in treasury, a sufficient number of ordinary shares that corresponds to the number of ADSs due upon conversion of the Notes from time to time as such Notes are presented for conversion (assuming that at the time of computation of such number of ordinary shares, all such Notes would be converted by a single Holder).

Section 14.07 *Effect of Recapitalizations, Reclassifications and Changes of the Ordinary Shares.*

(i) In the case of:

(i) any recapitalization, reclassification or change of the ordinary shares of the Company (other than changes resulting from a subdivision or combination or change in par value),

(ii) any consolidation, merger, combination or similar transaction involving the Company,

(iii) any sale, lease or other transfer to a third party of the consolidated assets of the Company and the Company's Subsidiaries substantially as an entirety or

(iv) any statutory share exchange,

in each case, as a result of which the ordinary shares of the Company (directly or in the form of ADSs) would be converted into, or exchanged for, Capital Stock, other securities, other property or assets (including cash or any combination thereof) (any such event, a “**Merger Event**”), then, prior to or at the effective time of such Merger Event, the Company or the successor or purchasing Person, as the case may be, shall execute with the Trustee a supplemental indenture permitted under Section 10.01(g) providing that, at and after the effective time of such

Merger Event, the right to convert each \$1,000 principal amount of the Notes shall be changed into a right to convert such principal amount of the Notes into the kind and amount of shares of Capital Stock, other securities or other property or assets (including cash or any combination thereof) that a holder of a number of ADSs equal to the Conversion Rate immediately prior to such Merger Event would have owned or been entitled to receive (the “**Reference Property**,” with each “**unit of Reference Property**” meaning the kind and amount of Reference Property that a holder of one ADS is entitled to receive) upon such Merger Event; *provided, however*, that (x) at and after the effective time of the Merger Event the number of ADSs otherwise deliverable upon conversion of the Notes in accordance with Section 14.02 shall instead be deliverable in the amount and type of Reference Property that a holder of that number of ADSs would have been entitled to receive in such Merger Event; (y) any amount payable in cash upon conversion of the Notes as set forth in this Indenture will continue to be payable in cash, and (z) the Last Reported Sale Price shall be calculated based on the value of a unit of Reference Property.

If the Merger Event causes the ADSs to be converted into, or exchanged for, the right to receive more than a single type of consideration (determined based in part upon any form of holder election), then (i) the Reference Property into which the Notes will be convertible shall be deemed to be (A) the weighted average of the types and amounts of consideration received by the holders of ADSs that affirmatively make such an election or (B) if no holders of ADSs affirmatively make such an election, the types and amounts of consideration actually received by the holders of the ADSs and (ii) the unit of Reference Property for purposes of the immediately preceding paragraph shall refer to the consideration referred to in clause (i) or clause (ii), as the case may be attributable to one ADS. The Company shall provide written notice to Holders, the Trustee and the Conversion Agent (if other than the Trustee) of such weighted average as soon as practicable after such determination is made.

Such supplemental indenture described in the second immediately preceding paragraph shall provide for anti-dilution and other adjustments that shall be as nearly equivalent as is practicable to the adjustments provided for in this Article 14 (it being understood that no such adjustments shall be required with respect to any portion of the Reference Property that does not consist of shares of Common Equity (however evidenced) or depository receipts in respect thereof). If, in the case of any Merger Event, the Reference Property includes shares of Capital Stock, securities or other property or assets (including cash or any combination thereof) of a Person other than the Company or the successor or purchasing Person, as the case may be, in such Merger Event, then such other Person shall also execute such supplemental indenture, and such supplemental indenture shall contain such provisions to protect the interests of the Holders of the Notes, including the repurchase rights of Holders pursuant to Article 15 and the redemption right of Holders pursuant to Article 16, as the Board of Directors shall reasonably consider necessary by reason of the foregoing.

(j) In the event a supplemental indenture is executed pursuant to subsection (a) of this Section 14.07, the Company shall promptly file with the Trustee an Officers’ Certificate briefly stating the reasons therefor, the kind or amount of cash, securities or property or asset that will comprise a unit of Reference Property after any such Merger Event, any adjustment to be made with respect thereto and that all conditions precedent have been complied with. The Company shall cause notice of the execution of such supplemental indenture to be sent to each Holder, at its address appearing on the Note Register provided for in this Indenture, within 20 days after execution thereof. Failure to deliver such notice shall not affect the legality or validity of such supplemental indenture.

(k) The Company shall not become a party to any Merger Event unless its terms are consistent with this Section 14.07. None of the foregoing provisions shall affect the right of a Holder of Notes to convert its Notes into ADSs as set forth in Section 14.01 and Section 14.02 prior to the effective date of such Merger Event.

(l) The above provisions of this Section shall similarly apply to successive Merger Events.

Section 14.08 *Certain Covenants.* (a) The Company covenants that all ADSs delivered upon conversion of Notes, and all ordinary shares represented by such ADSs, will be fully paid and non-assessable by the Company and free from all taxes, liens and charges with respect to the issue thereof.

(b) [Reserved.]

(c) The Company further covenants that if at any time the ADSs shall be listed on any national securities exchange or automated quotation system the Company will list and keep listed, so long as the ADSs shall be so listed on such exchange or automated quotation system, any ADSs deliverable upon conversion of the Notes.

(d) The Company further covenants to take all actions and obtain all approvals and registrations required with respect to the conversion of the Notes into ADSs and the issuance, and deposit into the ADS facility, of the ordinary shares represented by such ADSs. Subject to Section 14.12, the Company also undertakes to maintain, as long as any Notes are outstanding, the effectiveness of a registration statement on Form F-6 relating to the ADSs and an adequate number of ADSs available for issuance thereunder such that ADSs can be delivered in accordance with the terms of this Indenture, the Notes and the Deposit Agreement upon conversion of the Notes. In addition, subject to Section 14.12, the Company further covenants to provide Holders with a reasonably detailed description of the mechanics for the delivery of ADSs upon conversion of Notes as set forth in the Deposit Agreement upon request.

Section 14.09 *Responsibility of Trustee.* The Trustee and any other Conversion Agent shall not at any time be under any duty or responsibility to any Holder to determine the Conversion Rate (or any adjustment thereto) or whether any facts exist that may require any adjustment (including any increase) of the Conversion Rate, or with respect to the nature or extent or calculation of any such adjustment when made, or with respect to the method employed, or herein or in any supplemental indenture provided to be employed, in making the same. The Trustee and any other Conversion Agent shall not be accountable with respect to the validity or value (or the kind or amount) of any ADSs, or of any securities, property or cash that may at any time be issued or delivered upon the conversion of any Note; and the Trustee and any other Conversion Agent make no representations with respect thereto. Neither the Trustee nor any Conversion Agent shall be responsible for any failure of the Company to issue, transfer or deliver any ADSs or stock certificates or other securities or property or cash upon the surrender of any Note for the purpose of conversion, the accuracy or inaccuracy of any mathematical calculation or formulae under this Indenture, whether by the Company or any Person so authorized by the Company for such purpose under this Indenture or the failure by the Company to comply with any of the duties, responsibilities or covenants of the Company contained in this Article. Without limiting the generality of the foregoing, neither the Trustee nor any Conversion Agent shall be under any responsibility to determine the correctness of any provisions contained in any supplemental indenture entered into pursuant to Section 14.07 relating either to the kind or amount of ADSs or securities or property (including cash) receivable by Holders upon the conversion of their Notes after any event referred to in such Section 14.07 or to any adjustment to be made with respect thereto, but, subject to the provisions of Section 7.01, may accept (without any independent investigation) as conclusive evidence of the correctness of any such provisions, and shall be protected in relying upon, the Officers' Certificate (which the Company shall be obligated to file with the Trustee prior to the execution of any such supplemental indenture) with respect thereto.

Section 14.10 *Notice to Holders Prior to Certain Actions.* In case of any:

(b) action by the Company or one of its Subsidiaries that would require an adjustment in the Conversion Rate pursuant to Section 14.04 or Section 14.11;

(c) Merger Event; or

(d) voluntary or involuntary dissolution, liquidation or winding-up of the Company or any of its Subsidiaries;

then, in each case (unless notice of such event is otherwise required pursuant to another provision of this Indenture), the Company shall cause to be filed with the Trustee and the Conversion Agent (if other than the Trustee) and to be sent to each Holder at its address appearing on the Note Register, as promptly as possible but in any event at least 20 days prior to the applicable date hereinafter specified, a notice stating (i) the date on which a record is to be taken for the purpose of such action by the Company or one of its Subsidiaries or, if a record is not to be taken, the date as of which the holders of ordinary shares or ADSs, as the case may be, of record are to be determined for the purposes of such action by the Company or one of its Subsidiaries, or (ii) the date on which such Merger Event, dissolution, liquidation or winding-up is expected to become effective or occur, and the date as of which it is expected that holders of ordinary shares or ADSs, as the case may be, of record shall be entitled to exchange their ordinary shares

or ADSs, as the case may be, for securities or other property deliverable upon such Merger Event, dissolution, liquidation or winding-up. Failure to give such notice, or any defect therein, shall not affect the legality or validity of such action by the Company or one of its Subsidiaries, Merger Event, dissolution, liquidation or winding-up.

Section 14.11 *Stockholder Rights Plans.* To the extent that the Company has a rights plan in effect upon conversion of the Notes, each ADS delivered upon such conversion shall be entitled to receive (either directly or in respect of the ordinary shares underlying such ADSs) the appropriate number of rights under the rights plan, if any, and the global securities representing the ADSs delivered upon such conversion shall bear such legends, if any, in each case as may be provided by the terms of any such stockholder rights plan, as the same may be amended from time to time. Notwithstanding the foregoing, if, prior to any conversion, the rights have separated from the ordinary shares underlying the ADSs in accordance with the provisions of the applicable stockholder rights plan, the Conversion Rate shall be adjusted at the time of separation as if the Company distributed to all or substantially all holders of the ordinary shares of the Company (directly or in the form of ADSs) Distributed Property as provided in Section 14.04(c), subject to readjustment in the event of the expiration, termination or redemption of such rights.

Section 14.12 *Termination of Depositary Receipt Program.* If the ordinary shares of the Company cease to be represented by American Depositary Shares issued under a depositary receipt program sponsored by the Company, all references in this Indenture to the ADSs shall be deemed to have been replaced by a reference to the number of ordinary shares (and other property, if any) represented by the ADSs on the last day on which the ADSs represented the ordinary shares of the Company and as if the ordinary shares (and the other property, if any) had been distributed to holders of the ADSs on that day. In addition, all references to the Last Reported Sale Price of the ADSs will be deemed to refer to the Last Reported Sale Price of the ordinary shares, and other appropriate adjustments, including adjustments to the Conversion Rate, will be made to reflect such change. In making such adjustments, where currency translations between U.S. dollars and any other currency are required, the exchange rate in effect on the date of determination will apply. The Company shall cause to be filed with the Trustee and the Conversion Agent (if other than the Trustee) and to be sent to each Holder at its address appearing on the Note Register, as promptly as possible but in any event at least 20 days prior to the applicable date of the event stated herein, a notice stating the applicable date of the event and any adjustment to the Conversion Rate.

Section 14.13 *U.S. Federal Income Tax Reporting Obligations in Connection with Conversion Rate Adjustments.* In the event of any deemed distribution (for U.S. federal income tax purposes) resulting from an adjustment to the Conversion Rate, the Company will comply with its obligations to report such deemed distribution, for U.S. federal income tax purposes. In accordance with the foregoing, the Company may satisfy its reporting obligations by posting a copy of IRS Form 8937 on its website in a timely manner.

ARTICLE 15 REPURCHASE OF NOTES AT OPTION OF HOLDERS

Section 15.01 *Repurchase at Option of Holders.*

(a) Each Holder shall have the right, at such Holder's option, to require the Company to repurchase for cash on November 2, 2020 (the "**Repurchase Date**"), all of such Holder's Notes, or any portion thereof that is an integral multiple of \$1,000 principal amount, at a repurchase price (the "**Repurchase Price**") that is equal to 100% of the principal amount of the Notes to be repurchased, *plus* accrued and unpaid interest to, but excluding, the Repurchase Date. For the avoidance of doubt, accrued and unpaid interest payable on the Interest Payment Date falling on November 1, 2020 will not be paid to the Holders who have submitted their Notes for repurchase on the Repurchase Date, but to the Holders of record at the close of business on the Regular Record Date immediately preceding the Repurchase Date. Not later than 20 Business Days prior to the Repurchase Date, the Company shall send a written notice (the "**Company Notice**") to the Trustee, to the Paying Agent, the Conversion Agent (if other than the Trustee) and to each Holder at its address shown in the Note Register of the Note Registrar. The Company Notice shall state:

(i) the last date on which a Holder may exercise its repurchase right pursuant to this Section 15.01 (the "**Repurchase Expiration Time**");

- (ii) the Repurchase Price;
- (iii) the Repurchase Date;
- (iv) the name and address of the Conversion Agent and the Paying Agent;
- (v) that the Notes with respect to which a Repurchase Notice has been delivered by a Holder may be converted only if the Holder withdraws the Repurchase Notice in accordance with the terms of this Indenture;
- (vi) that the Holder shall have the right to withdraw any Notes surrendered prior to the Repurchase Expiration Time; and
- (vii) the procedures a Holder must follow to exercise its repurchase rights under this Section 15.01 and a brief description of those rights.

At the Company's written request, the Trustee shall give such notice in the Company's name and at the Company's expense; *provided, however*, that, in all cases, the text of such Company Notice shall be prepared by the Company.

Simultaneously with providing the Company Notice, the Company shall publish a notice containing the information included in the Company Notice in a newspaper of general circulation in The City of New York or publish such information on the Company's website or through such other public medium as the Company may use at that time.

No failure of the Company to give the foregoing notices and no defect therein shall limit the Holders' repurchase rights or affect the validity of the proceedings for the repurchase of the Notes pursuant to this Section 15.01.

Repurchases of Notes under this Section 15.01 shall be made, at the option of the Holder thereof, upon:

- (i) delivery to the Trustee (or another agent designated for this purpose) by the Holder of a duly completed notice (the "**Repurchase Notice**") in the form set forth in Attachment 3 to the Form of Note attached hereto as Exhibit A, if the Notes are Physical Notes, or in compliance with the Depository's procedures for surrendering interests in global notes, if the Notes are Global Notes; and
- (ii) delivery of the Notes, if the Notes are Physical Notes, to the Paying Agent at any time after delivery of the Repurchase Notice (together with all necessary endorsements), or book-entry transfer of the Notes, if the Notes are Global Notes, in compliance with the procedures of the Depository, in each case such delivery being a condition to receipt by the Holder of the Repurchase Price therefor,

in each case (i) and (ii), during the period beginning at any time from the open of business on the date that is 20 Business Days prior to the Repurchase Date until the close of business on the second Business Day immediately preceding the Repurchase Date. If a Repurchase Notice is given and withdrawn during such period, the Company will be under no obligation to repurchase the Notes, in relation to which the Repurchase Notice was given.

Each Repurchase Notice shall state:

- (A) in the case of Physical Notes, the certificate numbers of the Notes to be delivered for repurchase;
- (B) the portion of the principal amount of the Notes to be repurchased, which must be \$1,000 or an integral multiple thereof; and

(C) that the Notes are to be repurchased by the Company pursuant to the applicable provisions of the Notes and this Indenture;

provided, however, that if the Notes are Global Notes, the Repurchase Notice must comply with appropriate Depositary procedures.

Notwithstanding anything herein to the contrary, any Holder delivering to the Trustee the Repurchase Notice contemplated by this Section 15.01 shall have the right to withdraw, in whole or in part, such Repurchase Notice at any time prior to the close of business on the second Business Day immediately preceding the Repurchase Date by delivery of a duly completed written notice of withdrawal to the Trustee in accordance with Section 15.03.

The Trustee shall promptly notify the Company of the receipt by it of any Repurchase Notice or written notice of withdrawal thereof.

No Repurchase Notice with respect to any Notes may be delivered and no Note may be surrendered for repurchase pursuant to this Section 15.01 by a Holder thereof to the extent such Holder has also delivered a Fundamental Change Repurchase Notice with respect to such Note in accordance with Section 15.02 and not validly withdrawn such Fundamental Change Repurchase Notice in accordance with Section 15.03.

(b) Notwithstanding the foregoing, no Notes may be repurchased by the Company at the option of the Holders on the Repurchase Date if the principal amount of the Notes has been accelerated, and such acceleration has not been rescinded, on or prior to such Repurchase Date (except in the case of an acceleration resulting from a default by the Company in the payment of the Repurchase Price with respect to such Notes). The Trustee will promptly return to the respective Holders thereof any Physical Notes held by it during the acceleration of the Notes (except in the case of an acceleration resulting from a default by the Company in the payment of the Repurchase Price with respect to such Notes), or any instructions for book-entry transfer of the Notes in compliance with the procedures of the Depositary shall be deemed to have been cancelled, and, upon such return or cancellation, as the case may be, the Repurchase Notice with respect thereto shall be deemed to have been withdrawn.

Section 15.02 *Repurchase at Option of Holders Upon a Fundamental Change.* If a Fundamental Change occurs at any time, each Holder shall have the right, at such Holder's option, to require the Company to repurchase for cash all of such Holder's Notes, or any portion thereof that is equal to \$1,000 or an integral multiple of \$1,000, on the date (the "**Fundamental Change Repurchase Date**") notified in writing by the Company as set forth in Section 15.02(b) that is not less than 20 Business Days or more than 35 Business Days following the date of the Fundamental Change Company Notice at a repurchase price equal to 100% of the principal amount thereof, *plus* accrued and unpaid interest thereon to, but excluding, the Fundamental Change Repurchase Date (the "**Fundamental Change Repurchase Price**"), unless the Fundamental Change Repurchase Date falls after a Regular Record Date but on or prior to the Interest Payment Date to which such Regular Record Date relates, in which case the Company shall instead pay on such Interest Payment Date the full amount of accrued and unpaid interest to Holders of record as of such Regular Record Date, and the Fundamental Change Repurchase Price shall be equal to 100% of the principal amount of Notes to be repurchased pursuant to this Article 15. The Trustee and any other Conversion Agent, Paying Agent or any other agent appointed for such purposes shall have no responsibility to determine the Fundamental Change Repurchase Price.

(a) Repurchases of Notes under this Section 15.02 shall be made, at the option of the Holder thereof, upon:

(i) delivery to the Paying Agent (or any other agent appointed for this purpose) by a Holder of a duly completed notice (the "**Fundamental Change Repurchase Notice**") in the form set forth in Attachment 2 to the Form of Note attached hereto as Exhibit A, if the Notes are Physical Notes, or in compliance with the Depositary's procedures for surrendering interests in global notes, if the Notes are Global Notes; and

(ii) delivery of the Notes, if the Notes are Physical Notes, to the Paying Agent (or another agent appointed for such purposes) together with, or at any time after, delivery of the Fundamental Change Repurchase Notice (together with all necessary endorsements for transfer), or book-entry transfer of the Notes, if the Notes are Global Notes, in compliance with the procedures of the Depository, in each case such delivery being a condition to receipt by the Holder of the Fundamental Change Repurchase Price therefor.

in each case (i) and (ii), on or before the close of business on the second Business Day immediately preceding the Fundamental Change Repurchase Date

The Fundamental Change Repurchase Notice in respect of any Notes to be repurchased shall state:

- (A) in the case of Physical Notes, the certificate numbers of the Notes to be delivered for repurchase;
- (B) the portion of the principal amount of Notes to be repurchased, which must be \$1,000 or an integral multiple thereof; and
- (C) that the Notes are to be repurchased by the Company pursuant to the applicable provisions of the Notes and this Indenture;

provided, however, that if the Notes are Global Notes, the Fundamental Change Repurchase Notice must comply with appropriate Depository procedures.

Notwithstanding anything herein to the contrary, any Holder delivering the Fundamental Change Repurchase Notice contemplated by this Section 15.02 shall have the right to withdraw, in whole or in part, such Fundamental Change Repurchase Notice at any time prior to the close of business on the second Business Day immediately preceding the Fundamental Change Repurchase Date by delivery of a duly completed written notice of withdrawal to the Paying Agent (or any other agent appointed for this purpose) in accordance with Section 15.03.

The Paying Agent (or any other agent appointed for this purpose) shall promptly notify the Company of the receipt by it of any Fundamental Change Repurchase Notice or written notice of withdrawal thereof.

No Fundamental Change Repurchase Notice with respect to any Notes may be delivered and no Note may be surrendered by a Holder for repurchase thereof if such Holder has also surrendered a Repurchase Notice in accordance with Section 15.01 and not validly withdrawn such Repurchase Notice in accordance with Section 15.03.

(b) On or before the 20th calendar day after the occurrence of a Fundamental Change, the Company shall provide to all Holders and the Trustee, the Paying Agent and the Conversion Agent or any other agent appointed for such purpose a written notice (the “**Fundamental Change Company Notice**”) of the occurrence of the Fundamental Change and of the repurchase right at the option of the Holders arising as a result thereof. In the case of Physical Notes, such notice shall be by first class mail or, in the case of Global Notes, such notice may be delivered electronically in accordance with the applicable procedures of the Depository. Simultaneously with providing such notice, the Company shall publish a notice containing the information set forth in the Fundamental Change Company Notice in a newspaper of general circulation in The City of New York or publish such information on the Company’s website or through such other public medium as the Company may use at that time. Each Fundamental Change Company Notice shall specify:

- (i) the events causing the Fundamental Change and whether such events also constitute a Make-Whole Fundamental Change;
- (ii) the date of the Fundamental Change;
- (iii) the last date on which a Holder may exercise the repurchase right pursuant to this Article 15;

- (iv) the Fundamental Change Repurchase Price;
- (v) the Fundamental Change Repurchase Date;
- (vi) the name and address of the Trustee, the Paying Agent, the Conversion Agent or any other agent appointed for the repurchase, if any;
- (vii) if applicable, the Conversion Rate and any adjustments to the Conversion Rate;
- (viii) that the Notes with respect to which a Fundamental Change Repurchase Notice or Repurchase Option has been delivered by a Holder may be converted only if the Holder withdraws the Fundamental Change Repurchase Notice or Repurchase Notice, as the case may be, in accordance with the terms of this Indenture; and
- (ix) the procedures that Holders must follow to require the Company to repurchase their Notes.

No failure of the Company to give the foregoing notices and no defect therein shall limit the Holders' repurchase rights or affect the validity of the proceedings for the repurchase of the Notes pursuant to this Section 15.02.

At the Company's written request, the Paying Agent (or any other agent appointed for such purpose) shall give such notice in the Company's name and at the Company's expense; *provided, however*, that, in all cases, the text of such Fundamental Change Company Notice shall be prepared by the Company.

(c) Notwithstanding the foregoing, no Notes may be repurchased by the Company on any date at the option of the Holders upon a Fundamental Change if the principal amount of the Notes has been accelerated, and such acceleration has not been rescinded, on or prior to such date (except in the case of an acceleration resulting from a default by the Company in the payment of the Fundamental Change Repurchase Price with respect to such Notes). The Paying Agent (or any other agent appointed for such purpose) will promptly return to the respective Holders thereof any Physical Notes held by it during the acceleration of the Notes (except in the case of an acceleration resulting from a default by the Company in the payment of the Fundamental Change Repurchase Price with respect to such Notes), or any instructions for book-entry transfer of the Notes in compliance with the procedures of the Depository shall be deemed to have been cancelled, and, upon such return or cancellation, as the case may be, the Fundamental Change Repurchase Notice with respect thereto shall be deemed to have been withdrawn.

Section 15.03 *Withdrawal of Repurchase Notice or Fundamental Change Repurchase Notice.* (a) A Repurchase Notice or Fundamental Change Repurchase Notice may be withdrawn (in whole or in part) by means of a duly completed written notice of withdrawal delivered to the Trustee, Paying Agent (or any other agent appointed for such purpose) in accordance with this Section 15.03 at any time prior to the close of business on the second Business Day immediately preceding the Repurchase Date or prior to the close of business on the second Business Day immediately preceding the Fundamental Change Repurchase Date, as the case may be, specifying:

- (A) the principal amount of the Notes with respect to which such notice of withdrawal is being submitted,
- (B) if Physical Notes have been issued, the certificate number of the Note in respect of which such notice of withdrawal is being submitted, and
- (C) the principal amount, if any, of such Note that remains subject to the original Repurchase Notice or Fundamental Change Repurchase Notice, as the case may be, which portion must be in principal amounts of \$1,000 or an integral multiple of \$1,000;

provided, however, that if the Notes are Global Notes, the notice must comply with appropriate procedures of the Depository.

Section 15.04 *Deposit of Repurchase Price or Fundamental Change Repurchase Price.* (a) The Company will deposit with the Paying Agent (or any other paying agent appointed by the Company, or if the Company is acting as its own Paying Agent, set aside, segregate and hold in trust as provided in Section 4.04) at or prior to 10:00 a.m., New York City time, on the Repurchase Date or Fundamental Change Repurchase Date, as the case may be, an amount of money sufficient to repurchase all of the Notes to be repurchased at the appropriate Repurchase Price or Fundamental Change Repurchase Price. Subject to receipt of funds and/or Notes by the Paying Agent (or any other paying agent appointed by the Company), payment for Notes surrendered for repurchase (and not withdrawn in accordance with Section 15.03) will be made on the later of (i) the Repurchase Date or Fundamental Change Repurchase Date, as the case may be (*provided* the Holder has satisfied the conditions in Section 15.01 or Section 15.02, as the case may be) and (ii) the time of book-entry transfer or the delivery of such Note to the Paying Agent (or any other paying agent appointed by the Company) by the Holder thereof in the manner required by Section 15.01 or Section 15.02, as applicable, by mailing checks for the amount payable to the Holders of such Notes entitled thereto as they shall appear in the Note Register; *provided, however*, that payments to the Depository shall be made by wire transfer of immediately available funds to the account of the Depository or its nominee. The Paying Agent (or any other paying agent appointed by the Company) shall, promptly after such payment and upon written demand by the Company, return to the Company any funds in excess of the Repurchase Price or Fundamental Change Repurchase Price, as the case may be.

(b) If by 10:00 a.m., New York City time, on the Repurchase Date or Fundamental Change Repurchase Date, as the case may be, the Paying Agent (or any other paying agent appointed by the Company) holds money sufficient to make payment on all the Notes or portions thereof that are to be repurchased on such Repurchase Date or Fundamental Change Repurchase Date, as the case may be, then, with respect to the Notes that have been properly surrendered for repurchase and not validly withdrawn, on such Repurchase Date or Fundamental Change Repurchase Date, as the case may be, (i) such Notes will cease to be outstanding, (ii) interest will cease to accrue on such Notes (whether or not book-entry transfer of the Notes has been made or the Notes have been delivered to the Trustee or Paying Agent) and (iii) all other rights of the Holders of such Notes will terminate (other than the right to receive the Repurchase Price or Fundamental Change Repurchase Price, as the case may be).

(c) Upon surrender of a Physical Note that is to be repurchased in part pursuant to Section 15.01 or Section 15.02, the Company shall execute and the Trustee, upon receipt of a Company Order, shall authenticate and deliver to the Holder a new Physical Note in an authorized denomination equal in principal amount to the unrepurchased portion of the Note surrendered.

Section 15.05 *Covenant to Comply with Applicable Laws Upon Repurchase of Notes.* In connection with any repurchase offer, the Company will, if required:

- (a) comply with the provisions of Rule 13e-4, Rule 14e-1 and any other tender offer rules under the Exchange Act that may be applicable;
- (b) file a Schedule TO or other required schedule under the Exchange Act, if required by applicable law; and
- (c) otherwise comply with all federal and state securities laws in connection with any offer by the Company to repurchase the Notes;

in each case, so as to permit the rights and obligations under this Article 15 to be exercised in the time and in the manner specified in this Article 15.

ARTICLE 16
REDEMPTION ONLY FOR TAXATION REASONS

Section 16.02 *No Redemption Except for Taxation Reasons.* (a) The Notes shall not be redeemable by the Company prior to the Maturity Date, except as set out in this Article 16, and no sinking fund shall be provided for the Notes. The Notes may be redeemed, for cash, at the Company's option, as a whole but not in part (a "**Tax Redemption**"), at the Tax Redemption Price, if on the next date on which any amount would be payable in respect of the Notes, the Company is or would be required to pay Additional Amounts (which are more than a *de minimis* amount) as a result of any change in the Applicable Tax Law of a Relevant Taxing Jurisdiction, which change is not publicly announced before, and becomes effective after, the date when the Notes are initially issued (or, if the applicable taxing jurisdiction became a Relevant Taxing Jurisdiction on a date after the Notes are initially issued, such later date) (any such change, a "**Change in Tax Law**"); *provided* that the Company cannot avoid these obligations by taking reasonable measures available to it and *further provided* that, prior to or simultaneously with the Tax Redemption Notice, the Company delivers to the Trustee an Officers' Certificate and an Opinion of Counsel specializing in taxation attesting that the Company has or will become, on or before the Tax Redemption Date, obligated to pay such Additional Amounts as a result of a Change in Tax Law and an Officers' Certificate stating that such obligation cannot be avoided by taking reasonable measures available to it. The Trustee shall accept and rely upon such Opinion of Counsel and Officers' Certificate (without further investigation or enquiry) and it shall be conclusive and binding on the Holder.

(b) If the Tax Redemption Date falls after a Regular Record Date and on or prior to the immediately following Interest Payment Date, the Company shall, on or, at its election, before such Interest Payment Date, pay the full amount of accrued and unpaid interest, and any Additional Amounts with respect to such interest, due on such interest payment date to the Holder of the Notes on the Regular Record Date corresponding to such Interest Payment Date. The Company shall notify the Trustee in writing of its election and the date on which such interest and any Additional Amounts with respect to such interest will be paid at the time it provides such Tax Redemption Notice. Notwithstanding anything to the contrary herein, neither the Company nor any Successor Company may redeem any of the Notes in the case any Additional Amounts are payable in respect of the withholding tax and any other tax collected at source imposed by the People's Republic of China at a cumulative rate of 16.8% or less solely as a result of the Company or any Successor Company being considered a tax resident of the People's Republic of China under the PRC Enterprise Income Tax Law.

Section 16.03 *Notice of Tax Redemption.*

(a) In the event that the Company exercises its Tax Redemption right pursuant to Section 16.01, it shall fix a date for redemption (the "**Tax Redemption Date**") and it or, at its written request received by the Trustee not less than 35 days prior to the Tax Redemption Date (or such shorter period of time as may be acceptable to the Trustee), the Trustee, in the name of and at the expense of the Company shall send, or cause to be sent, a written notice of such Tax Redemption prepared by the Company (a "**Tax Redemption Notice**") not less than 30 nor more than 60 calendar days prior to the Tax Redemption Date to each Holder of Notes so to be redeemed at its last address as the same appears on the Note Register (or in the case of Global Notes, electronically in accordance with the applicable procedures of the Depository); *provided, however*, that, if the Company shall give such notice, it shall also give a written notice of the Tax Redemption Date to the Trustee. The Tax Redemption Date must be a Business Day.

(b) The Company shall not give any Tax Redemption Notice earlier than 60 days prior to the earliest date on which the Company would be obligated to pay any Additional Amounts, and the obligation to pay such Additional Amounts must be in effect at the time such Tax Redemption Notice is given. Simultaneously with providing such notice, the Company shall publish a notice containing this information in a newspaper of general circulation in The City of New York or publish the information on its website or through such other public medium as it may use at that time.

(c) The Tax Redemption Notice, if sent in the manner herein provided, shall be conclusively presumed to have been given duly, whether or not the Holder receives such notice. In any case, failure to give such Tax Redemption Notice or any defect in the Tax Redemption Notice to the Holder of any Note

designated for redemption shall not affect the validity of the proceedings for the redemption of any other Note.

- (d) Each Tax Redemption Notice shall specify:
 - (i) the Tax Redemption Date;
 - (ii) the Tax Redemption Price;
 - (iii) the place or places where such Notes are to be surrendered for payment of the Tax Redemption Price;
 - (iv) that on the Tax Redemption Date, the Tax Redemption Price will become due and payable upon each Note to be redeemed, and that the interest thereon, if any, shall cease to accrue on and after the Tax Redemption Date;
 - (v) that Holders may surrender their Notes for conversion at any time prior to the close of business on the second Business Day immediately preceding the Tax Redemption Date;
 - (vi) the procedures a converting Holder must follow to convert its Notes;
 - (vii) that Holders have the right to elect not to have their Notes redeemed by delivery to the Company, with a copy to the Paying Agent, a written notice to that effect not later than the second Business Day immediately preceding the Tax Redemption Date;
 - (viii) that Holders who wish to elect not to have their Notes redeemed must satisfy the requirements set forth herein;
 - (ix) that, at and after the Tax Redemption Date, Holders who elect not to have their Notes redeemed (a) will not receive any Additional Amounts with respect to payments or delivery (including consideration due in respect of conversion, Repurchase Price or Fundamental Change Repurchase Price, and whether payable in cash, ADSs or otherwise) made in respect to such Holders' Notes solely as a result of the Change in Tax Law that caused such Additional Amounts to be paid after the Tax Redemption Date and (b) all future payments (including consideration due in respect of conversion, Repurchase Price or Fundamental Change Repurchase Price, and whether payable in cash, ADSs or otherwise) with respect to the Notes will be subject to any tax required to be withheld or deducted under the laws of a Relevant Taxing Jurisdiction, as a result of such Change in Tax Law; provided that, notwithstanding the foregoing, if a Holder electing not to be subject to a Tax Redemption converts its Notes in connection with such Tax Redemption, the Company will be obligated to pay Additional Amounts, if any, with respect to such conversion;
 - (x) the Conversion Rate and, if applicable, the number of ADSs added to the Conversion Rate in accordance with Section 14.03; and
 - (xi) the CUSIP, ISIN or other similar numbers, if any, assigned to such Notes.

A Tax Redemption Notice shall be irrevocable. In the case of a Tax Redemption, a Holder may convert its Notes at any time until the close of business on the second Business Day preceding the Tax Redemption Date.

Section 16.03 *Payment of Notes Called for Tax Redemption for Taxation.*

- (a) If any Tax Redemption Notice has been given in respect of the Notes in accordance with Section 16.02, the Notes shall become due and payable on the Tax Redemption Date at the place or places stated in the Tax Redemption Notice and at the applicable Tax Redemption Price. On presentation and

surrender of the Notes at the place or places stated in the Tax Redemption Notice, the Notes shall be paid and redeemed by the Company and the applicable Tax Redemption Price.

(b) Prior to 10:00 a.m., New York City time on the Tax Redemption Date, the Company shall deposit with the Paying Agent or, if the Company or a Subsidiary of the Company is acting as the Paying Agent, shall segregate and hold in trust as provided in Section 4.04 an amount of cash in immediately available funds, sufficient to pay the Tax Redemption Price of all of the Notes to be redeemed on such Tax Redemption Date. Subject to receipt of funds by the Paying Agent, payment for the Notes to be redeemed shall be made on the Tax Redemption Date for such Notes. The Trustee (or other Paying Agent appointed by the Company) shall, promptly after such payment and upon written demand by the Company, return to Company any funds in excess of the Tax Redemption Price.

Section 16.04 *Holder's Right to Avoid Redemption.* Notwithstanding anything to the contrary in this Article 16, if the Company has given a Tax Redemption Notice as described in Section 16.02, each Holder of Notes will have the right to elect that such Holder's Notes will not be subject to Tax Redemption. If a Holder elects not to be subject to a Tax Redemption, the Company will not be required to pay Additional Amounts with respect to payments or delivery made in respect of such Holder's Notes following the Tax Redemption Date solely as a result of the Change in Tax Law that caused such Additional Amounts to be paid after the Tax Redemption Date, and all subsequent payments in respect of such Holder's Notes will be subject to any tax required to be withheld or deducted under the laws of a Relevant Taxing Jurisdiction, as a result of the Change in Tax Law; *provided that*, notwithstanding the foregoing, if a Holder electing not to be subject to a Tax Redemption converts its Notes in connection with such Tax Redemption, the Company will be obligated to pay Additional Amounts, if any, with respect to such conversion. The obligation to pay Additional Amounts to any electing Holder for periods up to the Tax Redemption Date shall remain subject to the exceptions set forth under Section 4.07. Holders must exercise their option to elect to avoid a Tax Redemption by written notice to the Company (with a copy to the Paying Agent) no later than the close of business on the second Business Day immediately preceding the Tax Redemption Date, *provided that* a Holder that has complied with the requirements set forth in Section 14.02 will be deemed to have delivered a notice of its election to avoid a Tax Redemption. If Notes are in global form, the rights of beneficial owners in any Global Note, including any election in connection with a tax redemption pursuant to this Section above, shall be exercised only through the Depositary subject to customary procedures of the Depositary.

Section 16.05 *Restrictions on Tax Redemption.* The Company may not redeem any Notes on any date if the principal amount of the Notes has been accelerated in accordance with the terms of this Indenture, and such acceleration has not been rescinded, on or prior to the Tax Redemption Date (except in the case of an acceleration resulting from a Default by the Company in the payment of the Tax Redemption Price with respect to such Notes).

Section 16.06 *Withdrawal of Notice of Election to Avoid a Tax Redemption.* A Holder may withdraw any notice of election to avoid a Tax Redemption (other than such a deemed notice of election) made pursuant to Section 16.04, by delivering to the Company (with a copy to the Paying Agent) a written notice of withdrawal prior to the close of business on the second Business Day immediately preceding the Tax Redemption Date (or, if we fail to pay the redemption price on the Tax Redemption Date, such later date on which we pay the Redemption Price).

ARTICLE 17 MISCELLANEOUS PROVISIONS

Section 17.01 *Binding on Company's Successors.* All the covenants, stipulations, promises and agreements of the Company contained in this Indenture shall bind its successors and assigns whether so expressed or not.

Section 17.02 *Official Acts by Successor Corporation.* Any act or proceeding by any provision of this Indenture authorized or required to be done or performed by any board, committee or Officer of the Company shall and may be done and performed with like force and effect by the like board, committee or officer of any corporation or other entity that shall at the time be the lawful sole successor of the Company.

Section 17.03 *Addresses for Notices, Etc.* Any notice or demand that by any provision of this Indenture is required or permitted to be given or served by the Trustee or by the Holders on the Company shall be deemed to

have been sufficiently given or made, for all purposes if given or served by being delivered in person, transmitted by facsimile, sent via electronic mail (with portable document format attached) or deposited postage prepaid by registered or certified mail in a post office letter box addressed (until another address is filed by the Company with the Trustee) to:

China Lodging Group, Limited
5th Floor, Block 57, No. 461 Hongcao Road
Xuhui District, Shanghai 200233
People's Republic of China
Attention: Qi Ji

Any notice, direction, request or demand hereunder to or upon the Trustee shall be given or served in person, transmitted by facsimile, sent via electronic mail (with portable document format attached) or deposited postage prepaid by registered or certified mail in a post office letter box addressed to the Corporate Trust Office with a copy to:

Wilmington Trust, National Association, as Trustee

50 South Sixth Street, Suite 1290
Minneapolis, Minnesota 55402
Attention: China Lodging Account Manager
Facsimile: (612) 217-5651

All notices and other communications under this Indenture shall be in writing in English.

So long as and to the extent that the Notes are represented by Global Notes and such Global Notes are held by the Depositary, notices to Holders may be given by delivery of the relevant notice to the Depositary by facsimile or electronic mail (with portable document format attached) for all purposes hereunder.

The Trustee, by notice to the Company, may designate additional or different addresses for subsequent notices or communications.

Any notice or communication mailed to a Holder shall be mailed to it by first class mail, postage prepaid, at its address as it appears on the Note Register and shall be sufficiently given to it if so mailed within the time prescribed.

Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it.

In case by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give such notice to Holders by mail, then such notification as shall be made with the approval of the Trustee shall constitute a sufficient notification for every purpose hereunder.

Section 17.04 *Governing Law; Jurisdiction.* THIS INDENTURE AND EACH NOTE, AND ANY CLAIM, CONTROVERSY OR DISPUTE ARISING UNDER OR RELATED TO THIS INDENTURE AND EACH NOTE, SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

The Company irrevocably consents and agrees, for the benefit of the Holders from time to time of the Notes and the Trustee, that any legal action, suit or proceeding against it with respect to obligations, liabilities or any other matter arising out of or in connection with this Indenture or the Notes may be brought in the courts of the State of New York or the courts of the United States, in each case, located in the Borough of Manhattan, New York City, New York and, until amounts due and to become due in respect of the Notes have been paid, hereby irrevocably consents and submits to the non-exclusive jurisdiction of each such court *in personam*, generally and

unconditionally with respect to any action, suit or proceeding for itself in respect of its properties, assets and revenues.

The Company irrevocably and unconditionally waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of venue of any of the aforesaid actions, suits or proceedings arising out of or in connection with this Indenture brought in the courts of the State of New York or the courts of the United States located in the Borough of Manhattan, New York City, New York and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

Section 17.05 *Submission to Jurisdiction; Service of Process.* The Company irrevocably appoints Cogency Global Inc. as its authorized agent in the Borough of Manhattan in the City of New York upon which process may be served in any such suit or proceeding, and agrees that service of process upon such agent, and written notice of said service to the Company by the person serving the same to:

China Lodging Group, Limited
c/o Cogency Global Inc.
10 E. 40th Street
10th Floor
New York, NY, 10016
United States of America

shall be deemed in every respect effective service of process upon the Company in any such suit or proceeding. The Company further agrees to take any and all action as may be necessary to maintain such designation and appointment of such agent in full force and effect for a period of five and a half years from the date of this Indenture. If for any reason such agent shall cease to be such agent for service of process, the Company shall forthwith appoint a new agent of recognized standing for service of process in the State of New York and deliver to the Trustee a copy of the new agent's acceptance of that appointment within ten Business Days of such acceptance. Nothing herein shall affect the right of the Trustee, any agent or any Holder to serve process in any other manner permitted by law or to commence legal proceedings or otherwise proceed against the Company in any other court of competent jurisdiction. To the extent that the Company has or hereafter may acquire any sovereign or other immunity from jurisdiction of any court or from any legal process with respect to itself or its property, the Company irrevocably waives such immunity in respect of its obligations hereunder or under any Note.

Section 17.06 *Evidence of Compliance with Conditions Precedent; Certificates and Opinions of Counsel to Trustee.*

- (a) Upon any request or application by the Company to the Trustee to take any action under this Indenture, the Trustee shall be entitled to receive:
 - (i) an Officers' Certificate stating that, in the opinion of the signers, all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with; and
 - (ii) an Opinion of Counsel stating that, in the opinion of such counsel, all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with and such action is permitted by the terms of this Indenture.
- (b) Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall include:
 - (i) a statement that each person signing such certificate or opinion has read such covenant or condition and the definitions herein relating thereto;

(ii) a brief statement as to the nature and scope of the examination or investigation upon which the statement or opinion contained in such certificate or opinion is based;

(iii) a statement that, in the opinion of each such person, he has made such examination or investigation as is necessary to enable him to express an informed opinion; and

(iv) a statement as to whether or not, in the opinion of each such person, such condition or covenant has been complied with or such action is permitted by the terms of this Indenture, as the case may be.

Notwithstanding anything to the contrary in this Section 17.06, if any provision in this Indenture specifically provides that the Trustee shall or may receive an Opinion of Counsel in connection with any action to be taken by the Trustee or the Company hereunder, the Trustee shall be entitled to such Opinion of Counsel.

Section 17.07 *Legal Holidays.* In any case where any Interest Payment Date, Fundamental Change Repurchase Date, Conversion Date, Repurchase Date, Tax Redemption Date or Maturity Date is not a Business Day (which, solely for the purposes of any payment required to be made on any such Interest Payment Date, Fundamental Change Repurchase Date, Conversion Date, Tax Redemption Date or Maturity Date and solely for purposes of this Section 17.07, shall also not include days in which the office where the place of payment in the continental United States is authorized or required by law to close), then such Interest Payment Date, Fundamental Change Repurchase Date, Conversion Date, Tax Redemption Date or Maturity Date, as applicable, will not be postponed but any action (which shall be limited to solely any payment action in the case the immediately preceding parenthetical applies) to be taken on such date need not be taken on such date, but may be taken on the next succeeding Business Day with the same force and effect as if taken on such date, and no interest shall accrue or be paid in respect of the delay.

Section 17.08 *No Security Interest Created.* Nothing in this Indenture or in the Notes, expressed or implied, shall be construed to constitute a security interest under the Uniform Commercial Code or similar legislation, as now or hereafter enacted and in effect, in any jurisdiction.

Section 17.09 *Benefits of Indenture.* Nothing in this Indenture or in the Notes, expressed or implied, shall give to any Person, other than the Holders, the parties hereto, any Paying Agent, any Conversion Agent, any Note Registrar and their successors hereunder, any benefit or any legal or equitable right, remedy or claim under this Indenture.

Section 17.10 *Table of Contents, Headings, Etc.* The table of contents and the titles and headings of the articles and sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part hereof, and shall in no way modify or restrict any of the terms or provisions hereof.

Section 17.11 *Execution in Counterparts.* This Indenture may be executed in any number of counterparts, each of which shall be an original, but such counterparts shall together constitute but one and the same instrument. The exchange of copies of this Indenture and of signature pages by facsimile or PDF transmission shall constitute effective execution and delivery of this Indenture as to the parties hereto and may be used in lieu of the original Indenture for all purposes. Signatures of the parties hereto transmitted by facsimile or PDF shall be deemed to be their original signatures for all purposes.

Section 17.12 *Severability.* In the event any provision of this Indenture or in the Notes shall be invalid, illegal or unenforceable, then (to the extent permitted by law) the validity, legality or enforceability of the remaining provisions shall not in any way be affected or impaired.

Section 17.13 *Waiver of Jury Trial.* EACH OF THE COMPANY AND THE TRUSTEE HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS INDENTURE, THE NOTES OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 17.14 *Force Majeure*. In no event shall the Trustee or the Agents be responsible or liable for any failure or delay in the performance of its obligations hereunder arising out of or caused by, directly or indirectly, forces beyond its control, including, without limitation, strikes or labor disputes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities, communications or computer (software and hardware) services; it being understood that the Trustee or the Agents, as the case may be, shall use reasonable efforts that are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

Section 17.15 *Calculations*. The Company shall be responsible for making all calculations called for under the Notes. These calculations include, but are not limited to, determinations of the Last Reported Sale Prices of the ADSs, accrued interest payable on the Notes, the number of Additional ADSs to be added to the Conversion Rate upon a Make-Whole Fundamental Change or a Tax Redemption, if any, the Redemption Price and the Conversion Rate of the Notes. The Company shall make all these calculations in good faith and, absent manifest error, the Company's calculations shall be final and binding on Holders. The Company shall provide a schedule of its calculations to each of the Trustee, the Paying Agent and the Conversion Agent, and each of the Trustee, the Paying Agent and the Conversion Agent is entitled to rely conclusively and without liability upon the accuracy of the Company's calculations without independent verification. The Trustee will forward the Company's calculations to any Holder of Notes upon the written request of that Holder at the sole cost and expense of the Company.

Section 17.16 *USA PATRIOT Act*. The parties hereto acknowledge that in order to help the United States government fight the funding of terrorism and money laundering activities, pursuant to Federal regulations that became effective on October 1, 2003 (Section 326 of the USA PATRIOT Act) all financial institutions are required to obtain, verify, record and update information that identifies each person establishing a relationship or opening an account. The parties to this Indenture agree that they will provide to the Trustee such information as it may request, from time to time, in order for the Trustee to satisfy the requirements of the USA PATRIOT Act, including but not limited to the name, address, tax identification number and other information that will allow it to identify the individual or entity who is establishing the relationship or opening the account and may also ask for formation documents such as articles of incorporation or other identifying documents to be provided.

[Remainder of the page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed as of the date first written above.

CHINA LODGING GROUP, LIMITED

By: /s/ Teo Nee Chuan
Name: Teo Nee Chuan
Title: Chief Financial Officer

WILMINGTON TRUST, NATIONAL ASSOCIATION, as Trustee

By: /s/ Lynn M. Steiner
Name: Lynn M. Steiner
Title: Vice President

Signature Page to Indenture

FORM OF FACE OF NOTE

[INCLUDE FOLLOWING LEGEND IF A GLOBAL NOTE]

[THIS IS A GLOBAL NOTE WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF THE DEPOSITARY OR A NOMINEE OF THE DEPOSITARY, WHICH MAY BE TREATED BY THE COMPANY, THE TRUSTEE AND ANY AGENT THEREOF AS THE OWNER AND HOLDER OF THIS NOTE FOR ALL PURPOSES.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY TRUST COMPANY, A NEW YORK CORPORATION (“DTC”), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL NOTE WILL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC, OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR’S NOMINEE, AND TRANSFERS OF PORTIONS OF THIS GLOBAL NOTE WILL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN SECTION 2 OF THE INDENTURE HEREINAFTER REFERRED TO.]

[INCLUDE FOLLOWING LEGEND IF A RULE 144A NOTE OR A REGULATION S NOTE]

[THIS SECURITY, THE AMERICAN DEPOSITARY SHARES ISSUABLE UPON CONVERSION OF THIS SECURITY PRIOR TO THE RESALE RESTRICTION TERMINATION (AS DEFINED BELOW) AND THE ORDINARY SHARES REPRESENTED THEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, OR OF A BENEFICIAL INTEREST HEREIN, THE ACQUIRER:

(1) REPRESENTS THAT IT, AND ANY ACCOUNT FOR WHICH IT IS ACTING, (A) IS A “QUALIFIED INSTITUTIONAL BUYER” (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) OR (B) IS A NON-U.S. PERSON LOCATED OUTSIDE THE UNITED STATES (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT), AND THAT IT EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO EACH SUCH ACCOUNT, AND

(2) AGREES FOR THE BENEFIT OF CHINA LODGING GROUP, LIMITED (THE “COMPANY”) THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY, THE AMERICAN DEPOSITARY SHARES ISSUABLE UPON CONVERSION OF THIS SECURITY, OR THE ORDINARY SHARES REPRESENTED THEREBY, OR ANY BENEFICIAL INTEREST HEREIN OR THEREIN PRIOR TO THE DATE (THE “RESALE RESTRICTION TERMINATION DATE”) THAT IS THE LATER OF (X) ONE YEAR AFTER THE LAST ORIGINAL ISSUE DATE HEREOF OR SUCH SHORTER PERIOD OF TIME AS PERMITTED BY RULE 144 UNDER THE SECURITIES ACT OR ANY SUCCESSOR PROVISION THERETO AND (Y) SUCH LATER DATE, IF ANY, AS MAY BE REQUIRED BY APPLICABLE LAW, EXCEPT:

(A) TO THE COMPANY OR ANY SUBSIDIARY THEREOF;

(B) THROUGH OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATIONS UNDER THE SECURITIES ACT;

(C) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT OF THE COMPANY THAT COVERS THE RESALE OF THIS SECURITY OR SUCH AMERICAN DEPOSITARY SHARES AND ORDINARY SHARES;

(D) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT; OR

(E) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT.

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH CLAUSE (2)(E) ABOVE, THE COMPANY, THE DEPOSITARY AND THE TRUSTEE RESERVE THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS.

NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

EACH HOLDER AND BENEFICIAL OWNER, BY ITS ACCEPTANCE OF THIS SECURITY EVIDENCED HEREBY, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS.

NO AFFILIATE (WITHIN THE MEANING OF RULE 144 UNDER THE SECURITIES ACT (“RULE 144”)) OF CHINA LODGING GROUP, LIMITED OR ANY PERSON THAT IS NOT AN AFFILIATE OF CHINA LODGING GROUP, LIMITED, BUT WAS AN AFFILIATE (WITHIN THE MEANING OF RULE 144) OF CHINA LODGING GROUP, LIMITED DURING THE THREE IMMEDIATELY PRECEDING MONTHS, OTHER THAN CHINA LODGING GROUP, LIMITED, OR ANY SUBSIDIARY OF CHINA LODGING GROUP, LIMITED, MAY PURCHASE, OTHERWISE ACQUIRE OR OWN THE NOTES EVIDENCED HEREBY, THE AMERICAN DEPOSITARY SHARES ISSUED UPON CONVERSION THEREOF OR THE ORDINARY SHARES OF CHINA LODGING GROUP, LIMITED REPRESENTED BY SUCH AMERICAN DEPOSITARY SHARES ISSUED UPON CONVERSION OF THESE NOTES OR A BENEFICIAL INTEREST THEREIN.]

CHINA LODGING GROUP, LIMITED

0.375% Convertible Senior Note due 2022

No. []

[Initially]¹ \$[]

CUSIP No 16949N AB5² G21182 AA1³

China Lodging Group, Limited, an exempted company duly incorporated and validly existing under the laws of the Cayman Islands (the “**Company**,” which term includes any successor company or corporation or other entity under the Indenture referred to on the reverse hereof), for value received hereby promises to pay to [CEDE & CO.]⁴ []⁵, or registered assigns, the principal sum [as set forth in the “Schedule of Exchanges of Notes” attached hereto]⁶ [of \$[]]⁷, which amount, taken together with the principal amounts of all other outstanding Notes, shall not, unless permitted by the Indenture, exceed \$475,000,000 in aggregate at any time, in accordance with the rules and procedures of the Depository, on November 1, 2022, and interest thereon as set forth below.

This Note shall bear interest at the rate of 0.375% per year from November 3, 2017, or from the most recent date to which interest had been paid or provided for to, but excluding, the next scheduled Interest Payment Date until November 1, 2022. Interest is payable semi-annually in arrears on each May 1 and November 1, commencing on May 1, 2018, to Holders of record at the close of business on the preceding April 15 and October 15 (whether or not such day is a Business Day), respectively. Additional Interest will be payable as set forth in Section 4.06(d), Section 4.06(e) and Section 6.03 of the within-mentioned Indenture, and any reference to interest on, or in respect of, any Note therein shall be deemed to include Additional Interest if, in such context, Additional Interest is, was or would be payable pursuant to any of such Section 4.06(d), Section 4.06(e) and Section 6.03, and any express mention of the payment of Additional Interest in any provision therein shall not be construed as excluding Additional Interest in those provisions thereof where such express mention is not made.

Any Defaulted Amounts shall accrue interest per annum at the rate per annum borne by the Notes plus 1.00%, subject to the enforceability thereof under applicable law, from, and including, the relevant payment date to, but excluding, the date on which such Defaulted Amounts shall have been paid by the Company, at its election, in accordance with Section 2.03(c) of the Indenture.

The Company shall pay the principal of and interest on this Note, so long as such Note is a Global Note, in immediately available funds to the Depository or its nominee, as the case may be, as the registered Holder of such Note. As provided in and subject to the provisions of the Indenture, the Company shall pay the principal of any Notes (other than Notes that are Global Notes) at the office or agency designated by the Company for that purpose. The Company has initially designated the Trustee as its Paying Agent, Conversion Agent and Note Registrar in respect of the Notes and its agency, as a place where Notes may be presented for payment or for registration of transfer.

Reference is made to the further provisions of this Note set forth on the reverse hereof, including, without limitation, provisions giving the Holder of this Note the right to convert this Note into ADSs on the terms and subject to the limitations set forth in the Indenture. Such further provisions shall for all purposes have the same effect as though fully set forth at this place.

¹ Include if a Global Note.

² Include for a Rule 144A Note.

³ Include for a Regulation S Note.

⁴ Include for a Regulation S Note.

⁵ Include if a Physical Note.

⁶ Include if a Global Note.

⁷ Include if a Physical Note

This Note, and any claim, controversy or dispute arising under or related to this Note, shall be construed in accordance with and governed by the laws of the State of New York.

In the case of any conflict between this Note and the Indenture, the provisions of the Indenture shall control and govern.

This Note shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been signed manually or by facsimile by the Trustee under the Indenture.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Company has caused this Note to be duly executed.

CHINA LODGING GROUP, LIMITED

By: _____
Name:
Title:

Dated:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

Wilmington Trust, National Association as Trustee, certifies that this is one of the Notes described in the within-named Indenture.

By: _____
Authorized Officer

FORM OF REVERSE OF NOTE

CHINA LODGING GROUP, LIMITED
0.375% Convertible Senior Note due 2022

This Note is one of a duly authorized issue of Notes of the Company, designated as its 0.375% Convertible Senior Notes due 2022 (the “Notes”), limited to the aggregate principal amount of \$475,000,000, all issued or to be issued under and pursuant to an Indenture dated as of November 3, 2017 (the “Indenture”), between the Company and Wilmington Trust, National Association, as trustee (the “Trustee”), to which Indenture and all indentures supplemental thereto reference is hereby made for a description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee, the Company and the Holders of the Notes. Additional Notes may be issued in an unlimited aggregate principal amount, subject to certain conditions specified in the Indenture. The Rule 144A Notes and the Regulation S Notes initially have separate CUSIP numbers and will initially not be fungible.

In the case certain Events of Default, as defined in the Indenture, shall have occurred and be continuing, the principal of, and interest on, all Notes may be declared, by either the Trustee or Holders of at least 25% in aggregate principal amount of Notes then outstanding, and upon said declaration shall become, due and payable, in the manner, with the effect and subject to the conditions and certain exceptions set forth in the Indenture. In the case certain Events of Default relating to a bankruptcy (or similar proceeding) with respect to the Company or a Significant Subsidiary of the Company shall have occurred, the principal of, and interest on, all Notes shall automatically become immediately due and payable, as set forth in the Indenture.

Subject to the terms and conditions of the Indenture, the Company will make all payments in respect of the principal amount on the Maturity Date, the Repurchase Date, the Tax Redemption Date and the Fundamental Change Repurchase Date, as the case may be, to the Holder who surrenders a Note to the Trustee to collect such payments in respect of the Note. The Company will pay cash amounts in money of the United States that at the time of payment is legal tender for payment of public and private debts.

Subject to the terms and conditions of the Indenture, Additional Amounts will be paid in connection with any payments made and deliveries caused to be made by the Company or any successor to the Company under or with respect to the Indenture and the Notes, including, but not limited to, payments of principal (including the Repurchase Price, the Tax Redemption Price and the Fundamental Change Repurchase Price, if applicable), payments of interest and deliveries of ADSs (together with payments for any fractional ADS) upon conversion of the Notes to ensure that the net amount received by the Holder after any applicable withholding or deduction (and after deducting any taxes on the Additional Amounts) will equal the amount that would have been received by such Holder had no such withholding or deduction been required.

The Indenture contains provisions permitting the Company and the Trustee in certain circumstances, without the consent of the Holders of the Notes, and in certain other circumstances, with the consent of the Holders of at least a majority in aggregate principal amount of the Notes at the time outstanding, evidenced as in the Indenture provided, to execute supplemental indentures modifying the terms of the Indenture and the Notes as described therein. It is also provided in the Indenture that, subject to certain exceptions, the Holders of a majority in aggregate principal amount of the Notes at the time outstanding may on behalf of the Holders of all of the Notes waive, subject to certain exceptions, any past Default or Event of Default under the Indenture and its consequences.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay or cause to be delivered, as the case may be, the principal (including the Repurchase Price, the Tax Redemption Price and the Fundamental Change Repurchase Price, if applicable) of, accrued and unpaid interest on, and the consideration due upon conversion of, this Note at the place, at the respective times, at the rate and in the lawful money herein prescribed.

The Notes are issuable in registered form without coupons in minimum denominations of \$1,000 principal amount and integral multiples of \$1,000 in excess thereof. At the office or agency of the Company referred to on the face hereof, and in the manner and subject to the limitations provided in the Indenture, Notes may be exchanged for a like aggregate principal amount of Notes of other authorized denominations, without payment of any service charge but, if required by the Company or Trustee, with payment of a sum sufficient to cover any transfer or similar

tax that may be imposed in connection therewith as a result of the name of the Holder of the new Notes issued upon such exchange of Notes being different from the name of the Holder of the old Notes surrendered for such exchange.

The Notes are not subject to redemption through the operation of any sinking fund. Under certain circumstances relating to changes in tax laws specified in the Indenture, the Notes will be subject to redemption by the Company at the Tax Redemption Price.

The Holder has the right, at such Holder's option, to require the Company to repurchase for cash all of such Holder's Notes or any portion thereof (in principal amounts of \$1,000 or integral multiples of \$1,000 in excess thereof) on the Repurchase Date at a price equal to the Repurchase Price.

Upon the occurrence of a Fundamental Change, the Holder has the right, at such Holder's option, to require the Company to repurchase for cash all of such Holder's Notes or any portion thereof (in principal amounts of \$1,000 or integral multiples of \$1,000 in excess thereof) on the Fundamental Change Repurchase Date at a price equal to the Fundamental Change Repurchase Price.

Subject to the provisions of the Indenture, the Holder hereof has the right, at such Holder's option, prior to the close of business on the second Scheduled Trading Day immediately preceding the Maturity Date, to convert any Notes or portion thereof that is \$1,000 or an integral multiple of \$1,000 in excess thereof, into ADSs at the Conversion Rate specified in the Indenture, as adjusted from time to time as provided in the Indenture.

Terms used in this Note and defined in the Indenture are used herein as therein defined.

ABBREVIATIONS

The following abbreviations, when used in the inscription of the face of this Note, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM = as tenants in common

UNIF GIFT MIN ACT = Uniform Gifts to Minors Act

CUST = Custodian

TEN ENT = as tenants by the entireties

JT TEN = joint tenants with right of survivorship and not as tenants in common

Additional abbreviations may also be used though not in the above list.

SCHEDULE OF EXCHANGES OF NOTES

CHINA LODGING GROUP, LIMITED
 0.375% Convertible Senior Notes due 2022

The initial principal amount of this Global Note is [] DOLLARS (\$[]). The following increases or decreases in this Global Note have been made:

Date of exchange	Amount of decrease in principal amount of this Global Note	Amount of increase in principal amount of this Global Note	Principal amount of this Global Note following such decrease or increase	Signature of authorized signatory of Trustee

⁸ Include if a global note.



FORM OF NOTICE OF CONVERSION

To: CHINA LODGING GROUP, LIMITED

CITIBANK N.A., as Depository for the ADSs

Wilmington Trust, National Association, as Conversion Agent

The undersigned registered owner of this Note hereby exercises the option to convert this Note, or the portion hereof (that is \$1,000 principal amount or an integral multiple thereof) below designated, into ADSs in accordance with the terms of the Indenture referred to in this Note, and directs that any ADSs deliverable upon such conversion, together with any cash payable for any fractional ADS, and any Notes representing any unconverted principal amount hereof, be issued and delivered to the registered Holder hereof unless a different name has been indicated below. If any ADSs or any portion of this Note not converted are to be issued in the name of a Person other than the undersigned, the undersigned will pay all documentary, stamp or similar issue or transfer taxes, if any, in accordance with Section 14.02(e) of the Indenture. Any amount required to be paid to the undersigned on account of interest accompanies this Note. Capitalized terms used herein but not defined shall have the meanings ascribed to such terms in the Indenture.

In connection with the conversion of this Note, or the portion hereof below designated, the undersigned acknowledges, represents to and agrees with the Company that the undersigned is not an "affiliate" (as defined in Rule 144 under the Securities Act) of the Company and has not been an "affiliate" (as defined in Rule 144 under the Securities Act) during the three months immediately preceding the date hereof.

[The undersigned further certifies:

1. The undersigned acknowledges (and if the undersigned is acting for the account of another person, that person has confirmed that it acknowledges) that the Restricted Securities received upon conversion of this Note (or securities represented thereby) have not been and are not expected to be registered under the Securities Act.

2. The undersigned further certifies that either:

(a) The undersigned is, and at the time ADSs are delivered in conversion of its Notes will be, the holder of the ADSs and the ordinary shares represented thereby, and (i) the undersigned is not a U.S. person (as defined in Regulation S under the Securities Act) and is located outside the United States (within the meaning of Regulation S) and acquired, or have agreed to acquire and will have acquired, the Notes being converted and the ADSs being delivered in the conversion outside the United States and (ii) the undersigned is not in the business of buying and selling securities or, if the undersigned is in such business, the undersigned did not acquire the Notes being converted from the Company or any affiliate thereof in the initial distribution of the Notes.

OR

(b) The undersigned is a broker-dealer acting on behalf of its customer; its customer has confirmed to the undersigned that it is, and at the time ADSs are delivered in conversion of our Notes will be, the holder of the ADSs and the ordinary shares represented thereby, and (i) it is not a U.S. person (as defined in Regulation S under the Securities Act) and it is located outside the United States (within the meaning of Regulation S) and acquired, or have agreed to acquire and will have acquired, the Notes being converted and the ADSs being delivered in the conversion outside the United States and (ii) it is not in the business of buying and selling securities or, if it is in such business, it did not acquire the Notes being converted from the Company or any affiliate thereof in the initial distribution of the Notes.

OR

(c) The undersigned is a qualified institutional buyer (as defined in Rule 144A under the Securities Act) acting for its own account or for the account of one or more qualified institutional buyers and the undersigned is (or such account or accounts are) the sole beneficial owner(s) of the ADSs to be received upon conversion of the Notes.

3. The undersigned acknowledges that the undersigned (and any such other account) may not continue to hold or retain any interest in Restricted Securities received upon conversion of this Note if the undersigned (or such other account) becomes an Affiliate of the Company.

4. The undersigned agrees (and if the undersigned is acting for the account of another person, that person has confirmed that it agrees) that, unless and until the undersigned (or such other account) is notified by the Depositary that the restrictive legend on such Restricted Security has been removed from such security, the undersigned (and such other account) will not offer, sell, pledge or otherwise transfer the Restricted Security (or securities represented by such Restricted Security) except in accordance with the restrictions set forth in that legend and any applicable securities laws of the United States and any state thereof.⁹

⁹ Include if a Restricted Security.

Dated: _____

Signature Guarantee

Signature(s) must be guaranteed by an eligible Guarantor Institution (banks, stock brokers, savings and loan associations and credit unions) with membership in an approved signature guarantee medallion program pursuant to Securities and Exchange Commission Rule 17Ad-15 if ADSs are to be issued, or Notes are to be delivered, other than to and in the name of the registered holder.

Fill in for registration of ADSs if to be issued, and Notes if to be delivered, other than to and in the name of the registered holder:

(Name)

(Street Address)

City, State and Zip Code)
Please print name and address

Principal amount to be converted (if less than all): \$[•],000

NOTICE: The above signature(s) of the Holder(s) hereof must correspond with the name as written upon the fact of the Note in every particular without alteration or enlargement or any change whatever.

Social Security or Other Taxpayer Identification Number

FORM OF FUNDAMENTAL CHANGE REPURCHASE NOTICE

To: CHINA LODGING GROUP, LIMITED

[Agent appointed for such repurchase]

The undersigned registered owner of this Note hereby acknowledges receipt of a notice from China Lodging Group, Limited (the “**Company**”) as to the occurrence of a Fundamental Change with respect to the Company and specifying the Fundamental Change Repurchase Date and requests and instructs the Company to pay to the registered Holder hereof in accordance with Section 15.02 of the Indenture referred to in this Note the entire principal amount of this Note, or the portion thereof (that is \$1,000 principal amount or an integral multiple thereof) below designated, and (2) if such Fundamental Change Repurchase Date does not fall during the period after a Regular Record Date and on or prior to the corresponding Interest Payment Date, accrued and unpaid interest thereon to, but excluding, such Fundamental Change Repurchase Date. Capitalized terms used herein but not defined shall have the meanings ascribed to such terms in the Indenture.

Signatures(s)

Social Security or Other Taxpayer Identification Number

Principal amount to be converted (if less than all): \$[•],000

NOTICE: The above signature(s) of the Holder(s) hereof must correspond with the name as written upon the face of the Note in every particular without alteration or enlargement or any change whatever.

FORM OF REPURCHASE NOTICE

To: CHINA LODGING GROUP, LIMITED

WILMINGTON TRUST, NATIONAL ASSOCIATION, as Trustee

The undersigned registered owner of this Note hereby acknowledges receipt of a notice from China Lodging Group, Limited (the “**Company**”) regarding the right of Holders to elect to require the Company to repurchase the entire principal amount of this Note, or the portion thereof (that is \$1,000 principal amount or an integral multiple thereof) below designated and requests and instructs the Company to repurchase the entire principal amount of this Note, or the portion thereof (that is \$1,000 principal amount or an integral multiple thereof) below designated, in accordance with the applicable provisions of the Indenture referred to in this Note, at the Repurchase Price to the registered Holder hereof. Capitalized terms used herein but not defined shall have the meanings ascribed to such terms in the Indenture.

Signatures(s)

Social Security or Other Taxpayer Identification Number

Principal amount to be converted (if less than all): \$[•],000

NOTICE: The above signature(s) of the Holder(s) hereof must correspond with the name as written upon the fact of the Note in every particular without alteration or enlargement or any change whatever.

FORM OF ASSIGNMENT AND TRANSFER

For value received[•]hereby sell(s), assign(s) and transfer(s) unto[•](Please insert social security or Taxpayer Identification Number of assignee) the within Note, and hereby irrevocably constitutes and appoints [•] attorney to transfer the said Note on the books of the Company, with full power of substitution in the premises.

In connection with any transfer of the within Note occurring prior to the Resale Restriction Termination Date, as defined in the Indenture governing such Note, the undersigned confirms that such Note is being transferred:

- To China Lodging Group, Limited or a subsidiary thereof; or
- Pursuant to a registration statement that has become or been declared effective under the Securities Act of 1933, as amended; or
- Pursuant to and in compliance with Rule 144A under the Securities Act of 1933, as amended; or
- Outside the United States to a person that is not a U.S. person in accordance with Regulation S under the Securities Act of 1933, as amended; or
- Pursuant to and in compliance with Rule 144 under the Securities Act of 1933, as amended (if available).

Dated: _____

Signature(s)

Signature Guarantee Signature(s) must be guaranteed by an eligible Guarantor Institution (banks, stock brokers, savings and loan associations and credit unions) with membership in an approved signature guarantee medallion program pursuant to Securities and Exchange Commission Rule 17Ad-15 if Notes are to be delivered, other than to and in the name of the registered holder.

NOTICE: The signature on the assignment must correspond with the name as written upon the face of the Note in every particular without alteration or enlargement or any change whatever.

FORM OF CERTIFICATE RE: EXCHANGE FOR RULE 144A NOTE

To: Wilmington Trust, National Association
 50 South Sixth Street, Suite 1290
 Minneapolis, MN 55402
 Attention: China Lodging Group Administrator
 Fax: (612) 217-5651

In connection with the requested exchange of the within Note (or a portion thereof) for a Rule 144A Note with like aggregate principal amount (or an increase in the aggregate principal amount represented by a Global Note that constitutes a Rule 144A Note) prior to the Notes Fungibility Date, as defined in the Indenture governing such Note, the undersigned confirms that:

1. such exchange occurs in connection with a transfer of such Note (or a beneficial interest therein) under Rule 144A (as defined in the Indenture); and
2. such Note (or a beneficial interest therein) is being transferred to a Person:
 - (a) who the undersigned reasonably believes to be a QIB (as defined in the Indenture);
 - (b) purchasing for its own account or the account of a QIB in a transaction meeting the requirements of Rule 144A; and
 - (c) in accordance with all securities laws of the states of the United States and other jurisdictions.

Dated: _____

 Signature(s)

Signature Guarantee Signature(s) must be guaranteed by an eligible Guarantor Institution (banks, stock brokers, savings and loan associations and credit unions) with membership in an approved signature guarantee medallion program pursuant to Securities and Exchange Commission Rule 17Ad-15 if Notes are to be delivered, other than to and in the name of the registered holder.

NOTICE: The signature on the assignment must correspond with the name as written upon the face of the Note in every particular without alteration or enlargement or any change whatever.

¹⁰ To be included for Regulation S Notes

FORM OF CERTIFICATE RE: EXCHANGE FOR REGULATION S NOTE

To:

Wilmington Trust, National Association
50 South Sixth Street, Suite 1290

Minneapolis, MN 55402

Attention: China Lodging Group Administrator
Fax: (612) 217-5651

In connection with the requested exchange of the within Note (or a portion thereof) for a Regulation S Note with like aggregate principal amount (or an increase in the aggregate principal amount represented by a Global Note that constitutes a Regulation S Note) prior to the Notes Fungibility Date, as defined in the Indenture governing such Note, the undersigned confirms that the Note (or a beneficial interest therein) has been transferred in accordance with Rule 903 or 904 of Regulation S under the U.S. Securities Act of 1933, as amended.

Dated: _____

Signature(s)

Signature Guarantee Signature(s) must be guaranteed by an eligible Guarantor Institution (banks, stock brokers, savings and loan associations and credit unions) with membership in an approved signature guarantee medallion program pursuant to Securities and Exchange Commission Rule 17Ad-15 if Notes are to be delivered, other than to and in the name of the registered holder.

NOTICE: The signature on the assignment must correspond with the name as written upon the face of the Note in every particular without alteration or enlargement or any change whatever.

¹¹ To be included for Rule 144A Notes.

FORM OF AUTHORIZATION CERTIFICATE

CHINA LODGING GROUP, LIMITED

AUTHORIZATION CERTIFICATE

I, [•], as [•] of China Lodging Group, Limited (the “Company”), hereby certify that:

- (1) [•] has been duly appointed as [•] of the Company, and [•] has been duly appointed as the [•] of the Company;
 - (2) the specimen signature of each individual appearing opposite [his/her] name below is the true and genuine signature of each such individual;
 - (3) each such individual is duly authorized to execute and deliver on behalf of the Company (i) the Indenture, dated as of November 3, 2017, between the Company and Wilmington Trust, National Association, as Trustee, (ii) the Company’s 0.375% Convertible Senior Notes due 2022 in the aggregate principal amount of US\$475,000,000 (the “Notes”), and (iii) any other documents or certificates delivered or to be delivered in connection with the offering of the Notes; and
 - (4) each such individual has the authority to provide written direction / confirmation and execute documents to be delivered to, or upon the request of, Wilmington Trust, National Association, as Trustee, Securities Custodian, Registrar, Paying Agent and Conversion Agent under the Indenture between the Company and Wilmington Trust, National Association, dated as of November 3, 2017.
-

Authorized Officers:

<u>Name</u>	<u>Title</u>	<u>Signature</u>
[•]	[•]	_____
[•]	[•]	_____

IN WITNESS WHEREOF, I have hereunto signed my name this 3rd day of November, 2017.

By: _____
Name:
Title:

List of subsidiaries of China Lodging Group, Limited

List of Subsidiaries

I. Directly-Owned Subsidiaries:

China Lodging Investment Limited (Cayman Islands)
 China Lodging Holdings (HK) Limited (Hong Kong)
 China Lodging Holdings Singapore Pte. Ltd. (Singapore)
 Sheen Step Group Limited (Seychelles)
 CLG Special Investments Limited (Cayman)
 City Home Group Limited (Cayman)
 HanTing (Tianjin) Investment Consulting Co., Ltd. (PRC)

II. Indirectly-Owned Subsidiaries:

1. 100% Owned Subsidiaries (all PRC companies, except indicated otherwise)

1.1 Starway Hotels (Hong Kong) Limited (Hong Kong)
 1.2 Crystal Orange Hotel Holdings Limited (BVI)
 1.3 Orange Hotel Hong Kong Limited (Hong Kong)
 1.4 ACL Greater China Limited (Hong Kong)
 1.5 Ibis China Investment Limited (Hong Kong)
 1.6 TAHM Investment Limited (Hong Kong)
 1.7 Huazhu Investment I Limited (Hong Kong)
 1.8 Huazhu Investment II Limited (Hong Kong)
 1.9 City Home Investment Limited (Hong Kong)
 1.10 HanTing Technology (Suzhou) Co., Ltd.
 1.11 Yagao Meihua Hotel Management Co., Ltd.
 1.12 Tianjin Yagao Hotel Management Co., Ltd.
 1.13 Starway Hotel Management (Shanghai) Co., Ltd.
 1.14 Orange Hotel Management (China) Co., Ltd.
 1.15 Beijing Crystal Orange Hotel Management Consulting Co., Ltd.
 1.16 Beijing Orange Times Softwares Technology Co., Ltd.
 1.17 Yiju (Shanghai) Hotel Management Co., Ltd.
 1.18 Shanghai HanTing Hotel Management Group, Ltd.
 1.19 HanTing Xingkong (Shanghai) Hotel Management Co., Ltd.
 1.20 Huazhu Hotel Management Co., Ltd.
 1.21 HanTing (Shanghai) Enterprise Management Co., Ltd.
 1.22 Jizhu Information Technology (Shanghai) Co., Ltd.
 1.23 Shanghai Shuohong Hotel Management Co., Ltd.
 1.24 Xi'an Anruosi Hotel Management Co., Ltd.
 1.25 Xi'an Yusi Hotel Management Co., Ltd.
 1.26 Ibis Xiamen Hotel Limited
 1.27 Shanghai Ibis Hotel Management Co., Limited
 1.28 Suzhou Ibis Hotel Limited
 1.29 Nanjing Yiya Hotel Management Co., Limited
 1.30 Tianjin Ibis Hotel Limited
 1.31 Chengdu Kehua Ibis Hotel Limited
 1.32 Ya'an Ibis Hotel Limited
 1.33 Chengdu Ibis Hotel Limited
 1.34 Wuxi Ibis Hotel Limited
 1.35 Beijing Yaoting Hotel Management Co., Ltd.

1.36	Beijing Xiting Hotel Management Co., Ltd.
1.37	Hangzhou HanTing Kuaijie Hotel Management Co., Ltd.
1.38	Shanghai Meiting Hotel Management Co., Ltd.
1.39	Wuxi Yiju Hotel Management Co., Ltd.
1.40	Shanghai Yiju Hotel Management Co., Ltd.
1.41	Chengdu HanTing Hotel Management Co., Ltd.
1.42	Shanghai Songting Hotel Management Co., Ltd.
1.43	Tianjin Yiting Hotel Management Co., Ltd.
1.44	Xi'an HanTing Fukai Hotel Management Co., Ltd.
1.45	Beijing Duoting Hotel Management Co., Ltd.
1.46	Shanghai Hegao Hotel Management Co., Ltd.
1.47	Shanghai Ningting Hotel Management Co., Ltd.
1.48	Suzhou HanTing Hotel Management Co., Ltd.
1.49	Shanghai Xinting Hotel Management Co., Ltd.
1.50	Shanghai Qinting Hotel Management Co., Ltd.
1.51	Jinan Hanting Hotel Management Co., Ltd.
1.52	Kunming Xiting Hotel Management Co., Ltd.
1.53	Xi'an Fengting Hotel Management Co., Ltd.
1.54	Baotoushi Anting Hotel Management Co., Ltd.
1.55	Shanghai Lingting Hotel Management Co., Ltd.
1.56	Hangzhou Muting Hotel Management Co., Ltd.
1.57	Guangzhou Xiuting Hotel Management Co., Ltd.
1.58	Shanghai Xinting Hotel Management Co., Ltd.
1.59	Xiamen Jiangting Hotel Co., Ltd.
1.60	Xiamen Wuting Hotel Co., Ltd.
1.61	Guangzhou Chengting Hotel Management Co., Ltd.
1.62	Hangzhou Anting Hotel Management Co., Ltd.
1.63	Shanghai Pengting Hotel Management Co., Ltd.
1.64	Shanghai Luting Hotel Management Co., Ltd.
1.65	Shanghai Haoting Hotel Management Co., Ltd.
1.66	Beijing Zhongting Hotel Management Co., Ltd.
1.67	Guangzhou Shangbin Hotel Co., Ltd.
1.68	Nanchang Yinting Hotel Management Co., Ltd.
1.69	Shanghai Yuyi Hotel Management Co., Ltd.
1.70	Xiamen Tingju Hotel Co., Ltd.
1.71	Taiyuan Ruiting Yingze Hotel Management Co., Ltd.
1.72	Shenzhen Shenting Hotel Management Co., Ltd.
1.73	Shanghai Yangting Hotel Management Co., Ltd.
1.74	Xiamen Xiating Hotel Co., Ltd.
1.75	Shanghai Changting Hotel Management Co., Ltd.
1.76	Wuhan Changting Hotel Management Co., Ltd.
1.77	Guangzhou Mengting Hotel Management Co., Ltd.
1.78	Wuhan HanTing Hotel Management Co., Ltd.
1.79	Nanning HanTing Hotel Management Co., Ltd.
1.80	Dalian Yuanyang Sikelai Hotel Co., Ltd.
1.81	Shanghai Yiting Hotel Management Co., Ltd.
1.82	Shanghai Guiting Hotel Management Co., Ltd.
1.83	Shenyang Futing Hotel Management Co., Ltd.
1.84	Hangzhou Qiuting Hotel Management Co., Ltd.
1.85	Shanghai Senting Hotel Management Co., Ltd.
1.86	Guangzhou Huiting Hotel Management Co., Ltd.

1.87	Shanghai Jiating Hotel Management Co., Ltd.
1.88	Beijing HanTing Jiamei Hotel Management Co., Ltd.
1.89	Shanghai Xiting Hotel Management Co., Ltd.
1.90	Yiwu HanTing Hotel Management Co., Ltd.
1.91	Guangzhou Meiting Hotel Management Co., Ltd.
1.92	Nantong Botong Hotel Co., Ltd.
1.93	Beijing HanTing Ruijing Hotel Management Co., Ltd.
1.94	Shenyang Maruika Hotel Management Co., Ltd.
1.95	Hangzhou Yishitan Investment and Management Co., Ltd.
1.96	Shanghai Yuanting Hotel Management Co., Ltd.
1.97	Shanghai Yaogu Shangwu Hotel Management Co., Ltd.
1.98	Beijing Beixie Hongyun Hotel Management Co., Ltd.
1.99	Shanghai Aiting Hotel Management Co., Ltd.
1.100	Shanghai Yiju Hotel Management Co., Ltd.
1.101	Shanghai Qinting Hotel Management Co., Ltd.
1.102	Zibo HanTing Hotel Management Co., Ltd.
1.103	Tianjin Xingting Hotel Management Co., Ltd.
1.104	Beijing Dongting Hotel Management Co., Ltd.
1.105	Beijing Jiating Hotel Management Co., Ltd.
1.106	Hangzhou Senting Hotel Management Co., Ltd.
1.107	Tianjin HanTing Xingkong Hotel Management Co., Ltd.
1.108	Shanghai Yate Hotel Management Co., Ltd.
1.109	Shanghai HanTing Decoration and Engineering Co., Ltd.
1.110	Nanjing Ningru Hotel Management Co., Ltd.
1.111	Shanghai Changting Hotel Management Co., Ltd.
1.112	Shenzhen HanTing Hotel Management Co., Ltd.
1.113	Beijing Anting Hotel Management Co., Ltd.
1.114	Beijing Yueting Hotel Management Co., Ltd.
1.115	Kunshan Lishan Hotel Management Co., Ltd.
1.116	Shanghai Yate Zhongtan Hotel Management Co., Ltd.
1.117	Shanghai Huiyue Hotel Management Co., Ltd.
1.118	Hangzhou Pingting Hotel Management Co., Ltd.
1.119	Shanghai Hongxun Cultural Media Co., Ltd.
1.120	Ji'nan Luoting Hotel Management Co., Ltd.
1.121	Shanghai Huazhu Hanting Xiyue Enterprise Management Co., Ltd.
1.122	Shanghai Huiting Hotel Management Co., Ltd.
1.123	Shanghai Fanting Hotel Management Co., Ltd.
1.124	Shanghai Yinting Hotel Management Co., Ltd.
1.125	Shanghai Minting Hotel Management Co., Ltd.
1.126	Shanghai Rongting Hotel Management Co., Ltd.
1.127	Wuxi Meixin Hotel Co., Ltd.
1.128	Shanghai Zhenting Hotel Management Co., Ltd.
1.129	Shanghai Lanting Hotel Management Co., Ltd.
1.130	Shanghai baiting Hotel Management Co., Ltd.
1.131	Qingdao HanTing Hotel Management Co., Ltd.
1.132	Shanghai HanTing Service Apartment Hotel Management Co., Ltd.
1.133	Shanghai Jiangting Hotel Management Co., Ltd.
1.134	Shanghai Xingting Hotel Management Co., Ltd.
1.135	Xi'an Yahua Hotel Management Co., Ltd.
1.136	Shanghai Baoting Hotel Management Co., Ltd.
1.137	Suzhou Lishan Yatai Hotel Management Co., Ltd.

1.138 Hangzhou Yilai Hotel Chain Co., Ltd.
1.139 Wantong Yiguan (Beijing) Hotel Management Co., Ltd.
1.140 Suzhou Yongchangjiahe Hotel Management Co., Ltd.
1.141 Beijing Dongnian Hotel Co., Ltd.
1.142 Shanghai Shangting Hotel Management Co., Ltd.
1.143 Shanghai Hongting Hotel Management Co., Ltd.
1.144 Zhuhai Mannejiali Investment Development Company Limited
1.145 Shanghai Duting Hotel Management Co., Ltd.
1.146 Hangzhou Ansheng Hotel Management Co., Ltd.
1.147 Guangzhou Zhongting Quanji Hotel Management Co., Ltd.
1.148 Huazhu Enterprise Management Co., Ltd.
1.149 Shanghai Hongxi Hotel Management Co., Ltd.
1.150 Guangzhou Didu Hotel Management Co., Ltd.
1.151 Shanghai Yuxin Hotel Management Co., Ltd.
1.152 Shanghai Haoting Hotel Management Co., Ltd.
1.153 Shanghai Tongji Hotel Management Co., Ltd.
1.154 Shanghai Aiqu Enterprise Management Co., Ltd.
1.155 Wuhan Huasu Hotel Management Co., Ltd.
1.156 Shanghai Chunting Hotel Management Co., Ltd.
1.157 Shenzhen Huazhu Huijia E-Commerce Co., Ltd.
1.158 Shanghai Wu Qin Equity Fund Co., Ltd.
1.159 Beijing Chengnian Hotel Management Co., Ltd.
1.160 Guangzhou Bihua Hotel Management Co., Ltd.
1.161 Shanghai Quanji Bathing Co., Ltd.
1.162 Shanghai Fenglv Hotel Management Co., Ltd.
1.163 Huazhu Investment (Shanghai) Co., Ltd.
1.164 Tianjin Mengguang Information Technology Co., Ltd.
1.165 Ningbo Huating Investment Consulting Co., Ltd.
1.166 Ningbo Huating Galaxy Investment Management Co., Ltd.
1.167 Kunshan Maiya Information Technology Co., Ltd.
1.168 Shanghai Jizhu Investment Management Co., Ltd.
1.169 Hangzhou Yueli Yilai Hotel Co., Ltd.
1.170 Hangzhou Yueting Yilai Hotel Co., Ltd.
1.171 Hangzhou Maolu Yilai Hotel Co., Ltd.
1.172 Hangzhou Qiandaohu Yilai Resort Co., Ltd.
1.173 Hangzhou Yuejuan Yilai Hotel Co., Ltd.
1.174 Hangzhou Yuexiu Yilai Hotel Co., Ltd.
1.175 Beijing Qitian Holiday Restaurant Co., Ltd.
1.176 Beijing Crystal Orange Hotel Management Co., Ltd.
1.177 Beijing Orange Times Hotel Management Co., Ltd.
1.178 Shanghai Juchao Department Management Co., Ltd.
1.179 Beijing Crystal Orange Times Hotel Management Co., Ltd.
1.180 Beijing Hanting Hotel Management Co., Ltd.
1.181 Shanghai HanTing Guancheng Hotel Management Co., Ltd.
1.182 Hanting Hesheng (Suzhou) Hotel Management Co., Ltd.
1.183 Ningbo Qiji Galaxy Investment Management Center (LLP)
1.184 Tianjin Huazhu Finance Leasing Co., Ltd.
1.185 Kunshan Siting Enterprise Management Co., Ltd.
1.186 Kunshan Bizhu Enterprise Management Co., Ltd.

2. Majority-Owned Subsidiaries (all PRC companies)

2.1	Xiamen Leshu Hotel Investment Management Co., Ltd.	100%	equity interests owned by	Shanghai Ruiji Hotel Management Co., Ltd.
2.2	Shanghai Leshu Hotel Investment Management Co., Ltd.	100%	equity interests owned by	Shanghai Ruiji Hotel Management Co., Ltd.
2.3	Shanghai Mingxin Hotel Management Co., Ltd.	100%	equity interests owned by	Shanghai Ruiji Hotel Management Co., Ltd.
2.4	Shanghai Mingjing Hotel Investment Management Co., Ltd.	100%	equity interests owned by	Shanghai Ruiji Hotel Management Co., Ltd.
2.5	Wuhan Liye Yuchuang Enterprises Management Co., Ltd.	100%	equity interests owned by	Shanghai Yuchuang Investment Management Co. Ltd.
2.6	Suzhou Zhongzhou Express Hotel Co. Ltd.	100%	equity interests owned by	Henan Zhongzhou Express Hotel Investment Co., Ltd.
2.7	Jiaozuo Zhongzhou Express Hotel Co. Ltd.	100%	equity interests owned by	Henan Zhongzhou Express Hotel Investment Co., Ltd.
2.8	Guangzhou Yahua Puxin Hotel Co., Ltd.	80%	equity interests owned by	Yagao Meihua Hotel Management Co., Ltd.
2.9	Shanghai Meixie Hotel Management Co., Ltd.	60%	equity interests owned by	Yagao Meihua Hotel Management Co., Ltd.
2.10	Chengdu HanTing Yangchen Hotel Management Co., Ltd.	51%	equity interests owned by	Shanghai HanTing Hotel Management Group, Ltd.
2.11	Changsha Changting Hotel Management Co., Ltd.	51%	equity interests owned by	Shanghai HanTing Hotel Management Group, Ltd.
2.12	Shanghai Huiting Hotel Management Co., Ltd.	55%	equity interests owned by	Shanghai HanTing Hotel Management Group, Ltd.
2.13	Wuxi HanTing Hotel Management Co., Ltd.	55%	equity interests owned by	Shanghai HanTing Hotel Management Group, Ltd.
2.14	Taiyuan HanTing Jiangnan Hotel Management Co., Ltd.	55%	equity interests owned by	Shanghai HanTing Hotel Management Group, Ltd.
2.15	Chengdu Yvting Hotel management Co., Ltd.	60%	equity interests owned by	Shanghai HanTing Hotel Management Group, Ltd.
2.16	Guilin Lishan Huiming Hotel Management Co., Ltd.	79.36%	equity interests owned by	Shanghai HanTing Hotel Management Group, Ltd.
2.17	Hangzhou Heting Hotel Management Co., Ltd.	65%	equity interests owned by	Shanghai HanTing Hotel Management Group, Ltd.
2.18	Hangzhou Heju HanTing Hotel Management Co., Ltd.	65%	equity interests owned by	Shanghai HanTing Hotel Management Group, Ltd.
2.19	Shanghai Kailin Hotel Management Co., Ltd.	65%	equity interests owned by	Shanghai HanTing Hotel Management Group, Ltd.
2.20	Hangzhou Hemei HanTing Hotel Management Co., Ltd.	65%	equity interests owned by	Shanghai HanTing Hotel Management Group, Ltd.
2.21	Nantong HanTing Zhongcheng Hotel Co., Ltd.	95%	equity interests owned by	Shanghai HanTing Hotel Management Group, Ltd.
2.22	Chengdu Changting Hotel management Co., Ltd.	80%	equity interests owned by	Shanghai HanTing Hotel Management Group, Ltd.
2.23	Nanjing Leting Hotel Management Co., Ltd.	80%	equity interests owned by	Shanghai HanTing Hotel Management Group, Ltd.
2.24	Beijing HanTing Shengshi Hotel Management Co., Ltd.	80%	equity interests owned by	Shanghai HanTing Hotel Management Group, Ltd.
2.25	Shanghai Liansheng Hotel Management Co., Ltd.	90%	equity interests owned by	Shanghai HanTing Hotel Management Group, Ltd.
2.26	Shenzhen HanTing Shiji Hotel Management Co., Ltd.	90%	equity interests owned by	Shanghai HanTing Hotel Management Group, Ltd.
2.27	Wuhu Jiangting Hotel management Co., Ltd.	98%	equity interests owned by	Shanghai HanTing Hotel Management Group, Ltd.
2.28	Beijing HanTing Dongfang Hotel Management Co., Ltd.	99%	equity interests owned by	Shanghai HanTing Hotel Management Group, Ltd.
2.29	Nanjing Yangting Hotel Management Co., Ltd.	99%	equity interests owned by	Shanghai HanTing Hotel Management Group, Ltd.
2.30	Wuhushi Ronghe Hotel management Co., Ltd.	99%	equity interests owned by	Shanghai HanTing Hotel Management Group, Ltd.
2.31	Baoding Lianting Hotel management Co., Ltd.	99%	equity interests owned by	Shanghai HanTing Hotel Management Group, Ltd.

2.32	Urumqi Luting Hotel management Co., Ltd.	99%	equity interests owned by	Shanghai HanTing Hotel Management Group, Ltd.
2.33	Urumqi Qiting Hotel management Co., Ltd.	99%	equity interests owned by	Shanghai HanTing Hotel Management Group, Ltd.
2.34	Shanghai Suting Hotel Management Co., Ltd.	99%	equity interests owned by	Shanghai HanTing Hotel Management Group, Ltd.
2.35	Chongqing Yiting Hotel Management Co., Ltd.	99%	equity interests owned by	Shanghai HanTing Hotel Management Group, Ltd.
2.36	Xi'an Shengting Hotel Management Co., Ltd.	99%	equity interests owned by	Shanghai HanTing Hotel Management Group, Ltd.
2.37	Xi'an Bangting Hotel Management Co., Ltd.	99%	equity interests owned by	Shanghai HanTing Hotel Management Group, Ltd.
2.38	Shanghai Dingting Hotel Management Co., Ltd.	55%	equity interests owned by	HanTing Xingkong (Shanghai) Hotel Management Co., Ltd.
2.39	Shanghai Moting Hotel Management Co., Ltd.	51%	equity interests owned by	Huazhu Hotel Management Co., Ltd.
2.40	Huazhu Xingshun (Suzhou) Tourism Investment Co., Ltd.	55%	equity interests owned by	Huazhu Hotel Management Co., Ltd.
2.41	Shanghai Junrui Hotel Co., Ltd.	60%	equity interests owned by	Huazhu Hotel Management Co., Ltd.
2.42	Wenzhou Yaozhu Hotel Management Co., Ltd.	60%	equity interests owned by	Huazhu Hotel Management Co., Ltd.
2.43	Henan Zhongzhou Express Hotel Investment Co., Ltd.	85%	equity interests owned by	Huazhu Hotel Management Co., Ltd.
2.44	Xi'an Jvting Hotel Management Co., Ltd.	90%	equity interests owned by	Huazhu Hotel Management Co., Ltd.
2.45	Xi'an Quanji Maoting Hotel Management Co., Ltd.	51%	equity interests owned by	Huazhu Hotel Management Co., Ltd.
2.46	Wenzhou Hanting Quanji Hotel Management Co., Ltd.	98%	equity interests owned by	Huazhu Hotel Management Co., Ltd.
2.47	H-World Information and Technology Co., Ltd.	86%	equity interests owned by	Huazhu Hotel Management Co., Ltd.
2.48	Shanghai Ruiji Hotel Management Co., Ltd.	50%	equity interests owned by	Huazhu Investment (Shanghai) Co., Ltd.
2.49	Kunshan Hanka Catering Management Co., Ltd.	80%	equity interests owned by	Huazhu Investment (Shanghai) Co., Ltd.
2.50	Shanghai Yuchuang Investment Management Co. Ltd.	80%	equity interests owned by	Huazhu Investment (Shanghai) Co., Ltd.
2.51	Shanghai Mengguang Enterprises Management Partnership (LLP)		Shanghai Jizhu Investment Management Co., Ltd. is the GP and 0.0643% equity interests owner	
2.52	Zhengzhou Tiancheng Express Hotel Co. Ltd.	65%	equity interests owned by	Henan Zhongzhou Express Hotel Investment Co., Ltd.
2.53	Nanjing Starway Hotel Management Co., Ltd.	95%	equity interests owned by	Starway Hotel Management (Shanghai) Co., Ltd.
2.54	Hefei Jucheng Hotel Management Consulting Co., Ltd.	70%	equity interests owned by	Beijing Crystal Orange Hotel Management Co., Ltd.
2.55	Ningbo Qiji Galaxy Investment Management Center (LLP)	66.56%	equity interests owned by	Huazhu Investment (Shanghai) Co., Ltd.
2.56	Shanghai Qiting Hotel Management Co., Ltd.	99.99%	equity interests owned by	Ningbo Qiji Galaxy Investment Management Center (LLP)
2.57	Ningbo Hongting Investment Management Center (LLP)	97.01%	equity interests owned by	Ningbo Qiji Galaxy Investment Management Center (LLP)
2.58	Kunshan Jizhu Enterprise Management Co., Ltd	99.99%	equity interests owned by	Ningbo Hongting Investment Management Center (LLP)
2.59	Kunshan Qiting Enterprise Management Co., Ltd.	99.99%	equity interests owned by	Ningbo Hongting Investment Management Center (LLP)
2.60	Shanghai Mengxu Intelligent Technology Co., Ltd.	100%	equity interests owned by	H-World Information and Technology Co., Ltd.

**Certification Pursuant to
Section 302 of the Sarbanes-Oxley Act**

I, Min (Jenny) Zhang, certify that:

1. I have reviewed this annual report on Form 20-F of China Lodging Group, Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 20, 2018

By: /s/ Min (Jenny) Zhang

Name: Min (Jenny) Zhang

Title: Chief Executive Officer

**Certification Pursuant to
Section 302 of the Sarbanes-Oxley-Act of 2002**

I, Teo Nee Chuan, certify that:

1. I have reviewed this annual report on Form 20-F of China Lodging Group, Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 20, 2018

By: /s/ Teo Nee Chuan
Name: Teo Nee Chuan
Title: Chief Financial Officer

**Certification Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

April 20, 2018

The certification set forth below is being submitted to the Securities and Exchange Commission in connection with the Annual Report on Form 20-F for the year ended December 31, 2017 (the "Report") of China Lodging Group, Limited (the "Company") for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code.

Min (Jenny) Zhang, the Chief Executive Officer of the Company, and Teo Nee Chuan, the Chief Financial Officer of the Company, each certifies that, to the best of his or her knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Min (Jenny) Zhang

Name: Min (Jenny) Zhang

Title: Chief Executive Officer

/s/ Teo Nee Chuan

Name: Teo Nee Chuan

Title: Chief Financial Officer

Deloitte.

德勤

Deloitte Touche Tohmatsu
Certified Public Accountants LLP
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Shanghai 200002, PRC

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www.deloitte.com/cn

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CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements on Form S-8 (File No.333-166179, 333-192295 and 333-203460) and Form F-3 (File No.333-221129) of our reports dated April 20, 2018, relating to (1) the financial statements and financial statement schedules of China Lodging Group, Limited, its subsidiaries and variable interest entities (the “Group”) (which report expresses an unqualified opinion and includes an explanatory paragraph regarding the translation of Renminbi amounts to U.S. dollar amounts for the convenience of the readers in the United States of America), and (2) the effectiveness of the Group’s internal control over financial reporting, appearing in this Annual Report on Form 20-F of China Lodging Group, Limited for the year ended December 31, 2017.

Deloitte Touche Tohmatsu Certified Public Accountants LLP
/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP

Shanghai, China
April 20, 2018
