



**Part II** Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ See attached Form 8937 Appendix A

Blank lined area for providing Internal Revenue Code section(s) and subsection(s).

18 Can any resulting loss be recognized? ▶ See attached Form 8937 Appendix A

Blank lined area for providing information regarding resulting loss recognition.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ See attached Form 8937 Appendix A

Blank lined area for providing other information necessary to implement the adjustment.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

**Sign Here**

Signature ▶  Date ▶ Feb 24, 2020

Print your name ▶ Teo Nee Chuan Title ▶ CFO

**Paid Preparer Use Only**

Print/Type preparer's name Preparer's signature Date

Check  if self-employed PTIN

Firm's name ▶ Firm's EIN ▶

Firm's address ▶ Phone no.

Send Form 8937 (including accompanying statements) to: Department of the Treasury, Internal Revenue Service, Ogden, UT 84201-0054

## Appendix A

At the close of trading on January 10, 2020 (the “Record Date”), each recorded holder of ordinary shares and/or American Depositary Shares (“ADSs”) of Huazhu Group Limited (the “Company”) became entitled to a cash dividend in amount of \$0.34 per ordinary share or ADS. Citibank, N.A., the depository bank for the Company’s ADS program, expects to pay out such cash dividends to ADS holders on or around February 20, 2020. The cash dividend resulted in an increase in the conversion rate of the 0.375% Convertible Senior Notes due 2022 issued by the Company (the “Convertible Notes”) and a deemed distribution under Section 301 of the Internal Revenue Code of 1986, as amended (the “Code”) by reason of Sections 305(b)(2) and (c) of the Code. Section 6045B of the Code and the underlying Treasury Regulations (the “Regulations”) require the Company to file an information return (above, Form 8937) describing, among other things, the action and the action’s quantitative effect with the Internal Revenue Service (the “IRS”) and to send a statement that includes the necessary information to each holder of the Convertible Notes. As an alternative to filing this information return with the IRS and the statement to each holder of the Convertible Notes, the Company may post the information return to its public website. The filing requirements apply to the Company if certain holders of the Convertible Notes are United States persons.

The information contained in the attached Form 8937 and this Appendix A thereto is intended to satisfy the requirements of public reporting under Section 6045B of the Code and Sections 1.6045B-1(a)(3) and (b)(4) of the Regulations by the Company. The information contained in the Form 8937 and this Appendix A is intended to provide only a general summary of certain U.S. federal income tax consequences of the conversion rate adjustment and is not intended to be a complete analysis or description of all potential U.S. federal income tax consequences of the conversion rate adjustment. You should consult your own tax advisor to determine the particular U.S. federal, state, local or non-U.S. income, reporting or other tax consequences of the conversion rate adjustment to you.

Based on the Company’s audited financial statements and current expectations regarding the value and nature of the Company’s assets, the sources and nature of the Company’s income, and relevant market and shareholder data, the Company does not believe that it should be classified as a passive foreign investment company for U.S. federal income tax purposes (“PFIC”) for its 2019 taxable year and does not anticipate becoming a PFIC for its 2020 taxable year. There is no assurance, however, that the Company was not a PFIC in 2019 or will not become a PFIC in 2020. If the Company was classified as a PFIC in 2019 and/or becomes a PFIC in 2020, the U.S. federal income tax consequences of the conversion rate adjustment could be materially different from what is described below. For a more detailed discussion of U.S. federal income tax consequences associated with PFIC status, see “Item 10. Additional Information—E. Taxation—U.S. Federal Income Taxation—Passive Foreign Investment Company” in the Company’s 2018 Form 20-F.

<p>Line 14 — Description of Organizational Action</p>	<p>On the Record Date, each recorded holder of the Company’s ordinary shares or ADSs became entitled to a cash dividend in amount of \$0.34 per ordinary share or ADS. Pursuant to Section 14.04(d) of the Indenture, the conversion rate on the Convertible Notes was increased on the Record Date to take into account such cash dividend. Such adjustment to the conversion rate on the Record Date is treated as a deemed distribution of property to the holders of the Convertible Notes to which Section 301 of the Code applies by reason of Sections 305(b)(2) and (c) of the Code.</p>
<p>Line 15 — Quantitative Effect of Organizational Action</p>	<p>Because there was a cash dividend declared and expected to be paid with respect to the Company’s ADSs, a corresponding increase in the conversion rate of the Convertible Notes constitutes a deemed distribution of ADSs to the holders of the Convertible Notes to which Section 301 of the Code applies. Subject to PFIC rules, the 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 the Company does not maintain calculations of its earnings or profits under U.S. federal income tax principles, it is expected that distributions generally will be reported to holders of the Convertible Notes as dividends. Such holders are required to include the dividends in their gross income for U.S. federal income tax purposes and increase the basis of the Convertible Notes by the fair market value of the deemed distribution. Accordingly, as a result of the increase in the conversion rate of the Convertible Notes, each holder of a Convertible Note is required to include \$7.66 in its gross income as a dividend per \$1,000 face amount of Convertible Notes and increase the basis in such Convertible Notes by the same amount.</p>
<p>Line 16 — Calculation of the Change in Basis</p>	<p>Sample Calculation: A holder of a Convertible Note has \$1,011.12 basis in a \$1,000 Convertible Note after the basis adjustment for dividends paid in January 2019. The holder will increase its basis in such Convertible Note by \$7.66 (so the basis as of the Record Date</p>

	is \$1,018.78) as a result of the inclusion of the dividend in gross income for U.S. federal income tax purposes.
Line 17 — Code Sections Upon Which Tax Treatment Applies	Sections 301, 305(b)(2), 305(c) and 316 of the Code.
Line 18 — Recognition of any Resulting Loss	This is not a loss transaction.
Line 19 — Reportable Tax Year	2020 for taxpayer reporting taxable income on a calendar year basis.