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As filed with the Securities and Exchange Commission on March 5, 2010

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM F-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

China Lodging Group, Limited

(Exact Name of Registrant as Specified in Its Charter)

Not Applicable

(Translation of registrant's name into English)

Cayman Islands	**7011**	**Not Applicable**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

5th Floor, Block 57, No. 461 Hongcao Road
Xuhui District
Shanghai 200233
People's Republic of China
(86) 21 5153-9477

(Address, including zip code and telephone number, including area code, of registrant's principal executive offices)

CT Corporation System
111 Eighth Avenue, 13th Floor
New York, New York 10011
(212) 604-1666

(Name, address, including zip code and telephone number, including area code, of agent for service)

Copies to:

Howard Zhang, Esq.	**Chris K.H. Lin, Esq.**
Davis Polk & Wardwell LLP	**Simpson Thacher & Bartlett LLP**
26/F, Twin Towers (West)	**35/F, ICBC Tower**
B12 Jian Guo Men Wai Avenue, Chaoyang District	**3 Garden Road**
Beijing 100022, China	**Central, Hong Kong**
(86) 10-8567-5000	**(852) 2514-7600**

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ☐

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐ _____

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐ _____

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐ _____

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Proposed maximum aggregate offering price(3)	Amount of registration fee
Ordinary shares, par value US$0.0001 per share(1)(2)	**US$50,000,000**	**US$3,565**

(1) American depositary shares issuable upon deposit of the ordinary shares registered hereby will be registered pursuant to a separate registration statement on Form F-6 (Registration No. 333-). Each American depositary share represents ordinary shares.

(2) Includes (a) ordinary shares represented by American depositary shares initially offered and sold outside the United States that may be resold from time to time in the United States either as part of their distribution or within 40 days after the later of the effective date of this registration statement and the date the shares are first bona fide offered to the public, and (b) ordinary shares represented by American depositary shares that are issuable upon the exercise of the underwriters' over-allotment option to purchase additional shares. These ordinary shares are not being registered for the purposes of sales outside the United States.

(3) Estimated solely for the purpose of computing the amount of registration fee in accordance with Rule 457(o) under the Securities Act of 1933, as amended.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to such Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where such offer or sale is not permitted.

Subject to completion
Preliminary prospectus dated , 2010

American Depositary Shares

汉庭连锁酒店
HANTING INNS & HOTELS

China Lodging Group, Limited

Representing Ordinary Shares

This is our initial public offering. We are offering American depositary shares, or ADSs, each representing of our ordinary shares, par value US$0.0001 per share. No public market currently exists for our ordinary shares or ADSs.

We currently anticipate the initial public offering price of our ADSs to be between US$ and US$ per ADS. We have applied to have our ADSs listed on the NASDAQ Global Market under the symbol "HTHT."

Investing in our ADSs involves a high degree of risk. See "Risk Factors" beginning on page 13.

	Per ADS	Total
Public offering price	US$	US$
Underwriting discount	US$	US$
Proceeds, before expenses, to us	US$	US$

We have granted the underwriters a 30-day option to purchase up to additional ADSs from us at the initial public offering price less the underwriting discount and commission.

Delivery of our ADSs will be made on or about , 2010.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

Goldman Sachs **Morgan Stanley**

Oppenheimer & Co.

The date of this prospectus is , 2010.

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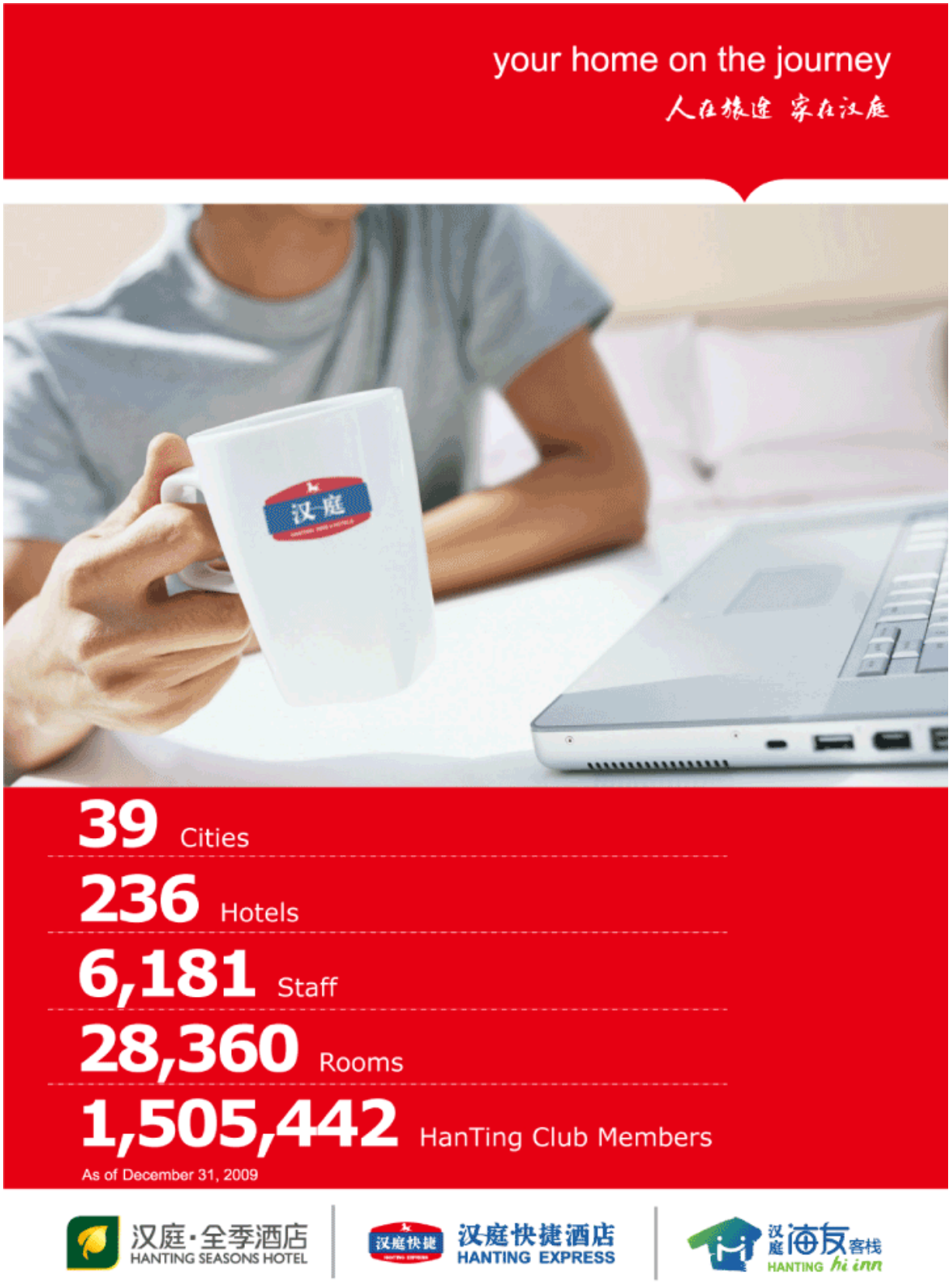

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You should rely only on the information contained in this prospectus or in any free writing prospectus filed with the Securities and Exchange Commission in connection with this offering. Neither we nor the underwriters have authorized anyone to provide you with additional information or information different from that contained in this prospectus or in any free writing prospectus. We are offering to sell, and seeking offers to buy, ADSs only in jurisdictions where offers and sales are permitted. The information contained in this prospectus or in any free writing prospectus is accurate only as of its date, regardless of the time of delivery of this prospectus or of any sale of ADSs.

We have not taken any action to permit a public offering of the ADSs outside the United States or to permit the possession or

distribution of this prospectus outside the United States. Persons outside the United States who came into possession of this prospectus must inform themselves about and observe any restrictions relating to the offering of the ADSs and the distribution of this prospectus outside of the United States.

Until , 2010 (the 25th day after the date of this prospectus), all dealers that buy, sell or trade ADSs, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the obligation of dealers to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

CONVENTIONS THAT APPLY TO THIS PROSPECTUS

Unless otherwise indicated, references in this prospectus to:

- "ADRs" are to the American depositary receipts that may evidence our ADSs;
- "ADSs" are to our American depositary shares, each representing ordinary shares;
- "China" or the "PRC" are to the People's Republic of China, excluding, for purposes of this prospectus, Hong Kong, Macau and Taiwan;
- "Ordinary shares" are to our ordinary shares, par value US$0.0001 per share;
- "Series A preferred shares" are to our Series A convertible preferred shares, par value US$0.0001 per share;
- "Series B preferred shares" are to our Series B convertible redeemable preferred shares, par value US$0.0001 per share;
- "RMB" and "Renminbi" are to the legal currency of China;
- "US$," "U.S. dollars," "$," and "dollars" are to the legal currency of the United States; and
- "we," "us," "our company," "our," and "HanTing" refer to China Lodging Group, Limited, a Cayman Islands company, and its predecessor entities and subsidiaries.

This prospectus contains translations of RMB amounts into U.S. dollars at specific rates solely for the convenience of the reader, and unless otherwise indicated, conversions of RMB into U.S. dollars in this prospectus are based on the exchange rate set forth in the H.10 weekly statistical release of the Federal Reserve Bank of New York, or the exchange rate, on December 31, 2009. 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 controls over its foreign currency reserves in part through direct regulation of the conversion of RMB into foreign exchange and through restrictions on foreign trade. See "Risk Factors — Risks Related to Doing Business in China — 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" and "Risk Factors — Risks Related to Doing Business in China — Fluctuation in the value of the Renminbi may have a material adverse effect on your investment" for discussions of the effects of fluctuating exchange rates and currency control on the value of our ADSs. On March 1, 2010, the exchange rate was RMB6.8262 to US$1.00.

This prospectus contains statistical data that we obtained from various government and private publications. We have not independently verified the data in these reports. Statistical data in these publications also include projections based on a number of assumptions. If any one or more of the assumptions underlying the statistical data turns out to be incorrect, actual results may differ from the projections based on these assumptions. In particular, this prospectus contains statistical data extracted from two reports issued by Shanghai Inntie Hotel Management Consultant Co., Ltd., a PRC consulting and market research firm specializing in economy hotel business in the PRC. One report, publicly issued in March 2009, is titled *Analysis of Economy Hotel Customers' Future Demands*, which we refer to as the March 2009 Inntie Report in this prospectus. The other report, issued in October 2009 and subsequently amended, is titled *Analysis of Competition among Economy Hotel Chains in China*, which we refer to as the October 2009 Inntie Report in this prospectus. The October 2009 Inntie Report was commissioned by us. Furthermore, this prospectus contains a ranking of China's top 20 cities, as measured by gross domestic product in 2007, issued by the National Bureau of Statistics of China.

PROSPECTUS SUMMARY

This summary highlights selected information appearing elsewhere in this prospectus. This summary may not contain all of the information you should consider before investing in our ADSs. You should carefully read this prospectus, including our financial statements and related notes beginning on page F-1, and the registration statement of which this prospectus is a part in their entirety before investing in our ADSs, especially the risks of investing in our ADSs, which we discuss under "Risk Factors."

Overview

We operate a leading economy hotel chain in China. According to the October 2009 Inntie Report, we achieved the highest revenues generated per available room, or RevPAR, and the highest occupancy rate in 2008 and for the first half of 2009, and the highest growth rate in terms of the number of hotel rooms during the period from January 1, 2007 to June 30, 2009, in each case among economy hotel chains in China with over 100 hotels or at least 10,000 hotel rooms. In addition, according to the same report, we ranked second in terms of net revenues for the six months ended June 30, 2009, as compared with other publicly listed economy hotel operators based in the PRC.

We mainly utilize a lease-and-operate model, under which we directly operate hotels that are typically located in prime locations of selected cities. We also employ a franchise-and-manage model, under which we manage franchised hotels, to expand our network coverage. We apply a consistent standard and platform across all of our hotels. As of December 31, 2009, we had 173 leased-and-operated hotels and 63 franchised-and-managed hotels. In addition, as of the same date, we had 21 leased-and-operated hotels and 123 franchised-and-managed hotels under development.

We offer three hotel products that are designed to target distinct groups of customers. Our flagship product, *HanTing Express Hotel*, targets knowledge workers and value-conscious travelers. Our premium product, *HanTing Seasons Hotel*, targets mid-level corporate managers and owners of small and medium enterprises, and our budget product, *HanTing Hi Inn*, serves budget-constrained travelers. As a result of our customer-oriented approach, we have developed strong brand recognition and a loyal customer base. We have received multiple awards, including "Most Favored Economy Hotel in 2008" by Traveler Magazine and "Most Suitable Economy Hotel for Business Travelers" by Qunar.com, one of the leading online travel search engines in China, in 2008. In 2009, approximately 68% of our room nights were sold to members of HanTing Club, our loyalty program.

Our operation commenced with mid-scale limited service hotels and commercial property development and management in 2005. We began migrating to our current business of operating and managing a multiple-product economy hotel chain in 2007. Our total revenues grew from RMB249.4 million in 2007 to RMB1,333.9 million in 2009. We incurred net losses attributable to our company of RMB111.6 million and RMB136.2 million in 2007 and 2008, respectively. We had net income attributable to our company of RMB42.5 million in 2009.

Industry Background

The lodging industry in China consists of upscale luxury hotels such as four and five star hotels and other accommodations such as one, two and three star hotels and guest houses. The industry grew from approximately 237,800 hotels in 2003 to approximately 315,900 hotels in 2008, and 20.1 million rooms in 2003 to 27.3 million rooms in 2008, according to Euromonitor International.

The economy hotel industry in China, in particular the branded economy hotel chains, is at an early stage of development and presents tremendous growth opportunities. We believe that a number of key factors will continue to drive the strong growth of branded economy hotel chains:

- China's robust economic growth which drives overall travel and tourism industry;
- increasing domestic business travel, particularly with the growing importance of small and medium enterprises;

- rapidly growing domestic leisure travel as a result of higher disposable income and changing lifestyle;
- increasing attractiveness of branded economy hotel chains; and
- emerging segmentation within the economy hotel industry.

Our Competitive Strengths

We believe that the following strengths differentiate us from our competitors and have enabled us to capture a leading position in the rapidly growing economy hotel industry in China:

- we have established a premium brand and achieved the highest RevPAR and occupancy rate in 2008 and for the first half of 2009, according to the October 2009 Inntie Report;
- we have successfully established a portfolio of diversified products;
- we have adopted a disciplined return-driven development model with a proven track record;
- we have been able to achieve operational efficiency while improving productivity;
- we have an efficient and scalable operating system supported by advanced technology platform; and
- we have an experienced management team supported by a well-trained workforce.

Our Strategies

Our vision is to become one of the leading hotel groups in China. We intend to achieve this goal through the following strategies:

- enhance our market leadership through prudent return-driven network expansion;
- meet evolving market demand through product diversification and customer segmentation;
- further enhance our brand recognition and expand our customer base by leveraging our loyalty program;
- continue to invest in human capital to support future growth; and
- continue to implement cost control measures to enhance our profitability.

Summary of Risk Factors

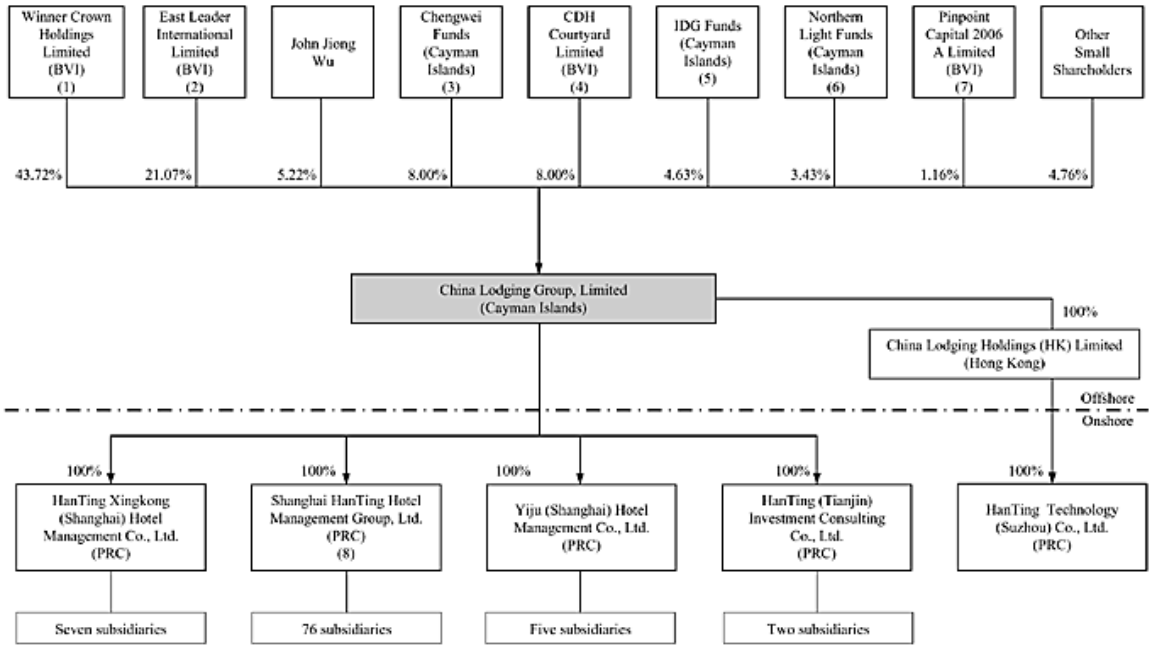
Investing in our ADSs involves a high degree of risk. You should consider carefully the risks and uncertainties summarized below, the risks described under "Risk Factors," beginning on page 13, the other information contained in this prospectus before you decide whether to purchase our ADSs.

- Our operating results are subject to conditions affecting the lodging industry in general, which include, among other things, changes and volatility in general economic conditions, competition, and local market conditions.
- Our limited operating history makes it difficult to evaluate our future prospects and results of operations.
- We incurred net losses attributable to our company of RMB111.6 million and RMB136.2 million in 2007 and 2008, respectively, and may incur losses in the future.
- We may not be able to manage our planned growth.
- We may not be able to identify additional hotel properties for lease that satisfy our return threshold and achieve the expected economic returns on our leased-and-operated hotels.

- Our legal right to lease certain properties could be challenged by property owners or other third parties or subject to government regulation.
- 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 success could be adversely affected by the performance of our franchised-and-managed hotels.
- We may not be able to maintain and enhance the attractiveness of our hotels and our reputation.
- As we operate as a holding company, 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.
- Rapid urbanization and changes in zoning and urban planning in China may cause our leased properties to be demolished, removed or otherwise affected.

Corporate Structure and History

The following diagram illustrates our corporate and ownership structure, the place of formation and the ownership interests of our subsidiaries as of the date of this prospectus.



(1) Winner Crown Holdings Limited, or 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 and beneficially owns approximately 62.7% of our total outstanding ordinary shares on an as-converted basis, including a certain number of shares that are held by East Leader International Limited (see footnote (2) below), over which Mr. Ji has voting power pursuant to certain powers of attorney.

(2) East Leader International Limited, or 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. Tongtong Zhao, a co-founder of our company, and her family members, are the beneficiaries. Ms. Zhao is the sole director of East Leader and beneficially owns approximately 21.1% of our total outstanding ordinary shares on an as-converted basis.

(3) The Chengwei Funds include (i) Chengwei Partners, L.P., (ii) Chengwei Ventures Evergreen Fund, L.P. and (iii) Chengwei Ventures Evergreen Advisors Fund, LLC. Chengwei Partners, L.P. is an exempted limited partnership incorporated in the Cayman Islands. Chengwei Ventures Evergreen Fund, L.P. is an exempted limited partnership incorporated in the Cayman Islands. Chengwei Ventures Evergreen Advisors Fund, LLC is an exempted limited liability corporation incorporated in the Cayman Islands. Chengwei Ventures Evergreen Management, LLC, a Cayman Islands exempted limited liability company, is the general partner of Chengwei Partners, L.P. and Chengwei Ventures Evergreen Fund, L.P., as well as the managing member of Chengwei Ventures Evergreen Advisors Fund, LLC.

(4) CDH Courtyard Limited is a British Virgin Islands company.

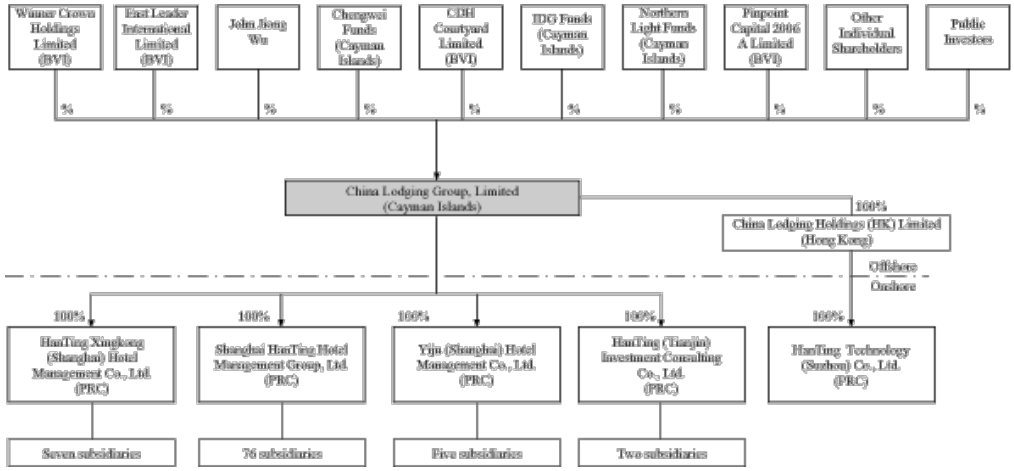
(5) The IDG Funds include (i) IDG-Accel China Growth Fund L.P., (ii) IDG-Accel China Growth Fund-A L.P. and (iii) IDG-Accel China Investors L.P. Each of the IDG Funds is an exempted limited partnership incorporated in the Cayman Islands. IDG-Accel China Growth Fund GP Associates Ltd., a Cayman Islands limited company, is the general partner of IDG-Accel China Growth Fund Associates L.P., a Cayman Islands limited partnership, which in turn is the general partner of IDG-Accel China Growth Fund L.P. and IDG-Accel China Growth Fund-A L.P. Each of the two directors of IDG-Accel China Growth Fund GP Associates Ltd., Mr. Patrick J. McGovern and Mr. Quan Zhou, owns 50% of IDG-Accel China Growth Fund GP Associates Ltd.'s voting shares. IDG-Accel China Investors Associates Ltd., a Cayman Islands limited company, is the general partner of IDG-Accel China Investors L.P. Mr. James Breyer is the sole shareholder and one of the two directors of IDG-Accel China Investors Associates Ltd. Mr. Quan Zhou is the other director of IDG-Accel China Investors Associates Ltd.

(6) The Northern Light Funds include (i) Northern Light Venture Fund, L.P., (ii) Northern Light Partners Fund, L.P., and (iii) Northern Light Strategic Fund, L.P. Each of the Northern Light Funds is an exempted limited partnership incorporated in the Cayman Islands. Northern Light Venture Capital Limited, a Cayman Islands exempted limited liability company, is the general partner of Northern Light Partners, L.P., a Cayman Islands limited partnership, which in turn is the general partner of the Northern Light Funds.

(7) Pinpoint Capital 2006 A Limited is a British Virgin Islands company.

(8) Formerly known as Lishan Senbao (Shanghai) Investment Management Co., Ltd.

The following diagram illustrates our corporate and ownership structure, the place of formation and the ownership interests of our subsidiaries immediately after the completion of this offering, assuming that the underwriters do not exercise their over-allotment option.



Powerhill Holdings Limited, or Powerhill, was incorporated in accordance with the laws of the British Virgin Islands in December 2003, and commenced operation with mid-scale limited service hotels and commercial property development and management in 2005. 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-and-operated 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.

In 2007, China Lodging began migrating to our current business of operating and managing an economy hotel chain. We first launched our flagship product, *HanTing Express Hotel*, which targets knowledge workers and value-conscious travelers. In 2008, we refined our multi-brand strategy and introduced our premium product, *HanTing Seasons Hotel*, and our budget product, *HanTing 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 in Hong Kong, under which HanTing Technology (Suzhou) Co., Ltd. was subsequently established in China in December 2008.

Corporate Information

Our principal executive offices are located at 5th Floor, Block 57, No. 461 Hongcao Road, Xuhui District, Shanghai 200233, People's Republic of China. Our telephone number at this address is +86 (21) 5153-9477. 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.htinns.com. The information contained on our website is not a part of this prospectus.

THE OFFERING

Total ADSs offered by us	ADSs
Price per ADS	We currently estimate that the initial public offering price will be between US$ and US$ per ADS.
Over-allotment option	We have granted the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase an additional ADSs to cover over-allotments.
The ADSs	Each ADS represents ordinary shares. The depositary will hold the shares underlying your ADSs and you will have rights as provided in the deposit agreement. We do not expect to pay dividends in the foreseeable future. If, however, we declare dividends on our ordinary shares, the depositary will pay you the cash dividends and other distributions it receives on our ordinary shares, after deducting its fees and expenses in accordance with the terms set forth in the deposit agreement. You may surrender your ADSs to the depositary to be cancelled in exchange for ordinary shares. The depositary will charge you fees for any cancellation. We may amend or terminate the deposit agreement without your consent. If you continue to hold your ADSs, you agree to be bound by the deposit agreement as amended. To better understand the terms of the ADSs, you should carefully read the "Description of American Depositary Shares" section of this prospectus. You should also read the deposit agreement, which is filed as an exhibit to the registration statement that includes this prospectus.
ADSs outstanding immediately after this offering	ADSs (or ADSs if the underwriters exercise the over-allotment option in full).
Ordinary shares outstanding immediately after this offering	ordinary shares (or ordinary shares if the underwriters exercise the over-allotment option in full).
Use of proceeds	We anticipate using approximately 90% of the net proceeds of this offering for our hotel network expansion purposes and the remaining amount for general corporate purposes. See "Use of Proceeds" for more information.
Listing	We have applied to have our ADSs listed on the NASDAQ Global Market.
Proposed NASDAQ symbol	HTHT
Depositary	Citibank, N.A.
Lock-up	We, our directors and executive officers, and all of our existing shareholders as well as option holders under our Amended and Restated 2007 Global Share Plan and Amended and Restated 2008 Global Share Plan have agreed with the underwriters for a period

	of 180 days after the date of this prospectus not to sell, transfer or otherwise dispose of, and not to announce an intention to sell, transfer or otherwise dispose of any ADSs, ordinary shares or similar securities. See "Underwriting" for more information.
Reserved ADSs	At our request, the underwriters have reserved for sale, at the initial public offering price, up to an aggregate of ADSs, to our directors, officers, employees, business associates and related persons through a directed share program.
Risk factors	See "Risk Factors" and other information included in this prospectus for a discussion of risks you should carefully consider before investing in the ADSs.

Unless otherwise indicated, all information in this prospectus:

- excludes 9,213,538 ordinary shares issuable upon the exercise of stock options issued under our Amended and Restated 2007 Global Share Plan that are outstanding as of the date of this prospectus;
- excludes 6,540,060 ordinary shares issuable upon the exercise of stock options issued under our Amended and Restated 2008 Global Share Plan that are outstanding as of the date of this prospectus;
- excludes 2,385,470 ordinary shares issuable upon the exercise of stock options issued under our Amended and Restated 2009 Share Incentive Plan that are outstanding as of the date of this prospectus; and
- assumes that the underwriters do not exercise their over-allotment option to purchase additional ADSs.

SUMMARY CONSOLIDATED FINANCIAL AND OPERATING DATA

The following summary consolidated statements of operations and balance sheet data as of and for the years ended December 31, 2007, 2008 and 2009 have been derived from our audited consolidated financial statements which are included elsewhere in this prospectus. The summary consolidated financial information for those periods and as of those dates should be read in conjunction with those statements and the accompanying notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 44.

	Year Ended December 31,			
	2007	2008	2009	
	(RMB)	(RMB)	(RMB)	(US$)
	(in thousands, except per share and per ADS data)			
Summary Consolidated Statements of Operations Data:				
Revenues:				
Leased-and-operated hotels	248,199	797,815	1,288,898	188,825
Franchised-and-managed hotels	1,210	12,039	44,965	6,587
Total revenues	249,409	809,854	1,333,863	195,412
Less: Business tax and related taxes	(14,103)	(45,605)	(73,672)	(10,793)
Net revenues	235,306	764,249	1,260,191	184,619
Operating costs and expenses(1):				
Hotel operating costs	(228,362)	(687,364)	(1,004,472)	(147,156)
Selling and marketing expenses	(17,581)	(40,810)	(57,818)	(8,470)
General and administrative expenses	(65,653)	(81,665)	(83,666)	(12,257)
Pre-opening expenses	(61,020)	(108,062)	(37,821)	(5,541)
Total operating costs and expenses	(372,616)	(917,901)	(1,183,777)	(173,424)
Income (loss) from operations	(137,310)	(153,652)	76,414	11,195
Income (loss) before income taxes	(131,001)	(156,463)	69,438	10,173
Net income (loss)	(113,739)	(132,583)	51,448	7,537
Less: net income (loss) attributable to noncontrolling interest	(2,116)	3,579	8,903	1,304
Net income (loss) attributable to China Lodging Group, Limited	(111,623)	(136,162)	42,545	6,233
Net earnings (loss) per share:				
Basic	(2.85)	(2.52)	0.24	0.03
Diluted	(2.85)	(2.52)	0.23	0.03
Net earnings (loss) per ADS(2):				
Basic				
Diluted				
Weighted average number of shares used in computation:				
Basic	45,248	54,071	57,562	57,562
Diluted	45,248	54,071	183,632	183,632
Pro forma net earnings (loss) per share(3) — unaudited:				
Basic			0.24	0.03
Diluted			0.23	0.03
Weighted average number of shares used in computation — unaudited:				
Basic			179,621	179,621
Diluted			183,632	183,632

Note: (1) Include share-based compensation expenses as follows:

	Year Ended December 31,			
	2007	2008	2009	
	(RMB)	(RMB)	(RMB)	(US$)
	(in thousands)			
Share-based compensation expenses	14,785	4,815	7,955	1,165

(2) Each ADS represents ordinary shares.

(3) Pro forma basic and diluted earnings (loss) per ordinary share is computed by dividing income (loss) attributable to holders of ordinary shares by the weighted average number of ordinary shares outstanding for the year plus the number of ordinary shares resulting from the assumed conversion of the outstanding convertible preferred shares upon the closing of the planned initial public offering.

The following table presents a summary of our consolidated balance sheet data as of December 31, 2007, 2008 and 2009:

- on an actual basis;
- on a pro forma basis as of December 31, 2009 to give effect to (i) the automatic conversion of all of our outstanding Series A preferred shares into 44,000,000 ordinary shares, at a conversion ratio of one Series A preferred share to one ordinary share; and (ii) the automatic conversion of all of our outstanding Series B preferred shares into 78,058,919 ordinary shares, at a conversion ratio of one Series B preferred share to one ordinary share; and
- on a pro forma as adjusted basis as of December 31, 2009 to give effect to (i) the automatic conversion of all of our outstanding Series A preferred shares into 44,000,000 ordinary shares, at a conversion ratio of one Series A preferred share to one ordinary share; (ii) the automatic conversion of all of our outstanding Series B preferred shares into 78,058,919 ordinary shares, at a conversion ratio of one Series B preferred share to one ordinary share; and (iii) the issuance and sale of ordinary shares in the form of ADSs by us in this offering, assuming an initial public offering price of per ADS, the midpoint of the estimated range of the initial public offering price, after deducting estimated underwriting discounts and commissions and offering expenses payable by us and assuming no exercise of the underwriters' over-allotment option. A US$1.00 increase (decrease) in the assumed initial public offering price of US$ per ADS, the midpoint of the estimated range of the initial public offering price, would increase (decrease) the amounts representing cash and cash equivalents, total assets and total equity (deficit) by US$ million.

	As of December 31,							
	2007	2008	2009					
	Actual	Actual	Actual		Pro Forma		Pro Forma As Adjusted	
					(unaudited)		(unaudited)	
	(RMB)	(RMB)	(RMB)	(US$)	(RMB)	(US$)	(RMB)	(US$)
	(in thousands)							
Cash and cash equivalents	173,636	183,246	270,587	39,641	270,587	39,641		
Restricted cash	23,650	5,597	500	73	500	73	500	73
Property and equipment, net	465,186	957,407	1,028,267	150,642	1,028,267	150,642	1,028,267	150,642
Total assets	836,045	1,432,940	1,581,131	231,637	1,581,131	231,637		
Long-term debt	-	27,500	80,000	11,720	80,000	11,720	80,000	11,720
Deferred rent	46,084	138,207	174,775	25,605	174,775	25,605	174,775	25,605
Total liabilities	293,062	665,378	678,875	99,456	678,875	99,456	678,875	99,456
Mezzanine equity	437,829	796,803	796,803	116,732	-	-	-	-
Total equity (deficit)	105,154	(29,241)	105,453	15,449	902,256	132,181		

The following tables present certain unaudited financial data and selected operating data as of and for the years ended December 31, 2007, 2008 and 2009:

	Year Ended December 31,			
	2007	2008	2009	
	(RMB)	(RMB)	(RMB)	(US$)
			(in thousands)	
Non-GAAP Financial Data				
EBITDA(1)	(95,983)	(67,957)	214,893	31,482
EBITDA from Operating Hotels(1)	(34,963)	40,105	252,714	37,023

(1) We believe that earnings before interest expense, tax expense (benefit) and depreciation and amortization, or 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 EBITDA from Operating Hotels, which is defined as EBITDA before pre-opening expenses, to assess operating results of the hotels in operation. We believe that the exclusion of pre-opening expenses, a portion of which is non-cash rental expenses, helps facilitate year-on-year comparison of our results of operations as the number of hotels in the development stage may vary significantly from year to year. Therefore, we believe EBITDA from Operating Hotels more closely reflects the performance of hotels currently in operation. Our calculation of EBITDA and EBITDA from Operating Hotels does not deduct interest income, which was RMB1.2 million, RMB3.8 million and RMB1.9 million in 2007, 2008, and 2009, respectively. The presentation of EBITDA and EBITDA from Operating Hotels 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 uses of EBITDA and EBITDA from Operating Hotels have certain limitations. Depreciation and amortization expense for various long-term assets, income tax and interest expense have been and will be incurred and are not reflected in the presentation of EBITDA. Pre-opening expenses have been and will be incurred and are not reflected in the presentation of EBITDA from Operating Hotels. Each of these items should also be considered in the overall evaluation of our results. Additionally, EBITDA or EBITDA from Operating Hotels 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 expense, income tax expense, pre-opening expenses, capital expenditures and other relevant items both in our reconciliations to the financial measures under accounting principles generally accepted in the United States, or U.S. GAAP, and in our consolidated financial statements, all of which should be considered when evaluating our performance.

The terms EBITDA and EBITDA from Operating Hotels are not defined under U.S. GAAP, and neither EBITDA nor EBITDA from Operating Hotels 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 EBITDA from Operating Hotels may not be comparable to EBITDA or EBITDA from Operating Hotels or similarly titled measures utilized by other companies since such other companies may not calculate EBITDA or EBITDA from Operating Hotels in the same manner as we do.

A reconciliation of EBITDA and EBITDA from Operating Hotels to net income (loss), which is the most directly comparable U.S. GAAP measure, is provided below:

	Year Ended December 31,			
	2007	2008	2009	
	(RMB)	(RMB)	(RMB)	(US$)
			(in thousands)	
Net income (loss) attributable to our company	**(111,623)**	**(136,162)**	**42,545**	**6,233**
Interest expense	-	1,249	8,787	1,287
Tax expense (benefit)	(17,262)	(23,880)	17,990	2,636
Depreciation and amortization	32,902	90,836	145,571	21,326
EBITDA (Non-GAAP)	**(95,983)**	**(67,957)**	**214,893**	**31,482**
Pre-opening expenses	61,020	108,062	37,821	5,541
EBITDA from Operating Hotels (Non-GAAP)	**(34,963)**	**40,105**	**252,714**	**37,023**

	As of December 31,		
	2007	2008	2009
Selected Operating Data:			
Total hotels in operation	67	167	236
Leased-and-operated hotels	62	145	173
Franchised-and-managed hotels	5	22	63
Total hotel rooms in operation	8,089	21,033	28,360
Leased-and-operated hotels	7,583	18,414	21,658
Franchised-and-managed hotels	506	2,619	6,702
Number of cities	23	35	39

The following table sets forth the status of our hotels under development as of December 31, 2009.

	Pre-conversion Period(1)	Conversion Period(2)	Total
Leased-and-operated hotels	8	13	21
Franchised-and-managed hotels	31	92	123
Total	39	105	144

(1) Includes hotels for which we have entered into binding leases or franchise-and-management agreements but of which the property has not been delivered by the respective lessors or managed hotel owners, as the case may be. The majority of these hotels are expected to commence operations by June 30, 2011.

(2) Includes hotels for which we have commenced conversion activities but that have not yet commenced operations. The majority of these hotels are expected to commence operations by December 31, 2010.

	Year Ended December 31,		
	2007	2008	2009
Occupancy rate (as a percentage)			
Leased-and-operated hotels	85	89	94
Franchised-and-managed hotels	82	74	91
Total hotels in operation	85	87	94
Average daily room rate (in RMB)			
Leased-and-operated hotels	181	178	174
Franchised-and-managed hotels	176	180	172
Total hotels in operation	181	178	174
RevPAR (in RMB)			
Leased-and-operated hotels	154	158	165
Franchised-and-managed hotels	145	132	156
Total hotels in operation	154	156	163

RISK FACTORS

Investing in our ADSs involves a high degree of risk. You should carefully consider the risks described below with all of the other information included in this prospectus before deciding to invest in our ADSs. We believe the risks and uncertainties described below represent all the material risks known to us that are related to our business and this offering.

If any of the following risks actually occur, they may harm our business, financial condition and results of operations. In this event, the market price of our ADSs could decline and you could lose some or all of your investment.

This prospectus also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially and in adverse ways from those anticipated in these forward-looking statements as a result of certain factors, including the risks we face as described below and elsewhere in this prospectus.

Risks Related to Our Business

Our operating results are subject to conditions affecting the lodging industry in general and our return-driven development model is subject to certain risks.

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

- changes and volatility in general economic conditions;
- our ability to maintain or increase sales to existing customers and attract new customers;
- competition from other hotels;
- natural disasters or travelers' fears of exposure to contagious diseases and social unrest;
- seasonality of our business;
- 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;
- the availability and cost of capital to allow us and our franchisees to fund construction and renovation of, and make other investments in, our hotels; and
- the possibility that leased properties may be subject to challenges as to their compliance with the relevant government regulations.

In addition, our return-driven development model is subject to the following risks:

- we may not be able to successfully identify additional hotel properties for lease that satisfy our return threshold and we may not be able to achieve the expected economic returns on our leased-and-operated hotels;
- we may not be able to control our costs effectively as anticipated; and
- our limited operating history makes it difficult to evaluate our future prospects and results of operations.

Changes in any of the conditions typically affecting the lodging industry in general and the materialization of any risks applicable to our return-driven development model 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 global or regional economic crises. A severe or prolonged downturn in the global or Chinese economy could materially and adversely affect our revenues and results of operations.

The recent global financial crisis and economic recession have been unprecedented and challenging. Uncertainty in credit availability, rising unemployment and sluggish corporate operating and earning performance in most major economies have continued in 2009. Capital market volatility remains at high levels, as a result of investors' continued concerns about the systemic impact of potential long-term and wide-spread recession, energy costs, geopolitical issues, the availability and cost of credit, and the housing and mortgage markets. The weak economic outlook has negatively affected business and consumer confidence and contributed to slowdowns in most industries around the world.

A limited number of our hotels are located in cities where the local economy heavily depends upon international trade, such as Wuxi, Suzhou, and Ningbo. In 2009, the operation and financial performance of our hotels in these cities were adversely affected as a result of the negative impact of the global financial crisis on the economic conditions of these cities. Although there have been signs of recovery, there are still great uncertainties regarding economic conditions and the demand for economy hotels in China. Such uncertainties may adversely impact our results of operations. Continued turbulence in the international markets may also adversely affect our liquidity and financial condition, including our ability to access capital markets to meet our liquidity needs.

The lodging industry in China is highly 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 competitive. We compete primarily with other economy hotel chains as well as various local lodging facilities where the competition is mainly based on location, room rates, brand recognition, the quality of the accommodations and service levels. We also compete with two and three star hotels, as we offer rooms with amenities comparable to many of those hotels while maintaining competitive pricing. In addition, we may face competition from new entrants in the economy hotel segment in China. Furthermore, we compete with all other hotels for guests in each market in which we operate, as our typical business customers and leisure travelers may change their travel, spending and consumption patterns and choose hotels in different segments. 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, resulting in a decrease in occupancy and average daily rates for our hotels. 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, natural disasters and other catastrophes.

Our financial and operating performance may be adversely affected by epidemics, 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 SARS, or other epidemics. In April 2009, reports surfaced regarding occurrences of swine influenza and fears of a global pandemic. Cases of swine influenza were later confirmed in numerous countries, including China and other parts of Asia. In 2005 and 2006, there were reports on the occurrences of avian influenza in various parts of China, including a few confirmed human cases and deaths. In early 2003, several economies in Asia, including China, were affected by the outbreak of SARS. During May and June of 2003, many businesses in China were closed by the PRC government to prevent transmission of SARS. Any prolonged recurrence of such contagious disease or other adverse public health developments in China may have a material and adverse effect on our business 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, 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 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. 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. Therefore, you should not rely on our operating results for prior quarters 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, although it typically takes our new hotels three to six months to ramp up, the ramp-up process of some of our hotels can be delayed due to seasonality, which may negatively affect our revenues and profitability.

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

Our operation commenced, through Powerhill Holdings Limited, with mid-scale limited service hotels and commercial property development and management in 2005, and we began migrating to our current business of operating and managing a multiple-product economy hotel chain in 2007. See "Prospectus Summary — Corporate Structure and History." Accordingly, you should consider our future prospects in light of the risks and challenges encountered by a company with a limited operating history. These risks and challenges include:

- the uncertainties associated with our ability to continue our growth while trying to achieve and maintain our profitability;
- preserving our competitive position in the economy hotel segment of 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 brand and products and continuing to develop customer loyalty; and
- attracting, training, retaining and motivating qualified personnel.

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

We have incurred losses in the past and may incur losses in the future.

We incurred net losses attributable to our company of RMB111.6 million and RMB136.2 million in 2007 and 2008, respectively. Although we had net income attributable to our company of RMB42.5 million in 2009, we had an accumulated deficit of RMB245.5 million as of December 31, 2009. As we expect our costs to increase as we continue to expand our business and operations, we may incur losses in the future. We cannot assure you that we will achieve or sustain profitability in the future.

Our newly opened leased-and-operated hotels typically incur significant pre-opening expenses at their development stage and generate relatively low revenues at their ramp-up stage, which may have a significant negative impact on our financial performance.

We mainly utilize a lease-and-operate model, under which the operation of each hotel goes through three stages: development, ramp-up and mature operations. During the development stage, leased-and-operated hotels generally incur pre-opening expenses ranging from approximately RMB1.0 to RMB2.0 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-operated hotels may not achieve profitability until they reach mature operations. As we continue to expand our leased-and-operated 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-operated hotels may have a significant negative impact on our financial performance.

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 employee base salaries, 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, but our expenses do not vary as significantly with changes in occupancy and revenues as we need to continue to pay rent and salary, make regular repairs, maintenance and renovations and invest in other capital improvements throughout the year to maintain the attractiveness of our hotels. Furthermore, our property development and renovation costs may increase as a result of an increase in the cost of materials. However, we have 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 chain has been growing rapidly since we began migrating to our current business of operating and managing a multiple-product economy hotel chain in 2007. We increased the number of our hotels in operation in China from 26 hotels as of January 1, 2007 to 236 hotels as of December 31, 2009, and we intend to continue to develop and operate additional hotels in different geographic locations in China. This expansion has 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 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 markets may present operating and marketing challenges that are different from those we currently encounter in our existing markets. In addition, our expansion within existing markets may cannibalize our existing hotels in those markets and, as a result, negatively affect our overall results of operations. Furthermore, in cities where the markets reach saturation, we may be unable to identify or lease additional properties in those cities or in commercially desirable locations within those cities. When the number of economy hotels reaches saturation in any particular city, we may be forced to lower our room rates to attract customers and remain competitive in those markets, which could hamper our ability to increase RevPAR or generate higher levels of revenues over time. 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 losses of revenues and increases in expenses or otherwise harm our results of operations and financial condition.

We may not be able to successfully identify, secure and develop in a timely fashion additional hotel properties.

We plan to open more hotels to further grow our business. Under our lease-and-operate model, we may not be successful in identifying and leasing additional hotel properties at desirable locations and on commercially reasonable terms or at all. 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. In addition, we may not be able to develop additional hotel properties on a timely basis due to construction 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.

Future acquisitions 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 businesses or assets that are complementary to our business. Future acquisitions would expose us to potential risks, including risks associated with unforeseen or hidden liabilities, risks that acquired hotels 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. Any difficulties encountered in the acquisition and integration process may have an adverse effect on our ability to manage our business and harm our results of operations and financial condition.

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

We do not hold any land use rights with respect to the land on which our hotels are located nor do we own any of the hotel properties we operate. Instead, a substantial part of our business model relies on leases with third parties who either own or lease the properties from the ultimate property owner. We also grant franchises to hotel operators who may or may not own the hotel properties. We cannot assure you that the land use rights and other property rights with respect to properties we currently lease or franchise for our existing hotels will not be challenged. For example, as of December 31, 2009, our lessors failed to provide the property ownership certificates and/or the land use rights certificates for 46 properties that we lease for our hotel operations. While we have performed our due diligence to verify the rights of our lessors to lease such properties, we cannot assure you that our rights under those leases will not be challenged by other parties including government authorities.

Under PRC laws, 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 registration, most 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 result in the renegotiation of such leases that leads to 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 transfer the property. Moreover, we cannot assure you that the property ownership or leasehold in connection with our franchised-and-managed hotels will not 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, 2009, the lessors of approximately half of our executed lease agreements 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-and-operated hotels. We have started to negotiate with our other existing and new lessors and ask them to indemnify us against our losses resulting from their non-compliance, but we cannot assure you that we will be successful in this regard. 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 could not be fully indemnified by our lessors.

Our success could be adversely affected by the performance of our franchised-and-managed hotels.

Our success could be adversely affected by the performance of our franchised-and-managed hotels, over which we have lesser control compared to our leased-and-operated hotels. As of December 31, 2009, we franchised and managed approximately 27% of our hotels, and we plan to further increase the number of franchised-and-managed hotels to increase our national presence in China. Our franchisees 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 franchised-and-managed hotel operations may be diminished by factors beyond our control and franchisees may not successfully operate hotels in a manner consistent with our standards and requirements. While we ultimately can take action to terminate franchisees that do not comply with the terms of our franchise-and-management agreements, 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.

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

Our growth strategy includes expanding through franchising. We believe that our ability to compete for franchise-and-management 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 franchise. Other competitive factors for franchise-and-management agreements include marketing support, capacity of the central reservation channel and the ability to operate hotels cost-effectively. The terms of any new franchise-and-management 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 franchise-and-manage model could be diminished. If the hotels that we franchise perform less successfully than those of our

competitors, if we are unable to offer terms as favorable as those offered by our competitors or if the availability of suitable properties is limited, 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.

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 franchise and manage properties leased or owned by franchisees under the terms of franchise-and-management 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 fundings and, to the extent we or our franchisees cannot fund these expenditures from our 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-and-management 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.

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, we would have to relocate our operations to other properties. We may not be able to generate revenues out of such leases and may incur additional costs in restoring such properties. Furthermore, we may have to pay losses and damages and incur other liabilities to our customers due to our default under our contracts and we may not be able to operate in such properties. As a result, our business, results of operations and financial condition could be materially and adversely affected.

We plan to renew our existing leases upon expiration. We cannot assure you, however, that we will be able to retain our leases on satisfactory terms, or at all. In particular, as some of our leases will expire in the next several years and rents must be re-negotiated, we may experience an increase in our rent payments and cost of revenues. If we fail to retain our leases or if a significant number of our existing leases are not renewed on satisfactory terms upon expiration, our costs may increase 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.

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 chain depends on the continued operation of our information technology systems, including our web property management, central reservation and customer relationship management systems. Any 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. Furthermore, we also rely on our website and call center to facilitate customer

reservations. Our systems remain vulnerable to damage or interruption as a result of power loss, telecommunications failures, operations relying on the system such as reservation and billing will have to be conducted off-line or manually, and 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. 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 system failures, our quality of services, customer satisfaction, and operational efficiency could be severely harmed, which could also adversely affect our reputation.

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 business operations as well as 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, and the regulations applicable to security and privacy are becoming increasingly important in China. A theft, loss, fraudulent or unlawful use 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 products or image diminishes, it could have a material and adverse effect on our business and results of operations.

We offer three hotel products that are designed to target distinct groups of customers. Our continued success in maintaining and enhancing our brand 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 chain, 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 brand 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 brand and its market acceptance, competitive advantages or goodwill. In addition, our proprietary information and operational systems, which have not been patented, copyrighted or otherwise registered as our intellectual property, are a key component of our competitive advantage and our growth strategy. As of December 31, 2009, we had 31 trademark applications under review by the authority. Furthermore, we may be subject to claims that we have infringed the intellectual property rights of others. For example, two PRC companies had raised objections to our application of certain trademarks, which, if supported by the relevant authorities, would affect our ability to register and use such trademarks.

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.

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 those 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 and train 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 continuous 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 products and 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 a labor contract law which became effective on January 1, 2008. 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. Due to its limited history and the lack of clear implementation rules, it is uncertain how this labor contract law will impact our current employment practices. We cannot assure you that our employment practices do not, or will not, violate this labor contract law. 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 contracted through a third-party human resources company, which is responsible for managing, among others, payrolls, social insurance contributions and local residency permits of these employees. We may not be able to continue this practice under this labor contract law, which would increase our human resources administration expenses. We may also be held jointly liable under this labor contract law if the human resources company fails to pay such employees their wages and other benefits.

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, 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 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, 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 issued by the local public security bureau, and to comply with license requirements and laws and regulations with respect to construction permit, fire prevention, public area hygiene, food hygiene, public safety and environmental protection. See "Regulation — Regulations on

Hotel Operation." Furthermore, new regulations may be adopted in the future to increase our compliance efforts at significant costs. Certain 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.

The growth of third-party online and other hotel reservation intermediaries and travel consolidators may adversely affect our margins and profitability.

Some of our hotel rooms are booked through third-party online and other hotel reservation intermediaries and consolidators to whom we pay commissions for such services. They may be able to negotiate higher commissions, reduced room rates, or other significant concessions from us. We believe that such intermediaries and consolidators would attempt to develop and increase customer loyalty toward their reservation systems rather than ours. As a result, the growth and increasing importance of these travel intermediaries and consolidators may adversely affect our ability to control the supply and price of our room inventory, which would in turn adversely affect our margins and profitability.

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, construction, third-party liability and public liability insurance for our leased-and-operated 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.

Upon completion of this initial public offering, we will become a public company in the United States subject to the Sarbanes-Oxley Act. Section 404 of the Sarbanes-Oxley Act, or Section 404, will require that we include a report from management on our internal control over financial reporting in our annual report on Form 20-F beginning with our annual report for the fiscal year ending December 31, 2011. In addition, our independent registered public accounting firm must report on the effectiveness of our internal control over financial reporting. Our management or our independent registered public accounting firm may conclude that our internal controls are not effective. Moreover, even if our management concludes that our internal control over financial reporting is effective, our independent registered public accounting firm may issue a report that is qualified if it is not satisfied with our internal controls or the level at which our controls are documented, designed, operated or reviewed, or if it interprets the relevant requirements differently from us. Either of these possible outcomes could result in an adverse reaction in the financial marketplace due to a loss of investor confidence in the reliability of our reporting processes, which could materially and adversely affect the trading price of our ADSs.

In addition, our reporting obligations as a public company will place a significant strain on our management, operational and financial resources and systems for the foreseeable future. Prior to this offering,

we have been a private company with limited accounting personnel and other resources with which to address our internal control over financial reporting. As required by our agreement with our private investors, we prepared financial statements under accounting principles generally accepted in the United States, or U.S. GAAP, as of and for the two years ended December 31, 2007. As we did not have adequate accounting expertise in U.S. GAAP at the time when we prepared such financial statements, we have recently restated such financial statements. In connection with the audit of our consolidated financial statements as of and for the year ended December 31, 2009, a material weakness and certain control deficiencies of our company have been identified. The material weakness identified is related to our failure to accurately account for complex transactions and to monitor and apply new and emerging U.S. GAAP. We may identify additional control deficiencies as a result of the assessment process we will undertake in compliance with Section 404. We plan to remedy any identified control deficiencies before the deadline imposed by the requirements of Section 404, but we may be unable to do so. Our failure to establish and maintain an effective system of internal control over financial reporting could result in the loss of investor confidence in the reliability of our financial reporting processes, which in turn could harm our business and negatively impact the trading price of our ADSs.

We will incur increased costs as a result of becoming a public company, which may adversely affect our profitability.

Our profitability may be affected as a result of our becoming a public company. We anticipate incurring a significantly greater amount of legal, accounting and other expenses than we did as a private company, including costs associated with our public company reporting requirements and investor relations activities, independent registered public accounting firm fees, registrar and transfer agent fees, incremental director and officer liability insurance costs, and director compensation. In addition, the Sarbanes-Oxley Act, as well as new rules subsequently implemented by the Securities and Exchange Commission and the NASDAQ Global Market, have required changes in corporate governance practices of public companies. We expect these new rules and regulations to increase our legal, accounting and financial compliance costs and to make certain corporate activities more time-consuming and costly. We are currently evaluating and monitoring developments with respect to these new rules, and we cannot predict or estimate the amount of additional costs we may incur or the timing of such costs, which may adversely affect our profitability.

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, 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. 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 business 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 of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. While the PRC economy has experienced significant growth in the past 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.

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, or the PBOC's statutory deposit reserve ratio and lending guideline imposed on commercial banks, may restrict loans to certain industries. 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.

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 outcome 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 and operations. 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 properties to be demolished, removed or otherwise affected.

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. As a result, we may have to relocate our hotels to other locations. 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 2009 we were obligated to

demolish one leased-and-operated hotel due to local government zoning requirements and, as a result, wrote off property and equipment of RMB3.7 million, favorable lease agreements of RMB0.4 million and goodwill of RMB1.1 million and recognized an impairment loss of RMB1.9 million net of cash received of RMB3.3 million. In addition, in 2009 we were notified by local government authorities that we may have to demolish two additional leased-and-operated hotels due to local zoning requirements. We cannot assure you that similar demolitions or interruptions of our hotel operations due to zoning or other local regulations will not 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.

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 "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 common shares. If we decide to convert our Renminbi into U.S. dollars for the purpose of making payments for dividends on our common 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, including the net proceeds we will receive from this offering, 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 "Management's Discussion and Analysis of Financial Condition and Results of Operations — Quantitative and Qualitative Disclosure 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.

The approval of the China Securities Regulatory Commission, or the CSRC, may be required in connection with this offering under a recently adopted PRC regulation; any requirement to obtain prior CSRC approval could delay this offering and a failure to obtain this approval, if required, could have a material adverse effect on our business, operating results, reputation and trading price of our ADSs, and may also create uncertainties for this offering; the regulation also establishes more complex procedures for acquisitions conducted by foreign investors which could make it more difficult to pursue growth through acquisitions.

In 2006, six PRC regulatory agencies jointly adopted the *Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors*, or the New M&A Rule. See "Regulation — Regulations on Overseas Listing." While the application of the New M&A Rule remains unclear, we believe, based on the advice of our PRC counsel, that CSRC approval is not required in the context of this 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 we need to obtain the CSRC's approval for this 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 this offering and 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. For example, we are in the process of acquiring the noncontrolling interest in an existing subsidiary. We issued a warrant to one of the individual shareholders, who is a party not affiliated with us, of this selling joint venture partner and we cannot guarantee such arrangement would not trigger the approval requirement under the New M&A Rule. If relevant PRC government authorities deem such arrangement to be a transaction subject to the New M&A Rule and we do not seek such approval, we could be subject to administrative fines and other penalties from relevant PRC authorities, may be required to obtain approval for such transactions from the MOC and/or the CSRC and could be required to divest these subsidiaries, in which case we would lose the benefit of the revenues from hotels operated by such entities. There are no specific provisions of fines or penalties for such violations under current PRC laws and regulations and so the penalties we may suffer are uncertain.

In the future, we may grow our business in part by acquiring complementary businesses, although we do not have any plans to do so at this time. Complying with the requirements of the New M&A Rule to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the MOC, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

Recent 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.

In October 2005, the State Administration of Foreign Exchange, or the SAFE, promulgated *Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Corporate Financing and Roundtrip Investment Through Offshore Special Purpose Vehicles*, or Circular 75, which requires PRC residents who use assets or equity interests in their PRC entities as capital contributions to establish offshore companies or inject assets or equity interests in their PRC entities into offshore companies to register with local SAFE branches. See "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 noticed two of our minority shareholders who hold in the aggregate less than 1% of our total outstanding shares have not completed the required registration procedures and we have requested them to complete the required procedures. The two

shareholders are preparing their applications, but we are not sure if they will complete the registration procedures on a timely basis or at all. We cannot provide any assurance that our other shareholders and beneficial owners of our shares who are PRC residents have complied or will comply with the requirements imposed by Circular 75 or other related rules either. Any failure by any of our shareholders and beneficial owners of our shares who are PRC domestic residents to comply with relevant requirements under this regulation could subject us to fines or sanctions imposed by the PRC government, including restrictions on our relevant subsidiary's ability to pay dividends or make distributions to us and our ability to increase our investment in China.

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 are 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, 2009, a total of RMB3.1 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 of this offering to make loans or additional capital contributions to our PRC operating subsidiaries.

In utilizing the proceeds of this offering in the manner described in "Use of Proceeds," as an offshore holding company of our PRC operating subsidiaries, we may make loans to our PRC subsidiaries, or we may make additional capital contributions to our PRC subsidiaries. Any loans to our PRC subsidiaries are subject to PRC regulations. For example, loans by us to our subsidiaries in China, which are foreign-invested enterprises, to finance their activities cannot exceed statutory limits and are required to be registered with the SAFE.

We may also decide to finance our subsidiaries by means of capital contributions. These capital contributions must be approved by the MOC or its local counterparts. We cannot assure you that we will be able to obtain these government approvals on a timely basis, if at all, with respect to future capital contributions by us to our subsidiaries. If we fail to receive such approvals, our ability to use the proceeds of this offering and to capitalize our PRC operations may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business.

All employee participants in our share incentive plans who are PRC citizens may be required to register with the SAFE. We may also face regulatory uncertainties that could restrict our ability to adopt additional share incentive plans for our directors and employees under PRC law.

In 2006, the PBOC promulgated the *Measure for the Administration of Individual Foreign Exchange*, and in 2007, the SAFE promulgated the accompanying implementing rules. These regulations require PRC citizens who have been granted shares or share options by an overseas listed company to register with the SAFE and complete certain other procedures related to the share option or share incentive plan. Our PRC citizen employees who have been granted share options, or PRC optionees, will be subject to these regulations upon the listing of our ADSs on the NASDAQ Global Market. If we or our PRC optionees fail to comply with these regulations, we or our PRC optionees may be subject to fines and legal or administrative sanctions.

In addition, in 2007, the SAFE issued the *Operating Procedures for Administration of Domestic Individuals Participating in the Employee Stock Option Plan or Stock Option Plan of An Overseas Listed Company*, or Circular 78, which requires PRC employee participants to register with the SAFE and to comply with a series of other requirements. See "Regulation — Regulations on Foreign Currency Exchange." We cannot predict whether the SAFE will continue to enforce this circular or adopt additional or different requirements with respect to equity compensation plans or incentive plans. If it is determined that our Amended and Restated 2007 Global Share Plan, Amended and Restated 2008 Global Share Plan or Amended and Restated 2009 Share Incentive Plan is subject to Circular 78, failure to comply with such provisions may subject us and the participants of our share incentive plans who are PRC citizens to fines and legal sanctions and may prevent us from further granting options under our share incentive plans to our employees. Such events could adversely affect our business operations.

It is unclear whether we will be considered as a PRC "resident enterprise" under the new EIT law, and depending on the determination of our PRC "resident enterprise" status, dividends paid to us by our PRC subsidiaries may be subject to PRC withholding tax, 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.

In 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 Enterprise Income Tax Law and its Implementation Regulations, or the new EIT Law, provides that enterprises established outside of China whose "*de facto* management bodies" are located in China are considered "resident enterprises." Currently, there are no detailed rules or precedents governing the procedures and specific criteria for determining "*de facto* management body" and it is still unclear if the PRC tax authorities would determine that we should be classified as a PRC "resident enterprise."

Under the new EIT Law, dividends paid to us by our subsidiaries in China may be subject to a 10% withholding tax if we are considered a "non-resident enterprise." 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 dividends distributed from our PRC subsidiaries to us could be exempt from the PRC dividend withholding tax, since such income is exempted under the new EIT Law to a PRC resident recipient. If we are required under the new 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. In addition, dividends we pay 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 withholding tax.

Furthermore, if we are considered as 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 gains earned by non-resident individuals may also be subject to PRC withholding tax. See "Taxation — PRC Taxation."

Risks Related to This Offering

There has been no public market for our ordinary shares or ADSs prior to this offering, and you may not be able to resell our ADSs at or above the price you paid, or at all.

Prior to this initial public offering, there has been no public market for our ordinary shares or ADSs. We have applied to have our ADSs listed on the NASDAQ Global Market. Our ordinary shares will not be listed or quoted for trading on any exchange. If an active trading market for our ADSs does not develop after this offering, the market price and liquidity of our ADSs will be materially and adversely affected.

The initial public offering price for our ADSs will be determined by negotiations between us and the representatives of the underwriters and may bear no relationship to the market price for our ADSs after the initial public offering. We cannot assure you that an active trading market for our ADSs will develop or that the market price of our ADSs will not decline below the initial public offering price.

The market price for our ADSs may be volatile.

The market price for our ADSs may be volatile and subject to wide fluctuations in response to 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;
- 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 securities market has from time to time experienced significant price and volume fluctuations that are not related to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of our ADSs.

Because the initial public offering price is substantially higher than our net tangible book value per share, you will incur immediate and substantial dilution.

The initial public offering price per ADS is substantially higher than the net tangible book value per ADS prior to the offering. Accordingly, if you purchase our ADSs in this offering and assuming no exercise of the underwriters' over-allotment option, you will incur immediate dilution of approximately US$ in the net tangible book value per ADS from the price you pay for our ADSs, representing the difference between:

- the assumed initial public offering price of US$ per ADS (the midpoint of the estimated initial public offering price range set forth on the front cover of this prospectus), and
- the pro forma as adjusted net tangible book value per ADS of US$ as of December 31, 2009, assuming the automatic conversion of our outstanding Series A and Series B preferred shares into ordinary shares and after giving effect to this offering.

You may find additional information in the section entitled "Dilution" in this prospectus. If we issue additional ADSs in the future, you may experience further dilution. In addition, you may experience further dilution to the extent that ordinary shares are issued upon the exercise of stock options. Substantially all of the ordinary shares issuable upon the exercise of our currently outstanding stock options will be issued at a purchase price on a per ADS basis that is less than the initial public offering price per ADS in this offering.

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

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, following this offering, 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. The ADSs offered in this offering will be eligible for immediate resale in the public market without restrictions, and shares held by our existing shareholders may also 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. See "Shares Eligible for Future Sale" and "Underwriting" for additional information regarding resale restrictions.

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. See "Description of Share Capital — Registration Rights." 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.

Currently, our founder, Mr. Qi Ji, who is also our executive chairman, and our co-founders, Ms. Tongtong Zhao and Mr. John Jiong Wu, beneficially own approximately 62.7%, 21.1% and 5.2%, respectively, of our outstanding ordinary shares on an as-converted basis. See "Principal Shareholders." Upon completion of this offering, our founder and co-founders will beneficially hold an aggregate of approximately % of our outstanding ordinary shares if the underwriters do not exercise their over-allotment option or % if the underwriters exercise their over-allotment option in full. 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 those who purchase ADSs in this offering.

You may not have the same voting rights as the holders of our ordinary shares and may not receive voting materials in time to be able to exercise your right to vote.

Except as described in this prospectus and in the deposit agreement, holders of our ADSs will not be able to exercise voting rights attaching to the shares evidenced by our ADSs on an individual basis. Holders of our ADSs will appoint the depositary or its nominee as their representative to exercise the voting rights attaching to the shares represented by the ADSs. You may not receive voting materials in time to instruct the depositary to vote, and it is possible that you, or persons who hold their ADSs through brokers, dealers or other third parties, will not have the opportunity to exercise a right to vote.

You may not be able to participate in rights offerings and may experience dilution of your 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 depositary 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 of 1933, as amended, 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.

You may be subject to limitations on transfer of your ADSs.

Your ADSs are transferable on the books of the depositary. However, the depositary 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 depositary may refuse to deliver, transfer or register transfers of ADSs generally when our books or the books of the depositary are closed, or at any time if we or the depositary 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.

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 nominating 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 nominating 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 nominating committee. The corporate governance practice in our home country, the Cayman Islands, does not require the implementation of a nominating committee. We currently intend to rely upon the relevant home country exemption in lieu of the nominating 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 new amended and restated articles of association that will become effective upon the completion of this offering contain provisions limiting 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 series and to fix their designations, powers, preferences, privileges, and relative participating, optional or special rights and the qualifications, limitations or restrictions, including dividend rights, conversion rights, voting rights, terms of redemption 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. Preferred shares 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.

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 wholly owned 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 the PRC 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 non-penal judgment of a foreign court of competent jurisdiction without retrial on the merits. 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. For more information regarding the relevant laws of the Cayman Islands and the PRC, see "Enforceability of Civil Liabilities."

Our corporate affairs are governed by our memorandum and articles of association and by the Companies Law (2009 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.

Our management will have considerable discretion as to the use of the net proceeds from this offering.

Our management will have considerable discretion in the application of the net proceeds received by us. You will not have the opportunity, as part of your investment decision, to assess whether proceeds are being used appropriately. You must rely on the judgment of our management regarding the application of the net proceeds of this offering. The net proceeds received by us may be used for corporate purposes that do not improve our efforts to maintain profitability or increase our share price. The net proceeds from this offering may be placed in investments that do not produce income or that lose value.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are based on our management's beliefs and assumptions and on information currently available to us. The forward-looking statements are contained principally in, but not limited to, the sections entitled "Prospectus Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business." 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;
- 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," "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 the heading "Risk Factors" and elsewhere in this prospectus. 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.

The forward-looking statements made in this prospectus relate only to events or information as of the date on which the statements are made in this prospectus. 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.

USE OF PROCEEDS

Based upon an assumed initial offering price of per ADS (the midpoint of the estimated public offering price range shown on the front cover of this prospectus), we estimate that we will receive net proceeds from this offering of approximately US$ million after deducting underwriting discounts and commissions and the estimated offering expenses payable by us. A US$1.00 increase (decrease) in the assumed initial offering price would increase (decrease) the net proceeds to us from this offering by US$ million after deducting underwriting discounts and commissions and the estimated offering expenses payable by us.

As of the date of this prospectus, we have not allocated any specific portion of the net proceeds of this offering for any particular purpose. We anticipate using approximately 90% of the net proceeds of this offering for our hotel network expansion purposes and the remaining amount for general corporate purposes.

In utilizing the proceeds of this offering, we may make loans to our subsidiary or we may make additional capital contributions to these entities.

The foregoing represents our current intentions with respect of the use and allocation of the net proceeds of this offering based upon our present plans and business conditions, but our management will have significant flexibility and discretion in applying the net proceeds of this offering. The occurrence of unforeseen events or changed business conditions may result in application of the proceeds of this offering in a manner other than as described in this prospectus.

Pending use of the net proceeds, we intend to invest our net proceeds in short-term, interest bearing debt instruments or bank deposits.

DIVIDEND POLICY

We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business. We had never declared or paid dividends prior to December 31, 2009 and we do not have any plan to declare or pay any dividends in the near future.

Our board of directors has complete discretion in deciding whether to distribute dividends. Even if our board of directors decides to pay dividends, the timing, amount and form of future dividends, if any, will depend on, among other things, our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our board of directors.

If we pay any dividends, our ADS holders will be 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. See "Description of American Depositary Shares." Cash dividends on our ordinary shares, if any, will be paid in U.S. dollars.

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); 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.

CAPITALIZATION

The following table sets forth our total capitalization as of December 31, 2009:

- on an actual basis;
- on a pro forma basis to give effect to (i) the automatic conversion of all of our outstanding Series A preferred shares into 44,000,000 ordinary shares, at a conversion ratio of one Series A preferred share to one ordinary share; and (ii) the automatic conversion of all of our outstanding Series B preferred shares into 78,058,919 ordinary shares, at a conversion ratio of one Series B preferred share to one ordinary share; and
- on a pro forma as adjusted basis to give effect to (i) the automatic conversion of all of our outstanding Series A preferred shares into 44,000,000 ordinary shares, at a conversion ratio of one Series A preferred share to one ordinary share; (ii) the automatic conversion of all of our outstanding Series B preferred shares into 78,058,919 ordinary shares, at a conversion ratio of one Series B preferred share to one ordinary share; and (iii) the issuance and sale of ordinary shares in the form of ADSs by us in this offering, assuming an initial public offering price of per ADS, the midpoint of the estimated range of the initial public offering price, after deducting estimated underwriting discounts and commissions and offering expenses payable by us and assuming no exercise of the underwriters' over-allotment option.

The following table does not take into account the issuance of 1,700,000 ordinary shares in February 2010 pursuant to the exercise of certain warrants. See "Description of Share Capital — History of Securities Issuances."

You should read this table together with our consolidated financial statements, the related notes included elsewhere in this prospectus and the information under "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	As of December 31, 2009					
	Actual		Pro Forma (unaudited)		Pro Forma As Adjusted (unaudited)	
	(RMB)	(US$)	(RMB)	(US$)	(RMB)	(US$)
	(in thousands, except share data)					
Long-term debt (secured)	80,000	11,720	80,000	11,720	80,000	11,720
Mezzanine equity:						
Series B convertible redeemable preferred shares (US$0.0001 par value per share, 106,000,000 shares authorized, 78,058,919 issued and outstanding).	796,803	116,732	-	-	-	-
Equity:						
Ordinary shares (US$0.001 par value per share, 300,000,000 shares authorized, 60,948,013 shares issued and outstanding on an actual basis, 183,006,932 shares issued and outstanding on a pro forma basis and shares issued and outstanding on a pro forma as adjusted basis as of December 31, 2009)	46	7	125	18		
Series A convertible preferred shares (US$0.0001 par value per share, 44,000,000 shares authorized, issued and outstanding)	34	5	-	-	-	-
Additional paid-in capital	351,994	51,567	1,148,752	168,293		
Accumulated deficit	(245,457)	(35,960)	(245,457)	(35,960)	(245,457)	(35,960)
Accumulated other comprehensive loss	(12,529)	(1,835)	(12,529)	(1,835)	(12,529)	(1,835)
Noncontrolling interest	11,365	1,665	11,365	1,665	11,365	1,665
Total equity[1]	105,453	15,449	902,256	132,181		
Total long-term debt, mezzanine equity and equity[1]	982,256	143,901	982,256	143,901		

(1) Assuming the number of ADSs offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting estimated underwriting discounts and commissions and offering expenses payable by us, a US$1.00 increase (decrease) in the assumed initial public offering price of US$ would increase (decrease) each of additional paid-in capital and total equity by US$ million.

DILUTION

If you invest in our ADSs, your interest will be diluted to the extent of the difference between the initial public offering price per ADS and our net tangible book value per ADS after this offering. Dilution results from the fact that the initial public offering price per ordinary share is substantially in excess of the book value per ordinary share attributable to the existing shareholders for our presently outstanding ordinary shares.

Our net tangible book value as of December 31, 2009 was approximately US$ million, or approximately US$ per ordinary share or US$ per ADS. Net tangible book value per ADS gives effect to the conversion of all of our outstanding Series A preferred shares into 44,000,000 ordinary shares and all of our outstanding Series B preferred shares into 78,058,919 ordinary shares. Net tangible book value represents the amount of our total consolidated tangibles, less the amount of our total consolidated liabilities. Dilution is determined by subtracting net tangible book value per ordinary share from the assumed initial public offering price per ordinary share, which is the midpoint of the estimated initial public offering price range set forth on the cover page of this prospectus.

Without taking into account any other changes in net tangible book value after December 31, 2009, other than to give effect to our sale of the ADSs offered in this offering at the initial public offering price of US$ per ADS, the midpoint of the estimated range of the initial public offering price, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma as adjusted net tangible book value as of would have been US$ million, or US$ per outstanding ordinary share, and US$ per ADS. This represents an immediate increase in net tangible book value of US$ per ordinary share and US$ per ADS, to the existing shareholders and an immediate dilution in net tangible book value of US$ per ordinary share and US$ per ADS, to investors purchasing ADSs in this offering.

The following table illustrates such dilution:

	Per Ordinary Share	Per ADS
Assumed initial public offering price	US$	US$
Net tangible book value as of December 31, 2009 without giving effect to the conversions of Series A and Series B preferred shares		
Pro forma net tangible book value, assuming conversions of Series A and Series B preferred shares		
Decrease in net tangible book value attributable to conversions of Series A and Series B preferred shares		
Pro forma as adjusted net tangible book value after giving effect to this offering		
Increase in net tangible book value attributable to price paid by new investors		
Dilution in net tangible book to new investors in this offering	US$	US$

The following table summarizes on a pro forma as adjusted basis described above, as of December 31, 2009, the differences between existing shareholders and the new investors with respect to the number of ordinary shares (in the form of ADSs or shares) purchased from us, the total consideration paid and the average price per ordinary share/ADS paid before deducting estimated underwriting discounts and commissions and the estimated offering expenses. The total number of ordinary shares does not include ordinary shares underlying the ADSs issuable upon the exercise of the over-allotment option granted to the underwriters.

	Ordinary Shares Purchased		Total Consideration		Average Price Per Ordinary Share(1)	Average Price Per ADS(1)
	Number	Percent	Amount	Percent		
Existing shareholders		%	US$	%	US$	US$
New investors						
Total		100%	US$	100%		

(1) Assumes an initial public offering price of US$ per ADS, the midpoint of the estimated range of the initial public offering price, and the automatic conversion of all of our outstanding 44,000,000 Series A preferred shares and 78,058,919 Series B preferred shares into ordinary shares upon the completion of this offering.

A US$1.00 increase (decrease) in the assumed initial public offering price of US$ per ADS would increase (decrease) our pro forma as adjusted net tangible book value after giving effect to the offering by US$ million, the pro forma as adjusted net tangible book value per ordinary share and per ADS after giving effect to this offering by US$ per ordinary share and US$ per ADS and the dilution in pro forma as adjusted net tangible book value per ordinary share and per ADS to new investors in this offering by US$ per ordinary share and US$ per ADS, assuming no change to the number of ADSs offered by us as set forth on the cover page of this prospectus, and after deducting estimated underwriting discounts and commissions and offering expenses payable by us.

The pro forma as adjusted information discussed above is illustrative only. Our net tangible book value following the completion of this offering is subject to adjustment based on the actual initial public offering price of our ADSs and other terms of this offering determined at pricing.

The preceding discussion and tables:

- do not take into account the issuance of 1,700,000 ordinary shares in February 2010 pursuant to the exercise of certain warrants;
- assume no exercise of options to purchase ordinary shares outstanding as of . As of , there were shares issuable upon exercise of options to purchase ordinary shares at an exercise price of US$ per share. To the extent outstanding options are exercised, new investors will experience further dilution; and
- are based on ordinary shares outstanding as of .

EXCHANGE RATE INFORMATION

Our reporting and financial statements are expressed in the U.S. dollar, which is our functional and reporting currency. Substantially all of the revenues and expenses of our consolidated operating subsidiaries, however, are denominated in RMB. This prospectus contains translations of RMB amounts into U.S. dollars at specific rates solely for the convenience of the reader. For all dates and periods through December 31, 2008, conversions of Renminbi into U.S. dollars are based on the noon buying rate in The City of New York for cable transfers of Renminbi as certified for customs purposes by the Federal Reserve Bank of New York. For January 1, 2009 and all later dates and periods, 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 prospectus are based on the exchange rate on December 31, 2009. 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 March 1, 2010, the daily exchange rate reported by the Federal Reserve Board was RMB6.8262 to US$1.00.

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 prospectus or will use in the preparation of our periodic reports or any other information to be provided to you.

	Noon Buying Rate			
Period	**Period End**	**Average[1]**	**Low**	**High**
		(RMB per US$1.00)		
2005	8.0702	8.1826	8.2765	8.0702
2006	7.8041	7.9579	8.0702	7.8041
2007	7.2946	7.6058	7.8172	7.2946
2008	6.8225	6.9477	7.2946	6.7800
2009	6.8259	6.8307	6.8176	6.8470
2009				
September	6.8262	6.8277	6.8303	6.8247
October	6.8264	6.8267	6.8292	6.8248
November	6.8265	6.8271	6.8300	6.8255
December	6.8259	6.8275	6.8299	6.8244
2010				
January	6.8268	6.8269	6.8295	6.8258
February	6.8258	6.8285	6.8330	6.8258
March (through March 1)	6.8262	6.8262	6.8262	6.8262

(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.

ENFORCEABILITY OF CIVIL LIABILITIES

We were incorporated in the Cayman Islands in order to enjoy certain benefits, such as political and economic stability, an effective judicial system, a favorable tax system, the absence of exchange control or currency restrictions, and the availability of professional and support services. Certain disadvantages, however, accompany incorporation in the Cayman Islands. These disadvantages include a less developed body of Cayman Islands securities laws that provide significantly less protection to investors as compared to the laws of the United States, and the potential lack of standing by Cayman Islands companies to sue in the federal courts of the United States.

Our organizational documents do not contain provisions requiring that disputes, including those arising under the securities laws of the United States, between us, our officers, directors and shareholders, be arbitrated.

Substantially all of our operations are conducted in China, and substantially all of our assets are located in China. A majority of our officers are nationals or residents of jurisdictions other than the United States and a substantial portion of their assets are located outside the United States. As a result, it may be difficult for a shareholder to effect service of process within the United States upon these persons, or to enforce against us or them judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States.

We have appointed CT Corporation System as our agent upon whom process may be served in any action brought against us under the securities laws of the United States.

Conyers Dill & Pearman, our special Cayman Islands counsel, and Jun He Law Offices, our special PRC counsel, have advised us that there is uncertainty as to whether the courts of the Cayman Islands and China, respectively, would:

- recognize or enforce judgments of United States courts obtained against us or our directors or officers predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States; or
- entertain original actions brought in each respective jurisdiction against us or our directors or officers predicated upon the securities laws of the United States or any state in the United States.

Conyers Dill & Pearman has advised us that a final and conclusive judgment in the federal or state courts of the United States under which a sum of money is payable, other than a sum payable in respect of taxes, fines, penalties or similar charges, may be subject to enforcement proceedings as a debt in the courts of the Cayman Islands under the common law doctrine of obligation. However, Conyers Dill & Pearman has advised us that it is uncertain whether a U.S. court judgment based on the civil liability provisions of the U.S. federal securities laws would be enforceable in the Cayman Islands because a Cayman Islands court may determine that such judgment is in the nature of a “penalty” and therefore not subject to enforcement proceedings as a debt.

Jun He Law Offices has further advised us that the recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedures Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law based either on treaties between China and the country where the judgment is made or on reciprocity between jurisdictions. China does not have any treaties or other agreements with the United States that provide for the reciprocal recognition and enforcement of foreign judgments. In addition, according to the PRC Civil Procedures Law, courts in the PRC will not enforce a foreign judgment against us or our directors and officers if they decide that the judgment violates the basic principles of PRC laws or national sovereignty, security or public interest. As a result, it is uncertain whether a PRC court would enforce a judgment rendered by a court in the United States.

SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA

The following summary consolidated statements of operations and balance sheet data as of and for the years ended December 31, 2007, 2008 and 2009 have been derived from our audited consolidated financial statements which are included elsewhere in this prospectus. Our statement of operations and balance sheet data as of and for the year ended December 31, 2006 are unaudited.

We have not included financial information for the year ended December 31, 2005, as such information is not available on a basis that is consistent with the consolidated financial information for the years ended December 31, 2006, 2007, 2008 and 2009. Our operation commenced, through Powerhill Holdings Limited, or Powerhill, with mid-scale limited service hotels and commercial property development and management in 2005. See "Prospectus Summary — Corporate Structure and History." We began migrating to our current business of operating and managing a multiple-product economy hotel chain in 2007. In light of the change in our business model and our significant growth since 2007, we believe that the financial data for the year ended December 31, 2005 would not be meaningful to investors. Furthermore, the preparation of the 2005 financial information would require the accounting records of Powerhill's subsidiary, Lishan Property (Suzhou) Co., Ltd., or Suzhou Property, and its subsidiary, Shanghai Shuyu Co., Ltd., or Shuyu. Historically, limited unconsolidated financial statements have been prepared for Suzhou Property and Shuyu under PRC accounting standards for internal purposes and only to support tax return information filed with the PRC tax authorities. Due to the long-dated nature of the 2005 accounting records of these two entities and the lack of accounting personnel at our company and Powerhill who are familiar with the preparation of such accounting records, our consolidated financial statements for the year ended December 31, 2005 cannot be provided on a U.S. GAAP basis or home-country GAAP basis without unreasonable effort or expense. We do not believe that the omission of selected financial data for 2005 would have a material impact on a reader's understanding of our financial results and condition, or related trends.

The following selected historical consolidated financial and operating data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our audited financial statements and the related notes included elsewhere in this prospectus. The historical results presented below are not necessarily indicative of financial results to be achieved in future periods.

	Year Ended December 31,				
	2006	2007	2008	2009	
	(RMB)	(RMB)	(RMB)	(RMB)	(US$)
	(in thousands, except per share and per ADS data)				
Summary Consolidated Statements of Operations Data:					
Net revenues	54,031	235,306	764,249	1,260,191	184,619
Operating costs and expenses(1)	(94,069)	(372,616)	(917,901)	(1,183,777)	(173,424)
Income (loss) from operations	(40,038)	(137,310)	(153,652)	76,414	11,195
Income (loss) before income taxes	(36,623)	(131,001)	(156,463)	69,438	10,173
Net income (loss)	(29,954)	(113,739)	(132,583)	51,448	7,537
Less: net income (loss) attributable to noncontrolling interest	(425)	(2,116)	3,579	8,903	1,304
Net income (loss) attributable to China Lodging Group, Limited	(29,529)	(111,623)	(136,162)	42,545	6,233
Net earnings (loss) per share:					
Basic		(2.85)	(2.52)	0.24	0.03
Diluted		(2.85)	(2.52)	0.23	0.03
Net earnings (loss) per ADS(2):					
Basic					
Diluted					
Weighted average number of shares used in computation:					
Basic		45,248	54,071	57,562	57.562
Diluted		45,248	54,071	183,632	183,632
Pro forma earnings (loss) per share(3) — unaudited:					
Basic				0.24	0.03
Diluted				0.23	0.03
Weighted average number of shares used in computation — unaudited:					
Basic				179,621	179,621
Diluted				183,632	183,632

Note: (1) Include share-based compensation expenses as follows:

	Year Ended December 31,			
	2007	2008	2009	
	(RMB)	(RMB)	(RMB)	(US$)
		(in thousands)		
Share-based compensation expenses	14,785	4,815	7,955	1,165

(2) Each ADS represents ordinary shares.

(3) Pro forma basic and diluted earnings (loss) per ordinary share is computed by dividing income (loss) attributable to holders of ordinary shares by the weighted average number of ordinary shares outstanding for the year plus the number of ordinary shares resulting from the assumed conversion of the outstanding convertible preferred shares upon the closing of the planned initial public offering.

The following table presents a summary of our consolidated balance sheet data as of December 31, 2006, 2007, 2008 and 2009:

- on an actual basis;
- on a pro forma basis as of December 31, 2009 to give effect to (i) the automatic conversion of all of our outstanding Series A preferred shares into 44,000,000 ordinary shares, at a conversion ratio of one Series A preferred share to one ordinary share; and (ii) the automatic conversion of all of our outstanding Series B preferred shares into 78,058,919 ordinary shares, at a conversion ratio of one Series B preferred share to one ordinary share; and
- on a pro forma as adjusted basis as of December 31, 2009 to give effect to (i) the automatic conversion of all of our outstanding Series A preferred shares into 44,000,000 ordinary shares, at a conversion ratio of one Series A preferred share to one ordinary share; (ii) the automatic conversion of all of our outstanding Series B preferred shares into 78,058,919 ordinary shares, at a conversion ratio of one Series B preferred share to one ordinary share; and (iii) the issuance and sale of ordinary shares in the form of ADSs by us in this offering, assuming an initial public offering price of per ADS, the midpoint of the estimated range of the initial public offering price, after deducting estimated underwriting discounts and commissions and offering expenses payable by us and assuming no exercise of the underwriters' over-allotment option. A US$1.00 increase (decrease) in the assumed initial public offering price of US$ per ADS, the midpoint of the estimated range of the initial public offering price, would increase (decrease) the amounts representing cash and cash equivalents, total assets and total equity (deficit) by US$ million.

	As at December 31,								
	2006	2007	2008	2009		2009		2009	
	Actual	Actual	Actual	Actual		Pro Forma		Pro Forma As Adjusted	
						(unaudited)		(unaudited)	
	(RMB)	(RMB)	(RMB)	(RMB)	(US$)	(RMB)	(US$)	(RMB)	(US$)
				(in thousands)					
Cash and cash equivalents	33,272	173,636	183,246	270,587	39,641	270,587	39,641		
Restricted cash	27,330	23,650	5,597	500	73	500	73	500	73
Property and equipment, net	159,216	465,186	957,407	1,028,267	150,642	1,028,267	150,642	1,028,767	150,642
Total assets	280,593	836,045	1,432,940	1,581,131	231,637	1,581,131	231,637		
Long-term debt	-	-	27,500	80,000	11,720	80,000	11,720	80,000	11,720
Deferred rent	6,028	46,084	138,207	174,775	25,605	174,775	25,605	174,775	25,605
Total liabilities	175,382	293,062	665,378	678,875	99,456	678,875	99,456	678,875	99,456
Mezzanine equity	-	437,829	796,803	796,803	116,732	-	-	-	-
Total equity (deficit)	105,211	105,154	(29,241)	105,453	15,449	902,256	132,181		

The following table presents a summary of our consolidated statements of cash flow for the years ended December 31, 2007, 2008 and 2009:

	Year Ended December 31,			
	2007	2008	2009	
	(RMB)	(RMB)	(RMB)	(US$)
		(in thousands)		
Summary Consolidated Statement of Cash Flow Data:				
Net cash provided by (used in) operating activities	(68,254)	(13,738)	296,340	43,414
Net cash used in investing activities	(284,014)	(451,589)	(256,027)	(37,508)
Net cash provided by financing activities	499,307	482,479	47,064	6,895

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with the section entitled "Selected Consolidated Financial Data" and our consolidated financial statements and the related notes included elsewhere in this prospectus. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" and elsewhere in this prospectus.

Overview

We operate a leading economy hotel chain in China. According to the October 2009 Inntie Report, we achieved the highest revenues generated per available room, or RevPAR, and the highest occupancy rate in 2008 and for the first half of 2009, and the highest growth rate in terms of the number of hotel rooms during the period from January 1, 2007 to June 30, 2009, in each case among economy hotel chains in China with over 100 hotels or at least 10,000 hotel rooms. In addition, according to the same report, we ranked second in terms of net revenues for the six months ended June 30, 2009, as compared with other publicly listed economy hotel operators based in the PRC.

We mainly utilize a lease-and-operate model, under which we directly operate hotels that are typically located in prime locations of selected cities. We also employ a franchise-and-manage model, under which we manage franchised hotels, to expand our network coverage. We apply a consistent standard and platform across all of our hotels. As of December 31, 2009, we had 173 leased-and-operated hotels and 63 franchised-and-managed hotels. In addition, as of the same date, we had 21 leased-and-operated hotels and 123 franchised-and-managed hotels under development.

We offer three hotel products that are designed to target distinct groups of customers. Our flagship product, *HanTing Express Hotel*, targets knowledge workers and value-conscious travelers. Our premium product, *HanTing Seasons Hotel*, targets mid-level corporate managers and owners of small and medium enterprises, and our budget product, *HanTing Hi Inn*, serves budget-constrained travelers. As a result of our customer-oriented approach, we have developed strong brand recognition and a loyal customer base. We have received multiple awards, including "Most Favored Economy Hotel in 2008" by Traveler Magazine and "Most Suitable Economy Hotel for Business Travelers" by Qunar.com, one of the leading online travel search engines in China, in 2008. In 2009, approximately 68% of our room nights were sold to members of HanTing Club, our loyalty program.

Our operation commenced with mid-scale limited service hotels and commercial property development and management in 2005. We began migrating to our current business of operating and managing a multiple-product economy hotel chain in 2007. Our total revenues grew from RMB249.4 million in 2007 to RMB1,333.9 million in 2009. We incurred net losses attributable to our company of RMB111.6 million and RMB136.2 million in 2007 and 2008, respectively. We had net income attributable to our company of RMB42.5 million in 2009.

Factors Affecting Our Results of Operations

General factors affecting our results of operations

Our results of operations are subject to general economic conditions and conditions affecting the lodging industry in general, which include, among others:

- *Changes in the national, regional or local economic conditions in China*. Our financial performance depends upon the demand for our products, which is closely linked to the general economy and sensitive to business and individual discretionary spending levels in China. While the lodging industry in China has benefited from the significant growth experienced by the PRC economy in recent years, the recent global financial crisis and economic slowdown in 2008 and 2009 have negatively affected business and consumer confidence and contributed to slowdowns

in most industries, including the lodging industry. Despite signs of recoveries, there remain uncertainties regarding the general economic conditions and demand for our products. Our costs and expenses may also be affected by China's inflation level. We may not be able to pass on the increased costs to our customers. Other macro-economic factors beyond our control may also affect our results of operations. For example, any prolonged recurrence of contagious diseases, social instability or significant natural disasters may have a negative impact on the demand for our products.

- *PRC government policies and regulations.* Our future business and results of operations could be significantly affected by PRC government policies and regulations, particularly those that relate to zoning and licensing.

  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. While we may be reimbursed for such demolition and relocation, the reimbursement, as determined by the relevant government authorities, may not be sufficient to cover our direct and indirect losses. See "Risk Factors — Risks Related to Doing Business in China — Rapid urbanization and changes in zoning and urban planning in China may cause our leased properties to be demolished, removed or otherwise affected."

  Our business is also subject to various compliance and operational requirements under PRC laws. In particular, each of our hotels is required to obtain a special industry license issued by the local public security bureau, and to comply with license requirements and laws and regulations with respect to construction permit, fire prevention, public area hygiene, food hygiene, public safety and environmental protection. Any changes to the existing laws and regulations in the future may increase our compliance efforts at significant cost. See "Regulation — Regulations on Hotel Operation."

- *Competition*. The lodging industry in China is highly competitive. We compete primarily with other economy hotel chains as well as various local lodging facilities. Competition among economy hotels in China is primarily based on location, room rates, brand recognition, the quality of the accommodations and service levels.

- *Access to capital*. The lodging industry is a capital intensive business that requires significant amounts of capital expenditures to develop, maintain and improve hotel properties. Access to the capital that we or our franchisees need to finance the development of new hotels or to maintain and improve existing hotels is critical to the continued growth of our business.

- *Seasonality and special events.* The lodging industry is subject to fluctuations in revenues due to seasonality. 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. In addition, certain special events, such as the China Import and Export Fair held twice a year in Guangzhou and the upcoming World Expo in Shanghai in 2010, may increase the demand for our hotels as such special events may attract travelers into and within the regions in China where we operate hotels.

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, 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 chain is largely affected by our ability to effectively identify and lease 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 base salary, 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 mix of leased-and-operated hotels and franchised-and-managed hotels in our hotel portfolio.* The mix of leased-and-operated hotels and franchised-and-managed hotels in our hotel portfolio affects our results of operations in a given period. Our leased-and-operated hotels have been and will continue to be the main contributor to our revenues. Under the lease-and-operate model, while each hotel incurs certain upfront development costs and pre-opening expenses, we generally expect more revenues and profit contribution once a hotel's operations mature. Under the franchise-and-manage model, we generate revenues from fees we charge to each franchised-and-managed hotel while a franchisee bears substantially all the capital expenditures, pre-opening and operational expenses. As such, our franchise-and-manage model enables us to quickly expand our network through franchisees without incurring significant capital expenditures or expenses. We intend to increase the percentage of franchised-and-managed hotels in our hotel portfolio to expand our geographic presence and diversify our revenue mix.
- *The proportion of mature hotels in our leased-and-operated hotel portfolio.* Generally, the operation of each leased-and-operated hotel goes through three stages: development, ramp-up and mature operations. During the development stage, leased-and-operated hotels generally incur pre-opening expenses ranging from approximately RMB1.0 to RMB2.0 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. The pre-opening expenses incurred during the development stage and the lower profitability during the ramp-up stage for leased-and-operated hotels may have a significant negative impact on our financial performance. It typically takes our hotels three to six months to ramp up, which may be affected by factors such as seasonality and location. We define mature leased-and-operated hotels as those that have been in operation for more than six months.

  As a result of our rapid expansion, a significant number of our leased-and-operated hotels were in the development and ramp-up stages in 2007 and 2008. The table below illustrates the openings of our leased-and-operated hotels in 2007, 2008 and 2009.

	2007	2008	2009
Leased-and-operated Hotels			
Number of hotels as of January 1,	24	62	145
Number of newly-opened hotels within the year	38	83	28
Newly-opened hotels within the year as a percentage of hotels as of January 1,	158%	134%	19%

We track the performance of our leased-and-operated hotels by comparing hotel income (loss), which is the difference between net revenues and hotel operating costs, of our new hotels and mature hotels. Calculated on a monthly rolling basis, taking into account the total number of new and mature hotels in any particular month, hotel loss directly attributable to new leased-and-operated hotels was RMB16 million, RMB27 million and RMB21 million in 2007, 2008 and 2009, respectively, while hotel income directly attributable to mature leased-and-operated hotels

was RMB22 million, RMB94 million and RMB238 million in 2007, 2008 and 2009, respectively, as illustrated in the table below.

	Year Ended December 31,		
	2007	2008	2009
	(RMB in millions, except RevPAR and percentages)		
Mature Leased-and-operated Hotels			
RevPAR (in RMB)	147	171	169
Net Revenues	174	491	1,080
Hotel Operating Costs	151	398	841
Hotel Income Directly Attributable to Mature Leased-and-operated Hotels	22	94	238
Hotel Income as a Percentage of Net Revenues	13%	19%	22%
New Leased-and-operated Hotels			
RevPAR (in RMB)	112	116	124
Net Revenues	61	262	138
Hotel Operating Costs	77	288	159
Hotel Loss Directly Attributable to New Leased-and-operated Hotels	(16)	(27)	(21)
Hotel Loss as a Percentage of Net Revenues	(26)%	(10)%	(15)%

We plan to continue to expand our leased-and-operated hotel portfolio. However, we expect the proportion of mature leased-and-operated hotels in our hotel network to increase due to the enlarged base of mature leased-and-operated hotels, which we believe will have a positive effect on our results of operations.

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.

Our non-financial key performance indicators consist of the increase in the total number of hotels and hotel rooms in our hotel chain as well as RevPAR achieved by our leased-and-operated hotels. 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. 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.

Our financial key performance indicators consist of our revenues, costs and expenses, which are discussed in greater details in the following paragraphs. In addition, we use earnings before interest expense, tax expense (benefit) and depreciation and amortization, or EBITDA, a non-GAAP financial measure, as a key financial performance indicator 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 EBITDA from Operating Hotels, another non-GAAP measure, which is defined as EBITDA before pre-opening expenses, to assess operating results of the hotels in operation. We believe that the exclusion of pre-opening expenses, a portion of which is non-cash rental expenses, helps facilitate period-on-period comparison of our results of operations as the number of hotels in

the development stage may vary significantly from year to year. See " — Results of Operations" for a reconciliation of EBITDA and EBITDA from Operating Hotels to net income (loss).

Revenues. We primarily derive our revenues from operations of our leased-and-operated hotels and franchise and service fees from our franchised-and-managed hotels. Our revenues are subject to a business tax of 5% and other related taxes. The following table sets forth the revenues generated by our leased-and-operated hotels and franchised-and-managed hotels, both in absolute amount and as a percentage of total revenues for the periods indicated.

	Year Ended December 31,						
	2007		2008		2009		
	(RMB)	%	(RMB)	%	(RMB)	(US$)	%
	(in thousands except percentages)						
Revenues:							
Leased-and-operated hotels	248,199	99.5	797,815	98.5	1,288,898	188,825	96.6
Franchised-and-managed hotels	1,210	0.5	12,039	1.5	44,965	6,587	3.4
Total revenues	249,409	100.0	809,854	100.0	1,333,863	195,412	100.0
Less: Business tax and related taxes	(14,103)	(5.7)	(45,605)	(5.6)	(73,672)	(10,793)	(5.5)
Net revenues	235,306	94.3	764,249	94.4	1,260,191	184,619	94.5

- *Leased-and-operated Hotels.* In 2008, we generated revenues of RMB797.8 million from our leased-and-operated hotels, which accounted for 98.5% of our total revenues for the year. In 2009, we generated revenues of RMB1,288.9 million from our leased-and-operated hotels, which accounted for 96.6% of our total revenues for the year. We expect that revenues from our leased-and-operated hotels will continue to constitute a substantial majority of our total revenues in the foreseeable future. As of December 31, 2009, we had 21 leased-and-operated hotels under development.

  For our leased-and-operated 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 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 three- to six-month rent-free period. We generally pay fixed rent on a monthly or quarterly basis for the first three or five years of the lease term, after which we are generally subject to a 3% to 5% increase every three to five years.

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

  - the total number of leased-and-operated hotels in our hotel chain;
  - the total number of leased-and-operated hotel rooms in our hotel chain; and
  - RevPAR achieved by our leased-and-operated hotels, which represents the product of average daily rates and occupancy rates.

  The future growth of revenues generated from our leased-and-operated hotels will depend significantly upon our ability to expand our hotel chain into new locations in China and maintain and further increase occupancy rates and average daily rates at existing hotels. As of December 31, 2009, we had entered into binding contracts with lessors of 21 properties for our leased-and-operated hotels which are currently under development. We intend to fund this planned expansion with our operating cash flow and our cash balance.

- *Franchised-and-managed Hotels.* In 2008, we generated revenues of RMB12.0 million from our franchised-and-managed hotels, which accounted for 1.5% of our total revenues for the year. In 2009, we generated revenues of RMB45.0 million from our franchised-and-managed hotels, which accounted for 3.4% of our total revenues for the year. We expect that revenues from our franchised-and-managed hotels will increase in the foreseeable future as we add more franchised-and-managed hotels in our hotel chain. We also expect the number of our franchised-and-managed hotels as a percentage of the total number of hotels in our network to increase. As of December 31, 2009, we had 123 franchised-and-managed hotels under development.

  We select franchisees who are property owners, existing hotel operators or hotel investors. We directly manage our franchised-and-managed hotels and impose the same standards for all franchised-and-managed hotels to ensure product quality and consistency across our hotel network. Management services we provide to our franchisees generally include hiring, appointing and training hotel managers, managing reservations, providing sales and marketing support, conducting quality assurance inspections and providing other operational support and information. 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 believe our franchise-and-manage 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 and the properties that they may own which are suitable for hotel business.

  Our franchise-and-management agreements typically run for an initial term of eight years. We collect fees from our franchisees and do not bear loss, if any, incurred by our franchisees. Our franchisees are generally required to pay us a one-time franchise-and-management fee ranging between RMB100,000 and RMB300,000. They are also responsible for all costs and expenses related to hotel construction and refurbishing. In general, we charge a monthly franchise-and-management fee of approximately 5% of the total revenues generated by each franchised-and-managed hotel. Beginning in 2009, we launched an alternative performance-based fee scheme to provide franchisees with an additional choice. We also collect from franchisees a reservation fee on a per-room-night basis for using our central reservation system and a membership registration fee to service customers who join our HanTing Club loyalty program at the franchised-and-managed hotels. Furthermore, we employ and appoint hotel managers for the franchised-and-managed hotels and charge the franchisees a monthly fee for the service. Therefore, our revenues from franchised-and-managed hotels are primarily affected by the number and the revenues of franchised-and-managed hotels.

Operating Costs and Expenses. Our operating costs and expenses consist of costs for hotel operation, 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 total revenues for the periods indicated.

	Year Ended December 31,						
	2007		2008		2009		
	(RMB)	%	(RMB)	%	(RMB)	(US$)	%
	(in thousands except percentages)						
Total revenues	249,409	100.0	809,854	100.0	1,333,863	195,412	100.0
Less: Business tax and related taxes	(14,103)	(5.7)	(45,605)	(5.6)	(73,672)	(10,793)	(5.5)
Net revenues	235,306	94.3	764,249	94.4	1,260,191	184,619	94.5
Operating costs and expenses							
Hotel operating costs:							
Rents and utilities	(112,787)	(45.2)	(322,809)	(39.9)	(508,579)	(74,507)	(38.1)
Personnel costs	(34,411)	(13.8)	(137,231)	(16.9)	(169,248)	(24,795)	(12.7)
Depreciation and amortization	(33,234)	(13.3)	(92,838)	(11.5)	(141,600)	(20,744)	(10.6)
Consumables, food and beverage	(35,597)	(14.3)	(82,662)	(10.2)	(119,056)	(17,442)	(8.9)
Others	(12,333)	(5.0)	(51,824)	(6.4)	(65,989)	(9,668)	(5.0)
Total hotel operating costs	(228,362)	(91.6)	(687,364)	(84.9)	(1,004,472)	(147,156)	(75.3)
Selling and marketing expenses	(17,581)	(7.0)	(40,810)	(5.0)	(57,818)	(8,470)	(4.3)
General and administrative expenses	(65,653)	(26.3)	(81,665)	(10.1)	(83,666)	(12,257)	(6.3)
Pre-opening expenses	(61,020)	(24.5)	(108,062)	(13.3)	(37,821)	(5,541)	(2.8)
Total operating costs and expenses	(372,616)	(149.4)	(917,901)	(113.3)	(1,183,777)	(173,424)	(88.7)

- *Hotel operating costs.* Our hotel operating costs consist of costs and expenses directly attributable to the operation of our leased-and-operated and franchised-and-managed hotels. Leased-and-operated 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. Franchised-and-managed hotel operating costs primarily include compensation and benefits for franchised-and-managed 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 will increase as we continue to open new hotels. However, we anticipate that our hotel operating costs as a percentage of our total revenues will decrease in general primarily due to (i) the enlarged base of relatively mature hotels in our leased-and-operated hotel portfolio and (ii) the relatively fixed nature of a significant portion of our operating costs and expenses.
- *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 brand.
- *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 and with being a public company, including costs of enhancing our internal controls.
- *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-operated 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 three- to six-months 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.

	Year Ended December 31,			
	2007	2008	2009	
	(RMB)	(RMB)	(RMB)	(US$)
	(in thousands)			
Rents	41,515	77,764	29,907	4,381
Personnel cost	11,585	16,402	3,584	526
Others	7,920	13,896	4,330	634
Total pre-opening expenses	61,020	108,062	37,821	5,541

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,						
	2007		2008		2009		
	(RMB)	(%)	(RMB)	(%)	(RMB)	(US$)	(%)
	(in thousands except percentages)						
Hotel operating costs	24	0.2	116	2.4	523	77	6.6
Selling and marketing expenses	107	0.7	178	3.7	465	67	5.8
General and administrative expenses	14,654	99.1	4,521	93.9	6,967	1,021	87.6
Total share-based compensation expenses	14,785	100.0	4,815	100.0	7,955	1,165	100.0

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, and adopted the 2009 Share Incentive Plan in September 2009. We have granted options to purchase 11,909,540, 1,948,370, 6,305,975 and 172,595 of our ordinary shares in 2007, 2008, 2009 and for the first two months of 2010, respectively. We recognized share-based compensation as compensation expenses in the statement of operations 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. 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.

On June 20, 2007, we issued 7,840,001 ordinary shares and a detachable warrant for the purchase of up to 4,704,001 Series B preferred shares at US$1.27551 per share, or the founder warrant, to Winner Crown Holdings Limited, or Winner Crown, for a promissory note of RMB76,185,973. The promissory note was interest free, had a term of four months and was collateralized solely by the ordinary shares. We recorded the fair value of the founder warrant of RMB6,593,655 as a liability in the consolidated balance sheets on the grant date, as such warrant was convertible into mezzanine equity securities, and a corresponding compensation charge given that the founder warrant was not subject to forfeiture upon failure to pay the promissory note.

On August 14, 2007, pursuant to arrangements between us and certain external third-party consultants, we issued 387,634 ordinary shares for certain services received on that date and recorded share-based compensation of RMB1,934,527 which represented the fair value of the ordinary shares on August 14, 2007 at RMB4.99 per share.

Taxation

We are incorporated in the Cayman Islands. Under the current law of the Cayman Islands, we are not subject to income or capital gains tax. In addition, dividend payments are not subject to withholding tax in the Cayman Islands.

China Lodging Holdings (HK) Limited is subject to a profit tax at the rate of 16.5% on assessable profit determined under relevant Hong Kong tax regulations. To date, China Lodging Holdings (HK) Limited has not been required to pay profit tax as it had no assessable profit.

Prior to January 1, 2008, our PRC operating entities were governed by the Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises and the Provisional Regulations of the PRC on Enterprises Income Tax, or the old EIT Laws. Pursuant to the old EIT Laws, PRC enterprises were generally subject to the enterprise income tax at a statutory rate of 33% (30% state income tax plus 3% local income tax). On March 16, 2007, the National People's Congress, the Chinese legislature, passed the Enterprise Income Tax Law, 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 new EIT Law, applies a uniform 25% enterprise income tax rate to both foreign-invested enterprises and domestic enterprises.

The new 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 arrangement. Holding companies in Hong Kong, for example, are subject to a 5% withholding tax rate. The Cayman Islands, where we are incorporated, does not have such a tax treaty with China. Thus, dividends paid to us by our subsidiaries in China may be subject to the 10% withholding tax if we are considered a "non-resident enterprise" under the new EIT Law. See "Risk Factors — Risks Related to Doing Business in China — It is unclear whether we will be considered as a PRC 'resident enterprise' under the new EIT Law, and depending on the determination of our PRC 'resident enterprise' status, dividends paid to us by our PRC subsidiaries may be subject to PRC withholding tax, 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 accounting principles generally accepted in the United States, or 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 are primarily derived from operations of leased-and-operated hotels administrated under the "HanTing" brand name, including the rental of rooms and food and beverage sales. Revenues are recognized when rooms are occupied and food and beverages are sold.

Our revenues from franchised-and-managed hotels are derived from franchise-and-management agreements where the franchisees are required to pay (i) an initial one-time franchise-and-management fee and (ii) an ongoing franchise-and-management fee based on a percentage of revenues, which amounts to approximately 5.0% of the room revenues of the franchised hotels, or variable percentage of the room revenues in accordance with the performance level of the individual franchisee on a monthly and/or calendar-quarterly basis. The one-time franchise-and-management fee, which is non-refundable, is recognized when the 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-and-management fees are recognized when the underlying service revenues are recognized by the franchisees' operations. Other revenues generated from franchise-and-management agreements include a central reservation system usage fee and a monthly system maintenance and support fee which are recognized when services are provided.

We account for certain reimbursements (primarily salaries and related charges) mainly related to the hotels under the franchise program as revenues. Reimbursement revenues are recognized when the underlying reimbursable costs are incurred.

Membership revenues are earned on a straight-line basis over the estimated membership term which is estimated to be approximately three 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.

Long-Lived Assets

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.

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.

To assess potential impairment of goodwill, we perform an assessment of the carrying value of each individual hotel at least on an annual basis or when events and changes in circumstances occur that would more likely than not reduce the fair value of each individual hotel below its carrying value. If the carrying value of an individual hotel 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 individual hotel's goodwill exceeds its implied fair value. We estimate the fair value of each individual hotel through internal analysis and external valuations, which utilize income and market valuation approaches through the application of capitalized earnings and discounted cash flow. These valuation techniques are based on a number of estimates and assumptions, including the projected future operating results of the individual hotel, 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 individual hotel will change, which could affect the amount of goodwill impairment charges, if any. We have not recognized any impairment charge on goodwill for the periods presented. We are currently not aware of any impairment charge of the goodwill.

Customer Loyalty Program

HanTing Club is our customer loyalty program. Our members can earn points based on spending at our leased-and-operated and franchised-and-managed hotels and participating in certain marketing programs. Points can be redeemed for membership upgrades, room night awards and gifts 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. Prior to February 28, 2009, we recorded estimated liabilities for all points earned by our customers as we did not have sufficient historical information to determine point forfeitures or breakage. Based on our accumulated knowledge on reward points redemption and expiration, we began to apply historical redemption rates in estimating the costs of points earned from March 1, 2009 onwards.

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 economy 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, 2007, 2008 and 2009, we had deferred tax assets generated from net loss carryforward before valuation allowance of RMB8.8 million, RMB61.1 million and RMB45.0 million, respectively. We expect many of our hotels that were put in operation in 2007, 2008 and 2009 will become mature 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 interest and penalties recognized on the liability for unrecognized tax benefits as income tax expense.

Share-Based Compensation

We recognize share-based compensation in the statement of operations based on the fair value of equity awards on the date of the grant, with compensation expense recognized over the period in which the recipient is required to provide service to us in exchange for the equity award. The share-based compensation expenses have been categorized as either leased-and-operated hotel operating costs, general and administrative expenses or selling and marketing expenses, depending on the job functions of the grantees.

In determining the fair value of our ordinary shares in each of the grant date, we relied in part on valuation reports prepared by two independent valuers based on data we provided. These valuation reports provided us with guidelines in determining the fair value, but the determination was made by our management.

Determining the fair values of the ordinary shares requires making complex and subjective judgments regarding projected financial and operating results, our unique business risks, the liquidity of the ordinary shares and our operating history and prospects at the time of grant. Therefore, these fair values are inherently uncertain and highly subjective.

The assumptions used to derive the fair values of the ordinary shares include:

- no material changes in the existing political, legal, fiscal and economic conditions in China;
- no major changes in tax law in China or the tax rates applicable to our subsidiaries and consolidated affiliated entities in China;
- no material changes in the exchange rates and interest rates from the presently prevailing rates;
- availability of finance not a constraint on our future growth;
- our ability to retain competent management, key personnel and technical staff to support our ongoing operations; and
- no material deviation in market conditions from economic forecasts.

These assumptions are inherently uncertain. Different assumptions and judgments would affect our calculation of the fair value of the underlying ordinary shares for the options granted, and the valuation results and the amount of share-based compensation would also vary accordingly.

The following table sets forth the options and ordinary shares issued to certain directors, officers and employees in 2009 and for the first two months of 2010:

Grant Date	Ordinary Shares	Options	Purchase Price/Exercise Price	Fair Value of Ordinary Shares	Midpoint of Estimated Initial Public Offering Price	Intrinsic Value* (in millions)	Type of Valuation
January 1, 2009	-	227,000	US$1.53	US$ 0.64			Retrospective
July 1, 2009	-	110,000	US$1.53	US$ 1.36			Retrospective
August 3, 2009	-	3,756,100	US$1.53	US$ 1.51			Retrospective
August 6, 2009	1,982,509	-	US$1.80	US$ 1.51			Retrospective
October 1, 2009	-	1,596,000	US$1.53	US$ 1.63			Retrospective
October 14, 2009	-	16,875	US$1.53	US$ 1.63			Retrospective
November 20, 2009	-	600,000	US$1.53	US$ 1.76			Retrospective
January 1, 2010	-	118,000	US$1.53	US$ 2.23			Contemporaneous
February 5, 2010	-	54,595	US$1.53				

* Intrinsic value equals the difference between the midpoint of the estimated initial public offering price and the purchase price/exercise price of the ordinary shares/options, multiplied by the number of ordinary shares/options.

Significant Factors, Assumptions, and Methodologies Used in Determining Fair Value

The procedures performed to determine the fair value of our ordinary shares were based on the income approach to estimate the aggregate equity value of our company at the relevant stock option grant dates. The market multiple approach was performed as well to substantiate the income approach result. We have used the option-pricing method to allocate the aggregate equity value to preferred and ordinary shares. This method involves making estimates of the anticipated timing of a potential liquidity event, such as a sale of our company or an initial public offering, and estimates of the volatility of our equity securities. The anticipated timing is based on the plans made by our board and management.

The income approach involves applying appropriate discount rates to estimate debt-free cash flows that are derived from forecasts of revenues and costs. The projections used for each valuation date were made based upon the expected outlook on our operating performance through the forecast periods. The assumptions underlying the estimates were consistent with our business plan.

Specifically, the future debt-free cash flows were determined by subtracting taxes, future capital spending and future changes in working capital from, and adding future depreciation and amortization to, EBIT. EBIT represents income (loss) plus interest expense and income tax provision, less interest income. The terminal or residual value at the end of the projection period was based on Gordon Growth Model with terminal growth rate assuming to be 3% for all the valuation dates. The resulting terminal value and interim debt-free cash flows were then discounted at a rate ranging from 13% to 15% for the respective valuation dates which was based on the weighted average cost of capital of comparable companies, as adjusted for the specific risk profile of our company. There is inherent uncertainty in these estimates. If different discount rates had been used, the valuations would have been different.

The market multiple approach was based on appropriate multiples, such as EV/EBITDA, at the valuation dates, and multiplying the relevant financial indicators to be representative of the performance of our company. The market multiples were obtained through the market comparison method, where several companies with their stock traded in the public market were selected for comparison purposes and used as a basis for choosing reasonable market multiples for our company.

On May 22, 2009 and August 6, 2009, we issued 3,375,635 and 783,734 ordinary shares, respectively, at a price of US$1.80 per share to certain third-party investors. We also issued 1,982,509 ordinary shares to Winner Crown at a price of US$1.80 per share on August 6, 2009. Winner Crown is a 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. In late 2008, in response to the global

financial crisis, we decided to raise financing to help strengthen our cash position and execute our strategic plans in 2009. On January 10, 2009, our board decided that the new issuance price should be US$1.80, a premium to US$1.53, the price of the preferred shares we issued in 2008. After the price was fixed, we closed the transaction in two separate tranches in May and August 2009. The price of US$1.80 per share was not set based on an income or market multiple approach. Instead, the price was set to alleviate the potential dilutive impact on our existing investors. In addition, the shares were not offered to a wide group of potential investors. Approximately 32% of the shares were purchased directly by a company controlled by Mr. Qi Ji with the rest purchased by his friends who, with a strong commitment to our company's performance, believed that the long term growth prospect of our company warranted a premium to the price of our preferred shares. In addition, the number of the ordinary shares issued represented less than 3% of our total shares outstanding on a fully diluted basis at the time of their respective issuances. Lastly, we evaluated our implied equity value and our financial performance as of January 10, 2009, and the actual issuance dates in May and August 2009 against those of our most closely comparable competitor, which is a public company listed in the U.S., and concluded that the implied equity value for our company, based on US$1.80 per ordinary share, would be significantly higher than what an open market would accept at the respective time. Therefore, we concluded that the transaction price of US$1.80 per share did not reflect the fair value of our ordinary shares on the relevant issuance dates.

For the purpose of determining the estimated fair value of our share options, we believe expected volatility and estimated share price of our ordinary shares are the most sensitive assumptions since we were a privately held company at the date we granted our options. Changes in the volatility assumption and the estimated share price of our ordinary shares could significantly impact the estimated fair values of the options calculated by the binomial option pricing model. Expected volatility is estimated based upon the average stock price volatility of the comparable companies listed above over a period commensurate with the expected term of the options. When estimating expected volatility of the share price of a nonpublic entity, historical volatility of an "appropriate industry sector index" should be considered. As there is no sector index for the hotel business in the stock exchanges in the United States, the market where the company is applying for a listing, the pool of selected companies, with significant amount of their revenues obtained from the hotel business, is considered as a proxy for the industry sector and average volatility of the pool was used in the valuations. We believe that the average share price volatility of the guideline companies is a reasonable benchmark in estimating the expected volatility of our ordinary shares.

Determining the value of our share-based compensation expense in future periods requires the input of highly subjective assumptions, including estimated forfeitures and the price volatility of the underlying shares. We estimate our forfeitures of our shares based on past employee retention rates and our expectations of future retention rates, and we will prospectively revise our forfeiture rates based on actual history. Our share compensation charges may change based on changes to our actual forfeitures. Our actual share-based compensation expenses may be materially different from our current expectations.

Significant Factors Contributing to the Difference between Fair Value as of the Date of Each Grant

The increase in the fair value of our ordinary shares from US$0.64 per share as of January 1, 2009 to US$1.36 per share as of July 1, 2009 was attributable to the following significant factors and events:

- The prospect for the global economy became more optimistic and China's economy showed robust growth since the second quarter of 2009. This was evidenced by a number of indicators, including a 14.9% annualized quarter-over-quarter GDP growth from the first quarter of 2009, according to a report issued by the People's Bank of China on July 28, 2009, the expansion of the Purchasing Managers' Index (PMI) and a significant increase in banking loans and investments.
- We increased the number of our hotels in operation from 167 hotels as of January 1, 2009 to 200 hotels as of June 30, 2009. For the first time in our history, we were able to generate a quarterly profit. We generated a net income attributable to our company of RMB27.9 million in

the three months ended June 30, 2009. We generated an operating cash in flow of RMB101.4 million for the six months ended June 30, 2009 compared to an operating cash outflow of RMB30.1 million for the six months ended June 30, 2008. The improved operating performance in the second quarter as well as the first half of 2009 contributed to the increase in our projections used in the July 2009 valuation.

- The improved profitability, among others, led us to increase the probability of an initial public offering in calculating the fair value of the ordinary shares from January 1, 2009 to June 30, 2009. In addition, we decreased the discount for lack of marketability from 25% as of January 1, 2009 to 19% as of June 30, 2009 given the increased likelihood of and proximity to an initial public offering.
- As a result of the above, inclusive of our ability to achieve or exceed our business plan, we decreased the overall discount rate by 1% from 14% as of January 1, 2009 to 13% as of June 30, 2009.

The fair value of our ordinary shares increased from US$1.36 per share as of July 1, 2009 to US$1.51 per share as of August 3, 2009, to US$1.63 per share as of October 1, 2009 and to US$1.76 as of November 20, 2009. Starting from July 2009, we started the preparation work for our initial public offering. As a result, we gradually increased the probability of our initial public offering in calculating the fair value of our ordinary shares. In addition, we further decreased the discount for lack of marketability given the increased likelihood of the proximity to our initial public offering.

The increase in the fair value of our ordinary shares from US$1.76 per share as of November 20, 2009 to US$2.23 per share as of January 1, 2010 was primarily attributable to the following significant factors and events:

- China's economy continued to show robust growth during this period, which was evidenced by a number of indicators, including accelerating annualized quarter-over-quarter GDP growth in the last quarter of 2009 and the improving export figures.
- We have been able to successfully carry out our expansion plan by operating 20 more hotels in the three months ended December 31, 2009 as compared to the three months ended September 30, 2009.
- The cash flow generated from our operating activities during the six months ended December 31, 2009 has enabled us to accelerate our hotel expansion plan for 2010.
- We generated net income attributable to our company of RMB42.1 million for the six months ended December 31, 2009, exceeding the forecast we used to determine the fair value of our ordinary shares as of November 20, 2009. The improvement in profitability, among other things, led us to increase the projected total number of our new hotels.
- We increased the probability of our initial public offering and decreased the discount for lack of marketability in calculating the fair value of our ordinary shares given the progress we have achieved in the public offering preparation process.

Selected Operating Data

The following table presents certain selected operating data of our company as of and for the dates and periods indicated. Our revenues have been and will continue to be significantly affected by these operating measures which are widely used in the lodging industry.

	As of December 31,		
	2007	2008	2009
Selected Operating Data:			
Total hotels in operation	67	167	236
Leased-and-operated hotels	62	145	173
Franchised-and-managed hotels	5	22	63
Total hotel rooms in operation	8,089	21,033	28,360
Leased-and-operated hotels	7,583	18,414	21,658
Franchised-and-managed hotels	506	2,619	6,702
Number of cities	23	35	39

	Year Ended December 31,		
	2007	2008	2009
Occupancy rate (as a percentage)			
Leased-and-operated hotels	85	89	94
Franchised-and-managed hotels	82	74	91
Total hotels in operation	85	87	94
Average daily room rate (in RMB)			
Leased-and-operated hotels	181	178	174
Franchised-and-managed hotels	176	180	172
Total hotels in operation	181	178	174
RevPAR (in RMB)			
Leased-and-operated hotels	154	158	165
Franchised-and-managed hotels	145	132	156
Total hotels in operation	154	156	163

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 total revenues for the periods indicated. This information should be read together with our consolidated financial statements and related notes included elsewhere in this prospectus. We have grown rapidly since we began migrating to our current business of operating and managing a multiple-product economy hotel chain in 2007. Our 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.

	For the Year Ended December 31,						
	2007		2008		2009		
	RMB	%	RMB	%	(RMB)	(US$)	%
Consolidated Statement of Operations Data:	(in thousands except percentages)						
Revenues:							
Leased-and-operated hotels	248,199	99.5	797,815	98.5	1,288,898	188,825	96.6
Franchised-and-managed hotels	1,210	0.5	12,039	1.5	44,965	6,587	3.4
Total revenues	249,409	100.0	809,854	100.0	1,333,863	195,412	100.0
Less: Business tax and related taxes	(14,103)	(5.7)	(45,605)	(5.6)	(73,672)	(10,793)	(5.5)
Net revenues	235,306	94.3	764,249	94.4	1,260,191	184,619	94.5
Operating costs and expenses(1):							
Hotel operating costs	(228,362)	(91.6)	(687,364)	(84.9)	(1,004,472)	(147,156)	(75.3)
Selling and marketing expenses	(17,581)	(7.0)	(40,810)	(5.0)	(57,818)	(8,470)	(4.3)
General and administrative expenses	(65,653)	(26.3)	(81,665)	(10.2)	(83,666)	(12,257)	(6.3)
Pre-opening expenses	(61,020)	(24.5)	(108,062)	(13.3)	(37,821)	(5,541)	(2.8)
Total operating costs and expenses	372,616	149.4	917,901	113.4	1,183,777	173,424	88.7
Income (loss) from operations	(137,310)	(55.1)	(153,652)	(19.0)	76,414	11,195	5.8
Interest income	1,219	0.5	3,786	0.5	1,871	274	0.1
Interest expenses	-	-	1,249	0.2	8,787	1,287	0.7
Foreign exchange gain (loss)	(145)	(0.1)	(13,884)	(1.7)	(60)	(9)	0.0
Change in fair value of warrants	5,235	2.2	8,536	1.1	-	-	-
Income (loss) before income taxes	(131,001)	(52.5)	(156,463)	(19.3)	69,438	10,173	5.2
Tax expense (benefit)	(17,262)	(6.9)	(23,880)	(2.9)	17,990	2,636	1.3
Net income (loss)	(113,739)	(45.6)	(132,583)	(16.4)	51,448	7,537	3.9
Less: net income (loss) attributable to noncontrolling interest	(2,116)	(0.8)	3,579	0.4	8,903	1,304	0.7
Net income (loss) attributable to China Lodging Group, Limited	(111,623)	(44.8)	(136,162)	(16.8)	42,545	6,233	3.2
Deemed dividend on Series B convertible redeemable preferred shares	(17,499)	(7.0)	-	-	-	-	-
Net income (loss) attributable to ordinary shareholders	(129,122)	(51.8)	(136,162)	(16.8)	42,545	6,233	3.2

Note: (1) Include share-based compensation expenses as follows:

	Year Ended December 31,			
	2007	2008	2009	
	(RMB)	(RMB)	(RMB)	(US$)
	(in thousands)			
Share-based compensation expenses	14,785	4,815	7,955	1,165

The following tables present certain unaudited financial data and selected operating data as of and for the years ended December 31, 2007, 2008 and 2009:

	For the Year Ended December 31,			
	2007	2008	2009	
	(RMB)	(RMB)	(RMB)	(US$)
		(in thousands)		
Non-GAAP Financial Data				
EBITDA(1)	(95,983)	(67,957)	214,893	31,482
EBITDA from Operating Hotels(1)	(34,963)	40,105	252,714	37,023

(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 EBITDA from Operating Hotels, which is defined as EBITDA before pre-opening expenses, to assess operating results of the hotels in operation. We believe that the exclusion of pre-opening expenses, a portion of which is non-cash rental expenses, helps facilitate year-on-year comparison of our results of operations as the number of hotels in the development stage may vary significantly from year to year. Therefore, we believe EBITDA from Operating Hotels more closely reflects the performance capability of hotels currently in operation. Our calculation of EBITDA and EBITDA from Operating Hotels does not deduct interest income, which was RMB1.2 million, RMB3.8 million and RMB1.9 million in 2007, 2008, and 2009, respectively. The presentation of EBITDA and EBITDA from Operating Hotels 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 EBITDA from Operating Hotels has certain limitations. Depreciation and amortization expense for various long-term assets, income tax and interest expense have been and will be incurred and are not reflected in the presentation of EBITDA. Pre-opening expenses have been and will be incurred and are not reflected in the presentation of EBITDA from Operating Hotels. Each of these items should also be considered in the overall evaluation of our results. Additionally, EBITDA or EBITDA from Operating Hotels 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 expense, income tax expense, pre-opening 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 EBITDA from Operating Hotels are not defined under U.S. GAAP, and neither EBITDA nor EBITDA from Operating Hotels 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 EBITDA from Operating Hotels may not be comparable to EBITDA or EBITDA from Operating Hotels or similarly titled measures utilized by other companies since such other companies may not calculate EBITDA or EBITDA from Operating Hotels in the same manner as we do.

A reconciliation of EBITDA and EBITDA from Operating Hotels to net income (loss), which is the most directly comparable U.S. GAAP measure, is provided below:

	For the Year Ended December 31,			
	2007	2008	2009	
	(RMB)	(RMB)	(RMB)	(US$)
		(in thousands)		
Net income (loss) attributable to our company	**(111,623)**	**(136,162)**	**42,545**	**6,233**
Interest expense	-	1,249	8,787	1,287
Tax expense (benefit)	(17,262)	(23,880)	17,990	2,636
Depreciation and amortization	32,902	90,836	145,571	21,326
EBITDA (Non-GAAP)	**(95,983)**	**(67,957)**	**214,893**	**31,482**
Pre-opening expenses	61,020	108,062	37,821	5,541
EBITDA from Operating Hotels (Non-GAAP)	**(34,963)**	**40,105**	**252,714**	**37,023**

Year Ended December 31, 2009 Compared to Year Ended December 31, 2008

Revenues. Our total revenues increased by 64.7% from RMB809.9 million in 2008 to RMB1,333.9 million in 2009.

- *Leased-and-operated hotels.* Revenues from our leased-and-operated hotels increased by 61.6% from RMB797.8 million in 2008 to RMB1,288.9 million in 2009. This increase was primarily due to our continued expansion of leased-and-operated hotels from 145 hotels and 18,414 hotel rooms as of December 31, 2008 to 173 hotels and 21,658 hotel rooms as of December 31, 2009, and an increase in RevPAR. RevPAR for our leased-and-operated hotels increased from RMB158 in 2008 to RMB165 in 2009 due to an increase in occupancy rate of our leased-and-operated hotels from 89% in 2008 to 94% in 2009. The increase in this occupancy rate resulted primarily from the increased proportion of room nights in our mature leased-and-operated hotels, which have been in operation for more than six months, from 57% in 2008 to 85% in 2009. The average daily rate for our leased-and-operated hotels decreased from RMB178 in 2008 to RMB174 in 2009, primarily reflecting room rate decreases during the economic slowdown.
- *Franchised-and-managed hotels.* Revenues from our franchised-and-managed hotels increased significantly from RMB12.0 million in 2008 to RMB45.0 million in 2009. This growth was primarily due to an increase in the number of franchised-and-managed hotels from 22 as of December 31, 2008 to 63 as of December 31, 2009, and an increase in RevPAR. RevPAR for our franchised-and-managed hotels increased from RMB132 in 2008 to RMB156 in 2009 driven by the increase in occupancy rate of our franchised-and-managed hotels from 74% in 2008 to 91% in 2009. The increase in this occupancy rate resulted primarily from the increased proportion of our franchised-and-managed hotels that are located in China's economically more developed cities. The average daily rate for our franchised-and-managed hotels decreased from RMB180 in 2008 to RMB172 in 2009, primarily reflecting room rate decreases during the economic slowdown.

Operating Costs and Expenses. Our total operating costs and expenses increased by 29% from RMB917.9 million in 2008 to RMB1,183.8 million in 2009. This increase resulted from increases in our hotel operating costs, selling and marketing expenses and general and administrative expenses, partially offset by a decrease in our pre-opening expenses.

- *Hotel operating costs.* Our hotel operating costs increased by 46% from RMB687.4 million in 2008 to RMB1,004.5 million in 2009. This increase was primarily because of our substantial expansion of hotels from 167 hotels as of December 31, 2008 to 236 hotels as of December 31, 2009. Our hotel operating costs as a percentage of total revenues decreased from 84.9% in 2008 to 75.3% in 2009, primarily due to cost control of personnel costs, consumables, food and beverage and other hotel operating costs.

- *Selling and marketing expenses*. Our selling and marketing expenses increased by 42% from RMB40.8 million in 2008 to RMB57.8 million in 2009. This increase was primarily due to RMB9.5 million of additional expenses for marketing and promotional activities, RMB6.3 million of additional commissions to travel intermediaries, RMB5.7 million of additional compensation and benefits for our sales and marketing personnel, and RMB4.1 million of additional bank fees for processing bank card payments as we expanded our business. We recorded less expenses relating to our customer loyalty program in 2009 due to (i) an amendment to franchise-and-management agreements to discontinue reimbursing franchisees for free room nights provided in connection with point redemption; and (ii) the application of a point expiration rate in estimating the costs of our customer loyalty program. Our selling and marketing expenses as a percentage of total revenues decreased from 5.0% in 2008 to 4.3% in 2009.
- *General and administrative expenses*. Our general and administrative expenses increased slightly from RMB81.7 million in 2008 to RMB83.7 million in 2009, primarily as a result of an increase in personnel costs, an increase in provision for contingent liabilities, and an increase in share-based compensation expenses, partially offset by a decrease of RMB9.2 million in professional service fees. Our general and administrative expenses as a percentage of total revenues decreased from 10.2% in 2008 to 6.3% in 2009.
- *Pre-opening expenses*. Our pre-opening expenses decreased from RMB108.1 million in 2008 to RMB37.8 million in 2009, primarily due to a decrease in the number of newly opened leased-and-operated hotels from 83 in 2008 to 28 in 2009 in an effort to balance growth and profitability during the global economic downturn. Our pre-opening expenses as a percentage of total revenues decreased from 13.3% in 2008 to 2.8% in 2009.

Income (Loss) from Operations. As a result of the foregoing, we had income from operations of RMB76.4 million in 2009 compared to a loss from operations of RMB153.7 million in 2008.

Interest Income (Expense), Net. Our net interest expense was RMB6.9 million in 2009. Our interest income was RMB1.9 million in 2009, and our interest expense on our bank loans outstanding was RMB10.4 million, RMB1.6 million of which was capitalized in connection with leasehold improvements. We had net interest income of RMB2.5 million in 2008. Our interest income was RMB3.8 million in 2008, primarily on the proceeds from our Series B preferred shares, and our interest expense on our bank loans outstanding was RMB7.6 million, RMB6.3 million of which was capitalized in connection with leasehold improvements.

Foreign Exchange Gain (Loss). Our foreign exchange loss decreased to RMB59,677 in 2009 from RMB13.9 million in 2008. The foreign exchange losses in 2009 and 2008 were primarily due to the devaluation against RMB of certain foreign currencies in which a portion of our cash was denominated.

Change of Fair Value of Warrants. In relation to the outstanding warrants issued to purchase Series B preferred shares, we recorded mark-to-market fair value changes of RMB8.5 million and nil in 2008 and 2009, respectively. There was no outstanding warrant in 2008 and 2009.

Tax Expense (Benefit). We had tax expenses of RMB18.0 million in 2009 compared to tax benefits of RMB23.9 million in 2008, which was primarily due to the fact that we generated operating income in 2009 compared to an operating loss in 2008. Our effective tax rate increased from 15.3% in 2008 to 25.9% in 2009, primarily due to an increase of RMB10.8 million in the valuation allowance for deferred tax assets in 2008 compared to a decrease of RMB1.6 million in such allowance in 2009.

Net Income Attributable to Noncontrolling Interest. Net income attributable to noncontrolling interest represents joint venture partners' share of our net income based on their equity interest in the leased-and-operated hotels owned by the joint ventures. Net income attributable to noncontrolling interest increased from RMB3.6 million in 2008 to RMB8.9 million in 2009, primarily due to increased profit from the joint ventures as the jointly owned hotels became mature.

Net Income (Loss) Attributable to China Lodging Group, Limited. As a result of the foregoing, we had net income attributable to China Lodging Group, Limited of RMB42.5 million in 2009 compared to net loss attributable to China Lodging Group, Limited of RMB136.2 million incurred in 2008.

EBITDA and EBITDA from Operating Hotels. EBITDA (non-GAAP) was RMB214.9 million in 2009, compared with negative EBITDA of RMB68.0 million in 2008. This change was primarily due to (i) a net loss of RMB136.2 million in 2008 compared with net income of RMB42.5 million in 2009, (ii) an increase in depreciation and amortization from RMB90.8 million in 2008 to RMB145.6 million in 2009 primarily because of our substantial expansion of hotels from 167 hotels as of December 31, 2008 to 236 hotels as of December 31, 2009, and (iii) a decrease in pre-opening expenses from RMB108.1 million in 2008 to RMB37.8 million in 2009 as a result of a decrease in the number of newly-opened leased-and-operated hotels from 83 in 2008 to 28 in 2009 in an effort to balance growth and profitability during the global economic downturn. Excluding pre-opening expenses, EBITDA from Operating Hotels (non-GAAP) increased significantly from RMB40.1 million in 2008 to RMB252.7 million in 2009.

Year Ended December 31, 2008 Compared to Year Ended December 31, 2007

Revenues. Our total revenues substantially increased from RMB249.4 million in 2007 to RMB809.9 million in 2008.

- *Leased-and-operated hotels.* Revenues from our leased-and-operated hotels more than tripled from RMB248.2 million in 2007 to RMB797.8 million in 2008. This increase was primarily due to our substantial expansion of leased-and-operated hotels from 62 hotels and 7,583 hotel rooms, as of December 31, 2007 to 145 hotels and 18,414 hotel rooms as of December 31, 2008, and the increased proportion of mature leased-and-operated hotels, which have been in operation for more than six months, in our portfolio and an increase in RevPAR. RevPAR for our leased-and-operated hotels increased from RMB154 in 2007 to RMB158 in 2008 due to an increase in occupancy rate of our leased-and-operated hotels from 85% in 2007 to 89% in 2008. The average daily rate for our leased-and-operated hotels decreased from RMB181 in 2007 to RMB178 in 2008, primarily as a result of the decreased proportion of our leased-and-operated hotels that are located in China's economically more developed cities.
- *Franchised-and-managed hotels.* Revenues from our franchised-and-managed hotels substantially increased from RMB1.2 million in 2007 to RMB12.0 million in 2008. This growth was primarily due to our substantial expansion of franchised-and-managed hotels from five hotels as of December 31, 2007 to 22 hotels as of December 31, 2008, partially offset by a decrease in RevPAR for our franchised-and-managed hotels from RMB145 in 2007 to RMB132 in 2008.

Operating Costs and Expenses. Our total operating costs and expenses increased from RMB372.6 million in 2007 to RMB917.9 million in 2008. This increase primarily resulted from the overall growth in our business.

- *Hotel operating costs.* Our hotel operating costs increased from RMB228.4 million in 2007 to RMB687.4 million in 2008. This increase was primarily because of our substantial expansion from 67 hotels as of December 31, 2007 to 167 hotels as of December 31, 2008. Our hotel operating costs as a percentage of total revenues decreased from 91.6% in 2007 to 84.9% in 2008.
- *Selling and marketing expenses.* Our selling and marketing expenses increased from RMB17.6 million in 2007 to RMB40.8 million in 2008, primarily due to RMB6.6 million of additional expenses for marketing and promotional activities, RMB5.0 million of additional bank fees for processing bank card payments, RMB4.2 million of additional personnel costs as we expanded our business and RMB2.3 million of additional commissions to travel intermediaries. Our selling and marketing expenses as a percentage of total revenues decreased from 7.0% in 2007 to 5.0% in 2008.

- *General and administrative expenses.* Our general and administrative expenses increased from RMB65.7 million in 2007 to RMB81.7 million in 2008. This increase was primarily due to an increase of RMB5.3 million in professional service fees and an increase of RMB5.2 million in travelling and other expenses as a result of wider geographic coverage and an increased number of hotels in our portfolio, partially offset by a decrease of RMB10.1 million in related share-based compensation expenses. Our general and administrative expenses as a percentage of total revenues decreased from 26.3% in 2007 to 10.2% in 2008.
- *Pre-opening expenses.* Our pre-opening expenses increased from RMB61.0 million in 2007 to RMB108.1 million in 2008, primarily due to an increase in our rental costs as a result of an increase in the number of our newly opened leased-and-operated hotels from 38 in 2007 to 83 in 2008. Our pre-opening expenses as a percentage of total revenues decreased from 24.5% in 2007 to 13.3% in 2008.

Loss from Operations. We had a loss from operations of RMB153.7 million in 2008 and a loss from operations of RMB137.3 million in 2007 as a cumulative result of the above factors, particularly the significant pre-opening expenses associated with our hotel chain expansion efforts.

Interest Income (Expenses), Net. Our net interest income increased from RMB1.2 million in 2007 to RMB2.5 million in 2008, primarily due to increased interest income resulting from additional proceeds from the issuance of Series B preference shares to our founder and co-founders, partially offset by the increased interest expenses resulting from a higher amount of bank loans outstanding.

Foreign Exchange Loss. We had a foreign exchange loss of RMB13.9 million in 2008 compared to a foreign exchange loss of RMB145,096 in 2007. The foreign exchange loss in 2008 was primarily due to the devaluation against RMB of certain foreign currencies in which a portion of our cash was denominated.

Change of Fair Value of Warrants. In relation to the outstanding warrants to purchase Series B preferred shares, we recorded mark-to-market fair value changes of RMB8.5 million and RMB5.2 million in 2007 and 2008, respectively.

Tax Benefits. We had tax benefits because of operating losses in 2007 and 2008. Tax benefits are computed on an individual legal entity basis. Our tax benefits increased from RMB17.3 million in 2007 to RMB23.9 million in 2008, primarily as a result of an increase in operating loss.

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-operated hotels owned by the joint ventures. We recorded an allocation of net income attributable to noncontrolling interest of RMB3.6 million in 2008 because hotels owned by the joint ventures generated profit in aggregate in that year and an allocation of net loss attributable to noncontrolling interest of RMB2.1 million in 2007 because hotels owned by the joint ventures generated loss in aggregate in that year. The change of non-controlling interest from a loss in 2007 to a profit in 2008 resulted from the jointly owned hotels turning profitable when entering mature operations.

Net Loss Attributable to China Lodging Group, Limited. As a result of the foregoing, we had net loss attributable to China Lodging Group, Limited of RMB136.2 million and RMB111.6 million in 2008 and 2007, respectively.

EBITDA and EBITDA from Operating Hotels. We had negative EBITDA (non-GAAP) of RMB68.0 million in 2008, compared with negative EBITDA of RMB96.0 million in 2007. This change was primarily due to (i) a net loss of RMB136.2 million in 2008 compared with a net loss of RMB111.6 million in 2007, and (ii) an increase in depreciation and amortization from RMB32.9 million in 2007 to RMB90.8 million in 2008 primarily because of our substantial expansion of leased-and-operated hotels from 62 hotels as of December 31, 2007 to 145 hotels as of December 31, 2008. Excluding pre-opening expenses, EBITDA from Operating Hotels (non-GAAP) was RMB40.1 million in 2008 compared with negative EBITDA from Operating Hotels of RMB35.0 million in 2007, due to an increase in pre-opening expenses from RMB61.0 million in 2007 to RMB108.1 million in 2008 primarily because of an increase in our rental costs as

a result of an increased number of our new leased-and-operated hotels in the pipeline from 38 in 2007 to 83 in 2008.

Our Selected Quarterly Results of Operations

The following table presents our selected unaudited quarterly results of operations for the eight quarters in the period ended December 31, 2009. This information should be read together with our consolidated financial statements and related notes included elsewhere in this prospectus. We have grown rapidly since we began migrating to our current business of operating and managing a multiple-product economy hotel chain in 2007. Our limited operating history makes it difficult to predict future operating results. We believe that the quarter-to-quarter comparison of operating results should not be relied upon as being indicative of future performance.

	For the Three Months Ended							
	March 31, 2008	June 30, 2008	September 31, 2008	December 31, 2008	March 31, 2009	June 30, 2009	September 31, 2009	December 31, 2009
	(in RMB thousands)							
Consolidated Statement of Operations Data:								
Revenues:								
Leased-and-operated hotels	127,856	179,467	223,943	266,549	262,482	321,528	349,788	355,100
Franchised-and-managed hotels	531	2,236	2,617	6,655	6,024	12,282	11,325	15,334
Total Revenues	128,387	181,703	226,560	273,204	268,506	333,810	361,113	370,434
Less: Business tax and related taxes	(7,282)	(10,071)	(12,379)	(15,873)	(14,970)	(18,514)	(20,004)	(20,184)
Net Revenues	121,105	171,632	214,181	257,331	253,536	315,296	341,109	350,250
Operating costs and expenses(1)								
Hotel operating costs	(117,272)	(142,466)	(187,443)	(240,183)	(241,650)	(239,090)	(256,268)	(267,464)
Selling and marketing expenses	(6,360)	(8,772)	(10,287)	(15,391)	(8,847)	(16,305)	(18,546)	(14,120)
General and administrative expenses	(19,151)	(19,216)	(22,277)	(21,021)	(19,814)	(14,225)	(21,724)	(27,902)
Pre-operating expenses	(37,952)	(25,412)	(30,219)	(14,479)	(14,963)	(7,718)	(7,518)	(7,622)
Total operating costs and expenses	(180,735)	(195,866)	(250,226)	(291,074)	(285,274)	(277,338)	(304,056)	(317,108)
Income (loss) from operations	(59,630)	(24,234)	(36,045)	(33,743)	(31,738)	37,958	37,053	33,142
Interest income	215	959	1,687	925	271	206	630	763
Interest expenses	—	—	—	(1,249)	(1,338)	(2,422)	(2,493)	(2,534)
Foreign exchange gain (loss)	(1,557)	(1,533)	(10,879)	85	(3)	8	12	(77)
Change in fair value of warrants	4,016	4,520	—	—	—	—	—	—
Income (loss) before income taxes	(56,956)	(20,288)	(45,237)	(33,982)	(32,808)	35,750	35,202	31,294
Tax expense (benefit)	(8,544)	(3,043)	(6,786)	(5,507)	(5,577)	6,078	9,112	8,377
Net income (loss)	(48,412)	(17,245)	(38,451)	(28,475)	(27,231)	29,672	26,090	22,917
Less: net income (loss) attributable to noncontrolling interest	(265)	(1,467)	(655)	(1,192)	(276)	(1,725)	(3,826)	(3,076)
Net income (loss) attributable to China Lodging Group, Limited	(48,677)	(18,712)	(39,106)	(29,667)	(27,507)	27,947	22,264	19,841

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

	For the Three Months Ended							
	March 31, 2008	June 30, 2008	September 31, 2008	December 31, 2008	March 31, 2009	June 30, 2009	September 31, 2009	December 31, 2009
	(in RMB thousands)							
Share-based compensation expenses	1,173	1,273	1,185	1,184	1,251	1,264	2,158	3,282

The following table presents certain selected operating data of our company as of and for the eight quarters in the period ended December 31, 2009.

	As of and for the Three Months Ended							
	March 31, 2008	June 30, 2008	September 30, 2008	December 31, 2008	March 31, 2009	June 30, 2009	September 30, 2009	December 31, 2009
Operating Data:								
Total hotels in operation	86	102	145	167	181	200	216	236
Leased-and-operated hotels	81	96	127	145	151	160	166	173
Franchised-and-managed hotels	5	6	18	22	30	40	50	63
Total hotel rooms in operation	10,562	12,863	18,076	21,033	22,744	24,707	26,475	28,360
Leased-and-operated hotels	9,993	12,224	16,123	18,414	19,223	20,235	20,906	21,658
Franchised-and-managed hotels	569	639	1,953	2,619	3,521	4,472	5,569	6,702
Number of cities	27	29	35	35	36	38	38	39
Occupancy rate (as a percentage)								
Leased-and-operated hotels	84	91	87	90	86	96	98	96
Franchised-and-managed hotels	78	83	61	78	80	91	95	91
Total hotels in operation	84	90	85	89	85	96	98	95
Average daily room rate (in RMB)								
Leased-and-operated hotels	176	181	180	177	169	175	175	178
Franchised-and-managed hotels	183	179	184	177	170	173	171	173
Total hotels in operation	176	181	180	177	169	174	174	177
RevPAR (in RMB)								
Leased-and-operated hotels	148	164	157	159	145	168	172	171
Franchised-and-managed hotels	143	149	113	138	136	157	163	158
Total hotels in operation	148	163	153	157	144	167	171	168

Our Liquidity and Capital Resources

Our principal sources of liquidity have been our sale of preferred shares, ordinary shares and convertible notes through private placements and borrowings from PRC commercial banks and cash generated from operating activities. 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, 2009, we had entered into binding contracts with lessors of 21 properties for our leased-and-operated hotels under development. As of December 31, 2009, we expected to incur approximately RMB247.7 million of capital expenditures in connection with certain recently completed leasehold improvements and to fund the leasehold improvements of these 21 leased-and-operated hotels. We intend to fund this planned expansion with our operating cash flow and our cash balance.

Our working capital as of December 31, 2009 was RMB51.1 million. We have been able to meet our working capital needs, and we believe that we will be able to meet our working capital needs in the foreseeable future with our operating cash flow and existing cash balance.

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

	Year Ended December 31,			
	2007	2008	2009	
	(RMB)	(RMB)	(RMB)	(US$)
		(in thousands)		
Net cash provided by (used in) operating activities	(68,254)	(13,738)	296,340	43,414
Net cash used in investing activities	(284,014)	(451,589)	(256,027)	(37,508)
Net cash provided by financing activities	499,307	482,479	47,064	6,895
Effect of exchange rate changes on cash and cash equivalents	(6,676)	(7,541)	(36)	(6)
Net increase in cash and cash equivalents	140,363	9,611	87,341	12,795
Cash and cash equivalents at the beginning of the year	33,272	173,636	183,246	26,846
Cash and cash equivalents at the end of the year	173,635	183,247	270,587	39,641

Operating Activities

Prior to January 1, 2009, we have financed our operating activities primarily through cash generated from financing activities and operations. In 2009, we financed our operating activities primarily through cash generated from operations. We currently anticipate that we will be able to meet our needs to fund operations in the next twelve months with operating cash flow and existing cash balances.

Net cash provided by operating activities amounted to RMB296.3 million in 2009, primarily attributable to (i) our net income of RMB51.4 million in 2009, (ii) an add-back of RMB145.6 million in depreciation and amortization in 2009, (iii) an increase of RMB42.6 million in deferred revenues primarily attributable to one-time membership fees in connection with our HanTing Club loyalty program as well as initial franchise-and-management fees paid by our franchisees, and (iv) an add-back of RMB36.6 million in deferred rent because rental accrued on a straight-line basis exceeded rental paid out of our contractual liability.

Net cash used in operating activities amounted to RMB13.7 million in 2008. This was primarily attributable to (i) our net loss of RMB132.6 million and, as a result of the loss, an increase in deferred tax of RMB34.1 million, (ii) an increase in prepaid rent of RMB35.8 million due to our increased number of leased-and-operated hotels, and (iii) an increase of RMB12.8 million in our inventory due to an increase in the number of leased-and-operated hotels in operation and concentrated new hotel openings in late 2008, partially offset by (i) an add-back of RMB90.8 million in depreciation and amortization in 2008, (ii) an add-back of RMB92.1 million in deferred rent, primarily because rental accrued on a straight-line basis exceeded rental paid out of our contractual liability, and (iii) an increase of RMB25.0 million in deferred revenues attributable to the one-time membership fee in connection with our HanTing Club loyalty program.

Net cash used in operating activities amounted to RMB68.3 million in 2007. This was primarily attributable to (i) our net loss of RMB113.7 million and, as a result of the loss, an increase in deferred tax of RMB19.7 million, (ii) an increase in prepaid rent of RMB27.5 million due to our increased number of leased-and-operated hotels, and (iii) a decrease in accrued expenses and other current liabilities of RMB3.4 million, partially offset by (i) an add-back of RMB31.0 million in deferred rent primarily because rental accrued on a straight-line basis exceeded rental paid out of our contractual liability, and (ii) an add-back of RMB32.9 million in depreciation and amortization in 2007.

Investing Activities

Our cash used in investing activities is primarily related to our leasehold improvements and purchase of equipment and fixtures used in leased-and-operated hotels. In 2007, 2008 and 2009, we experienced net cash outflows from investing activities.

Net cash used in investing activities decreased from RMB451.6 million in 2008 to RMB256.0 million in 2009, primarily due to a decrease in our leasehold improvements and purchases of equipment as a result of fewer new openings of leased-and-operated hotels in 2009.

Net cash used in investing activities increased from RMB284.0 million in 2007 to RMB451.6 million in 2008, primarily due to an increase of RMB469.5 million in our leasehold improvements and purchases of equipment as a result of accelerated addition of new leased-and-operated hotels in 2008.

Financing Activities

Our financing activities consist of the issuance and sale of our shares and convertible notes to investors and related parties and borrowings from PRC commercial banks.

Net cash provided by financing activities decreased from RMB482.5 million in 2008 to RMB47.1 million in 2009. Net cash provided by financing activities in 2009 primarily consisted of (i) short-term and long-term debt in an aggregate amount of RMB292.0 million which we incurred in 2009 and (ii) proceeds of RMB54.9 million from issuance of our ordinary shares, partially offset by the repayment of RMB230.0 million of our short-term debt in 2009. Net cash provided by financing activities in 2008 primarily consisted of proceeds of RMB270.8 million from the issuance of our Series B preferred shares and short-term debt of RMB262.2 million, partially offset by the repayment of RMB220.0 million of our short-term debt in 2008.

Net cash provided by financing activities decreased from RMB499.3 million in 2007 to RMB482.5 million in 2008. Net cash provided by financing activities in 2007 primarily consisted of (i) proceeds of RMB310.3 million from issuance of our Series B preferred shares, (ii) short-term debt of RMB158.2 million, (iii) proceeds of RMB76.2 million from issuance of our ordinary shares to our founder, Mr. Qi Ji, partially offset by the repayment of RMB157.9 million of our short-term debt in the year, and (iv) proceeds of RMB30.5 million from issuance of our convertible promissory notes.

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); 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, 2009, approximately RMB1,146.8 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 new EIT Law provides that enterprises established outside of China whose "*de facto* management bodies" are located in China are considered "resident enterprises." Currently, there are no detailed rules or precedents governing the procedures and specific criteria for determining "*de facto* management body." See "Taxation — PRC Taxation."

The new 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 arrangement. Holding companies in Hong Kong, for example, are subject to a 5% withholding tax rate. The Cayman Islands, where we are incorporated, does not have such a tax treaty with China. Thus, dividends paid to us by our subsidiaries in China may be subject to the 10% withholding tax if we are considered a "non-resident enterprise" under the new EIT Law.

The new 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 dividends distributed from our PRC subsidiaries to us would be exempt from the PRC dividend withholding tax, since such income is exempted under the new EIT Law to a PRC resident recipient. However, if we are required under the new EIT Law to pay income tax on any dividends we receive from our subsidiaries, our income tax expenses will increase.

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 RMB304.1 million, RMB567.6 million and RMB220.8 million in 2007, 2008 and 2009, respectively. We will continue to make capital expenditures to meet the expected growth of our operations and expect cash generated from our operating activities and financing activities will meet our capital expenditure needs in the foreseeable future.

Contractual Obligations

The following table sets forth our contractual obligations as of December 31, 2009:

	Payment Due by Period				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
			(in RMB millions)		
Long-term debt and related interest payment obligations	147	64	83	-	-
Operating lease obligations	5,205	460	931	929	2,885
Purchase obligations	22	22	-	-	-
Total	5,374	546	1,014	929	2,885

As of December 31, 2009, our long-term debt obligations consisted of outstanding borrowings under our credit facility with the Industrial and Commercial Bank of China. Our operating lease obligations related to our obligations under lease agreements with lessors of our leased-and-operated hotels. Our purchase obligations primarily consisted of contractual commitments in connection with leasehold improvements and installation of machinery and equipment for our leased-and-operated hotels.

Outstanding Indebtedness

The following table sets forth a summary of our outstanding borrowings as of December 31, 2009:

Lender	Date of Credit Line	Credit Line Maturity Date	Maximum Credit Line Amount	Drawdown as of December 31, 2009	Outstanding Balance as of December 31, 2009	Interest Rate
				(in RMB)		
China Merchants Bank	June 2009	June 2010	150,000,000	-	-	4.98%
Industrial and Commercial Bank of China	September 2008	September 2011	172,000,000	172,000,000	137,000,000(1)	5.72%

Note: (1) We repaid the total outstanding balance on February 1, 2010.

In January 2008, we entered into a one-year revolving credit line with China Merchants Bank under which we can borrow up to RMB150.0 million during the term of the facility. Such credit facility was renewed in June 2009. As of December 31, 2009, we did not draw any amount available to us under this facility. The weighted average interest rate was 4.98% for the year ended December 31, 2009. This credit facility is guaranteed by Mr. Qi Ji, our founder and executive chairman, and collateralized by certain of our office properties with a net book value of RMB9,066,880 as of December 31, 2009.

In September 2008, we entered into a three-year credit facility with the Industrial and Commercial Bank of China under which we can borrow up to RMB172.0 million during the term of the facility. As of December 31, 2009, we had fully drawn down the facility. The weighted average interest rate was 5.72% in 2009. Certain commercial properties owned by Lishan Property (Suzhou) Co., Ltd., an entity controlled by Mr. Qi Ji, our founder and executive chairman, are pledged to secure such credit facility.

In January 2010, we entered into a three-year credit facility with the Industrial and Commercial Bank of China under which we can borrow up to RMB150.0 million during the term of the facility. As of March 5, 2010, we had drawn down RMB70.0 million with an interest rate of 4.86%. This credit facility is not collateralized.

Off-Balance Sheet Commitments and Arrangements

Other than operating lease obligations set forth in the table under the caption "Contractual Obligations" above, 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.

Inflation

Inflation in China has not materially impacted our results of operations in recent years. According to the National Bureau of Statistics of China, consumer price index in China increased by 4.8% and 5.9% in 2007 and 2008, respectively, and decreased by 0.7% from 2008 to 2009.

Holding Company Structure

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); 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 total restricted net assets were RMB1,146.8 million as of December 31, 2009.

Quantitative and Qualitative Disclosure 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. As of December 31, 2009, our total outstanding loans amounted to RMB137.0 million with interest rate of 5.72%. Assuming the principal amount of the outstanding loans remains the same as of December 31, 2009, a 1% increase in each applicable interest rate would add RMB1.2 million to our interest expense in 2009. We have not used any derivative financial instruments to manage our interest risk exposure. Interest-earning instruments carry a degree of interest rate risk.

We have not been exposed to material risks due to changes in interest rates. However, our future interest income may be lower than 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 equivalent denominated in U.S. dollars as a result of our past issuances of preferred shares through a private placement and proceeds from this offering. We do not believe that we currently have any significant direct foreign exchange risk and have not hedged exposures denominated in foreign currencies or any other derivative financial instruments. 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 approximately 19% against the U.S. dollar between July 21, 2005 and December 31, 2009. Since reaching a high against the U.S. dollar in September 2008, however, the Renminbi has traded within a narrow band against the U.S. dollar, remaining within 1% of its September 2008 high but never exceeding it. As a consequence, the Renminbi has fluctuated sharply since September 2008 against other freely traded currencies, in tandem with the U.S. dollar. It is difficult to predict how long the current situation may last and when and how it may change again. There remains significant international pressure on the PRC government to adopt an even more flexible currency policy, which could result in a further and more significant appreciation of the RMB against the U.S. dollar. To the extent that we need to convert U.S. dollars we receive from this offering into RMB for our operations, appreciation of the RMB against the U.S. dollar would have an adverse effect on the RMB amount we receive from the conversion. Conversely, if we decide to convert our RMB denominated cash amounts into U.S. dollars amounts for the purpose of making payments for dividends on our ordinary shares or ADSs or for other business purposes, appreciation of the U.S. dollar against the RMB would have a negative effect on the U.S. dollar amount available to us. By way of example, assuming we had converted a

U.S. dollar denominated cash balance of US$1.0 million as of December 31, 2009 into Renminbi at the exchange rate of US$1.00 for RMB6.8259, such cash balance would have been approximately RMB6.8 million. Assuming a further 1.0% appreciation of the Renminbi against the U.S. dollar, such cash balance would have decreased to RMB6.7 million as of December 31, 2009. We have not used any forward contracts or currency borrowings to hedge our exposure to foreign currency exchange risk.

Recent Accounting Pronouncements

In June 2009, the FASB issued ASC 810-10, "Consolidation — Overall" (previously SFAS 167, "Amendments to FASB Interpretation No. 46(R)"). This accounting standard eliminates exceptions of the previously issued pronouncement to consolidating qualifying special purpose entities, contains new criteria for determining the primary beneficiary, and increases the frequency of required reassessments to determine whether a company is the primary beneficiary of a variable interest entity. This accounting standard also contains a new requirement that any term, transaction, or arrangement that does not have a substantive effect on an entity's status as a variable interest entity, a company's power over a variable interest entity, or a company's obligation to absorb losses or its right to receive benefits of an entity must be disregarded in applying the provisions of the previously issued pronouncement. This accounting standard will be effective for our fiscal year beginning January 1, 2010. We are currently assessing the potential impacts, if any, on our consolidated financial statements.

In August 2009, the FASB issued Accounting Standards Update, or ASU, 2009-05, "Fair Value Measurements and Disclosures (Topic 820) — Measuring Liabilities at Fair Value." ASU 2009-05 amends ASC 820-10, "Fair Value Measurements and Disclosures — Overall," for the fair value measurement of liabilities. It provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure the fair value using (1) a valuation technique that uses the quoted price of the identical liability when traded as an asset or quoted prices for similar liabilities or similar liabilities when traded as assets or (2) another valuation technique that is consistent with the principles of Topic 820. It also clarifies that when estimating the fair value of a liability, a reporting entity is not required to include a separate input or adjustment to other inputs relating to the existence of a restriction that prevents the transfer of the liability and that both a quoted price in an active market for the identical liability at measurement date and that the quoted price for the identical liability when traded as an asset in an active market when no adjustments to the quoted price of the asset are required are Level 1 fair value measurements. The provisions of ASU 2009-05 are effective for the first reporting period (including interim periods) beginning after issuance. Early application is permitted. We are evaluating the impact of applying this ASU on our consolidated financial statements starting from January 1, 2010.

In October 2009, the FASB issued ASU 2009-13, "Revenue Recognition (Topic 605) — Multiple-Deliverable Revenue Arrangements" (previously EITF 08-1, Revenue Arrangements with Multiple Deliverables). This ASU addresses the accounting for multiple-deliverable arrangements to enable vendors to account for products or services (deliverables) separately rather than as a combined unit. Specifically, this guidance amends the criteria for separating consideration in multiple-deliverable arrangements. This guidance establishes a selling price hierarchy for determining the selling price of a deliverable, which is based on: (a) vendor-specific objective evidence; (b) third-party evidence; or (c) estimates. This guidance also eliminates the residual method of allocation and requires that arrangement consideration be allocated at the inception of the arrangement to all deliverables using the relative selling price method. In addition, this guidance significantly expands required disclosures related to a vendor's multiple-deliverable revenue arrangements. This accounting standard will be effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Early adoption is permitted. We are currently evaluating the impact of adoption on our consolidated financial statements.

In January 2010, the FASB issued ASU 2010-05, "Compensation — Stock Compensation (Topic 718) — Escrowed Share Arrangements and the Presumption of Compensation" (previously EITF Topic D-110, "Escrowed Share Arrangements and the Presumption of Compensation"). This ASU provides the SEC Staff's views on overcoming the presumption that for certain shareholders escrowed share arrangements represent compensation. The SEC Staff believes that an escrowed share arrangement in which the shares are

automatically forfeited if employment terminates is compensation, consistent with the principle articulated in ASC 805, "Business Combinations." We are currently evaluating the impact of adoption on our consolidated financial statements.

In January 2010, the FASB issued ASU 2010-06, "Fair Value Measurements and Disclosures (Topic 820) — Improving Disclosures about Fair Value Measurements." The ASU amends ASC 820 (formerly SFAS 157) to add new requirements for disclosures about (1) the different classes of assets and liabilities measured at fair value, (2) the valuation techniques and inputs used, (3) the activity in Level 3 fair value measurements, and (4) the transfers between Levels 1, 2, and 3. The guidance in the ASU is effective for the first reporting period beginning after December 15, 2009, except for the requirement to provide the Level 3 activity of purchases, sales, issuances, and settlements on a gross basis, which will be effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. In the period of initial adoption, entities will not be required to provide the amended disclosures for any previous periods presented for comparative purposes. However, those disclosures are required for periods ending after initial adoption. Early adoption is permitted. We are currently evaluating the impact of adoption on our consolidated financial statements.

Change in Accountants

In connection with our Series B financing in June 2007, our board of directors approved the appointment of Ernst & Young Hua Ming as our independent auditors.

In August 2009, in connection with this offering, our board of directors approved our engagement of Deloitte Touche Tohmatsu CPA Ltd. to audit our consolidated financial statements for the three years ended December 31, 2009. In August 2009, Ernst & Young Hua Ming was dismissed.

In connection with the audits for the two years ended December 31, 2007, there were no disagreements with Ernst & Young Hua Ming on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements if not resolved to the satisfaction of Ernst & Young Hua Ming, would have caused them to make reference thereto in their report on the financial statements for such years. The reports of Ernst & Young Hua Ming on the consolidated financial statements of China Lodging Group, Limited for the years ended December 31, 2007 and 2006 did not contain an adverse opinion or a disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles. Subsequent to Ernst & Young Hua Ming's dismissal and prior to the issuance of our consolidated financial statements for the year ended December 31, 2008, we restated our previously issued consolidated financial statements for the years ended December 31, 2007 and 2006. We provided a copy of the restatement footnote to Ernst & Young Hua Ming. We did not seek or obtain Ernst & Young Hua Ming's concurrence with the restatement. As a result, Ernst & Young Hua Ming withdrew its previously issued reports.

During the 2007, 2008 and 2009 fiscal years, and the subsequent interim period prior to engaging Deloitte Touche Tohmatsu CPA Ltd., neither we nor any person on our behalf consulted with Deloitte Touche Tohmatsu CPA Ltd. regarding either (i) the application of accounting principles to a specific completed or contemplated transaction, or the type of audit opinion that might be rendered on our financial statements or the type of audit opinion that might be rendered on our financial statements and no written or oral advice was provided by Deloitte Touche Tohmatsu CPA Ltd. that was an important factor considered by us in reaching a decision as to any accounting, auditing or financial reporting issue, or (ii) any matter that was the subject of a disagreement or reportable event pursuant to Item 16F(a)(2) of Form 20-F. Deloitte Touche Tohmatsu CPA Ltd. has reported on the consolidated financial statements for each of the three years ended December 31, 2009.

We provided a copy of this disclosure to Ernst & Young Hua Ming.

On March 5, 2010, Ernst & Young Hua Ming issued a letter to the Securities and Exchange Commission stating that it agrees with the relevant disclosure contained in this section, and we have filed that letter as an exhibit to the registration statement of which this prospectus forms a part.

INDUSTRY OVERVIEW

Expansion of the Branded Economy Hotels in China

The lodging industry in China consists of upscale luxury hotels such as four and five star hotels and other accommodations such as one, two and three star hotels and guest houses. The industry grew from 237.8 thousand hotels in 2003 to 315.9 thousand hotels in 2008, and 20.1 million rooms in 2003 to 27.3 million rooms in 2008, according to Euromonitor International.

The table below shows the composition of the lodging industry in terms of type of lodging facilities as of December 31, 2008:

	Number of Hotels	% of Total	Number of Hotel Rooms	% of Total
Total lodging facilities(1)	315,893	100.0%	27,346,500	100.0%
Four and five star hotels(2)	2,253	0.7%	526,482	1.9%
Other accommodations*	313,640	99.3%	26,820,018	98.1%

Source: (1) Euromonitor International, 2009
(2) National Tourism Administration of China, 2008

* Represents the difference between the number for total lodging facilities and the number for four and five star hotels

While many of the four and five star hotels in China are operated by international hotel operators, the rest of lodging facilities are predominantly run by domestic operators. Economy hotel is a relatively new concept in China. Economy hotels refer to small to medium sized hotels that provide quality rooms and professional services to satisfy customers' basic accommodation needs at reasonable prices, mostly priced under RMB400 per room night. The main focus of the economy hotel is on cleanliness, safety, convenience, with air conditioning, in-suite bathroom and free broadband.

The demand for quality economy hotels has been driven by both domestic and in-bound international travel volumes growth as well as increase in living standard. While branded economy hotel chains have begun to emerge in China, stand-alone and individually run economy hotels in China with varying levels of service and quality still account for a significant majority of the market in terms of rooms and revenues.

Branded economy hotel chains first appeared in China in the late 1990's and started to gain wider market awareness since the early 2000's. Between 2003 and 2008, the number of branded economy hotels and hotel rooms grew at a compound annual growth rate, or CAGR, of 100% and 98%, respectively, according to the October 2009 Inntie Report. According to the same source, as of June 30, 2009, there are seven branded economy hotel chains each with over 100 hotels or at least 10,000 hotel rooms.

	2003	2004	2005	2006	2007	2008	2003-2008 CAGR
Number of Hotels for Branded Economy Hotel Chains	87	166	522	906	1,698	2,805	100.3%
Number of Hotel Rooms for Branded Economy Hotel Chains	10,292	19,199	56,854	98,817	188,788	312,930	98.0%

Source: According to the October 2009 Inntie Report, "Branded Economy Hotel Chain" is defined as a hotel operator with at least two economy hotels in operation.

Growth Drivers and Trends of the Branded Economy Hotels in China

The economy hotel industry in China, in particular the branded economy hotel chains, is at an early stage of development and presents tremendous growth opportunities.

Growth Drivers

China's robust economic growth drives overall travel and tourism industry

According to the International Monetary Fund, China is one of the world's fastest growing economies with its gross domestic product, or GDP, growing at a CAGR of 10.8% between 2003 and 2008, and is forecast to grow at a CAGR of 10.3% from 2010 to 2014. Domestic travel, the key target segment for economy hotels, is expected to continue to grow significantly as domestic business activities expand and leisure traveling becomes more frequent due to rising disposable income levels and economic growth. As a result of increasing domestic travel, China's total travel accommodations in terms of sales grew at a CAGR of 9.5% between 2003 and 2008, according to Euromonitor International. In addition, in-bound international travel grew at a CAGR of 11.7% between 2001 and 2008 according to the National Bureau of Statistics of China.

Increasing domestic business travel, particularly with the growing importance of small and medium enterprises

The significant increase in the number of small and medium enterprises has been one of the main drivers behind the expansion of domestic travel in China, contributing to the increase in demand for economy lodging. According to iResearch, the number of small and medium enterprises in China increased from 23.6 million in 2003 to 34.5 million in 2007, representing a CAGR of 10.0%, and is forecast to grow at a CAGR of 7.3% from 2010 to 2012. Because small and medium enterprises travelers are generally more cost-conscious due to their limited travel budget, they are more likely to stay at economy hotels tailored to their business needs. According to the 2009 China Economy Hotel Survey, in 2008, 42% of economy hotel guests were individual business travelers, many of them we believe were small and medium enterprises travelers.

Rapidly growing domestic leisure travel as a result of higher disposable income and changing lifestyle

Increase in Disposable Income. According to Euromonitor International, the number of households with annual disposable incomes over US$5,000 in China increased from 33.8 million in 2003 to 134.1 million in 2008, representing a CAGR of 31.7%, and is expected to reach 341.4 million by 2020, representing a CAGR of 8.1% from 2008. Domestic tourism in China is expected to continue the significant growth as a result of growing disposable income. China's domestic tourism spending grew from RMB344.2 billion in 2003 to RMB777.1 billion in 2007 according to the National Bureau of Statistics of China, representing a CAGR of 22.6%.

Change in Lifestyle. With increased personal wealth, consumers are also changing their lifestyles; some of these changes have important implications for the economy hotel industry. Our observation is that the younger generation has demonstrated a higher interest in leisure travel as compared to older generations. As more companies in China adopt paid leave policy, we believe many consumers will utilize such paid leaves for leisure travel. In addition, increased car ownership will not only increase the ease of domestic leisure travel, but also change people's travel habits — we note that people traveling in their own cars often prefer to choose and book accommodation themselves rather than participate in organized tours. According to the National Bureau of Statistics of China, car ownership per 100 households has increased from 0.5 in 2000 to 6.1 in 2007, representing an eleven-fold increase. We believe most leisure travelers are value-conscious and consider economy hotel chains their preferred choice of accommodation.

Growth Trends

Increasing attractiveness of branded economy hotel chains

China's lodging industry is still highly fragmented with branded economy hotel chains accounting for a small percentage of the industry. As of December 31, 2008, there were 2,805 economy chain hotels and 312,930 economy hotel chain rooms in China, according to the October 2009 Inntie Report. Based on the estimated size of 313,640 hotels and 26,820,118 hotel rooms in China's lodging industry excluding four and

five star hotels, branded economy hotel chains collectively only account for 0.9% and 1.2% of these hotels and hotel rooms, respectively.

The penetration rate of branded economy hotels in China is still low when compared to the more developed markets. As of the end of 2008, there were an estimated 0.52 branded economy hotel rooms per 1,000 urban residents in China, compared to an estimated 3.04 branded economy hotel rooms per 1,000 urban residents in the U.S. market. Moreover, China's urban resident base will continue to expand as its urbanization continues. China's urban population is expected to reach more than 728 million by 2020, representing more than 53% of the estimated population of China in 2020 compared to 46% in 2008, according to the Euromonitor International.

Economy Hotel Penetration Comparison

	China	U.S.
Number of Branded Economy Hotel Chain Rooms in 2008	312,930(1)	755,369(2)
Urban Population (in thousands) in 2008(3)	602,317	248,336
Urban Population as % of Total Population in 2008(3)	45.6%	81.7%
Number of Branded Economy Hotel Rooms per 1,000 Urban Residents*	0.52	3.04

Source: (1) October 2009 Inntie Report
(2) Smith Travel Research
(3) Euromonitor International, 2009

* Represents the ratio of the number of branded economy hotel chain rooms in 2008 to urban population (in thousands) in 2008

According to a 2007 report by the National Tourism Administration of China, branded economy hotel chains offer similar price range and have often outperformed lower-star-rated hotels in attracting customers. From 2001 to 2008, the number of one star hotels in China actually declined at a CAGR of 5.2%, according to the National Tourism Administration of China. Stand-alone lodging facilities may find it increasingly difficult to compete with branded economy hotel chains due to their geographic distribution, economy of scale, operating efficiency and superior branding. Leading branded economy hotel chains expect to continue to gain market share over time, as customers will be increasingly drawn to their consistent product and service offerings, competitive pricing, efficient customer support and reservation systems, broad geographic networks, and other benefits such as loyalty programs which stand-alone lodging facilities cannot offer.

Emerging segmentation within the economy hotel industry

Most of China's branded economy hotel chains offer relatively homogeneous products. They operate in a relatively narrow price band, with 51% of the hotel rooms priced in the RMB150 to RMB200 per room night range and 26% of the hotel rooms priced in the RMB200 to RMB300 per room night range, according to the March 2009 Inntie Report. In addition, the price range primarily reflects the impact of geographical differences in hotel locations rather than the product offerings.

As China's lodging market continues to evolve, the demand for further segmentation within the economy hotel industry is expected to increase, driven by consumers looking for products and services that are more sophisticated and tailored. For example, we believe large domestic and multinational corporations are increasingly looking for branded mid-scale hotels with higher quality products and services than economy hotels to accommodate the travel needs of their management staff. On the other hand, budget hotels with a price range of RMB100 to RMB150 may cater to the growing domestic leisure segment, particularly among by students and other young travelers with limited budgets. Therefore, hotel operators that can develop products at different price ranges to cater for different customer bases will likely enjoy higher growth potential.

BUSINESS

Overview

We operate a leading economy hotel chain in China. We achieved the highest revenues generated per available room, or RevPAR, and the highest occupancy rate in 2008 and for the first half of 2009, and the highest growth rate in terms of the number of hotel rooms during the period from January 1, 2007 to June 30, 2009, in each case among economy hotel chains in China with over 100 hotels or at least 10,000 hotel rooms, according to the October 2009 Inntie Report. In addition, according to the same report, we ranked second in terms of net revenues for the six months ended June 30, 2009, as compared with other publicly listed economy hotel operators based in the PRC.

We mainly utilize a lease-and-operate model, under which we directly operate hotels that are typically located in prime locations of selected cities. We also employ a franchise-and-manage model, under which we manage franchised hotels, to expand our network coverage. We apply a consistent standard and platform across all of our hotels. As of December 31, 2009, we had 173 leased-and-operated hotels and 63 franchised-and-managed hotels. In addition, as of the same date, we had 21 leased-and-operated hotels and 123 franchised-and-managed hotels under development.

We offer three hotel products that are designed to target distinct groups of customers. Our flagship product, *HanTing Express Hotel*, targets knowledge workers and value-conscious travelers. Our premium product, *HanTing Seasons Hotel*, targets mid-level corporate managers and owners of small and medium enterprises, and our budget product, *HanTing Hi Inn*, serves budget-constrained travelers. As a result of our customer-oriented approach, we have developed strong brand recognition and a loyal customer base. We have received multiple awards, including "Most Favored Economy Hotel in 2008" by Traveler Magazine and "Most Suitable Economy Hotel for Business Travelers" by Qunar.com, one of the leading online travel search engines in China, in 2008. In 2009, approximately 68% of our room nights were sold to members of HanTing Club, our loyalty program.

Our operation commenced with mid-scale limited service hotels and commercial property development and management in 2005. We began migrating to our current business of operating and managing a multiple-product economy hotel chain in 2007. Our total revenues grew from RMB249.4 million in 2007 to RMB1,333.9 million in 2009. We incurred net losses attributable to our company of RMB111.6 million and RMB136.2 million in 2007 and 2008, respectively. We had net income attributable to our company of RMB42.5 million in 2009.

Our Strengths

We believe that the following strengths differentiate us from our competitors and have enabled us to capture a leading position in the rapidly growing economy hotel industry in China.

We have established a premium brand and achieved the highest RevPAR and occupancy rate

We believe the prime locations of our hotels and our high-quality products and consistent services have enabled us to develop a loyal customer base and establish a premium brand. We achieved the highest RevPAR and occupancy rate in 2008 and for the first half of 2009 among economy hotel chains in China with over 100 hotels or at least 10,000 hotel rooms, according to the October 2009 Inntie Report.

According to the March 2009 Inntie Report, the top hotel selection criterion for business travelers is location. We consider our ability to effectively address this consideration to be a key to our success and profitability. The majority of our hotels are located in China's economically more developed cities. In addition, we typically select central or highly accessible locations for our hotels which we believe give our customers easy access to business, shopping and entertainment facilities. For instance, as of December 31, 2009, approximately 50% of our hotels in Shanghai and 60% of our hotels in Beijing were located within Shanghai's Inner Circle Highway and Beijing's Third Ring Road, respectively, which are both generally considered central locations.

We offer high-quality products and consistent services and design our hotels with features tailored to our customers' specific needs. For instance, our key focuses include providing comfortable bedding, temperature-controlled shower facilities, functional work stations, a secured environment only accessible by our membership cards, and free broadband Internet access to meet the needs of knowledge workers and value-conscious travelers.

Our reputation for providing diversified high-quality hotel products in prime locations has attracted a large number of loyal customers with desirable demographics. According to our own survey conducted in late 2009, approximately 75% of our customers held manager, director and above positions with corporate or governmental organizations, over 85% of our customers had college or above education, and approximately 35% of our customers had annual household incomes of RMB100,000 or more. Additionally, a large number of our customers have joined our paid customer loyalty program. As of December 31, 2009, our HanTing Club loyalty program had approximately 1.5 million individual members and approximately 84,300 corporate members. In 2009, approximately 68% of our room nights were sold to our HanTing Club members.

We have built a premium brand based on our products, services and customers. We have been recognized as one of the most favored brands for leisure and business travelers in China, receiving awards including "Most Favored Economy Hotel in 2008" by Traveler Magazine and "Most Suitable Economy Hotel for Business Travelers" in 2008 by Qunar.com, a leading online travel search engine in China. As a result, we enjoy high customer loyalty and generally are able to charge a premium price over our peers at similar locations in markets where we have established a strong presence.

We have successfully established a portfolio of diversified products

While most of China's branded economy hotel chains offer relatively homogeneous products, as China's lodging market continues to evolve, the demand for further segmentation within the economy hotel industry is expected to increase, driven by consumers looking for products and services that are more sophisticated and tailored to their needs.

We have successfully established a portfolio of diversified products, which we believe enables us to capture a wide spectrum of market opportunities. We have focused on providing high-quality services in areas close to major business and commercial districts to meet the needs of junior to middle-level business travelers and value-conscious travelers, who are the target customers of our flagship product, *HanTing Express Hotel*. In addition, we have developed *HanTing Seasons Hotel*, which targets mid-level corporate managers and owners of small and medium enterprises. Our *HanTing Seasons Hotels* are typically located in city centers or central business districts and offer rooms and services with a quality comparable to three and four star hotels, but are priced at much more competitive rates. In addition, in order to tap the market of budget-constrained young travelers, students and new college graduates, we have launched *HanTing Hi Inn* hotels which offers compact rooms with comfortable facilities and common areas at affordable prices.

We believe our diversified product offerings, designed to meet the needs and expectations of distinct groups of customers, have enabled us to increase our revenue mix and long-term development flexibility through the coverage of key segments with growth potential within the economy hotel industry. In addition, our product offerings have achieved synergy in operations and enabled us to establish a strong and differentiated brand.

We have adopted a disciplined return-driven development model with a proven track record

We have adopted a disciplined return-driven development model to optimize our growth and profitability. Under our return-driven development model, we subject all new hotel openings to extensive market research and a rigorous evaluation process and operate them cost effectively to maximize profitability. We only proceed with new hotels that meet our stringent strategic and financial return criteria, such as internal rate of return, payback period and total net cash flow.

We typically select central or highly accessible locations for our leased-and-operated hotels in economically more developed cities. The prime locations of our hotels have enabled us to achieve high

RevPAR through high occupancy rate and average daily rate. Once our hotels reach the mature stage, their RevPARs are generally high enough to offset the higher rental expenses at prime locations. As a result, an increase in our revenues achieved through higher RevPAR will generally result in higher profitability and net operating cash flow.

Our disciplined return-driven development model extends throughout the full spectrum of our business. We believe our emphasis on return criteria and prime locations in strategically important cities lays a critical foundation for us to grow in a profitable and sustainable manner.

We have been able to achieve operational efficiency while improving productivity

We believe that our ability to systematically streamline and optimize our personnel, resources and workflow has enabled us to achieve operating efficiency and to improve productivity while maintaining product and service quality.

Our procurement system, which centralizes the purchasing functions of our leased-and-operated hotels, allows us to effectively lower the costs of construction materials and other consumable items through bulk purchases on an ongoing basis. We have built an effective workforce at both the headquarters and hotel levels by streamlining operating procedures and effective training of our personnel. We also leverage information technology to enhance our workforce's productivity, and enable us to reduce overhead at each hotel, and more importantly, to enhance financial control over all of our hotels. For example, most of our peers require a financial controller and a cashier to be deployed at each hotel. As we have centralized the accounting and finance functions at the corporate level by leveraging information technology and effective cash management, we do not require a financial controller and a cashier to be deployed at each of our hotels.

We have an efficient and scalable operating system supported by advanced technology platform

We believe that our technological capabilities play a crucial role in the growth and success of our business. We believe that we are at the forefront of the industry with our proprietary web-based and centralized real-time information technology platform. We invested in information technology at an early stage of our development, and we believe that our robust technology platform is capable of supporting our continued growth without requiring significant additional investment. Our information systems are highly scalable. Servers are not required to be installed at individual hotels, which significantly reduces the time and costs associated with installation, maintenance and upgrading. In addition, our integrated systems allow us to enhance profitability by effectively managing our occupancy rates and average daily rates at each hotel and implementing and adjusting our marketing strategy based on real-time data.

Our advanced technology platform supports our scalability and profitability primarily through the following means:

- *Real-time inventory management maximizing occupancy and booking efficiency*: Our real-time inventory management system allows us to lower our booking costs relative to our competitors, efficiently manage room inventory across our hotels to maximize occupancy and enhance our customer satisfaction by improving reservation efficiency and accuracy.
- *RevPAR management maximizing revenues*: Our system allows our management to centrally control pricing across our hotel network. We track industry-wide room pricing information to determine our pricing structure across products, locations and seasons to enhance RevPAR by optimizing daily room rate and occupancy.
- *Membership management enhancing loyalty*: Our system is capable of tracking and monitoring the data, preferences, activities and needs of our individual and corporate members. As a result, we are able to implement more focused marketing initiatives and provide more tailored services that can enhance our customers' experience and loyalty.

- *Franchisee management*: We manage our franchised-and-managed hotels through our centralized and standardized information platform. Key functions such as bookings are monitored by our central reservation system.
- *Performance management*: Our real-time system provides valuable data for management to monitor, evaluate and make important business decisions on a real-time basis. It also enhances our ability to manage our entire operations and therefore allows us to maintain product and service quality and consistency while growing rapidly.

We have an experienced management team supported by a well-trained workforce

Our senior management team has extensive industry and leadership experience. Mr. Qi Ji, our founder and executive chairman, was a co-founder of Ctrip.com International, Ltd., or Ctrip.com, one of the largest online travel services providers in China, and Home Inns & Hotels Management Inc., or Home Inns, one of the largest Chinese economy hotel chains, both of which are listed on the Nasdaq Global Market. Our senior management team has proven operational and management track records in the lodging industry and in other multinational corporations. Our core management team has been in place since 2007, when our business began experiencing its fastest rate of expansion. The stability of our core management team has provided the execution leadership and consistency necessary to our profitability and growth.

We also have a well-trained and motivated workforce, and an effective training program to develop management staff to manage our rapidly expanding network. Our 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 HanTing corporate culture, team management, sales and marketing, customer service, hotel operation standards and financial and human resource management. Approximately 90% of our hotel managers have received training completion certificates. Our HanTing College also rolled out a new-hire training package in October 2009 to standardize the training for hotel-based staff across our hotel chain. In addition, we provide our corporate staff with various training programs, such as managerial skills, office software skills and corporate culture. Furthermore, we have developed both hotel-based training programs and online training and examination centers. In 2009, our hotel-based staff and corporate staff on average have received approximately 70 and 40 hours of training, respectively.

We have implemented a comprehensive review and incentive system that aligns performance and compensation as well as internal promotions, which also enable us to motivate and retain our workforce. We have designed a balanced scorecard system to assist us in evaluating the performance of our employees. For example, our hotel managers are evaluated quarterly based on financial performance of their respective hotels, customer feedback, process implementation and leadership initiatives. Approximately 30% of a typical hotel manager's annual income is determined by the evaluation results. In addition, we grant bonuses to our hotel-based staff based on the sales performance of their respective hotels. We have developed a comprehensive review and incentive system. We have also established a bonus system for our corporate staff that is tied to the performance of our company and individual employees. We evaluate our corporate staff's performance twice a year. We believe that our comprehensive review and incentive system helps align individual efforts with our strategy and motivate our workforce to maintain our consistent high-quality service standards.

Our Strategies

Our vision is to become one of the leading hotel groups in China. We intend to achieve this goal through the following strategies:

Enhance our market leadership through prudent return-driven network expansion

We intend to remain focused on expanding our hotel network in a return-driven manner through the following initiatives:

- *Grow our leased-and-operated hotels in pursuit of long-term profitability*: We believe that the leased-and-operated hotels will continue to be the main contributor to our revenues and long-

term profitability. As of December 31, 2009, we had 21 leased-and-operated hotels under development. We plan to gain greater market share and strengthen our leadership position through opening more leased-and-operated hotels that meet our stringent strategic and financial return criteria in selective locations. While screening new opportunities, our key criterion remains the expected return on investment.

- *Further expand our network growth through franchised-and-managed hotels*: We believe the franchise-and-manage model enables us to quickly and effectively expand our coverage and market share in a less capital-intensive manner with substantially lower execution risks. We intend to supplement the expansion of our network coverage with franchised-and-managed hotels. As of December 31, 2009, we had 123 franchised-and-managed hotels under development. We plan to continue to enhance our marketing activities to attract new franchisees while encouraging our existing franchisees to expand their hotel businesses under our brand and management.
- *Pursue selective acquisitions*: We have in the past made selective acquisitions. For instance, we acquired three hotels at prime locations in Hangzhou, China which were originally franchised hotels of an international hotel operator but are now under our leased-and-operated hotel operation. When opportunities arise, we may continue to selectively acquire economy hotel operators who operate either leased or franchised hotels. In identifying potential acquisition targets, we will adhere to our return-driven development model.

Meet evolving market demand through product diversification and customer segmentation

We expect that as customers become increasingly sophisticated, they are more attracted to hotel product offerings that can meet their distinct needs and preferences. While continuing to focus on the expansion of *HanTing Express Hotels*, we plan to further grow our networks of *HanTing Seasons Hotel* and *HanTing Hi Inn*, which have different target customer groups, product features and price points than *HanTing Express Hotels*. Through these three hotel products, we aim to target distinct groups of customers and capture a wider spectrum of the economy hotel market.

Further enhance our brand recognition and expand our customer base by leveraging our loyalty program

We intend to enhance our brand recognition and expand our customer base by further leveraging our loyalty program. As our loyalty program provides an important source of repeat customers, we will continue to improve and utilize our integrated customer relationship management system, which contains our members' detailed individual profiles, to encourage repeat purchases from our existing loyalty program members in a low-cost and efficient fashion.

In addition, we intend to continue to recruit new members through various marketing initiatives, including strategic marketing alliances, member referral programs, regular electronic newsletters, and certain member-only incentive programs. For example, we have entered into strategic alliances with Air China and China Eastern Airlines to promote our brand to a broader customer base. Pursuant to these arrangements, new members of their frequent flyer programs may enroll in our HanTing Club free of charge through our website, and, once enrolled, these members can earn mileage by staying at our hotels and enjoy other benefits. Furthermore, in December 2009, we launched a member incentive program which offers our members a 5% discount if they preload cash into their membership cards for consumption in our hotels.

Continue to invest in human capital to support future growth

We believe that it is critical to continue to invest in and accumulate human capital. We intend to further leverage our training system to facilitate the sharing of best practices across our hotel network and to develop a management talent pool to meet the demands presented by our anticipated rapid growth. In particular, we plan to step up our efforts in building our talent pool of hotel managers by actively identifying, recruiting, training and retaining qualified candidates with managerial potential.

In addition, we will continue to refine our performance evaluation system, compensation schemes and career development initiatives for our employees. By closely and systematically monitoring employee performance and aligning their interests with those of management and shareholders, we believe we can incentivize our workforce to maintain our consistent high-quality service standards and support our future growth.

Continue to implement cost control measures to enhance our profitability

We believe cost control and efficiency improvement are critical to maximizing our profitability and maintaining our competitiveness. We intend to continue to actively manage our costs to improve our profitability through the following measures:

- *Information technology systems.* We intend to continue to upgrade our information technology systems, including our web property management, central reservation, customer relationship management and enterprise resource planning systems, to further improve our financial, operational and managerial efficiency and reduce personnel costs.
- *Procurement system.* We will continue to enhance our centralized procurement of construction materials and other consumable items, which we believe will help lower our procurement costs, ensure consistent quality of materials and increase our rate of return.

Our Hotel Network

As of December 31, 2009, we operated 236 hotels in 39 cities in China, including 16 of the top 20 cities as measured by 2007 gross domestic product, or GDP, where 78% of our hotels are located. We have adopted a disciplined return-driven development model aimed at achieving high growth and profitability. With an additional 144 hotels under development, our hotel network covers 63 cities in 20 provinces and municipalities across China. The following map sets forth the geographic coverage of our hotels as of December 31, 2009.

The following table sets forth a summary of all of our hotels as of December 31, 2009.

	Leased-and-Operated Hotels	Franchised-and-Managed Hotels	Leased-and-Operated Hotels Under Development(1)	Franchised-and-Managed Hotels Under Development(1)
Shanghai and Beijing	55	24	6	32
Top 20 cities (excluding Shanghai and Beijing)(2)	80	25	8	42
Other cities(3)	38	14	7	49
Total	**173**	**63**	**21**	**123**

(1) Include hotels for which we have entered into binding leases or franchise-and-management agreements but that have not yet commenced operations.
(2) According to the National Bureau of Statistics of China, in addition to Shanghai and Beijing, the top 20 cities, as measured by 2007 GDP, include Guangzhou, Shenzhen, Suzhou, Tianjin, Chongqing, Hangzhou, Wuxi, Qingdao, Foshan, Ningbo, Chengdu, Nanjing, Dongguan, Wuhan, Dalian, Shenyang, Yantai and Tangshan. We currently have no operation in Foshan, Dongguan, Tangshan and Yantai.
(3) Include Changchun, Changsha, Changzhou, Fuzhou, Guilin, Harbin, Hefei, Jinan, Kunshan, Nanning, Nantong, Shijiazhuang, Taiyuan, Wuhu, Xi'an, Xiamen, Yangzhou, Yiwu, Zhenjiang, Zhengzhou, Zibo, Taizhou, Putian, Tai'an, Huai'an, Yixing, Zhangjiagang, Xining, Tongxiang, Yancheng and Jinzhou.

The following table sets forth the status of our hotels under development as of December 31, 2009.

	Pre-conversion Period(1)	Conversion Period(2)	Total
Leased-and-operated hotels	8	13	21
Franchised-and-managed hotels	31	92	123
Total	39	105	144

(1) Include hotels for which we have entered into binding leases or franchise-and-management agreements but of which the property has not been delivered by the respective lessors or managed hotel owners, as the case may be. The majority of these hotels are expected to commence operations by December 31, 2010.
(2) Include hotels for which we have commenced conversion activities but that have not yet commenced operations. The majority of these hotels are expected to commence operations by June 30, 2010.

Leased-and-operated hotels

As of December 31, 2009, we had 173 leased-and-operated hotels, accounting for approximately 73% of the 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-and-operated hotels are situated on leased properties. The terms of these leases typically range from ten to 20 years. Rent is generally paid on a monthly or quarterly basis and is fixed for the first three to five years of the lease term. We are thereafter typically subject to a 3% to 5% increase every three to five years. We generally enjoy an initial three- to six-month rent-free period. 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 the priority to purchase the properties on equivalent conditions and terms.

As of December 31, 2009, 20 of the 173 leased-and-operated hotels were operated through our majority-owned joint ventures. In January 2010, in order to fully capture the profit from and streamline the management of our joint ventures, we acquired the noncontrolling interest in three existing subsidiaries. We entered into an agreement with Xi'an Fukai Hotel Co., Ltd., a joint venture partner, to acquire the noncontrolling interest in HanTing Fukai Hotel Management Co., Ltd., one of our majority-owned joint ventures. Xi'an Fukai Hotel Co., Ltd. is a PRC company wholly owned by Mr. Xushe Wu and his spouse, both PRC citizens. In connection with this acquisition, we paid a cash consideration of RMB4.0 million and issued a warrant to Everlasting Investment Management Co., Ltd., a British Virgin Islands company wholly owned by Mr. Xushe Wu, to purchase 1,500,000 of our ordinary shares at an exercise price of US$1.54 per share. Everlasting Investment Management Co., Ltd. exercised its warrant and received 1,500,000 of our ordinary shares in February 2010. With cash consideration of RMB1.7 million and RMB0.4 million, respectively, we also acquired the noncontrolling interest in two majority-owned joint ventures, Beijing Dongfang Ruijing Hotel Management Co., Ltd. and Shanghai Guancheng Hotel Management Co., Ltd. from Beijing Dongfang Ruijing Hotel Management Co., Ltd. and Shanghai Guancheng Hotel Management Co., Ltd., respectively. These two acquisitions were funded with our existing cash.

Franchised-and-managed hotels

As of December 31, 2009, we had 63 franchised-and-managed hotels, accounting for approximately 27% of the hotels in operation. We select franchisees who are property owners, existing hotel operators or hotel investors. We manage our franchised-and-managed hotels and impose the same standards on all franchised-and-managed hotels to ensure product quality and consistency across our hotel network. We appoint and train hotel managers who are responsible for hiring hotel staff. We also provide our franchisees with such services as managing reservations, 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 franchise-and-manage 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 and the properties that they may own which are suitable for hotel business.

Our franchise-and-management agreements typically run for an initial term of eight years. We collect fees from our franchisees and do not bear loss, if any, incurred by the franchisees. Our franchisees are generally required to pay us a one-time franchise-and-management fee ranging between RMB100,000 and RMB300,000. They are also responsible for all costs and expenses related to hotel construction and refurbishing. In general, we charge a monthly franchise-and-management fee of approximately 5% of the gross revenues generated by each franchised-and-managed hotel. Beginning in 2009, we launched an alternative performance-based fee scheme to provide franchisees with more choices. We also collect from franchisees a reservation fee on a per-room-night basis for using our central reservation system and a membership registration fee to service customers who join our HanTing Club loyalty program at the franchised-and-managed hotels. Furthermore, we employ and appoint hotel managers for the franchised-and-managed hotels and charge the franchisees a monthly fee for the service. Therefore, our revenues from franchised-and-managed hotels are primarily affected by the number and the revenues of franchised-and-managed hotels.

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

	As of December 31,				
	2005	**2006**	**2007**	**2008**	**2009**
Leased-and-operated hotels	5	24	62	145	173
Franchised-and-managed hotels	-	2	5	22	63
Total	5	26	67	167	236

Our Products

We began migrating to our current business of operating and managing a multiple-product economy hotel chain in 2007. We offer three hotel products that are designed to target distinct groups of customers. Our flagship product, *HanTing Express Hotel*, targets knowledge workers and value-conscious travelers. Our premium product, *HanTing Seasons Hotel*, targets mid-level corporate managers and owners of small and medium enterprises, and our budget product, *HanTing Hi Inn*, serves budget-constrained travelers.

HanTing Express Hotel

Launched in 2007, *HanTing Express Hotel* is our flagship product with the value proposition of "Quality, Convenience and Value." These hotels are typically located in areas close to major business and commercial districts, and are priced between RMB150 and RMB300 per room night. The *HanTing Express Hotel* targets knowledge workers and value-conscious travelers between the age of 25 and 35 with annual incomes ranging from RMB40,000 to RMB100,000. These hotels have lobbies with complimentary wireless Internet access and laser printers, and a cafe serving breakfast and simple meals. Rooms are equipped with a comfortable mattress, plush buckwheat and cotton pillows, shower facilities, two outlets for free broadband

Internet access, a working desk and chair, and universal and uninterruptable power sockets. As of December 31, 2009, we had 224 *HanTing Express Hotels* in operation and an additional 131 *HanTing Express Hotels* under development.

HanTing Seasons Hotel

HanTing Seasons Hotels are typically located in city centers or central business districts. Priced between RMB250 and RMB400 per room night, these hotels target mid-level corporate managers and owners of small and medium enterprises between the age of 30 and 40 with annual incomes ranging from RMB80,000 to RMB150,000. The *HanTing Seasons Hotel* offers rooms and services with a quality comparable to three and four star hotels, but are priced at much more competitive rates. In addition, these hotels offer spacious lobbies with complimentary wireless Internet access and laser printers, meeting areas, and a cafe serving breakfast and simple meals. As of December 31, 2009, we had ten *HanTing Seasons Hotels* in operation and an additional six *HanTing Seasons Hotels* under development.

HanTing Hi Inn

Launched in 2008, *HanTing Hi Inn* hotels are priced between RMB70 and RMB150 per room night and target budget-constrained travelers between the age of 20 and 30, such as new college graduates and backpackers, with annual incomes ranging from RMB20,000 to RMB50,000. These hotels offer compact rooms with comfortable beds and shower facilities, and expanded common areas and facilities designed for young travelers to relax and socialize, including an Internet cafe, gaming consoles and pool and foosball tables. These hotels provide basic and clean accommodations with towels and consumables being offered at affordable prices from vending machines in the common areas. As of December 31, 2009, we had two *HanTing Hi Inn* hotels in operation and an additional seven *HanTing Hi Inn* hotels under development.

Hotel Development

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, which consists of Mr. Qi Ji, our executive chairman, Mr. Tuo (Matthew) Zhang, our chief executive officer, Ms. Min (Jenny) Zhang, our chief financial officer, and Mr. Haijun Wang, our executive vice president. 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. The investment committee then 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. In addition, when evaluating potential franchising opportunities, the investment committee considers additional factors such as quality of the prospective franchisee and product consistency with HanTing standards.

We prefer to lease the properties of the hotels we operate rather than acquire properties ourselves, as owning properties is typically much more capital intensive. We also use the franchise-and-manage model to expand our network in a less capital-intensive manner. Our investment committee weighs each investment proposal carefully to ensure that we can achieve a balanced mix of leased-and-operated and franchised-and-managed hotels nationwide that can effectively expand our coverage while concurrently improving our profitability.

The following is a description of our hotel development process.

Leased-and-operated 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 160 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.

Franchised-and-managed hotels

We open franchised-and-managed hotels to supplement our geographical coverage or to deepen penetration of existing markets. Franchised-and-managed 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-operated hotels, we generally look to establish franchised-and-managed hotels near popular commercial and office districts that tend to generate stronger demand for hotel accommodations. Franchised-and-managed hotels must also meet certain specified criteria in connection with the infrastructure of the building, such as adequate water, electricity and sewage systems.

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 franchised-and-managed 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-operated hotels, and provide assistance as required. We also provide technical expertise and require the franchisee to follow a pre-selected list of qualified suppliers. In addition, we appoint hotel managers and help train other hotel staff to ensure that high quality and consistent service is provided throughout all our hotels.

Hotel Management

Over the years, our management team has accumulated significant experience with respect to the operation of economy 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-operated hotels, and an annual revenue budget for each of our franchised-and-managed 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 hotels, including both leased-and-operated and franchised-and-managed 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 upcoming 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.

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.

Centralized cash management. Our leased-and-operated hotels generally deposit cash into our central account three times a week. We also generally centralize all payments for expenditures. Our franchised-and-managed 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 call surveys and monitor customer messages left in hotel guestbooks as well as comments posted 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 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 HanTing corporate culture, team management, sales and marketing, customer service, hotel operation standards and financial and human resource management. Approximately 90% of our hotel managers have received training completion certificates. Our HanTing College also rolled out a new-hire training package in October 2009 to standardize the training for hotel-based staff across our hotel chain. In addition, we provide our corporate staff with various training programs, such as managerial skills, office software skills and corporate culture. In 2009, our hotel-based staff and corporate staff on average have received approximately 70 and 40 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, 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 HanTing Club 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.

Sales and Marketing

Our marketing strategy is designed to maintain and build brand recognition while meeting the specific business needs of hotel operations. Building and differentiating the brand image of each of our product offerings is critical to increasing our brand recognition. We focus on targeting the distinct guest segments that each of our hotel product serves and adopting effective marketing measures based on thorough analysis and application of data and analytics.

A key component of our marketing efforts is the HanTing Club, our loyalty program. We believe the HanTing Club loyalty program allows us to build customer loyalty and conduct lower-cost, targeted marketing campaigns. A majority of individual members of the HanTing Club pay to enroll in the program. As of December 31, 2009, our HanTing Club had approximately 1.5 million individual members and approximately 84,300 corporate members. In 2009, approximately 68% of our room nights were sold to our HanTing Club members. As of December 31, 2009, approximately 60% of individual members who joined our loyalty program prior to June 30, 2009 had stayed in our hotels more than once. Members of the HanTing Club are provided with discounts on room rates, free breakfasts (for certain members only), more convenient check-out procedures and other benefits. HanTing Club 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 gifts or free nights in our hotels. We also have joint promotional programs with leading financial institutions and airlines to recruit new members of our loyalty program. The HanTing Club includes three levels of membership: basic, gold and platinum. The one-time membership fees we charge for the basic and gold memberships are currently RMB28 (US$4.1) and RMB198 (US$29.0), respectively. Gold memberships can be upgraded to platinum memberships upon the satisfaction of certain conditions. The HanTing Club membership card is a smart card that enables elevator access, easy check-in and express check-out. This smart card can also be used as pre-paid cards for in-hotel purchases.

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

In 2009, we established a nationwide sales team consisting of approximately 100 full-time employees solely targeting corporate customers. This sales team also contacts our corporate customers directly to obtain feedback on how to better design and implement our promotional activities.

Employees

We had 2,605, 5,550 and 6,181 employees as of December 31, 2007, 2008 and 2009, respectively. As of December 31, 2009, 3,210 of our employees were contracted through a third-party human resources company. 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.

Competition

The economy hotel industry in China is highly competitive. We face significant competition from other domestic and international economy hotel operators in China. Our main competitors include Home Inns, Jinjiang Inn, Motel 168, 7 Days Inn, various regional and local economy hotels, and certain international brands. We also compete with other accommodations such as two and three star hotels. In addition, we may face competition from new players in the economy hotel industry in China. We believe that competition is generally based on location, room rates, brand recognition, the quality of accommodations, service levels and the convenience of the central reservation system.

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 December 31, 2009, we have registered 14 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 31 trademark applications are under review by the authority. We have also applied for four trademarks in Singapore, Macau, Hong Kong and Taiwan, all of which are currently pending. In addition, we have registered 33 national and international top-level domain names, including www.htinns.com and www.hantinghotels.com.

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 "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 "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."

Facilities

Our headquarters is located in Shanghai, China, where we own 2,344 square meters of office space. As of December 31, 2009, we leased 173 out of our 236 hotel facilities with an aggregate size of approximately 798,493 square meters, including approximately 24,159 square meters subleased to third parties. For detailed information about the locations of our hotels, see " — Our Hotel Network."

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 "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."

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 became effective as of December 1, 2007. Pursuant to this regulation, there are no restrictions on foreign investment in 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

In November 1987, the Ministry of Public Security issued the *Measures for the Control of Security in the Hotel Industry*, and in June 2004, 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*. 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.

In April 1987, the State Council promulgated the *Public Area Hygiene Administration Regulation*, 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 between RMB200 and RMB800; or (iii) orders to suspend or cease continuing business operations. In February 2009, the Standing Committee of the National People's Congress, or the SCNPC, enacted the *PRC Law on Food Safety*, according to which any hotel that provides food must obtain a food service license; any food hygiene license which had been obtained prior to June 1, 2009 will be replaced by the food service license once the food hygiene license expires. To simplify licensing procedures, some cities such as Nanjing, Chengdu and Xi'an have combined the public area hygiene license and the food service license (or formerly food hygiene license) into one unified hygiene license. Pursuant to this law, hotels failing to obtain a food service license (or formerly food hygiene 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 RMB2,000 and RMB50,000 if the value of food illegally produced is less than RMB10,000 or fines equal to 500% to 1000% 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, 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.

In January 2006, the State Council promulgated the *Regulations for Administration of Entertainment Places*. In March 2006, the Ministry of Culture issued the *Circular on Carrying Out the Regulations for Administration of Entertainment Places*. Under these regulations, hotels that provide entertainment facilities, such as discos or ballrooms, are required to obtain a license for entertainment business operations.

In 1988, the National Tourism Administration of China promulgated the *Regulations on the Assessment of the Star Rating of Tourist Hotels*, or the Star Rating Regulations. Under the Star Rating 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. According to the *Classification and Assessment of the Star Rating of Tourist Hotels* (GB/T14308-2003) issued by the National Tourism Administration of China, a star rating, once granted, is valid for five years.

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, 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 the *Law on Urban Real Estate Administration* 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. 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 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;
- 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; 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 June 2002, the SCNPC issued the *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 on December 26, 1989 and October 28, 2002, respectively, the *Regulations Governing Environmental Protection in Construction Projects* promulgated by the State Council on November 29, 1998, 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 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 an Environmental Impact Assessment may be ordered to cease construction and apply for the approval within a specified time limit. If the hotel still fails to obtain approval within the specified time limit, it may be subject to fines between RMB50,000 and RMB200,000, and 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* promulgated by the State Council on February 6, 2007, effective as of May 1, 2007. The *Regulations for Administration of Commercial Franchising* were subsequently supplemented by the *Administrative Measures for Archival Filing of Commercial Franchises* and the *Administrative Measures for Information Disclosure of Commercial Franchises*, both of which were issued by the MOC on April 30, 2007 and took effect on May 1, 2007.

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;
- 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 franchisors 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 its original examination and approval authority 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 in 1982 and revised in 2001 and the *Implementation Regulation of the PRC Trademark Law* adopted by the State Council in 2002 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 or its regional counterpart.

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 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 March 28, 2007, the SAFE promulgated the *Operating Procedures for Administration of Domestic Individuals Participating in the Employee Stock Option Plan or Stock Option Plan of An Overseas Listed Company,* or Circular 78. Under Circular 78, PRC citizens who participate in stock incentive plans or equity compensation plans by an overseas publicly listed company 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 employees who have been granted stock options are subject to the Stock Option Rule. If our PRC employees who hold such options or our PRC subsidiary fail to comply with these regulations, such employees and their PRC employer may be subject to fines and legal sanctions.

Regulations on Share Capital

In October 2005, the SCNPC issued the newly amended *Company Law of the People's Republic of China,* which became effective on January 1, 2006. 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. The shareholders can make their capital contributions in cash or in kind, including in the forms of contributions of intellectual property rights or land use rights that can be valued and is transferable. Contribution to a foreign-invested company's registered capital in cash must not be less than 30% of the total registered capital of the company. The shareholders may choose to make the contributions either in a lump sum or in installments. If the shareholders choose to make the contributions in installments, the first tranche of the contribution shall be no less than 15% of the total registered capital and shall be paid within three months of the establishment of the company and the remaining contribution shall be paid within two years of the establishment of the company.

As of September 30, 2009, all the registered capital of our operating subsidiaries has been fully paid in cash, except for HanTing (Tianjin) Investment Consulting Co., Ltd., whose outstanding registered capital of US$53 million is unpaid and will be due on January 16, 2010, and HanTing Technology (Suzhou) Co., Ltd., whose outstanding registered capital of US$42.5 million is unpaid and will be due on December 3, 2010.

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 the *Implementation Rules of the Foreign-invested Enterprise Law* issued by the State Council, as amended on April 12, 2001.

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 *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. Under this regulation, failure of PRC resident shareholders to comply with the registration procedures set forth in such regulation may result in liability on such shareholders under the relevant PRC laws for evasion of applicable foreign exchange restrictions. Further, such failure could result in restrictions being imposed on the foreign exchange activities of the relevant PRC entity, including the payment of dividends and other distributions to its offshore parent, as well as restrictions on the capital inflow from the offshore entity to the PRC entity.

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.

Regulations on 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.

On December 14, 2006, the CSRC published on its official website procedures regarding its approval of overseas listings by SPVs. The CSRC approval procedures require the filing of a number of documents with the CSRC and the approval process takes several months to complete.

While the application of this new regulation remains unclear, we believe, based on the advice of our PRC counsel, Jun He Law Offices, that CSRC approval is not required in the context of this offering because we established our PRC subsidiaries by means of direct investment other than by merger or acquisition of PRC 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 agencies, including the CSRC, would reach the same conclusion as our PRC counsel. If the CSRC or other PRC regulatory body subsequently determines that we need to obtain the CSRC's approval for this offering, we may face sanctions by the CSRC or other PRC regulatory agencies. In such event, these regulatory agencies may impose fines and penalties on our operations in China, limit our operating privileges in China, delay or restrict the repatriation of the proceeds from this offering into China, or take other actions that could have a material adverse effect on our business, financial condition, results of operations, reputation and prospects, as well as on the trading price of our ADSs and ability to complete this offering. The CSRC or other PRC regulatory agencies may also take actions requiring us, or making it advisable for us, to halt this offering before settlement and delivery of the ADSs offered by this prospectus. 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. See "Risk Factors — Risks Related to Doing Business in China — The approval of the China Securities Regulatory Commission, or the CSRC, may be required in connection with this offering under a recently adopted PRC regulation; any requirement to obtain prior CSRC approval could delay this offering and a failure to obtain this approval, if required, could have a material adverse effect on our business, operating results, reputation and trading price of our ADSs, and may also create uncertainties for this offering; the regulation also establishes more complex procedures for acquisitions conducted by foreign investors which could make it more difficult to pursue growth through acquisitions."

MANAGEMENT

Directors and Executive Officers

The following table sets forth the name, age and position of each of our directors and executive officers. The business address of all of our directors and executive officers is 5th Floor, Block 57, No. 461 Hongcao Road, Xuhui District, Shanghai 200233, People's Republic of China.

Directors and Executive Officers	Age	Position/Title
Qi Ji	43	Founder, Executive Chairman of the Board of Directors
John Jiong Wu	42	Co-founder, Director
Tongtong Zhao	43	Co-founder, Director
Ping Ping	35	Independent Director
Yan Huang	42	Independent Director
Tuo (Matthew) Zhang	44	Chief Executive Officer
Min (Jenny) Zhang	36	Chief Financial Officer
Haijun Wang	33	Executive Vice 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 until 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.com International, Ltd., or Ctrip.com, one of the largest online travel services provider in China, in 1999, acted as its chief executive officer and president until December 2001, and currently serves on Ctrip.com's board as an independent director. Prior to founding Ctrip.com, 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 has served as the Venture Partner of Northern Light Venture Capital since 2007 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.

Tongtong Zhao, a co-founder of our company, has served as our director since February 2007. 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.

Ping Ping has served as our independent director since June 2007. She joined Chengwei Ventures Evergreen Management, LLC in 2003 and currently serves as managing director. From 1997 to 2000, she worked at McKinsey & Company Inc. Ms. Ping obtained her Bachelor's degree in International Economics from Peking University and obtained her Master of Business Administration degree from Yale School of Management.

Yan Huang has served as our independent director since June 2007. He has been a General Partner of CDH Ventures since 2006 and was an Associated Director of Intel Capital from 2004 to 2005. Mr. Huang received his Bachelor's degree in Computer Science from Zhejiang University.

Tuo (Matthew) Zhang has served as our chief executive officer since August 2009. From October 2007 through July 2009, he was our chief operating officer. He has more than 15 years of working experience with multinational companies in senior management capacities and has accumulated extensive knowledge in chain management and multi-location management. Prior to joining us in 2007, he served as the co-founder

and the General Manager of Shanghai IJIAS Technology Co., Ltd., an e-commerce company specializing in home improvement products, from 2005 to 2007. He served as the Vice President of Sales and Marketing of Zhejiang Kasen Industrial Co., Limited, an upholstery manufacturer, from 2004 to 2005. Mr. Zhang also served as the Vice President of OBI Management Systems (China) Co., Ltd. and the General Manager of OBI Asia Trade and Lux International (Shanghai) Co., Ltd., a German-based retail chain of home improvement materials with a national retail network in China, from 2002 to 2004. Mr. Zhang received his Bachelor's degree in Management Administration from Shanghai Jiao Tong University.

Min (Jenny) Zhang has served as our chief financial officer since March 2008. She has more than ten years of experience in finance and consulting with multinational companies. Prior to joining us in 2007, she was 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 obtained her Masters 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.

Haijun Wang is our executive vice president responsible for our operation in the northern regions of China. Before joining us in 2005, he had accumulated extensive hotel management experience at Home Inns, Jinjiang Inn and other hotels in China since 1999. Mr. Wang graduated from Yanshan University and received his Executive Master of Business Administration degree from China Europe International Business School.

Employment Agreements

We have entered into an employment agreement with each of our named executive officers.

We may terminate a named executive officer's employment without material breach or cause by providing the officer 30 days prior written notice, provided that we pay the officer all compensation due through the last day actually worked, plus an amount equal to the base salary the officer would have earned for the balance of the above notice period. Where the officer, by reason of physical or mental incapacity, has been or will be prevented from properly performing his or her duties for more than 90 consecutive days, we may, to the extent permitted by law, terminate his or her employment upon 14 days prior written notice, provided that we pay the officer the severance package as provided in the employment agreement and all compensation pursuant to applicable laws.

We may also terminate a named executive officer's employment for material breach or cause at any time provided that we provide a copy of a resolution duly adopted by the board of directors for the purpose of determining whether in the good faith opinion of the board of directors we have cause to terminate the executive officer's employment. Each named executive officer is entitled to be paid the base annual salary otherwise payable according to the agreement through the end of the month in which the executive officer's employment is terminated. In addition, we may terminate an officer upon any formal action of our management to terminate our company's existence or otherwise wind up our affairs, to sell all or substantially all of our assets, or to merge with or into another entity.

A named executive officer may terminate his or her employment at any time by written notice to our company provided that we fail, without the executive officer's consent and without cause, to cause him or her to be elected or re-elected to his or her current office or otherwise as a full-time employee of our company, or remove him or her from such office. Termination under the circumstances is deemed as a termination by our company other than for material breach or cause.

Each named executive officer has agreed not to disclose, use, transfer or sell, except in the course of employment with our company, any of our confidential information or proprietary data so long as such information or proprietary data remains confidential and has not been disclosed or is not otherwise in the public domain. In addition, each named executive officer has agreed to be bound by non-competition restrictions. Specifically, each 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 participant directly or indirectly in any business that is in competition with ours, including but not limited to limited service, deluxe, luxury, upscale, and mid-scale with food and beverage service.

Board of Directors

Our board of directors currently consists of five directors. Pursuant to the amended and restated shareholders agreement signed in connection with our Series B private placement in June 2007, prior to the completion of this offering, among all of our directors, two shall be elected by holders of a majority of our ordinary shares, one by holders of a majority of our Series A preferred shares and two by holders of a majority of our Series B preferred shares. A vacancy on our board may be filled by a vote or written resolution in lieu of a meeting of the holders of a majority of the share class that originally filled that seat or by any remaining director(s) elected by the holders of such class. The board nomination and representation rights held by the preferred shareholders will terminate upon the completion of this offering. Under our amended and restated memorandum and articles of association, which will come into effect upon the completion of this offering, our board of directors will consist of at least two directors. Our directors will be elected by the holders of ordinary shares, which will include current holders of our Series A preferred shares and Series B preferred shares, both of which are automatically convertible into our ordinary shares upon completion of this offering. There is no shareholding requirement for qualification to serve as a member of our board of directors.

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

We believe that each of Mr. Yan Huang and Ms. Ping Ping will be an "independent director" as that term is used in NASDAQ corporate governance rules. In compliance with NASDAQ corporate governance rules, a majority of the members of our board of directors will be independent directors within one year of the listing of our ADSs on the NASDAQ Global Market.

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. You should refer to "Description of Share Capital — Differences in Corporate Law" for additional information on our standard of corporate governance under Cayman Islands law.

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. Each committee's members and functions are described below. We currently do not plan to establish a nominating 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 nominating committee, because there are no specific requirements under Cayman Islands law on the establishment of a nominating committee. We have adopted a charter for each of the board committees.

Audit Committee

Our audit committee consists of three directors, namely Mr. John Jiong Wu, Ms. Ping Ping and Mr. Yan Huang. Ms. Ping Ping and Mr. Yan Huang satisfy the "independence" requirements of the NASDAQ Global Market and the Securities and Exchange Commission, or the SEC regulations. In addition, our board of directors has determined that Ms. Ping Ping 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;
- selecting 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;
- 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, Ms. Ping Ping and Mr. Yan Huang. Ms. Ping Ping and Mr. Yan Huang 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.

Compensation of Directors and Officers

For the fiscal year ended December 31, 2009, the aggregate cash compensation and benefits that we paid to our directors and executive officers were approximately RMB3.7 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. Three million ordinary shares may be issued under our amended and restated 2009 Share Incentive Plan, or the Amended and Restated 2009 Plan.

Plan Administration. Our board of directors or one committee appointed by our board administers all of our option plans.

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 shares. Each share purchase right under the Amended and Restated 2007 and 2008 Plans must be evidenced by a restricted share 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 and Restated 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 and Restated 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 and Restated 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 prospectus, we have entered into option agreements respectively under our Amended and Restated 2007, 2008 and 2009 Plans. Pursuant to each 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.

Termination of the Amended and Restated 2007, 2008 and 2009 Plans. Our Amended and Restated 2007, 2008 and 2009 Plans will terminate in 2017, 2018 and 2019, respectively. Our board of directors may amend, suspend, or terminate our Amended and Restated 2007, 2008 and 2009 Plans 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.

The following table summarizes, as of the date of this prospectus, options that we granted to our directors and executive officers and to other individuals as a group under our share incentive plans.

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
Tongtong Zhao	100,000	1.53	October 1, 2009	October 1, 2019
John Jiong Wu	100,000	1.53	October 1, 2009	October 1, 2019
Ping Ping	*	1.53	October 1, 2009	October 1, 2019
Yan Huang	*	1.53	October 1, 2009	October 1, 2019
Tuo (Matthew) Zhang	2,270,000	1.40/ 1.53/ 1.53	October 20, 2007/ August 3, 2009/November 20, 2009	October 20, 2017/ August 3, 2019/November 20, 2019
Min (Jenny) Zhang	*	1.40/ 1.53	October 20, 2007/November 20, 2009	October 20, 2017/November 20, 2019
Haijun Wang	*	0.50	February 4, 2007	February 4, 2017
Other individuals as a group	11,829,068	0.50-1.53	February 4, 2007-February 5, 2010	February 4, 2017-February 5, 2020

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

PRINCIPAL SHAREHOLDERS

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, assuming the conversion of all of our preferred shares into ordinary shares on an one-to-one basis and as adjusted to reflect the sale of the ADSs offered in this offering, by:

- each of our directors and executive officers; and
- each person known to us to own beneficially more than 5% of our ordinary shares and each person who owns our Series A preferred shares or Series B preferred 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 Prior to This Offering(1)		Ordinary Shares Being Sold in This Offering(2)		Ordinary Shares Beneficially Owned After This Offering(1)(2)	
	Number	%	Number	%	Number	%
Directors and Executive Officers:						
Qi Ji(3)	115,759,849	62.67				
Tongtong Zhao(4)	38,920,000	21.07				
John Jiong Wu(5)	9,633,333	5.22				
Ping Ping	-	-				
Yan Huang	-	-				
Tuo (Matthew) Zhang	*	*				
Min (Jenny) Zhang	*	*				
Haijun Wang	*	*				
All Directors and Executive Officers as a Group	132,773,807	70.56				
Principal Shareholders:						
Winner Crown Holdings Limited(6)	80,759,849	43.72				
East Leader International Limited(7)	38,920,000	21.07				
Chengwei Funds(8)	14,768,868	8.00				
CDH Courtyard Limited(9)	14,768,868	8.00				
IDG Funds(10)	8,550,949	4.63				
Northern Light Funds(11)	6,340,428	3.43				
Pinpoint Capital 2006 A Limited(12)	2,139,134	1.16				

* 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 of the date of this prospectus. Percentage of beneficial ownership of each listed person or group prior to this offering is based on (i) 184,706,932 ordinary shares outstanding as of the date of this prospectus, including ordinary shares convertible from our outstanding Series A preferred shares and Series B preferred shares, and (ii) the ordinary shares underlying share options exercisable by such person within 60 days of the date of this prospectus. Percentage of beneficial ownership of each listed person or group after this offering is based on ordinary shares outstanding immediately after the completion of this offering and additional shares issuable upon the exercise of the outstanding options within 60 days of the date of this prospectus.

(2) Assumes that the underwriters do not exercise the over-allotment option.

(3) Includes (i) 34,822,510 ordinary shares, 20,000,000 ordinary shares issuable upon conversion of the same number of Series A preferred shares and 25,937,339 ordinary shares issuable upon conversion of the same number of Series B preferred 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) 15,000,000 ordinary shares held by East Leader International Limited, or East Leader, a British Virgin Islands company, over which Mr. Ji has voting power pursuant to a power of attorney dated

February 25, 2010, and (iii) 20,000,000 ordinary shares issuable upon conversion of the same number of Series A preferred shares held by East Leader, over which Mr. Ji has voting power pursuant to a power of attorney dated September 29, 2009. East Leader is 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. Tongtong Zhao and her family members, are the beneficiaries.

(4) Includes (i) 15,000,000 ordinary shares, (ii) 20,000,000 ordinary shares issuable upon conversion of the same number of Series A preferred shares and (iii) 3,920,000 ordinary shares issuable upon conversion of the same number of Series B preferred shares, all of which are held by East Leader, 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. Tongtong Zhao and her family members, are the beneficiaries. Ms. Zhao is the sole director of East Leader.

(5) Includes 4,000,000 ordinary shares, 4,000,000 ordinary shares issuable upon conversion of the same number of Series A preferred shares, and 1,633,333 ordinary shares issuable upon conversion of the same number of Series B preferred shares.

(6) Includes 34,822,510 ordinary shares, 20,000,000 ordinary shares issuable upon conversion of the same number of Series A preferred shares and 25,937,339 ordinary shares issuable upon conversion of the same number of Series B preferred shares. 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 Akara Bldg., 24 De Castro Street, Wickhams Cay I, Road Town, Tortola, British Virgin Islands.

(7) Includes (i) 15,000,000 ordinary shares, (ii) 20,000,000 ordinary shares issuable upon conversion of the same number of Series A preferred shares and (iii) 3,920,000 ordinary shares issuable upon conversion of the same number of Series B preferred shares. 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. Tongtong 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.

(8) Includes 516,910, 12,684,242 and 1,567,716 ordinary shares issuable upon conversion of the same numbers of Series B preferred shares held by Chengwei Partners, L.P., Chengwei Ventures Evergreen Fund, L.P. and Chengwei Ventures Evergreen Advisors Fund, LLC, respectively, collectively referred to as the Chengwei Funds. Chengwei Partners, L.P. is an exempted limited partnership incorporated in the Cayman Islands. Chengwei Ventures Evergreen Fund, L.P. is an exempted limited partnership incorporated in the Cayman Islands. Chengwei Ventures Evergreen Advisors Fund, LLC is an exempted limited liability corporation incorporated in the Cayman Islands. Chengwei Ventures Evergreen Management, LLC, a Cayman Islands exempted limited liability company, is the general partner of Chengwei Partners, L.P. and Chengwei Ventures Evergreen Fund, L.P., as well as the managing member of Chengwei Ventures Evergreen Advisors Fund, LLC. Mr. Eric X. Li, Mr. Pei Kang and Mr. Yang Dong Shao, the directors of Chengwei Ventures Evergreen Management, LLC, hold voting and dispositive power over the Chengwei Funds. The address of the Chengwei Funds is P.O. Box 309 GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands.

(9) Includes 14,768,868 ordinary shares issuable upon conversion of the same number of Series B preferred shares. CDH Courtyard Limited is a company incorporated in the British Virgin Islands. All of the issued and outstanding shares of CDH Courtyard Limited are wholly owned by CDH Venture Partners, L.P., a Cayman Islands exempted limited partnership. CDH Venture GP I Company Limited, a Cayman Islands exempted limited liability company, is the general partner of CDH Venture Partners, L.P. and has the power to direct CDH Venture Partners, L.P. as to the voting and disposition of shares directly and indirectly held by CDH Venture Partners, L.P. Mr. Gongquan Wang is a director and a member of the investment committee of CDH Venture GP I Company Limited. Mr. Gongquan Wang disclaims beneficial ownership of any of the shares held by CDH Courtyard Limited except to the extent of his pecuniary interest therein. The address of CDH Courtyard Limited is 1503, Level 15, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

(10) Includes 6,590,216, 1,346,774 and 613,959 ordinary shares issuable upon conversion of the same numbers of Series B preferred shares held by IDG-Accel China Growth Fund L.P., IDG-Accel China Growth Fund-A L.P. and IDG-Accel China Investors L.P., respectively, collectively referred to as the IDG Funds. Each of the IDG Funds is an exempted limited partnership incorporated in the Cayman Islands. IDG-Accel China Growth Fund GP Associates Ltd., a Cayman Islands limited company, is the general partner of IDG-Accel China Growth Fund Associates L.P., a Cayman

Islands limited partnership, which in turn is the general partner of IDG-Accel China Growth Fund L.P. and IDG-Accel China Growth Fund-A L.P. Each of the two directors of IDG-Accel China Growth Fund GP Associates Ltd., Mr. Patrick J. McGovern and Mr. Quan Zhou, owns 50% of IDG-Accel China Growth Fund GP Associates Ltd.'s voting shares. IDG-Accel China Investors Associates Ltd., a Cayman Islands limited company, is the general partner of IDG-Accel China Investors L.P. Mr. James Breyer is the sole shareholder and one of the two directors of IDG-Accel China Investors Associates Ltd. Mr. Quan Zhou is the other director of IDG-Accel China Investors Associates Ltd. The address of the IDG Funds is Unit 1509, the Center, 99 Queen's Road Central, Hong Kong.

(11) Includes 4,769,269, 523,720, and 1,047,439 ordinary shares issuable upon conversion of the same numbers of Series B preferred shares held by Northern Light Venture Fund, L.P., Northern Light Partners Fund, L.P., and Northern Light Strategic Fund, L.P., respectively, collectively referred to as the Northern Light Funds. Each of the Northern Light Funds is an exempted limited partnership incorporated in the Cayman Islands. Northern Light Venture Capital Limited, a Cayman Islands exempted limited liability company, is the general partner of Northern Light Partners, L.P., a Cayman Islands limited partnership, which in turn is the general partner of the Northern Light Funds. Feng Deng, Yan Ke and Jeffrey Lee, directors of Northern Light Venture Capital Limited, hold voting and dispositive power over the Northern Light Funds. The address of the Northern Light Funds is 2440 Sand Hill Road Suite 201, Menlo Park, CA 94025, USA.

(12) Includes 2,139,134 ordinary shares issuable upon conversion of the same number of Series B preferred shares. Pinpoint Capital 2006 A Limited is a company incorporated in the British Virgin Islands. All of the issued and outstanding shares of Pinpoint Capital 2006 A Limited are wholly owned by Pinpoint China Direct Investment Fund, L.P., a Cayman Islands exempted limited partnership. Pinpoint Capital Limited, a Cayman Islands exempted limited liability company, is the general partner of Pinpoint China Direct Investment Fund, L.P. and has the power to direct Pinpoint China Direct Investment Fund, L.P. as to the voting and disposition of shares directly and indirectly held by Pinpoint China Direct Investment Fund, L.P.. Mr. Jiyi Weng and Mr. Qiang Wang are directors and members of the investment committee of Pinpoint Capital Limited. Mr. Jiyi Weng and Mr. Qiang Wang are also directors of Pinpoint Capital 2006 A Limited. The address of Pinpoint Capital 2006 A Limited is 2nd Floor, Abbott Building, Road Town, Tortola, British Virgin Islands.

As of the date of this prospectus, 6.38% of our outstanding ordinary shares, 9.09% of our outstanding Series A preferred shares and 2.09% of our outstanding Series B preferred shares are held by one record holder in the United States.

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

See "Description of Share Capital — History of Securities Issuances" for a description of the history of our share issuances.

RELATED PARTY TRANSACTIONS

Private Placements

In February 2007, we issued an aggregate of 43,999,999 ordinary shares, par value US$0.0001 per share, or the ordinary shares, at issuance price of US$0.0001 per share, to Winner Crown Holdings Limited, or Winner Crown, a British Virgin Islands company, and to two co-founders of our company, Mr. John Jiong Wu and Ms. Tongtong Zhao. Winner Crown is 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.

In February 2007, we acquired a 100% interest in HanTing Xingkong (Shanghai) Hotel Management Co., Ltd., or HanTing Xingkong, and Shanghai HanTing Hotel Management Group, Ltd., or Shanghai HanTing, two of the wholly owned subsidiaries of Powerhill Holdings Limited, or Powerhill, as well as a 100% ownership interest in Yiju (Shanghai) Hotel Management Co., Ltd., a company wholly owned by John Jiong Wu through Crystal Water Investment Holdings Limited, a British Virgin Islands company. As the consideration, we issued 40,000,000 and 4,000,000 Series A preferred shares, par value US$0.0001 per share, to Powerhill and Mr. John Jiong Wu, respectively pursuant to the ordinary and Series A share purchase agreement. Each Series A preferred share will automatically convert into one ordinary share upon the closing of this offering.

In June 2007, we issued 7,840,001 ordinary shares at subscription price of US$1.27551 per share to Winner Crown in exchange of a promissory note with a due date in October 2007. Winner Crown repaid the promissory note in October 2007.

In conjunction with the issuance of ordinary shares and Series B convertible redeemable preferred shares, par value US$0.0001 per share, or the Series B preferred shares, in June 2007, we issued a warrant to Winner Crown, for the purchase of up to 4,704,001 Series B preferred shares, par value US$0.0001 per share, at subscription price of US$1.27551 per share. Winner Crown exercised its warrant in December 2007 and subscribed for the agreed 4,704,001 Series B preferred shares.

In February 2008, we issued an additional 11,760,002 Series B preferred shares, at subscription price of US$1.530612 per share, to Winner Crown, Mr. John Jiong Wu and Ms. Tongtong Zhao.

In March 2008, we issued an additional 11,760,002 Series B preferred shares, at subscription price of US$1.530612 per share, to Winner Crown.

In May 2008, we issued an additional 1,306,667 Series B preferred shares, at subscription price of US$1.530612 per share, to Winner Crown and issued another 1,306,667 Series B preferred shares to Powerhill in exchange for a US$2 million related party payable due to Powerhill.

In August 2009, we issued 2,766,243 ordinary shares in a private placement at a price of US$1.80427 per share. The purchasers include Winner Crown, which purchased 1,982,509 shares.

Transactions with Suzhou Property

We conduct transactions in the ordinary course of our business with Lishan Property (Suzhou) Co., Ltd., or Suzhou Property, a subsidiary of Powerhill, which is owned by Mr. Qi Ji and Ms. Tongtong Zhao. Prior to Powerhill's transfer in February 2007 of all of its ownership interests in HanTing Xingkong and Shanghai HanTing to us in exchange for our preferred shares, Powerhill conducted its operations through three wholly owned subsidiaries in the PRC, namely HanTing Xingkong, Shanghai HanTing and Suzhou Property. After such exchange, each of HanTing Xingkong and Shanghai HanTing became our wholly owned subsidiary while Suzhou Property remains a wholly owned subsidiary of Powerhill. See "Prospectus Summary — Corporate Structure and History." We enter into lease agreements with Suzhou Property to lease three hotel buildings owned by Suzhou Property. We pay rents under these leases in amounts similar to what a unrelated

third party would pay for such leases. In 2007, 2008 and 2009, the aggregate amount we paid for rent to Suzhou Property was RMB3.5 million, RMB3.5 million and RMB3.6 million, respectively.

Certain commercial buildings of Suzhou Property are pledged as collateral to secure our credit facility with a maximum amount of RMB172.0 million with the Industrial and Commercial Bank of China in 2008 and 2009.

Transactions with Ctrip.com

We conduct transactions in the ordinary course of our business with Ctrip.com International, Ltd., or Ctrip.com, an entity in which Mr. Qi Ji, our founder, is co-founder, shareholder and independent director. Ctrip.com rendered reservation services to us to facilitate our customers in making reservations at our hotels from Ctrip.com's online hotel booking system. In 2007, 2008 and 2009, the aggregate commission fees we paid to Ctrip.com for its reservation services amounted to RMB5.6 million, RMB7.5 million and RMB9.9 million, respectively.

Transactions with Powerhill

Powerhill provided certain short-term advances to us after our restructuring in February 2007. As of December 31, 2007, the amount due to Powerhill amounted to RMB14.6 million, which was subsequently exchanged for 1,306,667 Series B preferred shares in March 2008.

Employment Agreements

See "Management — Employment Agreements" for a description of the employment agreements we have entered into with our senior executive officers.

Share Incentives

See "Management — Share Incentive Plans" for a description of share options we have granted to our directors, officers and other individuals as a group.

DESCRIPTION OF SHARE CAPITAL

As of the date of this prospectus, our authorized share capital consists of 300,000,000 ordinary shares, par value US$0.0001 per share, and 150,000,000 preferred shares, par value US$0.0001 per share, further divided into 44,000,000 Series A preferred shares and 106,000,000 Series B preferred shares. As of the date of this prospectus, there are 62,648,013 ordinary shares, 44,000,000 Series A preferred shares and 78,058,919 Series B preferred shares issued and outstanding.

We were incorporated as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, or the Companies Law, on January 4, 2007. Our shareholders who are non-residents of the Cayman Islands may freely hold and vote their shares. A Cayman Islands exempted company:

- is a company that conducts its business outside the Cayman Islands;
- is exempted from certain requirements of the Companies Law, including the filing of an annual return of its shareholders with the Registrar of Companies;
- does not have to make its register of shareholders open to inspection; and
- may obtain an undertaking against the imposition of any future taxation.

The following summarizes the material terms of our amended and restated memorandum and articles of association, which will come into effect upon the completion of this offering, or the amended and restated memorandum and articles of association and the Companies Law insofar as they relate to the material terms of our ordinary shares. This summary is not complete, and you should read the form of our amended and restated memorandum and articles of association, which have been filed as exhibits to the registration statement of which this prospectus is a part.

The following discussion primarily concerns ordinary shares and the rights of holders of ordinary shares. The holders of ADSs will not be treated as our shareholders and will be required to surrender their ADSs for cancellation and withdrawal from the depositary facility in which the ordinary shares are held in accordance with the provisions of the deposit agreement in order to exercise shareholders' rights in respect of the ordinary shares. The depositary will agree, so far as it is practical, to vote or cause to be voted the amount of ordinary shares represented by ADSs in accordance with the non-discretionary written instructions of the holders of such ADSs. See "Description of American Depositary Shares — Voting Rights."

Meetings

Subject to the Company's regulatory requirements, an annual general meeting and any extraordinary general meeting shall be called by not less than five clear days' notice in writing. Notice of every general meeting will be given to all of our shareholders other than those that, under the provisions of our amended and restated articles of association or the terms of issue of the ordinary shares they hold, are not entitled to receive such notices from us, and also to our principal external auditors. Extraordinary general meetings may be called only by (i) the chairman of our board of directors, or (ii) a majority of our board of directors and may not be called by any other person.

Notwithstanding that a meeting is called by shorter notice than that mentioned above, but, subject to applicable regulatory requirements, it will be deemed to have been duly called, if it is so agreed (i) in the case of a meeting called as an annual general meeting by all of our shareholders entitled to attend and vote at the meeting; and (ii) in the case of any other meeting, by our shareholders together holding not less than 95% of the voting rights represented by the issued voting shares giving that right.

One or more shareholders present in person or by proxy that represent not less than one third in nominal value of the total issued voting shares will constitute a quorum. No business other than the appointment of a chairman may be transacted at any general meeting unless a quorum is present at the commencement of business. However, the absence of a quorum will not preclude the appointment of a

chairman. If present, the chairman of our board of directors shall be the chairman presiding at any shareholders meetings.

A corporation being a shareholder shall be deemed for the purpose of our amended and restated articles of association to be present in person if represented by its duly authorized representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting or at any relevant general meeting of any class of our shareholders. Such duly authorized representative shall be entitled to exercise the same powers on behalf of the corporation that he represents as that corporation could exercise if it were our individual shareholder.

The quorum for a separate general meeting of the holders of a separate class of shares is described in " — Modification of Rights" below.

Our amended and restated articles of association do not allow our shareholders to approve matters to be determined at shareholders meetings by way of written resolutions without a meeting.

Voting Rights Attaching to the Shares

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting every shareholder who is present in person or by proxy (or, in the case of a shareholder being a corporation, by its duly authorized representative) shall have one vote on a show of hands, and on a poll every shareholder holding shares present in person or by proxy (or, in the case of a shareholder being a corporation, by its duly appointed representative) shall have one vote for each fully paid share of which such shareholder is the holder.

No shareholder shall be entitled to vote or be reckoned in a quorum, in respect of any share, unless such shareholder is duly registered as our shareholder at the applicable record date for that meeting and all calls or installments due by such shareholder to us have been paid.

If a recognized clearing house (or its nominee(s)), being a corporation, is our shareholder, it may authorize such person or persons as it thinks fit to act as its representative(s) at any meeting or at any meeting of any class of shareholders provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision is entitled to exercise the same powers on behalf of the recognized clearing house (or its nominee(s)) as if such person was the registered holder of our shares held by that clearing house (or its nominee(s)) including the right to vote individually on a show of hands.

While there is nothing under the laws of the Cayman Islands which specifically prohibits or restricts the creation of cumulative voting rights for the election of directors of the Company, it is not a concept that is accepted as a common practice in the Cayman Islands, and the Company has made no provisions in its amended and restated articles of association to allow cumulative voting for such elections.

Protection of Minority Shareholders

The Grand Court of the Cayman Islands may, on the application of shareholders holding not less than one fifth of our shares in issue, appoint an inspector to examine our affairs and to report thereon in a manner as the Grand Court shall direct.

Any shareholder may petition the Grand Court of the Cayman Islands, which court may make a winding up order, if the court is of the opinion that it is just and equitable that we should be wound up. Where any such petition has been presented by our shareholders, the Grand Court is permitted to make alternative orders to a winding-up order including orders regulating the conduct of our affairs in the future, requiring us to refrain from doing an act complained of by the petitioner or for the purchase of our shares by us or another shareholder.

Claims against us by our shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by our amended and restated memorandum and articles of association.

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against, or derivative actions in our name to challenge (i) an act which is *ultra vires* or illegal, (ii) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of us, and (iii) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

Pre-Emption Rights

There are no pre-emption rights applicable to the issue of new shares under either Cayman Islands law or our amended and restated memorandum and articles of association.

Liquidation Rights

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if we are wound up and the assets available for distribution among our shareholders are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* among those shareholders in proportion to the amount paid up at the commencement of the winding up on the shares held by them, respectively and (ii) if we are wound up and the assets available for distribution among the shareholders as such are insufficient to repay the whole of the paid-up capital, those assets shall be distributed so that, as nearly as may be, the losses shall be borne by the shareholders in proportion to the capital paid up at the commencement of the winding up on the shares held by them, respectively.

If we are wound up, the liquidator may with the sanction of our special resolution and any other sanction required by the Companies Law, divide among our shareholders in specie or kind the whole or any part of our assets (whether or not they shall consist of property of the same kind) and may, for such purpose, set such value as the liquidator deems fair upon any property to be divided and may determine how such division shall be carried out as between the shareholders or different classes of shareholders. The liquidator may also vest the whole or any part of these assets in trustees upon such trusts for the benefit of the shareholders as the liquidator shall think fit, but so that no shareholder will be compelled to accept any assets, shares or other securities upon which there is a liability.

Modification of Rights

Except with respect to share capital (as described below) and the location of the registered office, alterations to our amended and restated memorandum and articles of association may only be made by special resolution, meaning a majority of not less than two-thirds of votes cast at a shareholders meeting.

Subject to the Companies Law, all or any of the special rights attached to shares of any class (unless otherwise provided for by the terms of issue of the shares of that class) may be varied, modified, abrogated or, with the sanction of a special resolution, passed at a separate general meeting of the holders of the shares of that class. The provisions of our amended and restated articles of association relating to general meetings shall apply similarly to every such separate general meeting, but so that the quorum for the purposes of any such separate general meeting or at its adjourned meeting shall be a person or persons together holding (or represented by proxy) on the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class, that every holder of shares of the class shall be entitled on a poll to one vote for every such share held by such holder and that any holder of shares of that class present in person or by proxy may demand a poll.

The special rights conferred upon the holders of any class of shares shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

Alteration of Capital

We may from time to time by ordinary resolution:

- increase our capital by such sum, to be divided into shares of such amounts, as the resolution shall prescribe;
- consolidate and divide all or any of our share capital into shares of larger amount than our existing shares;
- cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law;
- sub-divide our shares or any of them into shares of smaller amount than is fixed by our amended and restated memorandum of association, subject nevertheless to the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such subdivision, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as we have power to attach to unissued or new shares; and
- divide shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares, attach to the shares respectively any preferential, deferred, qualified or special rights, privileges, conditions or such restrictions that in the absence of any such determination in general meeting may be determined by our directors.

We may, by special resolution, subject to any confirmation or consent required by the Companies Law, reduce our share capital or any capital redemption reserve in any manner authorized by law.

Transfer of Shares

Subject to any applicable restrictions set forth in our amended and restated articles of association, including, for example, the board of directors' discretion to refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve, or any share issued under the share incentive plans for employees upon which a restriction on transfer imposed thereby still subsists, any of our shareholders may transfer all or any of his or her shares by an instrument of transfer in the usual or common form or in a form prescribed by the NASDAQ Global Market or in an other form that our directors may approve.

Our directors may decline to register any transfer of any share which is not paid up or on which we have a lien. Our directors may also decline to register any transfer of any share unless:

- the instrument of transfer is lodged with us accompanied by the certificate for the shares to which it relates and such other evidence as our directors may reasonably require to show the right of the transferor to make the transfer;
- the instrument of transfer is in respect of only one class of share;
- the instrument of transfer is properly stamped (in circumstances where stamping is required);
- in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four; and
- fee of such maximum sum as the NASDAQ Global Market may determine to be payable or such lesser sum as our directors may from time to time require is paid to us in respect thereof.

If our directors refuse to register a transfer, they shall, within two months after the date on which the instrument of transfer was lodged, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on notice being given by advertisement in such one or more newspapers or by any other means in accordance with the requirements of the NASDAQ Global Market, be suspended and the register closed at such times and for such periods as our directors may from time to time determine; provided, however, that the registration of transfers shall not be suspended nor the register closed for more than 30 days in any year as our directors may determine.

Share Repurchase

We are empowered by the Companies Law and our amended and restated articles of association to purchase our own shares, subject to certain restrictions. Our directors may only exercise this power on our behalf, subject to the Companies Law, our amended and restated memorandum and articles of association and to any applicable requirements imposed from time to time by the NASDAQ Global Market, the Securities and Exchange Commission, or the SEC, or by any other recognized stock exchange on which our securities are listed.

Dividends

Subject to the Companies Law, our directors may declare dividends in any currency to be paid to our shareholders. Dividends may be declared and paid out of our profits, realized or unrealized, or from any reserve set aside from profits which our directors determine is no longer needed. Our board of directors may also declare and pay dividends out of the share premium account or any other fund or account that can be authorized for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share otherwise provides (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, but no amount paid up on a share in advance of calls shall be treated for this purpose as paid up on that share and (ii) all dividends shall be apportioned and paid *pro rata* according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.

Our directors may also pay any dividend that is payable on any shares semi-annually or on any other dates, whenever our financial position, in the opinion of our directors, justifies such payment.

Our directors may deduct from any dividend or bonus payable to any shareholder all sums of money (if any) presently payable by such shareholder to us on account of calls or otherwise.

No dividend or other money payable by us on or in respect of any share shall bear interest against us.

In respect of any dividend proposed to be paid or declared on our share capital, our directors may resolve and direct that (i) such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that our shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof if our directors so determine) in cash in lieu of such allotment or (ii) the shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as our directors may think fit. Our directors may also resolve in respect of any particular dividend that, notwithstanding the foregoing, a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend interest or other sum payable in cash to the holder of shares may be paid by check or warrant sent by mail addressed to the holder at his registered address, or addressed to such person and at such addresses as the holder may direct. Every check or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the check or warrant by the bank on which it is drawn shall constitute a good discharge to us.

All dividends unclaimed for one year after having been declared may be invested or otherwise made use of by our board of directors for the benefit of our company until claimed. Any dividend unclaimed after a period of six years from the date of declaration of such dividend shall be forfeited and reverted to us.

Whenever our directors have resolved that a dividend be paid or declared, our directors may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe for our securities or securities of any other company. Where any difficulty arises with regard to such distribution, our directors may settle it as they think expedient. In particular, our directors may issue fractional certificates, ignore fractions altogether or round the same up or down, fix the value for distribution purposes of any such specific assets, determine that cash payments shall be made to any of our shareholders upon the footing of the value so fixed in order to adjust the rights of the parties, vest any such specific assets in trustees as may seem expedient to our directors, and appoint any person to sign any requisite instruments of transfer and other documents on behalf of the persons entitled to the dividend, which appointment shall be effective and binding on our shareholders.

Untraceable Shareholders

We are entitled to sell any shares of a shareholder who is untraceable, provided that:

- all checks or warrants in respect of dividends of such shares, not being less than three in number, for any sums payable in cash to the holder of such shares have remained un-cashed for a period of 12 years prior to the publication of the advertisement and during the three months referred to in third bullet point below;
- we have not during that time received any indication of the whereabouts or existence of the shareholder or person entitled to such shares by death, bankruptcy or operation of law; and
- we have caused an advertisement to be published in newspapers in the manner stipulated by our amended and restated articles of association, giving notice of our intention to sell these shares, and a period of three months has elapsed since such advertisement and the NASDAQ Global Market has been notified of such intention.

The net proceeds of any such sale shall belong to us, and when we receive these net proceeds we shall become indebted to the former shareholder for an amount equal to such net proceeds.

Differences in Corporate Law

The Companies Law is modeled after similar laws in the United Kingdom but does not follow recent changes in United Kingdom laws. In addition, the Companies Law differs from laws applicable to United States corporations and their shareholders. Set forth below is a summary of the significant differences between the provisions of the Companies Law applicable to us and the laws applicable to companies incorporated in the United States.

Mergers and Similar Arrangements. Under the laws of the Cayman Islands, two or more companies may merge or consolidate in accordance with the recently introduced Section 233 of the Companies Law. A merger means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such constituent companies as the surviving company, and a consolidation means the combination of two or more constituent companies into a new consolidated company and the vesting of the undertaking, property and liabilities of such constituent companies in the new consolidated company. In order to merge or consolidate, the directors of each constituent company must approve a written plan of merger or consolidation which must be authorized by each constituent company by either (i) a shareholder resolution by majority in number representing seventy-five per cent (75%) in value of the shareholders voting together as one class or (ii) if the shares to be issued to each shareholder in the consolidated or surviving company are to have the same rights and economic value as the shares held in the constituent company, a special resolution of the shareholders voting together as one class. In either case, a shareholder shall have the right to vote regardless of whether the shares that he holds otherwise give him voting rights. The consent of each holder of a fixed or floating security interest of a constituent company in a proposed merger or consolidation must also be obtained.

For a director who has a financial interest in the plan of merger or consolidation, he should declare the nature of his interest at the board meeting where the plan was considered. Following such declaration,

subject to any separate requirement for Audit Committee approval under the applicable law or any applicable requirements imposed from time to time by the NASDAQ Global Market, the SEC, or by any other recognized stock exchange on which the securities are listed, and unless disqualified by the chairman of the relevant board meeting, he may vote on the plan of merger or consolidation.

A shareholder resolution is not required if a Cayman Islands incorporated parent company is seeking to merge with one or more of its Cayman Islands incorporated subsidiary companies (*i.e.*, companies where at least ninety per cent (90%) of the issued shares of which (of one or more classes) that are entitled to vote are owned by the parent company). In any event, all shareholders must be given a copy of the plan of merger or consolidation irrespective of whether they are entitled to vote at the meeting or consent to the written resolution to approve the plan of merger or consolidation.

The shareholders of the constituent companies are not required to receive shares of the surviving or consolidated company but may receive debt obligations or other securities of the surviving or consolidated company, or money and other assets or a combination thereof. Further, some or all of the shares of a class or series may be converted into a kind of asset while the other shares of the same class or series may receive a different kind of asset. As such, not all the shares of a class or series must receive the same kind of consideration.

After the plan of merger or consolidation has been approved by the directors, authorized by a resolution of the shareholders and the holders of fixed or floating security interest have given their consent, the plan of merger or consolidation is executed by each company and filed, together with certain ancillary documents, with the Registrar of Companies in the Cayman Islands.

A shareholder may dissent from a merger or consolidation. A shareholder properly exercising his dissent rights is entitled to payment in cash of the fair value of his shares. Such dissent rights are unavailable in respect of shares subject to a plan of merger or consolidation for which (i) an open market exists on a recognized stock exchange or recognized interdealer quotation system at the expiry date of the period allowed for written notice of an election to dissent and (ii) in certain other situations.

A shareholder dissenting from a merger or consolidation must object in writing to the merger or consolidation before the vote by the shareholders on the merger or consolidation. If the merger or consolidation is approved by the shareholders, the company must within 20 days give notice of this fact to each shareholder who gave written objection. Such shareholders then have 20 days to give to the company their written election in the form specified by the Companies Law to dissent from the merger or consolidation.

Upon giving notice of his election to dissent, a shareholder ceases to have any rights of a shareholder except the right to be paid the fair value of his shares. As such, the merger or consolidation may proceed in the ordinary course notwithstanding the dissent.

Within seven days of the later of the delivery of the notice of election to dissent and the effective date of the merger or consolidation, the company must make a written offer to each dissenting shareholder to purchase his shares at a specified price that the company determines to be their fair value. The company and the shareholder then have 30 days to agree upon the price. If the company and a shareholder fail to agree on the price within the 30 days, then within 20 days thereafter, the company shall or any dissenting shareholder may file a petition with the Grand Court for a determination of the fair value of the shares of all dissenting shareholders. At the petition hearing, the Grand Court shall determine the fair value of the shares of such dissenting shareholders as it finds are involved, together with a fair rate of interest, if any, to be paid by the company upon the amount determined to be the fair value.

Shareholders' Suits. In principle, we will normally be the proper plaintiff and a derivative action may not be brought by a minority shareholder. However, based on English authorities, which would in all likelihood be of persuasive authority in the Cayman Islands, exceptions to the foregoing principle apply in circumstances in which:

- a company is acting or proposing to act illegally or beyond the scope of its authority;

- the act complained of, although not beyond the scope of its authority, could be effected duly if authorized by more than a simple majority vote which has not been obtained; or
- those who control the company are perpetrating a "fraud on the minority."

Corporate Governance. Cayman Islands laws do not restrict transactions with directors, requiring only that directors exercise a duty of care and owe a fiduciary duty to the companies for which they serve. Under our amended and restated memorandum and articles of association, subject to any separate requirement for audit committee approval under the applicable rules of the NASDAQ Global Market or unless disqualified by the chairman of the relevant board meeting, so long as a director discloses the nature of his interest in any contract or arrangement which he is interested in, such a director may vote in respect of any contract or proposed contract or arrangement in which such director is interested and may be counted in the quorum at such a meeting.

Board of Directors

We are managed by our board of directors. Our amended and restated memorandum and articles of association provide that the number of our directors will be fixed from time to time pursuant to an ordinary resolution of our shareholders but must consist of not less than two directors. There is no maximum number of directors unless otherwise determined by our shareholders in general meeting. Any director on our board may be removed by way of an ordinary resolution of our shareholders or by the consent of a majority of the directors then in office. Any vacancies or additions to the existing board of directors can be filled by way of an ordinary resolution of our shareholders. Any vacancies on our board of directors or additions to the existing board of directors can be filled by the affirmative vote of a simple majority of the remaining directors, although this may be less than a quorum where the number of remaining directors falls below the minimum number fixed by our board of directors. Any director appointed by our board of directors to fill a casual vacancy shall hold office until the first general meeting of shareholders after his appointment and be subject to re-election at such meeting. Any director appointed by our board of directors as an addition to the existing board shall hold office until our next following annual general meeting and shall be eligible for re-election. Our directors are not required to hold any of our shares to be qualified to serve on our board of directors. There is no requirement under Cayman Islands law or our amended and restated articles of association that a majority of our directors be independent.

Meetings of our board of directors may be convened at any time deemed necessary by the secretary on request of director or by any director. Advance notice of a meeting is not required if each director entitled to attend consents to the holding of such meeting.

A meeting of our board of directors shall be competent to make lawful and binding decisions if at least two of the members of our board of directors are present or represented. At any meeting of our directors, each director, be it by such director's presence or by such director's alternate, is entitled to one vote.

Questions arising at a meeting of our board of directors are required to be decided by simple majority votes of the members of our board of directors present or represented at the meeting. In the case of a tie vote, the chairman of the meeting shall have an additional or casting vote. Our board of directors may also pass resolutions without a meeting by unanimous written consent.

Committees of the Board of Directors

Pursuant to our amended and restated articles of association, our board of directors has established an audit committee and a compensation committee.

Issuance of Additional Ordinary Shares or Preferred Shares

Our amended and restated memorandum and articles of association authorizes our board of directors to issue additional ordinary shares from time to time as our board of directors shall determine, to the extent of available authorized but unissued shares.

Our amended and restated memorandum and articles of association authorizes our board of directors to establish from time to time one or more series of preferred shares and to determine, with respect to any series of preferred shares, the terms and rights of that series, including:

- the designation of the series;
- the number of shares of the series;
- the dividend rights, dividend rates, conversion rights and voting rights; and
- the rights and terms of redemption and liquidation preferences.

Our board of directors may issue series of preferred shares without action by our shareholders to the extent authorized but unissued. Accordingly, the issuance of preferred shares may adversely affect the rights of the holders of the ordinary shares. In addition, the issuance of preferred shares may be used as an anti-takeover device without further action on the part of the shareholders. Issuance of preferred shares may dilute the voting rights of holders of ordinary shares.

Subject to applicable regulatory requirements, our board of directors may issue additional ordinary shares without action by our shareholders to the extent of available authorized but unissued shares. The issuance of additional ordinary shares may be used as an anti-takeover device without further action on the part of the shareholders. Such issuance may dilute the voting power of existing holders of ordinary shares.

Inspection of Books and Records

Holders of our ordinary shares will have no general right under Cayman Islands law to inspect or obtain copies of our list of shareholders or our corporate records. However, we will provide our shareholders with annual audited financial statements. See "Where You Can Find Additional Information."

History of Securities Issuances

Ordinary Shares

In February 2007, pursuant to an ordinary share and Series A preferred share purchase agreement, or the ordinary and Series A share purchase agreement, we issued 43,999,999 ordinary shares to Winner Crown Holdings Limited, or Winner Crown, a British Virgin Islands company, and to two co-founders of our company, Mr. John Jiong Wu and Ms. Tongtong Zhao. Winner Crown is 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.

In June 2007, we issued 7,840,001 ordinary shares to Winner Crown in exchange of a promissory note with a due date in October 2007 which was repaid in full in October 2007.

In the second half of 2007, we issued 2,231,134 ordinary shares to seven individuals at par value of $0.0001.

In May and August 2009, we issued an aggregate of 6,141,878 ordinary shares to 11 individuals or entities including Winner Crown at a per share purchase price of US$1.80427 per share.

In August 2009, our former Chief Financial Officer, Mr. Lee (Alexander) Wang exercised his options to purchase 735,000 ordinary shares at an exercise price of US$0.75 per share. Mr. Lee (Alexander) Wang transferred these 735,000 ordinary shares to Richtime Dev. Limited, a British Virgin Islands company wholly owned by Mr. Lee (Alexander) Wang. Accordingly, we issued the 735,000 ordinary shares to Richtime Dev. Limited on August 6, 2009.

In January 2010, in connection with our acquisition of the noncontrolling interest in an existing subsidiary, we issued a warrant to Everlasting Investment Management Co., Ltd. for the purchase of 1,500,000 of our ordinary shares at an exercise price of US$1.54 per share. Everlasting Investment Management Co., Ltd. exercised its warrant in February 2010 and received 1,500,000 of our ordinary shares.

In January 2010, in consideration for the provision to us of certain market research services, we issued a warrant to Tongren Investment Holdings Limited for the purchase of 200,000 of our ordinary shares

at an exercise price of US$1.54 per share. Tongren Investment Holdings Limited exercised the warrant in February 2010 and received 200,000 of our ordinary shares.

Series A Preferred Shares

In February 2007, we acquired a 100% interest in HanTing Xingkong (Shanghai) Hotel Management Co., Ltd. and Shanghai HanTing Hotel Management Group, Ltd., two of the wholly owned subsidiaries of Powerhill Holdings Limited, or Powerhill, as well as a 100% ownership interest in Yiju (Shanghai) Hotel Management Co., Ltd., a company wholly owned by Mr. John Jiong Wu through Crystal Water Investment Holdings Limited, a British Virgin Islands company. As the consideration, we issued 40,000,000 and 4,000,000 Series A preferred shares, par value US$0.0001 per share, to Powerhill and Mr. John Jiong Wu, respectively pursuant to the ordinary and Series A share purchase agreement. In September 2009, Powerhill transferred 20,000,000 of its Series A preferred shares to Winner Crown, and the remaining 20,000,000 Series A preferred shares to East Leader International Limited, or East Leader, a British Virgin Islands company wholly owned and controlled by Ms. Tongtong Zhao, a co-founder of our company. Series A preferred shareholders are entitled to appoint and remove one member of our board of directors.

Each of our Series A preferred shares is convertible into one ordinary share, subject to adjustments in accordance with anti-dilution provisions. The Series A preferred shares will automatically convert into our ordinary shares upon the completion of this offering.

In connection with our Series A private placement in February 2007, we and certain of our shareholders entered into a shareholders agreement. The agreement has since been replaced by an amended and restated shareholders agreement signed in connection with our Series B private placement in June 2007.

Convertible Notes

In March 2007, we issued convertible promissory notes with an aggregate principal amount of US$4,000,000 to IDG-Accel China Growth Fund L.P., IDG-Accel China Growth Fund-A L.P. and IDG-Accel China Investors L.P., or, collectively, IDG, pursuant to a convertible note purchase agreement dated as of March 28, 2007. All of the convertible promissory notes were converted into our Series B preferred shares in June 2007 as described below.

Series B Preferred Shares

In a private placement pursuant to a Series B preferred share purchase agreement dated as of June 20, 2007, or the Series B share purchase agreement, we issued 32,144,009 Series B convertible redeemable preferred shares, par value US$0.0001 each, at an aggregate price of US$41,000,004 to Chengwei Partners, L.P., Chengwei Ventures Evergreen Fund, L.P. and Chengwei Ventures Evergreen Advisors Fund, LLC, or, collectively, Chengwei; CDH Courtyard Limited, or CDH; Pinpoint Capital 2006 A Limited, or Pinpoint; Northern Light Venture Fund, L.P., Northern Light Partners Fund, L.P. and Northern Light Strategic Fund, L.P., or, collectively, Northern Light; and IDG. In addition, IDG converted all of the outstanding principal of, and any accrued and unpaid interests on, the convertible promissory notes into 3,729,526 Series B preferred shares pursuant to the terms of the notes and the Series B share purchase agreement.

Pursuant to the Series B share purchase agreement, we also issued (i) a warrant for the purchase of up to 4,704,001 Series B preferred shares at a per share purchase price of US$1.27551 to Winner Crown, which was exercised on December 21, 2007, (ii) warrants for the purchase of up to an aggregate of 13,066,670 Series B preferred shares at a per share purchase price of US$1.530612 to Chengwei, CDH, IDG, Pinpoint and Northern Light, of which warrants to purchase of 1,142,266 Series B preferred shares were exercised on December 21, 2007, warrants to purchase of 2,215,151 Series B preferred shares were exercised on June 20, 2008, warrants to purchase of 4,854,627 Series B preferred shares issued to Chengwei were transferred to Northern Light and John Jiong Wu and were exercised on June 20, 2008, warrant to purchase of 4,854,626 Series B preferred shares issued to CDH was not exercised and expired on June 20, 2008 and (iii) warrants for the purchase of up to an aggregate of 3,136,001 Series B preferred shares at a per share purchase price of US$1.27551 to Chengwei, CDH and IDG, of which warrants to purchase 1,440,865 Series B preferred shares were exercised on December 21, 2007 and warrants to purchase 1,695,136 Series B preferred shares were exercised on December 30, 2007.

Pursuant to three Series B preferred share subscription agreements each dated as of January 18, 2008 or the Series B subscription agreements, we issued an additional 11,760,002 Series B preferred shares for an aggregate price of US$18 million to Winner Crown, Ms. Tongtong Zhao and Mr. John Jiong Wu. In addition, we further issued 13,066,669 Series B preferred shares at an aggregate exercise price of US$20 million to Winner Crown in March and May 2008 and issued 1,306,667 Series B preferred shares to Powerhill in May 2008 in exchange for an assignment of loan in the amount of US$2 million from Powerhill to us, pursuant to a call-option provided in the Series B share subscription agreement between us and Winner Crown and its amendments. In September 2009, Powerhill transferred 653,334 of its Series B preferred shares to Winner Crown, and the remaining 653,333 Series B preferred shares to East Leader.

Series B preferred shareholders are entitled to appoint and remove two members of our board of directors prior to the completion of this offering. The proceeds from issuances of our Series B preferred shares were used for business expansion, capital expenditures, marketing and general working capital for our business.

Each of our Series B preferred shares is convertible into one ordinary share, subject to adjustments in accordance with anti-dilution provisions. The Series B preferred shares will automatically convert into our ordinary shares upon the completion of this offering.

Our Series B preferred shares shall be redeemed by us at a price equal to the Series B subscription price per share, plus all declared but unpaid dividends thereon, after receipt by us at any time on or after May 1, 2012, from the holders of at least a majority of the then outstanding Series B preferred shares, of written notice requesting redemption of all Series B preferred shares and setting forth the date for such redemption.

Shareholders Agreement. We have granted our preferred shareholders a series of rights, including rights of first offer, rights of first refusal, co-sale rights, drag-along rights and information and inspection rights. In addition, preferred shareholders are granted customary registration rights, including demand, piggyback and Form F-3 registration rights. For a detailed description of these rights, see " — Registration Rights." With the exception of the registration rights, the foregoing rights will terminate immediately prior to the completion of this offering. Furthermore, we, our shareholders and preferred shareholders are each entitled to certain pre-emptive rights, most-favored investor status, rights of first refusal and drag-along rights with respect to any proposed share transfers by any of our shareholders, so long as such transfers occur before the closing of this public offering.

Registration Rights

Pursuant to the amended and restated shareholders agreement dated June 20, 2007, we have granted certain registration rights to holders of our registrable securities, which include our Series A preferred shares, Series B preferred shares and ordinary shares issuable or issued upon conversion of the preferred shares and ordinary shares acquired by holders of preferred shares after June 20, 2007. Set forth below is a description of the registration rights granted under the amended and restated shareholders agreement.

Demand Registration Rights

At any time commencing the earlier of the third anniversary of the amended and restated shareholders agreement and the closing of this offering, any holders of at least 50% of the registrable securities then held by all holders of Series B preferred shares have the right to demand that we file a registration statement under the Securities Act covering the registration of at least 50% of the registrable securities then held by such demanding holders. However, we are not obligated to effect any such demand registration if we have, within the six month period preceding the demand, already effected a registration under the Securities Act pursuant to their demand or Form F-3 registration rights, or if the holders of registrable securities requesting such registration already had an opportunity to be included in a registration pursuant to their piggyback registration rights. We have the right to defer the filing of a registration statement for up to 90 days if we furnish to the holders of registrable securities requesting such registration a certificate signed by our chief executive officer stating that, in the good faith judgment of our board of directors, it would be materially detrimental to us and

our shareholders, for such registration statement to be filed, provided that we may not utilize this deferral right more than once in any 12-month period. We are not obligated to effect more than three such demand registrations initiated by the holders of registrable securities. The underwriters of any underwritten offering may limit the number of shares to be included in the underwriting and the applicable registration statement if they advise us in writing that marketing factors require a limitation of the number of shares to be underwritten, provided that:

- At least 25% of all registrable securities requested by the holders of Series B preferred shares to be included in the underwriting are included; and
- All shares that are not held by the holders of Series B preferred shares are first excluded from the registration, following which all shares that are not held by the holders of Series A preferred shares are subsequently excluded from the registration.

Piggyback Registration Rights

If we propose to file a registration statement for a public offering of our securities, other than pursuant to a Form F-3 registration statement or relating to any employee benefit plan or a corporate reorganization, we must offer holders of registrable securities the opportunity to include their securities in the registration statement. Registration pursuant to piggyback registration rights is not deemed to be a demand registration, and there is no limit on the number of times the holders may request registration of their registrable securities pursuant to their piggyback registration rights. The underwriters of any underwritten offering have the right to limit the number of shares to be included in the applicable registration statement so long as they determine in good faith that such a limitation would benefit the marketing efforts, provided that:

- The number of registrable securities held by holders of Series B preferred shares included in such registration is not reduced below 25% of the aggregate number of securities included in such registration statement; and
- The number of shares that may be included in the registration shall be allocated, first, to us, second, to each of the requesting holders of Series B preferred shares, third, to each of the requesting holders of Series A preferred shares, and fourth, to holders of our other securities.

Form F-3 Registration Rights

At anytime after the closing of this offering, any Series B shareholder has the right to request that we file a registration statement on Form F-3 covering the offer and sale of their securities, upon which any other holders of registrable securities may join such request. However, we are not obligated to effect any such registration if, among other things, the aggregate amount of securities to be sold under the registration statement is less than US$500,000 or we have, within the six month period preceding the demand, already effected a registration under the Securities Act. There is no limit on the number of times the holders may exercise their Form F-3 registration rights. We have the right to defer the filing of a registration statement on Form F-3 for up to 90 days if we furnish to the holders of the registrable securities requesting such registration a certificate signed by our chief executive officer stating that, in the good faith judgment of our board of directors, it would be materially detrimental to us and our shareholders for such Form F-3 registration statement to be filed, provided that we may not utilize this deferral right more than once during any 12 month period.

Expenses of Registration

We will pay all expenses relating to any demand, piggyback or Form F-3 registration, except that shareholders shall bear the expense of any broker's commission or underwriter's discount or commission relating to registration and sale of their securities. We will not be required to pay for any expenses of any registration proceeding begun pursuant to demand registration rights, if the registration request is subsequently withdrawn at the request of the holders of a majority in voting power of the registrable securities held by the holders that requested the registration.

Termination

We have no obligations pursuant to the demand, piggyback or Form F-3 registration rights to effect any registration, if in the opinion of our legal counsel, all such registrable securities proposed to be sold by a holder may be sold without registration in any 90 day period pursuant to Rule 144 under the Securities Act.

DESCRIPTION OF AMERICAN DEPOSITARY SHARES

Citibank, N.A. has agreed to act as the depositary for the American Depositary Shares. Citibank's depositary offices are located at 388 Greenwich Street, New York, New York 10013. American Depositary Shares are frequently referred to as "ADSs" and represent rights and interests in securities that are on deposit with the depositary. ADSs may be represented by certificates that are commonly known as "American Depositary Receipts" or "ADRs." The depositary typically appoints a custodian to safekeep the securities on deposit. In this case, the custodian is Citibank, N.A.-Hong Kong, located at 10/F, Harbour Front (II), 22, Tak Fung Street, Hung Hom, Kowloon, Hong Kong.

We will appoint Citibank as depositary pursuant to a deposit agreement. A copy of the deposit agreement will be on file with the Securities and Exchange Commission, or the SEC, under cover of a Registration Statement on Form F-6. You may obtain a copy of the deposit agreement from the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549 and from the SEC's website (www.sec.gov).

We are providing you with a summary description of the material terms of the ADSs and of your material rights as an owner of ADSs. Please remember that summaries by their nature lack the precision of the information summarized and that the rights and obligations of an owner of ADSs will be determined by reference to the terms of the deposit agreement and not by this summary. We urge you to review the deposit agreement in its entirety.

Each ADS represents the right to receive ordinary shares on deposit with the custodian. An ADS also represents the right to receive any other property received by the depositary bank or the custodian on behalf of the owner of the ADS but that has not been distributed to the owners of ADSs because of legal restrictions or practical considerations.

If you become an owner of ADSs, you will become a party to the deposit agreement and therefore will be bound to its terms and to the terms of any ADR that represents your ADSs. The deposit agreement and the ADR specify our rights and obligations as well as your rights and obligations as owner of ADSs and those of the depositary. As an ADS holder you appoint the depositary to act on your behalf in certain circumstances. The deposit agreement and the ADRs are governed by New York law. However, our obligations to the holders of ordinary shares will continue to be governed by the laws of the Cayman Islands, which may be different from the laws in the United States.

In addition, applicable laws and regulations may require you to satisfy reporting requirements and obtain regulatory approvals in certain circumstances. You are solely responsible for complying with such reporting requirements and obtaining such approvals. Neither the depositary, the custodian, us or any of their or our respective agents or affiliates shall be required to take any actions whatsoever on behalf of you to satisfy such reporting requirements or obtain such regulatory approvals under applicable laws and regulations.

As an owner of ADSs, you may hold your ADSs either by means of an ADR registered in your name, through a brokerage or safekeeping account, or through an account established by the depositary in your name reflecting the registration of uncertificated ADSs directly on the books of the depositary (commonly referred to as the "direct registration system" or "DRS"). The direct registration system reflects the uncertificated (book-entry) registration of ownership of ADSs by the depositary. Under the direct registration system, ownership of ADSs is evidenced by periodic statements issued by the depositary to the holders of the ADSs. The direct registration system includes automated transfers between the depositary and The Depository Trust Company ("DTC"), the central book-entry clearing and settlement system for equity securities in the United States. If you decide to hold your ADSs through your brokerage or safekeeping account, you must rely on the procedures of your broker or bank to assert your rights as ADS owner. Banks and brokers typically hold securities such as the ADSs through clearing and settlement systems such as DTC. The procedures of such clearing and settlement systems may limit your ability to exercise your rights as an owner of ADSs. Please consult with your broker or bank if you have any questions concerning these limitations and procedures. All ADSs held through DTC will be registered in the name of a nominee of DTC. This summary description assumes you have opted to own the ADSs directly by means of an ADS registered

in your name and, as such, we will refer to you as the "holder." When we refer to "you," we assume the reader owns ADSs and will own ADSs at the relevant time.

Dividends and Distributions

As a holder, you generally have the right to receive the distributions we make on the securities deposited with the custodian. Your receipt of these distributions may be limited, however, by practical considerations and legal limitations. Holders will receive such distributions under the terms of the deposit agreement in proportion to the number of ADSs held as of a specified record date.

Distributions of Cash

Whenever we make a cash distribution for the securities on deposit with the custodian, we will deposit the funds with the Custodian. Upon receipt of confirmation of the deposit of the requisite funds, the depositary will arrange for the funds to be converted into U.S. dollars and for the distribution of the U.S. dollars to the holders, subject to the laws and regulations of the Cayman Islands.

The conversion into U.S. dollars will take place only if practicable and if the U.S. dollars are transferable to the United States. The amounts distributed to holders will be net of the fees, expenses, taxes and governmental charges payable by holders under the terms of the deposit agreement. The depositary will apply the same method for distributing the proceeds of the sale of any property (such as undistributed rights) held by the custodian in respect of securities on deposit.

Distributions of Ordinary Shares

Whenever we make a free distribution of ordinary shares for the securities on deposit with the custodian, we will deposit the applicable number of ordinary shares with the custodian. Upon receipt of confirmation of such deposit, the depositary will either distribute to holders new ADSs representing the ordinary shares deposited or modify the ADS-to-ordinary shares ratio, in which case each ADS you hold will represent rights and interests in the additional ordinary shares so deposited. Only whole new ADSs will be distributed. Fractional entitlements will be sold and the proceeds of such sale will be distributed as in the case of a cash distribution.

The distribution of new ADSs or the modification of the ADS-to-ordinary shares ratio upon a distribution of ordinary shares will be made net of the fees, expenses, taxes and governmental charges payable by holders under the terms of the deposit agreement. In order to pay such taxes or governmental charges, the depositary may sell all or a portion of the new ordinary shares so distributed.

No such distribution of new ADSs will be made if it would violate a law (*i.e.*, the U.S. securities laws) or if it is not operationally practicable. If the depositary does not distribute new ADSs as described above, it may sell the ordinary shares received upon the terms described in the deposit agreement and will distribute the proceeds of the sale as in the case of a distribution of cash.

Distributions of Rights

Whenever we intend to distribute rights to purchase additional ordinary shares, we will give prior notice to the depositary and we will assist the depositary in determining whether it is lawful and reasonably practicable to distribute rights to purchase additional ADSs to holders.

The depositary will establish procedures to distribute rights to purchase additional ADSs to holders and to enable such holders to exercise such rights if it is lawful and reasonably practicable to make the rights available to holders of ADSs, and if we provide all of the documentation contemplated in the deposit agreement (such as opinions to address the lawfulness of the transaction). You may have to pay fees, expenses, taxes and other governmental charges to subscribe for the new ADSs upon the exercise of your rights. The depositary is not obligated to establish procedures to facilitate the distribution and exercise by holders of rights to purchase new ordinary shares other than in the form of ADSs.

The depositary will *not* distribute the rights to you if:

- We do not timely request that the rights be distributed to you or we request that the rights not be distributed to you; or
- We fail to deliver satisfactory documents to the depositary; or
- It is not reasonably practicable to distribute the rights.

The depositary will sell the rights that are not exercised or not distributed if such sale is lawful and reasonably practicable. The proceeds of such sale will be distributed to holders as in the case of a cash distribution. If the depositary is unable to sell the rights, it will allow the rights to lapse.

Elective Distributions

Whenever we intend to distribute a dividend payable at the election of shareholders either in cash or in additional shares, we will give prior notice thereof to the depositary and will indicate whether we wish the elective distribution to be made available to you. In such case, we will assist the depositary in determining whether such distribution is lawful and reasonably practicable.

The depositary will make the election available to you only if it is reasonably practicable and if we have provided all of the documentation contemplated in the deposit agreement. In such case, the depositary will establish procedures to enable you to elect to receive either cash or additional ADSs, in each case as described in the deposit agreement.

If the election is not made available to you, you will receive either cash or additional ADSs, depending on what a shareholder would receive upon failing to make an election, as more fully described in the deposit agreement.

Other Distributions

Whenever we intend to distribute property other than cash, ordinary shares or rights to purchase additional ordinary shares, we will notify the depositary in advance and will indicate whether we wish such distribution to be made to you. If so, we will assist the depositary in determining whether such distribution to holders is lawful and reasonably practicable.

If it is reasonably practicable to distribute such property to you and if we provide all of the documentation contemplated in the deposit agreement, the depositary will distribute the property to the holders in a manner it deems practicable.

The distribution will be made net of fees, expenses, taxes and governmental charges payable by holders under the terms of the deposit agreement. In order to pay such taxes and governmental charges, the depositary may sell all or a portion of the property received.

The depositary will *not* distribute the property to you and will sell the property if:

- We do not request that the property be distributed to you or if we ask that the property not be distributed to you; or
- We do not deliver satisfactory documents to the depositary; or
- The depositary determines that all or a portion of the distribution to you is not reasonably practicable.

The proceeds of such a sale will be distributed to holders as in the case of a cash distribution.

Redemption

Whenever we decide to redeem any of the securities on deposit with the custodian, we will timely notify the depositary. If it is reasonably practicable and if we provide all of the documentation contemplated in the deposit agreement, the depositary will provide notice of the redemption to the holders.

The custodian will be instructed to surrender the shares being redeemed against payment of the applicable redemption price. The depositary will convert the redemption funds received into U.S. dollars upon the terms of the deposit agreement and will establish procedures to enable holders to receive the net proceeds from the redemption upon surrender of their ADSs to the depositary. You may have to pay fees, expenses, taxes and other governmental charges upon the redemption of your ADSs. If less than all ADSs are being redeemed, the ADSs to be retired will be selected by lot or on a *pro rata* basis, as the depositary may determine.

Changes Affecting Ordinary Shares

The ordinary shares held on deposit for your ADSs may change from time to time. For example, there may be a change in nominal or par value, a split-up, cancellation, consolidation or reclassification of such ordinary shares or a recapitalization, reorganization, merger, consolidation or sale of assets.

If any such change were to occur, your ADSs would, to the extent permitted by law, represent the right to receive the property received or exchanged in respect of the ordinary shares held on deposit. The depositary may in such circumstances deliver new ADSs to you, amend the deposit agreement, the ADRs and the applicable Registration Statement(s) on Form F-6, call for the exchange of your existing ADSs for new ADSs and take any other actions that are appropriate to reflect as to the ADSs the change affecting the ordinary shares. If the depositary may not lawfully distribute such property to you, the depositary may sell such property and distribute the net proceeds to you as in the case of a cash distribution.

Issuance of ADSs upon Deposit of Ordinary Shares

The depositary may create ADSs on your behalf if you or your broker deposit ordinary shares with the custodian. The depositary will deliver these ADSs to the person you indicate only after you pay any applicable issuance fees and any charges and taxes payable for the transfer of ordinary shares to the custodian. Your ability to deposit ordinary shares and receive ADSs may be limited by legal considerations applicable at the time of deposit.

The issuance of ADSs may be delayed until the depositary or the custodian receives confirmation that all required approvals have been given and that the ordinary shares have been duly transferred to the custodian. The depositary will only issue ADSs in whole numbers.

When you make a deposit of ordinary shares, you will be responsible for transferring good and valid title to the depositary. As such, you will be deemed to represent and warrant that:

- The ordinary shares are duly authorized, validly issued, fully paid, non-assessable and legally obtained.
- All preemptive (and similar) rights, if any, with respect to such ordinary shares have been validly waived or exercised.
- You are duly authorized to deposit the ordinary shares.
- The ordinary shares presented for deposit are free and clear of any lien, encumbrance, security interest, charge, mortgage or adverse claim, and are not, and the ADSs issuable upon such deposit will not be, “restricted securities” (as defined in the deposit agreement).
- The ordinary shares presented for deposit have not been stripped of any rights or entitlements.

If any of the representations or warranties are incorrect in any way, we and the depositary may, at your cost and expense, take any and all actions necessary to correct the consequences of the misrepresentations.

Transfer, Combination and Split Up of ADRs

As an ADR holder, you will be entitled to transfer, combine or split up your ADRs and the ADSs evidenced thereby. For transfers of ADRs, you will have to surrender the ADRs to be transferred to the depositary and also must:

- ensure that the surrendered ADR certificate is properly endorsed or otherwise in proper form for transfer;
- provide such proof of identity and genuineness of signatures as the depositary deems appropriate;
- provide any transfer stamps required by the State of New York or the United States; and
- pay all applicable fees, charges, expenses, taxes and other government charges payable by ADR holders pursuant to the terms of the deposit agreement, upon the transfer of ADRs.

To have your ADRs either combined or split up, you must surrender the ADRs in question to the depositary with your request to have them combined or split up, and you must pay all applicable fees, charges and expenses payable by ADR holders, pursuant to the terms of the deposit agreement, upon a combination or split up of ADRs.

Withdrawal of Ordinary Shares Upon Cancellation of ADSs

As a holder, you will be entitled to present your ADSs to the depositary for cancellation and then receive the corresponding number of underlying ordinary shares at the custodian's offices. Your ability to withdraw the ordinary shares may be limited by U.S. and Cayman Islands legal considerations applicable at the time of withdrawal. In order to withdraw the ordinary shares represented by your ADSs, you will be required to pay to the depositary the fees for cancellation of ADSs and any charges and taxes payable upon the transfer of the ordinary shares being withdrawn. You assume the risk for delivery of all funds and securities upon withdrawal. Once canceled, the ADSs will not have any rights under the deposit agreement.

If you hold ADSs registered in your name, the depositary may ask you to provide proof of identity and genuineness of any signature and such other documents as the depositary may deem appropriate before it will cancel your ADSs. The withdrawal of the ordinary shares represented by your ADSs may be delayed until the depositary receives satisfactory evidence of compliance with all applicable laws and regulations. Please keep in mind that the depositary will only accept ADSs for cancellation that represent a whole number of securities on deposit.

You will have the right to withdraw the securities represented by your ADSs at any time except for:

- Temporary delays that may arise because (i) the transfer books for the ordinary shares or ADSs are closed, or (ii) ordinary shares are immobilized on account of a shareholders' meeting or a payment of dividends.
- Obligations to pay fees, taxes and similar charges.
- Restrictions imposed because of laws or regulations applicable to ADSs or the withdrawal of securities on deposit.

The deposit agreement may not be modified to impair your right to withdraw the securities represented by your ADSs except to comply with mandatory provisions of law.

Voting Rights

As a holder, you generally have the right under the deposit agreement to instruct the depositary to exercise the voting rights for the ordinary shares represented by your ADSs. The voting rights of holders of ordinary shares are described in "Description of Share Capital — Voting Rights Attaching to the Shares" above.

At our request, the depositary will distribute to you any notice of shareholders' meeting received from us together with information explaining how to instruct the depositary to exercise the voting rights of the securities represented by ADSs.

If the depositary timely receives voting instructions from a holder of ADSs, it will endeavor to vote the securities represented by the holder's ADSs. In the event voting takes place at a shareholders' meeting by show of hands, the depositary will instruct the custodian to vote in accordance with the voting instructions received from a majority of holders of ADSs who provided voting instructions. In the event voting takes place at a shareholders' meeting by poll, the depositary will instruct the custodian to vote in accordance with the voting instructions received from the holders of ADSs.

Please note that the ability of the depositary to carry out voting instructions may be limited by practical and legal limitations and the terms of the securities on deposit. We cannot assure you that you will receive voting materials in time to enable you to return voting instructions to the depositary in a timely manner. Securities for which no voting instructions have been received will not be voted.

Fees and Charges

As an ADS holder, you will be required to pay the following service fees to the depositary:

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**
• **Depositary Services**	**Up to U.S. 5¢ per ADS held on the applicable record date(s) established by the Depositary**

As an ADS holder you will also be responsible to pay certain fees and expenses incurred by the depositary 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.

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

The depositary 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 depositary 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

depositary banks send invoices to the applicable record date ADS holders. In the case of ADSs held in brokerage and custodian accounts (via DTC), the depositary banks generally collects 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 depositary banks.

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

Note that the fees and charges you may be required to pay may vary over time and may be changed by us and by the depositary. You will receive prior notice of such changes.

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.

Amendments and Termination

We may agree with the depositary to modify the deposit agreement at any time without your consent. We undertake to give holders 30 days' prior notice of any modifications that would materially prejudice any of their substantial rights under the deposit agreement. We will not consider to be materially prejudicial to your substantial rights any modifications or supplements that are reasonably necessary for the ADSs to be registered under the Securities Act or to be eligible for book-entry settlement, in each case without imposing or increasing the fees and charges you are required to pay. In addition, we may not be able to provide you with prior notice of any modifications or supplements that are required to accommodate compliance with applicable provisions of law.

You will be bound by the modifications to the deposit agreement if you continue to hold your ADSs after the modifications to the deposit agreement become effective. The deposit agreement cannot be amended to prevent you from withdrawing the ordinary shares represented by your ADSs (except as permitted by law).

We have the right to direct the depositary to terminate the deposit agreement. Similarly, the depositary may in certain circumstances on its own initiative terminate the deposit agreement. In either case, the depositary must give notice to the holders at least 30 days before termination. Until termination, your rights under the deposit agreement will be unaffected.

After termination, the depositary will continue to collect distributions received (but will not distribute any such property until you request the cancellation of your ADSs) and may sell the securities held on deposit. After the sale, the depositary will hold the proceeds from such sale and any other funds then held for the holders of ADSs in a non-interest bearing account. At that point, the depositary will have no further obligations to holders other than to account for the funds then held for the holders of ADSs still outstanding (after deduction of applicable fees, taxes and expenses) or as may be required by law.

Books of Depositary

The depositary will maintain ADS holder records at its depositary office. You may inspect such records at such office at all reasonable times but solely for the purpose of communicating with other holders in the interest of business matters relating to the ADSs and the deposit agreement.

The depositary will maintain in New York facilities to record and process the issuance, cancellation, combination, split-up and transfer of ADSs. These facilities may be closed from time to time, to the extent not prohibited by law.

Limitations on Obligations and Liabilities

The deposit agreement limits our obligations and the depositary's obligations to you. Please note the following:

- We and the depositary are obligated only to take the actions specifically stated in the deposit agreement without negligence or bad faith.
- The depositary disclaims any liability for any failure to carry out voting instructions, for any manner in which a vote is cast or for the effect of any vote, provided it acts in good faith and in accordance with the terms of the deposit agreement.
- The depositary disclaims any liability for any failure to determine the lawfulness or practicality of any action, for the content of any document forwarded to you on our behalf or for the accuracy of any translation of such a document, for the investment risks associated with investing in ordinary shares, for the validity or worth of the ordinary shares, for any tax consequences that result from the ownership of ADSs, for the credit-worthiness of any third party, for allowing any rights to lapse under the terms of the deposit agreement, for the timeliness of any of our notices or for our failure to give notice.
- We and the depositary will not be obligated to perform any act that is inconsistent with the terms of the deposit agreement.
- We and the depositary disclaim any liability if we are prevented or forbidden from acting on account of any law or regulation, any provision of our amended and restated Memorandum and Articles of Association, any provision of any securities on deposit or by reason of any act of God or war or other circumstances beyond our control.
- We and the depositary disclaim any liability by reason of any exercise of, or failure to exercise, any discretion provided for the deposit agreement or in our amended and restated Memorandum and Articles of Association or in any provisions of securities on deposit.
- We and the depositary further disclaim any liability for any action or inaction in reliance on the advice or information received from legal counsel, accountants, any person presenting ordinary shares for deposit, any holder of ADSs or authorized representatives thereof, or any other person believed by either of us in good faith to be competent to give such advice or information.
- We and the depositary also disclaim liability for the inability by a holder to benefit from any distribution, offering, right or other benefit which is made available to holders of ordinary shares but is not, under the terms of the deposit agreement, made available to you.
- We and the depositary may rely without any liability upon any written notice, request or other document believed to be genuine and to have been signed or presented by the proper parties.
- We and the depositary also disclaim liability for any consequential or punitive damages for any breach of the terms of the deposit agreement.

Pre-Release Transactions

The depositary may, in certain circumstances, issue ADSs before receiving a deposit of ordinary shares. These transactions are commonly referred to as "pre-release transactions." The deposit agreement limits the aggregate size of pre-release transactions and imposes a number of conditions on such transactions (*i.e.*, the need to receive collateral, the type of collateral required, the representations required from brokers, etc.). The depositary may retain the compensation received from the pre-release transactions.

Taxes

You will be responsible for the taxes and other governmental charges payable on the ADSs and the securities represented by the ADSs. We, the depositary and the custodian may deduct from any distribution the

taxes and governmental charges payable by holders and may sell any and all property on deposit to pay the taxes and governmental charges payable by holders. You will be liable for any deficiency if the sale proceeds do not cover the taxes that are due.

The depositary may refuse to issue ADSs, to deliver, transfer, split and combine ADRs or to release securities on deposit until all taxes and charges are paid by the applicable holder. The depositary and the custodian may take reasonable administrative actions to obtain tax refunds and reduced tax withholding for any distributions on your behalf. However, you may be required to provide to the depositary and to the custodian proof of taxpayer status and residence and such other information as the depositary and the custodian may require to fulfill legal obligations. You are required to indemnify us, the depositary and the custodian for any claims with respect to taxes based on any tax benefit obtained for you.

Foreign Currency Conversion

The depositary will arrange for the conversion of all foreign currency received into U.S. dollars if such conversion is practical, and it will distribute the U.S. dollars in accordance with the terms of the deposit agreement. You may have to pay fees and expenses incurred in converting foreign currency, such as fees and expenses incurred in complying with currency exchange controls and other governmental requirements.

If the conversion of foreign currency is not practical or lawful, or if any required approvals are denied or not obtainable at a reasonable cost or within a reasonable period, the depositary may take the following actions in its discretion:

- Convert the foreign currency to the extent practical and lawful and distribute the U.S. dollars to the holders for whom the conversion and distribution is lawful and practical.
- Distribute the foreign currency to holders for whom the distribution is lawful and practical.
- Hold the foreign currency (without liability for interest) for the applicable holders.

SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of this offering, we will have outstanding ADSs representing approximately % of our ordinary shares in issue, assuming the underwriters do not exercise their over-allotment option. All of the ADSs sold in this offering will be freely transferable by persons other than our "affiliates" without restriction or further registration under the Securities Act. Sales of substantial amounts of our ADSs in the public market could adversely affect prevailing market prices of our ADSs.

Rule 144

In general, under Rule 144, a person or entity that has beneficially owned our ordinary shares, in the form of ADSs or otherwise, for at least six months and is not our "affiliate" will be entitled to sell our ordinary shares, including ADSs, subject only to the availability of current public information about us, and will be entitled to sell shares held for at least one year without restriction. A person or entity that is our "affiliate" and has beneficially owned our ordinary shares for at least six months, will be able to sell, within a rolling three month period, the number of ordinary shares that does not exceed the greater of the following:

(i) 1% of the then outstanding ordinary shares, in the form of ADSs or otherwise, which will equal approximately ordinary shares immediately after this offering; and

(ii) the average weekly trading volume of our ordinary shares, in the form of ADSs or otherwise, on the NASDAQ Global Market during the four calendar weeks preceding the date on which notice of the sale is filed with the Securities and Exchange Commission.

Sales by affiliates under Rule 144 must be made through unsolicited brokers' transactions. They are also subject to manner of sale provisions, notice requirements and the availability of current public information about us.

Rule 701

In general, under Rule 701 of the Securities Act as currently in effect, each of our employees, directors or consultants who purchases our ordinary shares from us pursuant to a compensatory stock or option plan or other written agreement relating to compensation is eligible to resell such ordinary shares 90 days after we become a reporting company under the Exchange Act in reliance on Rule 144, but without compliance with some of the restrictions, such as the holding period, contained in Rule 144. On or prior to the completion of this offering, our employees will receive an aggregate of 7,708,665 ordinary shares through the exercise of their options under our Amended and Restated 2007 Global Share Plan and Amended and Restated 2008 Global Share Plan and may be entitled to rely on the resale provisions of Rule 701. However, the Rule 701 shares would remain subject to lock-up arrangements and would only become eligible for sale when the lock-up period expires.

Stock Options

We intend to file a registration statement on Form S-8 under the Securities Act covering all ordinary shares which are either subject to outstanding options or may be issued upon exercise of any options or other equity awards which may be granted or issued in the future pursuant to our stock plans. We expect to file this registration statement as soon as practicable after the date of this prospectus. Shares registered under any registration statements will be available for sale in the open market, except to the extent that the shares are subject to vesting restrictions with us or the contractual restrictions described below.

Lock-up Agreements

We have agreed for a period of 180 days after the date of this prospectus not to offer, sell, contract to sell, pledge, grant any option to purchase, make any short sale or otherwise dispose of, without the prior written consent of the representatives on behalf of the underwriters, any of our shares or ADSs or securities that are substantially similar to our shares or ADSs, including but not limited to any options or warrants to purchase our shares, ADSs or any securities that are convertible into or exchangeable for, or that represent the

right to receive, our shares, ADSs or any such substantially similar securities (other than securities issued pursuant to employee stock option plans existing on, or upon the conversion or exchange of convertible or exchangeable securities outstanding as of, the date such lock-up agreement was executed).

Furthermore, each of our directors and executive officers, our existing shareholders as well as option holders under our Amended and Restated 2007 Global Share Plan and Amended and Restated 2008 Global Share Plan has also entered into a similar lock-up agreement for a period of 180 days from the date of our initial public offering prospectus, subject to certain exceptions, with respect to our ordinary shares, ADSs and securities that are substantially similar to our ordinary shares or ADSs. These parties collectively own all of our outstanding ordinary shares, without giving effect to this offering.

The restrictions described in the preceding two paragraphs will be automatically extended under certain circumstances. See "Underwriting." These restrictions do not apply to (i) the ADSs and ordinary shares underlying such ADSs being offered in this offering and (ii) up to additional ADSs and our ordinary shares underlying such ADSs that may be purchased by the underwriters if they exercise their over-allotment option to purchase additional ADSs.

We are not aware of any plans by our existing shareholders to dispose of significant numbers of our ADSs or ordinary shares. We cannot assure you, however, that our existing shareholders or owners of securities convertible or exchangeable into or exercisable for our ADSs or ordinary shares will not dispose of significant numbers of our ADSs or ordinary shares. No prediction can be made as to the effect, if any, that future sales of our ADSs or ordinary shares, or the availability of ADSs or ordinary shares for future sale, will have on the market price of our ADSs prevailing from time to time. Sales of substantial amounts of our ADSs or ordinary shares in the public market, or the perception that future sales may occur, could materially and adversely affect the prevailing market price of our ADSs.

Registration Rights

We have provided registration rights to our Series A, Series B and existing ordinary shareholders under our amended and restated shareholders agreement entered into in June 2007. For additional information regarding these registration rights, see "Description of Share Capital — Registration Rights" elsewhere in this prospectus.

TAXATION

The following sets forth material Cayman Islands, PRC and U.S. federal income tax consequences of an investment in our ordinary shares or ADSs. It is based upon laws and relevant interpretations thereof in effect as of the date of this prospectus, all of which are subject to change. This discussion does not deal with all possible tax consequences relating to an investment in our ordinary shares or ADSs, such as the tax consequences under state, local and other tax laws. To the extent that the discussion relates to matters of Cayman Islands tax law, it is the opinion of Conyers Dill & Pearman, our special Cayman Islands counsel. To the extent that the discussion relates to matters of PRC tax law, it is the opinion of Jun He Law Offices, our special PRC counsel. To the extent that the discussion relates to matters of U.S. federal income tax law, it is the opinion of Davis Polk & Wardwell LLP, our U.S. counsel, as to the material U.S. federal income tax consequences to the U.S. Holders described herein of an investment in the ordinary shares or ADSs.

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 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 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

On March 16, 2007, the National People's Congress, the Chinese legislature, passed the *Enterprise Income Tax Law*, 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 new EIT Law, applies a uniform 25% enterprise income tax rate to both foreign-invested enterprises and domestic enterprises. There is a transition period for enterprises, whether foreign-invested or domestic, which currently receive preferential tax treatments granted by relevant tax authorities. Enterprises that are subject to an enterprise income tax rate lower than 25% may continue to enjoy the lower rate and gradually transfer to the new tax rate within five years after the effective date of the new EIT Law. Enterprises that are currently entitled to exemptions or reductions from the standard income tax rate for a fixed term may continue to enjoy such treatment until the fixed term expires. Preferential tax treatments will continue to be granted to industries and projects that are strongly supported and encouraged by the state, and enterprises classified as "new and high technology enterprises strongly supported by the state" are entitled to a 15% enterprise income tax rate.

PRC taxation of our overseas shareholders

The new 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. Currently, there are no detailed rules or precedents governing the procedures and specific criteria for determining "de facto management body". The State Administration of Taxation issued a notice setting forth specific standards for determination of the "de facto management body" of offshore companies directly owned by PRC enterprises, but this notice does not apply to us because we are directly owned by PRC individuals. 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 new 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 arrangement. Holding companies in Hong Kong, for example, are subject to a 5% withholding tax rate. The Cayman Islands, where we are incorporated, does not have such a tax treaty with China. Thus, dividends paid to us by our subsidiaries in China may be subject to the 10% withholding tax if we are considered a "non-resident enterprise" under the new EIT Law.

The new 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 dividends distributed from our PRC subsidiaries to us would be exempt from the PRC dividend withholding tax, since such income is exempted under the new EIT Law to a PRC resident recipient. However, if we are required under the new 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.

Under the new EIT Law, PRC withholding tax at the rate of 10% is applicable to interest and 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 interest and 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 withholding 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 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 withholding tax.

Moreover, non-resident individual investors are required to pay PRC individual income tax on interests or 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. 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 obtained 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 as 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 gains earned by non-resident individuals may also be subject to PRC withholding 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 acquire the securities. This discussion applies only to a U.S. Holder that holds ordinary shares or ADSs as capital assets for tax purposes. 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 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 hedging transaction, 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;
- entities classified as partnerships for U.S. federal income tax purposes;
- tax-exempt entities, including "individual retirement accounts" or "Roth IRAs";
- persons that own or are deemed to own ten percent or more of our voting stock; 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 holds 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 holding 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 holding and disposing of the ordinary shares or ADSs.

This discussion is based on the Internal Revenue Code of 1986, as amended, or the Code, administrative pronouncements, judicial decisions, final, temporary and proposed Treasury regulations, and the income tax treaty between the People's Republic of China and the United States, or the Treaty, 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 Depositary 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 who is eligible for the benefits of the Treaty and is:

- a citizen or 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 or trust the income of which is subject to U.S. federal income taxation regardless of its source.

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. Accordingly, no gain or loss will be recognized if a U.S. Holder exchanges ADSs for the underlying shares represented by those ADSs.

The U.S. Treasury has expressed concern that parties to whom American depositary shares are released before shares are delivered to the depositary, also referred to as pre-release, or intermediaries in the chain of ownership between holders and the issuer of the security underlying the American depositary shares, may be taking actions that are inconsistent with the claiming of foreign tax credits by holders of American depositary shares. These actions would also be inconsistent with the claiming of the reduced rate of tax, described below, applicable to dividends received by certain non-corporate holders. Accordingly, the creditability of PRC taxes, and the availability of the reduced tax rate for dividends received by certain non-corporate U.S. Holders, each described below, could be affected by actions taken by such parties or intermediaries.

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

This discussion assumes that we are not, and will not become, a passive foreign investment company, as described below.

Taxation of Distributions

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 its 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. Subject to applicable limitations and the discussion above regarding concerns expressed by the U.S. Treasury, dividends paid to certain non-corporate U.S. Holders in taxable years beginning before January 1, 2011 may be taxable at favorable rates, up to a maximum rate of 15%. U.S. Holders should consult their tax advisers regarding the availability of the reduced tax rate on dividends. The amount of a dividend will include any amounts withheld by us in respect of PRC taxes. 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. 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 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 if the dividend is converted into U.S. dollars after the date of receipt.

Subject to applicable limitations, some of which vary depending upon the U.S. Holder's circumstances and subject to the discussion above regarding concerns expressed by the U.S. Treasury, if we are treated as a PRC "resident enterprise" under PRC tax law as discussed above under "Taxation-PRC Taxation-PRC Taxation of our overseas shareholders," PRC income taxes withheld from dividends on ordinary shares or ADSs at a rate not exceeding the rate provided by 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. See " — PRC Taxation — PRC taxation of our overseas shareholders" for a discussion of how to obtain the applicable treaty rate. 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.

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. This gain or loss will generally be U.S.-source gain or loss for foreign tax credit purposes. The deductibility of capital losses is subject to limitations.

As described in " — PRC Taxation — PRC taxation of our overseas shareholders," if we were deemed to be a PRC "resident enterprise" under PRC tax law, gains from dispositions of common 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 withholding tax. A U.S. Holder that is eligible for the benefits of the Treaty may be able to elect to treat the disposition gain or loss as foreign-source gain or loss 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 withholding tax on disposition gains in their particular circumstances.

Passive Foreign Investment Company Rules

We do not expect to be a passive foreign investment company, or PFIC, for U.S. federal income tax purposes for our 2009 taxable year and we do not expect to become one in the foreseeable future. However, because PFIC status depends on the composition of a company's income and assets and the market value of its

assets from time to time, there can be no assurance that we will not be a PFIC for any taxable year. In general, a non-U.S. corporation will be considered a PFIC for any taxable year in which (i) 75% or more of its gross income consists of passive income or (ii) 50% or more of the average quarterly value of its assets consists of assets that produce, or are held for the production of, passive income. For purposes of the above calculations, a non-U.S. corporation that directly or indirectly owns at least 25% by value of the shares of another corporation is treated as if it held its proportionate share of the assets of the other corporation and received directly its proportionate share of the income of the other corporation. Passive income generally includes dividends, interest, rents, royalties and capital gains.

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.

Alternatively, if we were a PFIC, a U.S. Holder could, if certain conditions are met, make a mark-to-market election that would result in tax treatment different from the general tax treatment for PFICs described above. If a U.S. Holder were to make such an election, 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 we were a PFIC, it is unclear whether our ordinary shares would be treated as "marketable stock" eligible for 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. 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 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 15% dividend rate discussed above with respect to dividends paid to certain non-corporate U.S. Holders would not apply. U.S. Holders should consult their tax advisers to determine whether any of these elections would be available and, if so, what the consequences of the alternative treatments would be in their particular circumstances.

Information Reporting and Backup Withholding

Payments of dividends and sales proceeds that are made within the United States or through certain U.S.-related financial intermediaries generally are subject to information reporting, and may be subject to backup withholding, unless (i) the U.S. Holder is a corporation or other exempt recipient or (ii) in the case of backup withholding, the U.S. Holder provides a correct taxpayer identification number and certifies that it is not subject to backup withholding.

The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the holder's U.S. federal income tax liability and may entitle it to a refund, provided that the required information is timely furnished to the IRS.

UNDERWRITING

We and the underwriters named below have entered into an underwriting agreement with respect to the ADSs being offered. Subject to certain conditions, each underwriter has severally agreed to purchase, and we have agreed to sell to them, the number of ADSs indicated in the following table. Goldman Sachs (Asia) L.L.C. and Morgan Stanley & Co. International plc are the representatives of the underwriters. The address of Goldman Sachs (Asia) L.L.C. is 68th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong. The address of Morgan Stanley & Co. International plc is 25 Cobot Square, Canary Wharf, London E14 4QA, United Kingdom.

Underwriters	Number of ADSs
Goldman Sachs (Asia) L.L.C.	
Morgan Stanley & Co. International plc	
Oppenheimer & Co. Inc.	
Total	

The underwriters are committed, severally and not jointly, to take and pay for all of the ADSs being offered, if any are taken, other than the ADSs covered by the option described below unless and until this option is exercised.

If the underwriters sell more ADSs than the total number set forth in the table above, the underwriters have an option to buy up to an additional ADSs from us to cover such sales. They may exercise that option for 30 days from the date of this prospectus. If any ADSs are purchased pursuant to this option, the underwriters will severally purchase ADSs in approximately the same proportion as set forth in the table above.

The table below shows the per-ADS and total underwriting discounts and commissions we will pay the underwriters. The underwriting discounts and commissions are determined by negotiations among us and the representatives and are a percentage of the offering price to the public. Among the factors to be considered in determining the discounts and commissions are the size of the offering, the nature of the security to be offered and the discounts and commissions charged in comparable transactions.

These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional ADSs.

Paid by Us	No Exercise	Full Exercise
Per ADS	US$	US$
Total	US$	US$

The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the ADSs offered by this prospectus are subject to the approval of certain legal matters by their counsel and to certain other conditions.

Some of the underwriters are expected to make offers and sales both inside and outside the United States through their respective selling agents. Any offers and sales in the United States will be conducted by broker-dealers registered with the Securities and Exchange Commission. Goldman Sachs (Asia) L.L.C. is expected to make offers and sales in the United States through its selling agent, Goldman, Sachs & Co. Morgan Stanley & Co. International plc will offer ADSs in the United States through its registered broker-dealer affiliate in the United States, Morgan Stanley & Co. Incorporated.

The underwriters have entered into an agreement in which they agree to restrictions on where and to whom they and any dealer purchasing from them may offer ADSs, as a part of the distribution of the ADSs. The underwriters also have agreed that they may sell ADSs among themselves.

ADSs sold by the underwriters to the public will initially be offered at the initial public offering price listed on the cover page of this prospectus. Any ADSs sold by the underwriters to securities dealers may be sold at a price that represents a concession not in excess of % of the principal amount of the ADSs. If all the ADSs are not sold at the initial public offering price, the representatives may change the offering price and

the other selling terms. The underwriters have agreed to pay for certain expenses in connection with this offering.

We have entered into a lock-up agreement stating that, without the prior written consent of the representatives on behalf of the underwriters, we will not, during the period ending 180 days after the date of this prospectus offer, sell, contract to sell, pledge, grant any option to purchase, make any short sale or otherwise dispose of any of our securities that are substantially similar to our shares or ADSs, including but not limited to any options or warrants to purchase our shares, ADSs or any securities that are convertible into or exchangeable for, or that represent the right to receive, our shares, ADSs or any such substantially similar securities (other than securities issued pursuant to employee stock option plans existing on, or upon the conversion or exchange of convertible or exchangeable securities outstanding as of, the date such lock-up agreement was executed).

Furthermore, each of our directors and executive officers, our existing shareholders as well as option holders under our Amended and Restated 2007 Global Share Plan and Amended and Restated 2008 Global Share Plan has also entered into a similar lock-up agreement for a period of 180 days from the date of our initial public offering prospectus, subject to certain exceptions, with respect to our ordinary shares, ADSs and securities that are substantially similar to our ordinary shares or ADSs.

The foregoing lock-up periods are subject to adjustment under certain circumstances. If (i) during the last 17 days of the applicable lock-up period, we release earnings results or announce material news or a material event, or (ii) prior to the expiration of the applicable lock-up period, we announce that we will release earnings results during the 15-day period following the last day of the applicable lock-up period, then in each case the applicable lock-up period will be automatically extended until the expiration of the 18-day period beginning on the date of release of the earnings results or the announcement of the material news or material event, as applicable, unless the representatives waive, in writing, such extension.

Prior to this offering, there has been no public market for the ordinary shares or ADSs. The initial public offering price is determined by negotiations among us and the representatives. Among the factors considered in determining the initial public offering price are our future prospects and those of our industry in general, our sales, earnings and certain other financial and operating information in recent periods; and the price-earnings ratios, price-sales ratios and market prices of securities and certain financial and operating information of companies engaged in activities similar to ours.

The estimated initial public offering price range set forth on the cover page of this prospectus is subject to change as a result of market conditions and other factors.

We have applied to have the ADSs listed on the NASDAQ Global Market under the symbol “HTHT.”

To facilitate this offering of the ADSs, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the ADSs. Specifically, the underwriters may sell more ADSs than they are obligated to purchase under the underwriting agreement, creating a short position. A short sale is covered if the short position is no greater than the number of ADSs available for purchase by the underwriters under the option to purchase additional ADSs. The underwriters can close out a covered short sale by exercising the option to purchase additional ADSs or purchasing ADSs in the open market. In determining the source of ADSs to close out a covered short sale, the underwriters will consider, among other things, the open market price of ADSs compared to the price available under the option to purchase additional ADSs. The underwriters may also sell ADSs in excess of the option to purchase additional ADSs, creating a naked short position. The underwriters must close out any naked short position by purchasing ADSs in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the ADSs in the open market after pricing that could adversely affect investors who purchase in this offering. In addition, to stabilize the price of the ADSs, the underwriters may bid for, and purchase, ADSs in the open market. Finally, the underwriting syndicate may reclaim selling concessions allowed to an underwriter or a dealer for distributing the ADSs in this offering, if the syndicate repurchases previously distributed ADSs to cover syndicate short positions or to stabilize the price of the

ADSs. Any of these activities may stabilize or maintain the market price of the ADSs above independent market levels. The underwriters are not required to engage in these activities, and may end any of these activities at any time.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased ADSs sold by or for the account of such underwriter in stabilizing or short covering transactions. Purchases to cover a short position and stabilizing transactions may have the effect of preventing or retarding a decline in the market price of the ADSs, and together with the imposition of the penalty bid, may stabilize, maintain or otherwise affect the market price of the ADSs. As a result, the price of the ADSs may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued at any time. These transactions may be effected on the NASDAQ Global Market, in the over-the-counter market or otherwise.

From time to time, the underwriters may have provided, and may continue to provide, investment banking and other financial advisory services to us for which they have received or will receive customary fees and expenses.

The underwriters have informed us that they do not intend sales to discretionary accounts to exceed five percent of the total number of ADSs offered by them.

We currently anticipate that we will undertake a directed share program pursuant to which we will direct the underwriters to reserve up to ADSs for sale at the initial public offering price to directors, officers, employees and friends through a directed share program. The number of ADSs available for sale to the general public in the public offering will be reduced to the extent these persons purchase any reserved ADSs. Any ADSs not so purchased will be offered by the underwriters to the general public on the same basis as the other ADSs offered hereby.

We have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act, and to contribute to payments the underwriters may be required to make in respect of these liabilities, losses and expenses.

No action has been or will be taken by us or by any underwriter in any jurisdiction except in the United States that would permit a public offering of the ADSs, or the possession, circulation or distribution of a prospectus or any other material relating to us and the ADSs in any country or jurisdiction where action for that purpose is required. Accordingly, the ADSs may not be offered or sold, directly or indirectly, and neither this prospectus nor any other material or advertisements in connection with the ADSs may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of any such country or jurisdiction.

A prospectus in electronic format will be made available on the websites maintained by one or more of the underwriters or one or more securities dealers. One or more of the underwriters may distribute prospectuses electronically. Certain underwriters may agree to allocate a number of ADSs for sale to their online brokerage account holders. ADSs to be sold pursuant to an Internet distribution will be allocated on the same basis as other allocations. In addition, ADSs may be sold by the underwriters to securities dealers who resell ADSs to online brokerage account holders.

This prospectus may be used by the underwriters and other dealers in connection with offers and sales of the ADSs, including the ADSs initially sold by the underwriters in the offering being made outside of the United States, to persons located in the United States.

Cayman Islands. This prospectus does not constitute a public offer of the ADSs or ordinary shares, whether by way of sale or subscription, in the Cayman Islands. Each underwriter may not offer or sell, directly or indirectly, any ADSs or ordinary shares in the Cayman Islands.

European Economic Area. In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation

Date), an offer of the ADSs to the public may not be made in that Relevant Member State prior to the publication of a prospectus in relation to the ADSs which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of the ADSs to the public in that Relevant Member State at any time:

- to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than A43,000,000 and (3) an annual net turnover of more than A50,000,000, as shown in its last annual or consolidated accounts;
- to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the representatives for any such offer;
- or in any other circumstances which do not require the publication by the company of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of ADSs to the public" in relation to any ADSs 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 ADSs to be offered so as to enable an investor to decide to purchase or subscribe the ADSs, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State. Buyers of ADSs sold by the underwriters may be required to pay stamp taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the Share Offering Price.

United Kingdom. Each Underwriter has severally represented and agreed that:

(a) 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 FSMA) received by it in connection with the issue or sale of the ADSs in circumstances in which Section 21(1) of the FSMA does not apply to us; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Shares in, from or otherwise involving the United Kingdom.

France. Neither this prospectus nor any offering material relating to ADSs has been or will be submitted to the "*Commission des Opérations de Bourse*" for approval ("*Visa*") in France, and the ADSs will not be offered or sold and copies of this prospectus or any offering material relating to the ADSs may not be distributed, directly or indirectly, in France, except to qualified investors ("*investisseurs qualifiés*") and/or a restricted group of investors ("*cercle restreint d'investisseurs*"), in each case acting for their account, all as defined in, and in accordance with, Article L. 411-1 and L. 411-2 of the Monetary and Financial Code and "*Décret*" no. 98-880 dated October 1, 1998.

Germany. This prospectus is not a Securities Selling Prospectus (*Verkaufsprospekt*) within the meaning of the German Securities Prospectus Act (*Verkaufsprospektgesetz*) of September 9, 1998, as amended, and has not been filed with and approved by the German Federal Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) or any other German governmental authority. The ADSs may not be offered or sold and copies of this prospectus or any document relating to the ADSs may not be distributed, directly or indirectly, in Germany except to persons falling within the scope of paragraph 2 numbers 1, 2 and 3 of the German Securities Prospectus Act. No steps will be taken that would constitute a public offering of the ADSs in Germany.

Italy. Each underwriter agrees that it will not make an offer of the ADSs to the public in the Republic of Italy, or Italy, other than:

(a) to professional investors (*investitori qualificati*), as defined pursuant to Article 100, paragraph 1(a), of Legislative Decree No 58, 24 February 1998, or the Financial Services Act, as amended and restated from time to time; or

(b) in any other circumstances provided under Article 100 paragraph 1 of the Financial Services Act and under Article 33, paragraph 1, of CONSOB Regulation No. 11971 of 14 May 1999, as amended, where exemptions from the requirement to publish a prospectus pursuant to Article 94 of the Financial Services Act are provided.

Moreover, and subject to the foregoing, each underwriter acknowledges that any offer, sale or delivery of the ADSs or distribution of copies of this prospectus or any other document relating to the ADSs in Italy under (a) or (b) above must be:

(i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, Legislative Decree No. 385 of 1 September 1993, or the Banking Act, CONSOB Regulation No. 11522, 1 July 1998, all as amended; and

(ii) in compliance with the so-called subsequent notification to the Bank of Italy, pursuant to Article 129 of the Banking Act, as applicable;

(iii) in compliance with Article 100-bis of the Financial Services Act (if applicable); and

(iv) in compliance with any other applicable laws and regulations including any relevant limitations which may be imposed by CONSOB.

Switzerland. The ADSs may not be offered or sold to any investors in Switzerland other than on a non-public basis. This prospectus does not constitute a prospectus within the meaning of Article 652a and Article 1156 of the Swiss Code of Obligations (*Schweizerisches Obligationenrecht*). Neither this offering nor the ADSs have been or will be approved by any Swiss regulatory authority.

Hong Kong. The ADSs may not be offered or sold in Hong Kong, by means of any document, other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the ADSs may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to ADSs which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

People's Republic of China. This prospectus may not be circulated or distributed in the PRC and the ADSs may not be offered or sold, and will not offer or sell to any person for re-offering or resale, directly or indirectly, to any resident of the PRC except pursuant to applicable laws and regulations of the PRC. For the purpose of this paragraph, PRC does not include Taiwan and the special administrative regions of Hong Kong and Macau.

Singapore. This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the ADSs may not be circulated or distributed, nor may the ADSs be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore, or the SFA; (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; or

(iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the ADSs are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- a corporation (which is not an accredited investor as defined in Section 4A of the SFA) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest howsoever described in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the ADSs pursuant to an offer made under Section 275 of the SFA except:

- to an institutional investor (for corporations, under 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA;
- where no consideration is or will be given for the transfer; or
- where the transfer is by operation of law.

Japan. The ADSs have not been and will not be registered under the Securities and Exchange Law of Japan, or the Securities and Exchange Law, and ADSs will not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for reoffering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to any exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

Canada. The ADSs may not be offered or sold, directly or indirectly, in any province or territory of Canada or to or for the benefit of any resident of any province or territory of Canada except pursuant to an exemption from the requirement to file a prospectus in the province or territory of Canada in which the offer or sale is made and only by a dealer duly registered under applicable laws in circumstances where an exemption from applicable registered dealer registration requirements is not available.

EXPENSES RELATING TO THIS OFFERING

Set forth below is an itemization of the total expenses, excluding underwriting discount, which are expected to be incurred in connection with the offer and sale of the ADSs by us. With the exception of the Securities and Exchange Commission registration fee and the Financial Industry Regulatory Authority, Inc. (formerly the National Association of Securities Dealers, Inc.) filing fee, all amounts are estimates.

Securities and Exchange Commission Registration Fee	US$
NASDAQ Listing Fee	
Financial Industry Regulatory Authority, Inc. Filing Fee	
Printing Expenses	
Legal Fees and Expenses	
Accounting Fees and Expenses	
Miscellaneous	
Total	US$

LEGAL MATTERS

The validity of the ADSs and certain other legal matters as to the United States federal and New York law in connection with this offering will be passed upon for us by Davis Polk & Wardwell LLP. Certain legal matters as to the United States federal and New York law in connection with this offering will be passed upon for the underwriters by Simpson Thacher & Bartlett LLP. The validity of the ordinary shares represented by the ADSs offered in this offering and certain other legal matters as to Cayman Islands law will be passed upon for us by Conyers Dill & Pearman. Legal matters as to PRC laws will be passed upon for us by Jun He Law Offices and for the underwriters by Zhong Lun Law Firm. Davis Polk & Wardwell LLP may rely upon Conyers Dill & Pearman with respect to matters governed by Cayman Islands law and Jun He Law Offices with respect to matters governed by PRC law. Simpson Thacher & Bartlett LLP may rely upon Zhong Lun Law Firm with respect to matters governed by PRC law.

EXPERTS

Our financial statements and the related financial statement schedules included in this prospectus have been audited by Deloitte Touche Tohmatsu CPA Ltd., an independent registered public accounting firm, as stated in their report appearing herein (which report expresses an unqualified opinion on the financial statements and financial statement schedules and includes explanatory paragraphs referring to (i) the adoption of FASB Accounting Standards Codification 810-10-65, "Consolidation — Overall — Transition and Open Effective Date Information" (previously Statement of Financial Accounting Standards No. 160, "Noncontrolling Interests in Consolidated Financial Statements — an amendment of ARB No. 51"), effective January 1, 2009 and (ii) the translation of Renminbi amounts to U.S. dollar amounts for the convenience of the readers in the United States of America). Such financial statements and financial statement schedules have been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The offices of Deloitte Touche Tohmatsu CPA Ltd. are located at 30th Floor, Bund Center, 222 Yan An Road East, Shanghai 200002, China.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the Securities and Exchange Commission, or the SEC, a registration statement on Form F-1, including relevant exhibits and securities under the Securities Act with respect to underlying ordinary shares represented by the ADSs, to be sold in this offering. We will file with the SEC a related registration statement on F-6 to register the ADSs. This prospectus, which constitutes a part of the registration statement, does not contain all of the information contained in the registration statement. You should read the registration statement on Form F-1 and its exhibits and schedules for further information with respect to us and our ADSs.

Immediately upon completion of this offering we will become subject to periodic reporting and other informational requirements of the Exchange Act as applicable to foreign private issuers. Accordingly, we will be required to file reports, including annual reports on Form 20-F, and other information with the SEC. All information filed with the SEC can be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. You can request copies of these documents, upon payment of a duplicating fee, by writing to the SEC. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference rooms. You may also obtain additional information over the Internet at the SEC's website at www.sec.gov.

As a foreign private issuer, we are exempt from the rules of the Exchange Act prescribing the furnishing and content of proxy statements to shareholders, and our executive officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we will not be required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act. However, we intend to furnish the depositary with our annual reports, which will include a review of operations and annual audited consolidated financial statements prepared in conformity with accounting principles generally accepted in the United States and all notices of shareholders' meeting and other reports and communications that are made generally available to our shareholders. The depositary will make such notices, reports and communications available to holders of ADSs and, upon our written request, will mail to all record holders of ADSs the information contained in any notice of a shareholders' meeting received by the depositary from us.

CHINA LODGING GROUP, LIMITED

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2007, 2008 AND 2009

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of China Lodging Group, Limited and subsidiaries (the "Group") as of December 31, 2007, 2008 and 2009, and the related consolidated statements of operations, changes in equity (deficit) and comprehensive income (loss), and cash flows for each of the three years in the period ended December 31, 2009 and the related financial statement schedules. These financial statements and financial statement schedules are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Group is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of China Lodging Group, Limited as of December 31, 2007, 2008 and 2009 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2009, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects, the information set forth therein.

As discussed in Note 2 to the consolidated financial statements, on January 1, 2009, the Group adopted FASB Accounting Standards Codification 810-10-65, "Consolidation — Overall — Transition and Open Effective Date Information" (previously Statement of Financial Accounting Standards No. 160, "Noncontrolling Interests in Consolidated Financial Statements — an amendment of ARB No. 51").

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.

/s/ Deloitte Touche Tohmatsu CPA Ltd.

Shanghai, China
February 2, 2010 (March 5, 2010 as to Note 21)

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

	As of December 31,					
	2007	2008	2009	2009	2009	2009
	RMB	RMB	RMB	US$ (Note 2)	RMB (pro forma Note 2)	US$ (pro forma Note 2)
Assets						
Current assets:						
Cash and cash equivalents	173,635,533	183,245,953	270,587,296	39,641,263	270,587,296	39,641,263
Restricted cash	23,649,851	5,597,087	500,000	73,250	500,000	73,250
Accounts receivable, net of allowance of nil, RMB423,368 and RMB675,643 in 2007, 2008 and 2009, respectively	4,474,877	12,561,853	15,157,758	2,220,624	15,157,758	2,220,624
Amount due from related parties	7,710,712	5,383,680	4,632,338	678,641	4,632,338	678,641
Prepaid rent	39,933,563	76,146,217	69,618,106	10,199,110	69,618,106	10,199,110
Inventories	9,525,296	22,650,516	8,883,092	1,301,380	8,883,092	1,301,380
Other current assets	11,832,305	12,101,324	28,974,813	4,244,835	28,974,813	4,244,835
Deferred tax assets	11,129,810	12,237,797	18,272,303	2,676,908	18,272,303	2,676,908
Total current assets	281,891,947	329,924,427	416,625,706	61,036,011	416,625,706	61,036,011
Property and equipment, net	465,186,042	957,406,825	1,028,266,722	150,641,926	1,028,266,722	150,641,926
Intangible assets, net	21,451,215	21,968,917	20,394,760	2,987,849	20,394,760	2,987,849
Goodwill	15,691,670	19,550,138	18,452,163	2,703,257	18,452,163	2,703,257
Other assets	35,195,077	53,475,709	61,170,258	8,961,493	61,170,258	8,961,493
Deferred tax assets	16,629,545	50,614,278	36,221,906	5,306,539	36,221,906	5,306,539
Total assets	836,045,496	1,432,940,294	1,581,131,515	231,637,075	1,581,131,515	231,637,075
Liabilities, mezzanine equity and equity (deficit)						
Current liabilities:						
Short-term debt	37,800,000	80,000,000	-	-	-	-
Long-term debt, current portion	-	2,000,000	57,000,000	8,350,547	57,000,000	8,350,547
Accounts payable	83,778,041	182,802,970	141,570,710	20,740,226	141,570,710	20,740,226
Amounts due to related parties	15,852,646	1,508,860	927,584	135,892	927,584	135,892
Salary and welfare payable	13,282,933	33,754,970	29,596,685	4,335,939	29,596,685	4,335,939
Deferred revenue	3,710,888	16,007,757	43,203,003	6,329,276	43,203,003	6,329,276
Accrued expenses and other current liabilities	68,451,945	147,140,993	89,383,392	13,094,741	89,383,392	13,094,741
Income tax payable	3,008,467	5,128,662	3,869,445	566,877	3,869,445	566,877
Warrants	8,536,094	-	-	-	-	-
Total current liabilities	234,421,014	468,344,212	365,550,819	53,553,498	365,550,819	53,553,498
Long-term debt	-	27,500,000	80,000,000	11,720,066	80,000,000	11,720,066
Deferred rent	46,084,073	138,207,438	174,775,327	25,604,730	174,775,327	25,604,730
Deferred revenue	3,403,163	16,141,135	31,557,934	4,623,263	31,557,934	4,623,263
Other long-term liabilities	3,619,012	8,246,385	20,452,463	2,996,303	20,452,463	2,996,303
Deferred tax liabilities	5,534,566	6,938,951	6,538,231	957,856	6,538,231	957,856
Total liabilities	293,061,828	665,378,121	678,874,774	99,455,716	678,874,774	99,455,716

Commitments and contingencies (Note 20)

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

	As of December 31,					
	2007	2008	2009	2009	2009	2009
	RMB	RMB	RMB	US$ (Note 2)	RMB (pro forma Note 2)	US$ (pro forma Note 2)
Mezzanine equity:						
Series B convertible redeemable preferred shares ($0.0001 par value per share; 60,000,000, 106,000,000 and 106,000,000 shares authorized as of December 31, 2007, 2008 and 2009, respectively; 44,855,803, 78,058,919 and 78,058,919 shares issued and outstanding as of December 31, 2007, 2008 and 2009, respectively) (liquidation value RMB734,555,147 (US$107,612,937))	437,829,389	796,803,452	796,803,452	116,732,365	-	-
Equity (deficit):						
Ordinary shares ($0.0001 par value per share; 200,000,000, 300,000,000 and 300,000,000 shares authorized as of December 31, 2007, 2008 and 2009, respectively; 54,071,135, 54,071,135 and 60,948,013 shares issued and outstanding as of December 31, 2007, 2008 and 2009)	41,792	41,792	46,490	6,811	124,918	18,300
Series A convertible preferred shares ($0.0001 par value; 44,000,000, 44,000,000 and 44,000,000 shares authorized as of December 31, 2007, 2008 and 2009, respectively; 44,000,000, 44,000,000 and 44,000,000 shares issued and outstanding as of December 31, 2007, 2008 and 2009, respectively) (liquidation value RMB150,169,800 (US$22,000,000))	34,136	34,136	34,136	5,001	-	-
Additional paid-in capital	260,251,508	265,066,530	351,994,132	51,567,431	1,148,753,292	168,293,308
Accumulated deficit	(151,838,975)	(288,001,442)	(245,456,912)	(35,959,641)	(245,456,912)	(35,959,641)
Accumulated other comprehensive loss	(5,667,361)	(12,493,880)	(12,529,459)	(1,835,576)	(12,529,459)	(1,835,576)
Total China Lodging Group, Limited shareholders' equity (deficit)	102,821,100	(35,352,864)	94,088,387	13,784,026	890,891,839	130,516,392
Noncontrolling interest	2,333,179	6,111,585	11,364,902	1,664,968	11,364,902	1,664,968
Total equity (deficit)	105,154,279	(29,241,279)	105,453,289	15,448,994	902,256,741	132,181,359
TOTAL LIABILITIES, MEZZANINE EQUITY AND EQUITY (DEFICIT)	836,045,496	1,432,940,294	1,581,131,515	231,637,075	1,581,131,515	231,637,075

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

CHINA LODGING GROUP, LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS
(In Renminbi, except share and per share data, unless otherwise stated)

	Year Ended December 31			
	2007	2008	2009	2009
	RMB	RMB	RMB	US$ (Note 2)
Revenues:				
Leased-and-operated hotels	248,198,634	797,814,566	1,288,897,954	188,824,617
Franchised-and-managed hotels	1,209,782	12,039,268	44,964,749	6,587,373
Total revenues	249,408,416	809,853,834	1,333,862,703	195,411,990
Less: Business tax and related taxes	14,103,419	45,605,227	73,671,579	10,792,947
Net revenues	235,304,997	764,248,607	1,260,191,124	184,619,043
Operating costs and expenses:				
Hotel operating costs	228,361,572	687,364,048	1,004,472,153	147,156,002
Selling and marketing expenses	17,581,275	40,810,261	57,818,168	8,470,409
General and administrative expenses	65,653,021	81,665,318	83,665,425	12,257,054
Pre-opening expenses	61,019,864	108,062,318	37,821,018	5,540,811
Total operating costs and expenses	372,615,732	917,901,945	1,183,776,764	173,424,276
Income (loss) from operations	(137,310,735)	(153,653,338)	76,414,360	11,194,767
Interest income	1,219,045	3,786,416	1,870,177	273,983
Interest expenses	-	1,248,509	8,787,096	1,287,317
Foreign exchange loss	(145,096)	(13,883,784)	(59,677)	(8,743)
Change in fair value of warrants	5,235,236	8,536,094	-	-
Income (loss) before income taxes	(131,001,550)	(156,463,121)	69,437,764	10,172,690
Tax expense (benefit)	(17,262,118)	(23,879,778)	17,989,675	2,635,502
Net income (loss)	(113,739,432)	(132,583,343)	51,448,089	7,537,188
Less: net income (loss) attributable to noncontrolling interest	(2,116,309)	3,579,124	8,903,559	1,304,379
Net income (loss) attributable to China Lodging Group, Limited	(111,623,123)	(136,162,467)	42,544,530	6,232,809
Deemed dividend on Series B convertible redeemable preferred shares	(17,499,012)	-	-	-
Net income (loss) attributable to ordinary shareholders	(129,122,135)	(136,162,467)	42,544,530	6,232,809
Net earnings (loss) per share:				
Basic	(2.85)	(2.52)	0.24	0.03
Diluted	(2.85)	(2.52)	0.23	0.03
Weighted average number of shares used in computation:				
Basic	45,248,223	54,071,135	57,562,440	57,562,440
Diluted	45,248,223	54,071,135	183,631,885	183,631,885
Pro forma net earnings per share (Note 2) — unaudited:				
Basic			0.24	0.03
Diluted			0.23	0.03
Weighted average number of shares used in computation — unaudited:				
Basic			179,621,359	179,621,359
Diluted			183,631,885	183,631,885

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

CHINA LODGING GROUP, LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIT) AND COMPREHENSIVE INCOME (LOSS)
(In Renminbi, except share and per share data, unless otherwise stated)

	Ordinary Shares		Series A Preferred Shares		Additional Paid-in	Accumulated	Accumulated Other Comprehensive	Noncontrolling	Total	Comprehensive
	Share	Amount	Share	Amount	Capital	deficit	Income (loss)	interest	equity (deficit)	income (loss)
Balance at January 1, 2007	40,000,000	31,045	40,000,000	31,045	144,648,748	(40,740,038)	755,675	546,487	105,272,962	
Deemed capital distribution in connection with restructuring	-	-	-	-	-	524,186	(755,675)	-	(231,489)	
Shareholder capital contribution	-	-	-	-	1,552,260	-	-	-	1,552,260	
Issuance of ordinary shares and Series A preferred shares in connection with the acquisition of Yiju	4,000,000	3,091	4,000,000	3,091	37,976,801	-	-	-	37,982,983	
Issuance of ordinary shares to founder	7,840,001	5,973	-	-	76,180,000	-	-	-	76,185,973	
Issuance of ordinary shares in connection with business acquisitions and acquisition of noncontrolling interest	1,843,500	1,389	-	-	9,201,288	-	-	518,001	9,720,678	
Share-based compensation	387,634	294	-	-	8,191,423	-	-	-	8,191,717	
Capital contribution from noncontrolling interest holders	-	-	-	-	-	-	-	3,385,000	3,385,000	
Net loss	-	-	-	-	-	(111,623,123)	-	(2,116,309)	(113,739,432)	(111,623,123)
Deemed dividend on Series B convertible redeemable preferred shares	-	-	-	-	(17,499,012)	-	-	-	(17,499,012)	
Foreign currency translation adjustments	-	-	-	-	-	-	(5,667,361)	-	(5,667,361)	(5,667,361)
Balance at December 31, 2007	54,071,135	41,792	44,000,000	34,136	260,251,508	(151,838,975)	(5,667,361)	2,333,179	105,154,279	(117,290,484)
Share-based compensation	-	-	-	-	4,815,022	-	-	-	4,815,022	
Capital contribution from noncontrolling interests holders	-	-	-	-	-	-	-	580,000	580,000	
Acquisitions of noncontrolling interest	-	-	-	-	-	-	-	627,615	627,615	
Net income (loss)	-	-	-	-	-	(136,162,467)	-	3,579,124	(132,583,343)	(136,162,467)
Dividend paid to noncontrolling interest	-	-	-	-	-	-	-	(1,008,333)	(1,008,333)	
Foreign currency translation adjustments	-	-	-	-	-	-	(6,826,519)	-	(6,826,519)	(6,826,519)
Balance at December 31, 2008	54,071,135	41,792	44,000,000	34,136	265,066,530	(288,001,442)	(12,493,880)	6,111,585	(29,241,279)	(142,988,986)
Issuance of ordinary shares	6,141,878	4,195	-	-	75,702,439	-	-	-	75,706,634	
Issuance of ordinary shares upon exercise of option	735,000	503	-	-	3,764,755	-	-	-	3,765,258	
Share-based compensation	-	-	-	-	7,955,166	-	-	-	7,955,166	
Acquisitions of noncontrolling interest	-	-	-	-	(494,758)	-	-	(1,450,242)	(1,945,000)	
Net income	-	-	-	-	-	42,544,530	-	8,903,559	51,448,089	42,544,530
Dividend paid to noncontrolling interest	-	-	-	-	-	-	-	(2,200,000)	(2,200,000)	
Foreign currency translation adjustments	-	-	-	-	-	-	(35,579)	-	(35,579)	(35,579)
Balance as at December 31, 2009	60,948,013	46,490	44,000,000	34,136	351,994,132	(245,456,912)	(12,529,459)	11,364,902	105,453,289	42,508,951

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

CHINA LODGING GROUP, LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Renminbi, except share and per share date, unless otherwise stated)

	Year Ended December 31,			
	2007	2008	2009	2009
	RMB	RMB	RMB	US$ (Note 2)
Operating activities:				
Net income (loss)	(113,739,432)	(132,583,343)	51,448,089	7,537,188
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Share-based compensation	14,785,372	4,815,022	7,955,166	1,165,438
Depreciation and amortization	32,901,981	90,835,965	145,571,393	21,326,330
Deferred taxes	(19,746,205)	(34,126,710)	7,957,146	1,165,728
Bad debt expenses	500,000	423,368	1,252,275	183,459
Change in the fair value of warrants	(5,235,236)	(8,536,094)	-	-
Deferred rent	30,974,828	92,123,365	36,567,889	5,357,226
Impairment loss	-	-	1,947,873	285,365
Changes in operating assets and liabilities, net of effect of acquisitions:				
Accounts receivable	1,191,869	(8,891,721)	(2,848,180)	(417,261)
Prepaid rent	(27,492,705)	(35,792,771)	6,528,111	956,374
Inventories	(7,612,112)	(12,823,253)	13,767,424	2,016,939
Amount due from related parties	-	-	374,203	54,821
Other current assets	38,913,118	2,133,771	(16,873,489)	(2,471,980)
Other assets	(26,100,307)	(18,280,632)	(8,694,549)	(1,273,759)
Accounts payable	(5,303,367)	(8,938,700)	4,254,720	623,320
Amount due to related parties	567,611	668,275	(581,276)	(85,157)
Salary and welfare payables	10,313,853	20,023,538	(4,158,285)	(609,192)
Deferred revenue	6,319,058	25,032,969	42,612,045	6,242,700
Accrued expenses and other current liabilities	(3,372,300)	3,125,029	(1,994,232)	(292,157)
Income tax payable	2,409,901	2,120,195	(1,259,217)	(184,476)
Other long-term liabilities	1,470,369	4,934,203	12,512,907	1,833,152
Net cash provided by (used in) operating activities	(68,253,704)	(13,737,524)	296,340,013	43,414,058
Investing activities:				
Purchases of property and equipment	(257,701,910)	(469,501,431)	(263,775,540)	(38,643,335)
Purchases of intangibles	(2,132,000)	(848,077)	(1,005,300)	(147,277)
Amount received as a result of government zoning	-	-	3,280,000	480,523
Acquisitions, net of cash received	(2,024,152)	(1,619,753)	-	-
Collection of amount due from related parties	1,493,729	2,327,032	377,139	55,251
Decrease (increase) in restricted cash	(23,649,850)	18,052,764	5,097,087	746,727
Net cash used in investing activities	(284,014,183)	(451,589,465)	(256,026,614)	(37,508,111)

(Continued)

CHINA LODGING GROUP, LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Renminbi, except share and per share date, unless otherwise stated)

	Year Ended December 31,			
	2007	2008	2009	2009
	RMB	RMB	RMB	US$ (Note 2)
Financing activities:				
Deemed capital distribution in connection with restructuring	(14,923,921)	-	-	-
Net proceeds received from capital contribution	1,552,260	-	-	-
Net proceeds from issuance of ordinary shares to founder	76,185,973	-	24,432,215	3,579,340
Net proceeds from issuance of ordinary shares	-	-	30,512,946	4,470,172
Net proceeds from issuance of Series B preferred shares	310,383,483	270,804,804	-	-
Net proceeds from exercise of warrants	86,321,354	74,274,859	-	-
Net proceeds from issuance of convertible notes	30,472,000	-	-	-
Net proceeds from issuance of ordinary shares upon exercise of option	-	-	3,765,258	551,613
Proceeds from short-term debt	158,220,000	262,200,000	150,000,000	21,975,124
Repayment of short-term debt	(157,920,000)	(220,000,000)	(230,000,000)	(33,695,190)
Proceeds from long-term debt	-	30,000,000	142,000,000	20,803,118
Repayment of long-term debt	-	(500,000)	(34,500,000)	(5,054,279)
Funds advanced from noncontrolling interest holders	15,124,635	6,749,121	14,215,330	2,082,558
Repayment of funds advanced from noncontrolling interest holders	(4,823,135)	(3,483,400)	(7,930,550)	(1,161,832)
Acquisitions of noncontrolling interest, net of cash received	(716,993)	-	(1,945,000)	(284,944)
Deposit paid for acquisition of noncontrolling interest	(2,400,000)	-	-	-
Repayment of amounts due to related parties	(1,554,165)	(402,861)	-	-
Contribution from noncontrolling interest holders	3,385,000	580,000	-	-
Deposits received for share subscription	-	105,264,538	-	-
Refund of deposits of share subscription	-	(42,000,000)	(42,503,065)	(6,226,734)
Dividend paid to noncontrolling interest holders	-	(1,008,333)	(2,200,000)	(322,302)
Deposits received for exercise of options	-	-	1,216,389	178,201
Net cash provided by financing activities	499,306,491	482,478,728	47,063,523	6,894,845
Effect of exchange rate changes on cash and cash equivalents	(6,675,561)	(7,541,319)	(35,579)	(5,213)
Net increase in cash and cash equivalents	140,363,043	9,610,420	87,341,343	12,795,579
Cash and cash equivalents at the beginning of the year	33,272,490	173,635,533	183,245,953	26,845,684
Cash and cash equivalents at the end of the year	173,635,533	183,245,953	270,587,296	39,641,263
Supplemental disclosure of cash flow information:				
Interest paid	3,680,512	7,840,117	10,473,755	1,534,414
Income taxes paid	423,842	6,306,496	11,315,848	1,657,781
Supplemental schedule of non-cash investing and financing activities:				
Deemed capital distribution in connection with restructuring	14,692,432	-	-	-
Issuance of Series A preferred shares and ordinary shares upon restructuring	61,854	-	-	-
Issuance of Series A preferred shares and ordinary shares upon acquisition of Yiju	37,979,892	-	-	-
Issuance of Series B preferred shares in exchange for convertible notes and accrued interest	30,803,215	-	-	-
Issuance of Series B preferred shares in exchange for amounts due to related parties	-	13,894,400	-	-
Warrant liability transferred to Series B preferred shares upon warrant exercise	8,366,787	-	-	-
Ordinary shares issued upon business acquisitions and acquisition of noncontrolling interest	9,201,288	-	-	-
Amount payable by Group forgiven upon business acquisitions and acquisition of noncontrolling interest	16,030,885	-	-	-
Purchases of property and equipment included in accounts payable	73,629,452	170,897,262	125,410,282	18,372,710
Issuance of ordinary shares from subscription deposit	-	-	20,761,473	3,041,573

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

CHINA LODGING GROUP, LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007, 2008 and 2009
(In Renminbi, except share and per share data, unless otherwise stated)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Powerhill Holdings Limited ("Powerhill") was founded in the British Virgin Islands ("BVI") in December 2003 by Qi Ji and Tongtong Zhao, and subsequently conducted its operations through three wholly-owned subsidiaries in the Peoples Republic of China ("PRC"), Shanghai HanTing Hotel Management Group, Ltd. ("Shanghai HanTing", formerly known as Lishan Senbao (Shanghai) Investment Management Co., Ltd.), HanTing Xingkong (Shanghai) Hotel Management Co., Ltd. ("Xingkong") and Lishan Property (Suzhou) Co., Ltd. ("Suzhou Property"). In August 2006, Suzhou Property transferred its equity interests in three leased-and-operated hotels to Shanghai HanTing in exchange for Shanghai HanTing's equity interest in Shanghai Shuyu Co.,Ltd. ("Shuyu"). Shuyu was primarily engaged in the business of sub-leasing and managing real estate properties in technology parks, which was consistent with Suzhou Property's primary business.

In August 2005, Crystal Water Investment Holdings Limited ("Crystal"), a BVI entity wholly-owned by John Wu, established Yiju (Shanghai) Hotel Management Co., Ltd. ("Yiju"), which began its "leased-and-operated" hotel business in the PRC.

On January 4, 2007, China Lodging Group, Limited (the "Company") was incorporated in the Cayman Islands by John Wu, who held one share.

On February 4, 2007, an arrangement was entered into between Winner Crown Holdings Limited ("Winner Crown", a BVI company wholly-owned by Qi Ji), Tongtong Zhao, John Wu, and Powerhill whereby (i) Powerhill transferred its ownership of Shanghai HanTing and Xingkong to the Company, (ii) Crystal transferred its ownership of Yiju to the Company, and (iii) the Company issued (a) 25,000,000, 15,000,000 and 4,000,000 ordinary shares, respectively, to Winner Crown, Tongtong Zhao and John Wu at par for an aggregate cash consideration of RMB34,136 (US$4,400) and (b) 40,000,000 and 4,000,000 Series A preferred shares to Powerhill and John Wu, respectively, and (iv) Powerhill contributed RMB1,552,260 (US$200,000) in cash to the Company.

Powerhill was considered the accounting acquirer in the transaction and, as such, the Company accounted for the arrangement as (i) an acquisition of the Company by Powerhill having no material impact on the consolidated financial statements given (a) the net assets of Powerhill and its subsidiaries were recorded at historical cost and (b) the Company's lack of operations prior to February 4, 2007, (ii) a share dividend of 40,000,000 ordinary shares to existing shareholders of Powerhill (20,000,000 each to Qi Ji, via Winner Crown, and Tongtong Zhao) (iii) a transfer of 5,000,000 ordinary shares between shareholders from Tongtong Zhao to Qi Ji in satisfaction of a prior matrimonial settlement arrangement, (iv) a recapitalization relative to the Series A preferred shares issued to Powerhill, (v) a spin-off of Powerhill and Suzhou Property in the form of a dividend distribution to shareholders, effective February 4, 2007, and (vi) an acquisition by the Company of Yiju, effective April 12, 2007, the date the equity interest transfer of Yiju was approved by Shanghai Pudong New Area Peoples' Government. The share and per share data relating to the ordinary shares and the Series A preferred shares issued in (ii) and (iv) have been presented as if the transactions occurred on January 1, 2007.

The results of operations of Suzhou Property were reported in income (loss) from continuing operations because the Company continued to lease hotel buildings from Suzhou Property and the cash flows of Suzhou Property have not been eliminated from the ongoing operations of the Company as a result of the spin-off.

The principal business activities of the Company and its subsidiaries (the "Group) are to develop leased-and-operated and franchised-and-managed economy hotels under the "HanTing" brand in the People's Republic of China ("PRC").

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1. ORGANIZATION AND PRINCIPAL ACTIVITIES (CONTINUED)

The Company's direct invested subsidiaries are as follows as of December 31, 2009:

Major subsidiaries	*Percentage of Ownership*	*Date of or acquisition*	*Place of incorporation*
China Lodging Holdings (HK) Limited. ("China Lodging HK")	100%	October 22, 2008	Hong Kong Special Administrative region of PRC
Shanghai HanTing Hotel Management Group, Ltd. ("Shanghai HanTing", formerly known as Lishan Senbao (Shanghai) Investment Management Co., Ltd.)	100%	November 17, 2004	PRC
HanTing Xingkong (Shanghai) Hotel Management Co., Ltd. ("Xingkong")	100%	March 3, 2006	PRC
HanTing (Tianjin) Investment Consulting Co., Ltd. ("HanTing Tianjin")	100%	January 16, 2008	PRC
Yiju (Shanghai) Hotel Management Co., Ltd. ("Yiju")	100%	April 12, 2007	PRC

Leased-and-operated hotels

The Group leases hotel properties from property owners 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 "HanTing" brand at the beginning of the lease, as well as repairs and maintenance, operating expenses and management of properties over the term of the lease.

Under the lease arrangements, the Group typically receives rental holidays of three to six months and pays fixed rent on a monthly or quarterly basis for the first three or five years of the lease term, after which the rental payments may be subject to an increase every three to five years. The Group recognizes rental expense on a straight-line basis over the lease term.

As of December 31, 2007, 2008 and 2009, the Group had 62, 145 and 173 leased-and-operated hotels in operation, respectively.

Franchised-and-managed hotels

The Group enters into certain franchise arrangements with property owners for which the Group is responsible for managing the hotels, including hiring and appointing of the general manager of each franchised-and-managed hotel. Under a typical franchise agreement, the franchisee is required to pay an initial franchise-and-management fee and ongoing management service fees equal to a certain percentage of the revenues of the hotel. The franchisee is responsible for the costs of hotel development and customization and the costs of its operations. The term of the franchise agreement is typically eight years and is renewable only upon mutual agreement between the Group and the franchisee.

As of December 31, 2007, 2008 and 2009, the Group had five, 22 and 63 franchised-and-managed 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 Powerhill and its majority-owned subsidiaries for the period from January 1, 2007 to February 3, 2007, and the financial statements of China Lodging Group, Limited and its majority-owned subsidiaries subsequent to February 4, 2007. All significant intercompany transactions and balances are eliminated on consolidation.

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 entities that operate the franchised-and-managed hotels are considered variable interest entities as the franchisees do not have the ability to make decisions that have a significant impact on the success of the franchise arrangement. However, as the franchisees provide all necessary capital to finance the operation of the franchised-and-managed hotels and absorb a majority of any expected losses, the Group is not considered the primary beneficiary of those entities.

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, long lived 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 of and impairment for property and equipment and intangible assets, valuation allowance of deferred tax assets, impairment of goodwill, share-based compensation and costs related to its customer loyalty program.

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.

Restricted cash

Restricted cash represents bank demand deposits collateralized for certain newly established subsidiaries pending capital verification procedure of relevant PRC government authority and deposits used as security against short-term borrowings. The capital verification approval process typically takes between three to six months.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Accounts receivable, net of allowance

Trade receivables mainly consist of amounts due from corporate customers, travel agents 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.

Inventories

Inventories mainly consist of small appliances, bedding and daily consumables. Small appliances and bedding 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 are expensed when used.

Property and equipment, net

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	over the shorter of the lease term or their estimated useful lives
Buildings	40 years
Furniture, fixtures and equipment	3-5 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 statement of operations as the difference between the net sales proceeds and the carrying amount of the underlying asset.

Intangible assets, net and unfavorable lease

Intangible assets consist primarily of favorable leases acquired in business combinations and, to a lesser extent, 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 favorable lease agreements existing as of the date of acquisition, are recognized and measured at fair value upon acquisition. Favorable lease agreements from business combination transactions are amortized over the remaining operating lease term. Unfavorable lease agreements from business combination transactions are recognized as other long-term liabilities and amortized over the remaining operating lease term.

Purchased software is stated at cost less accumulated amortization.

Goodwill

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

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Goodwill (continued)

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. 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 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. No goodwill was impaired during the years ended December 31, 2007 and 2008.

In 2009, the Group recognized goodwill impairment of RMB1,097,975 in connection with demolition of a leased-and-operated hotel (Note 4). No goodwill was impaired during the year ended December 31, 2009 as a result of the Group's annual impairment test.

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 would recognize an impairment loss based on the fair value of the assets. There was no impairment charge recognized during the years ended December 31, 2007 and 2008. In 2009, the Group recognized a long-lived asset impairment charge of RMB849,898 in connection with demolition of a leased-and-operated hotel (Note 4).

Accruals for customer loyalty program

The Group invites its customers to participate in a customer loyalty program. A one-time membership fee is charged for new members. The membership has an unlimited life, but automatically expires after three years in the event of non-use. Members enjoy discounts on room rates, priority in hotel reservation, and accumulate membership points for their paid stays, which can be redeemed for membership upgrades, room night awards and other gifts within two years after the points are earned. The estimated incremental costs to provide membership upgrades, room night awards and other gifts are accrued and recorded as accruals for customer loyalty program as members accumulate points and are recognized as sales and marketing expense in the accompanying consolidated statements of operations. As members redeem awards or their entitlements expire, the provision is reduced correspondingly. Prior to February 2009, the Group recorded estimated liabilities for all points earned by its customers as the Group did not have sufficient historical information to determine point forfeitures or breakage. The Group, with accumulated knowledge on reward points redemption and expiration, began to apply historical redemption rate in estimating the costs of points earned from

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Accruals for customer loyalty program (continued)

March 2009 onwards. As of December 31, 2007, 2008 and 2009, the accruals for customer loyalty program amounted to RMB1,160,288, RMB6,271,534 and RMB1,875,817, respectively, based on the estimated liabilities under the customer loyalty program.

Deferred revenue

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

Revenue recognition

Revenue is primarily derived from hotel operations, including the rental of rooms and food and beverage sales from leased-and-operated hotels administrated under the Group's brand names. Revenue is recognized when rooms are occupied and food and beverages are sold.

Revenues from franchised-and-managed hotels are derived from franchise agreements where the franchisees are required to pay (i) an initial one-time franchise-and-management fee, and (ii) continuing franchise-and-management fees, which mainly consist of (a) on-going management and service fees based on a certain percentage of the room revenues of the franchised hotels or variable percentage of the room revenues in accordance with the performance level of individual franchisee on a monthly and/or calendar quarter basis, and (b) fixed system maintenance and support fees. The one-time franchise-and-management fee is recognized when the 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, 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 and support fee is recognized when services are provided.

The Group accounts for certain reimbursements (primarily salaries and related charges) mainly related to the hotels under the franchise program as revenue. Reimbursement revenue is recognized when the underlying reimbursable costs are incurred.

Membership fees from the Group's customer loyalty program are earned and recognized on a straight-line basis over the expected membership term which is estimated to be approximately three to five years dependent upon membership level. Such term is estimated based on the Group's and management's experience and is adjusted on a periodic basis to reflect changes in membership retention. Revenues recognized from the customer loyalty program were RMB536,381, RMB3,519,801 and RMB11,725,530 for the years ended December 31, 2007, 2008 and 2009, respectively.

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.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Advertising and promotional expenses

Advertising related expenses, including promotion expenses and production costs of marketing materials, are charged to the consolidated statements of operations as incurred, and amounted to RMB4,123,307, RMB10,749,093 and RMB20,205,909 for the years ended December 31, 2007, 2008 and 2009, respectively.

Government grants

Unrestricted government subsidies from local governmental agencies allowing the Group full discretion to utilize the funds were RMB316,758, RMB1,218,390 and RMB2,446,277 for the years ended December 31, 2007, 2008 and 2009, respectively, which were recorded as a reduction of general and administrative expenses in the consolidated statements of operations.

Leases

Leases are classified as capital or operating leases. A lease that transfers to the lessee substantially all the benefits and risks incidental to ownership is classified as a capital lease. At inception, a capital lease is recorded at present value of minimum lease payments or fair value of the asset, whichever is less. Assets recorded as capital leases are amortized on a basis consistent with that of accounting for capital assets or the lease term, whichever is less. Operating lease costs are expensed as incurred.

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, 2007, 2008 and 2009 was RMB3,813,097, RMB7,588,008 and RMB10,419,106, of which RMB3,813,097, RMB6,339,499 and RMB1,632,010 was 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. The components of the deferred tax assets and liabilities are individually classified as current and non-current based on the characteristics of the underlying assets and liabilities, or the expected timing of their use when they do not relate to a specific asset or liability.

Foreign currency translation and comprehensive loss

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

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation and comprehensive loss (continued)

currencies other than the US dollar are translated into US dollar at the rates of exchange ruling at the balance sheet date. Transactions in currencies other than the US dollar during the year are converted into the US dollar at the applicable rates of exchange prevailing on the day transactions occurred. Transaction gains and losses are recognized in the statements of operations. 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 income (loss) in the statement of changes in equity (deficit) and comprehensive loss.

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

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 and accounts receivable. All of the Group's cash and cash equivalents are held with financial institutions that Group management believes to be 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 adopted changes to fair value accounting and reporting in ASC 820-10 "Fair Value Measurement and Disclosure — Overall" (previously Statement of Financial Accounting Standards No. 157, "Fair Value Measurements") on January 1, 2008 for all financial assets and liabilities that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis (at least annually). ASC 820-10 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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2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Fair value (continued)

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 did not have any financial instruments that were required to be measured at fair value on a recurring basis as of December 31, 2009. The carrying values of financial instruments, which consist of cash, restricted cash, accounts receivable, accounts payable, and short-term debt, are recorded at cost which approximates their fair value due to the short-term nature of these instruments. The carrying value of long-term debt approximates its fair value as the interest rate it bears at December 31, 2009 reflects the current market yield level for comparable loans. The Group does not use derivative instruments to manage risks.

Warrants

The Group records warrants convertible into mezzanine equity securities as liabilities and adjusts the carrying amount of such liabilities to fair value at each reporting date. The Group recorded a charge for the change in fair value in the warrant liability of RMB5,235,236, RMB8,536,094 and nil during the years ended December 31, 2007, 2008 and 2009, respectively.

Share-based compensation

The Group recognizes share-based compensation in the statement of operations based on the fair value of equity awards on the date of the grant, with compensation expense recognized over the period in which the grantee is required to provide service to the Group in exchange for the equity award. The share-based compensation expenses have been categorized as either hotel operating costs, general and administrative expenses and selling and marketing expenses, depending on the job functions of the grantees. For the years ended December 31, 2007, 2008 and 2009, the Group recognized share-based compensation expense of RMB14,785,372, RMB4,815,022 and RMB7,955,166, respectively, which was classified as follows:

	At December 31,		
	2007	2008	2009
Hotel operating costs	23,938	115,576	523,208
Selling and marketing expenses	107,616	178,090	465,239
General and administrative expenses	14,653,818	4,521,356	6,966,719
Total	14,785,372	4,815,022	7,955,166

Earnings (Loss) per share

The Group has determined that Series A convertible preferred shares and Series B convertible redeemable preferred shares are participating securities as each participates in the undistributed

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Earnings (Loss) per share (continued)

earnings on the same basis as the ordinary shares. Accordingly, the Group has used the two-class method of computing earnings per share. Under this method, net income (loss) applicable to holders of ordinary shares is allocated on a pro-rata basis to the ordinary and preferred shares to the extent that each class may share in income for the period. Losses are not allocated to the participating securities. Diluted earnings (loss) per share is computed using the more dilutive of the two-class method or the if-converted method.

Segment reporting

The Group operates and manages its business as a single segment. The Group primarily generates its revenues from customers in the PRC. Accordingly, no geographical segments are presented. Substantially all of the Group's long-lived assets are located in the PRC.

Recently issued accounting pronouncements

The following accounting pronouncements were adopted during the year ended December 31, 2009:

On January 1, 2009, the Group adopted FASB Accounting Standards Codification ("ASC") 810-10-65, "Consolidations — Overall — Transition and Open Effective Date Information" (previously SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements — an amendment of ARB No. 51"). This accounting standard defines a noncontrolling interest in a subsidiary as the portion of the equity (net assets) in a subsidiary not attributable, directly or indirectly, to a parent and requires noncontrolling interest to be presented as a separate component of equity in the consolidated balance sheet. This standard also modifies the presentation of net income by requiring earnings and other comprehensive income to be attributed to controlling and noncontrolling interest. As a result of the adoption of this standard, the Group reclassified RMB2,333,179 and RMB6,111,585 of minority interest to noncontrolling interest, a component of equity as of December 31, 2007 and 2008, respectively, and RMB(2,116,309) and RMB3,579,124 of minority interests, previously deducted in computing net loss for the years ended December 31, 2007 and 2008, respectively have been presented as an adjustment to net loss to arrive at net loss attributable to China Lodging Group, Limited in the consolidated statements of operations.

Future Adoption of Accounting Standards

In June 2009, the FASB issued ASC 810-10, "Consolidation — Overall" (previously SFAS 167, "Amendments to FASB Interpretation No. 46(R)"). This accounting standard eliminates exceptions of the previously issued pronouncement to consolidating qualifying special purpose entities, contains new criteria for determining the primary beneficiary, and increases the frequency of required reassessments to determine whether a company is the primary beneficiary of a variable interest entity. This accounting standard also contains a new requirement that any term, transaction, or arrangement that does not have a substantive effect on an entity's status as a variable interest entity, a company's power over a variable interest entity, or a company's obligation to absorb losses or its right to receive benefits of an entity must be disregarded in applying the provisions of the previously issued pronouncement. This accounting standard will be effective for the Group's fiscal year beginning January 1, 2010. The Group is currently assessing the potential impacts, if any, on its consolidated financial statements.

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2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Future Adoption of Accounting Standards (continued)

In August 2009, the FASB issued Accounting Standards Update ("ASU") 2009-05, "Fair Value Measurements and Disclosures (Topic 820) — Measuring Liabilities at Fair Value". ASU 2009-05 amends ASC 820-10, "Fair Value Measurements and Disclosures — Overall", for the fair value measurement of liabilities. It provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure the fair value using (1) a valuation technique that uses the quoted price of the identical liability when traded as an asset or quoted prices for similar liabilities or similar liabilities when traded as assets or (2) another valuation technique that is consistent with the principles of Topic 820. It also clarifies that when estimating the fair value of a liability, a reporting entity is not required to include a separate input or adjustment to other inputs relating to the existence of a restriction that prevents the transfer of the liability and that both a quoted price in an active market for the identical liability at measurement date and that the quoted price for the identical liability when traded as an asset in an active market when no adjustments to the quoted price of the asset are required are Level 1 fair value measurements. The provisions of ASU 2009-05 are effective for the first reporting period (including interim periods) beginning after issuance. Early application is permitted. The Group is evaluating the impact of applying this ASU on its consolidated financial statements starting from January 1, 2010.

In October 2009, the FASB issued ASU 2009-13, "Revenue Recognition (Topic 605) — Multiple-Deliverable Revenue Arrangements" (previously EITF 08-1, Revenue Arrangements with Multiple Deliverables). This ASU addresses the accounting for multiple-deliverable arrangements to enable vendors to account for products or services (deliverables) separately rather than as a combined unit. Specifically, this guidance amends the criteria for separating consideration in multiple-deliverable arrangements. This guidance establishes a selling price hierarchy for determining the selling price of a deliverable, which is based on: (a) vendor-specific objective evidence; (b) third-party evidence; or (c) estimates. This guidance also eliminates the residual method of allocation and requires that arrangement consideration be allocated at the inception of the arrangement to all deliverables using the relative selling price method. In addition, this guidance significantly expands required disclosures related to a vendor's multiple-deliverable revenue arrangements. This accounting standard will be effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Early adoption is permitted. The Group is currently evaluating the impact of adoption on its consolidated financial statements.

In January 2010, the FASB issued ASU 2010-05, "Compensation — Stock Compensation (Topic 718) — Escrowed Share Arrangements and the Presumption of Compensation (previously EITF Topic D-110, "Escrowed Share Arrangements and the Presumption of Compensation"). This ASU provides the SEC Staff's views on overcoming the presumption that for certain shareholders escrowed share arrangements represent compensation. The SEC Staff believes that an escrowed share arrangement in which the shares are automatically forfeited if employment terminates is compensation, consistent with the principle articulated in ASC 805, "Business Combinations". The Group is currently evaluating the impact of adoption on its consolidated financial statements.

In January 2010, the FASB issued ASU 2010-06, "Fair Value Measurements and Disclosures (Topic 820) — Improving Disclosures about Fair Value Measurements". The ASU amends ASC 820 (formerly SFAS 157) to add new requirements for disclosures about (1) the different classes of assets and liabilities measured at fair value, (2) the valuation techniques and inputs used, (3) the activity in Level 3 fair value measurements, and (4) the transfers between Levels 1, 2, and 3. The guidance in the ASU is effective for the first reporting period beginning after December 15, 2009, except for the

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Future Adoption of Accounting Standards (continued)

requirement to provide the Level 3 activity of purchases, sales, issuances, and settlements on a gross basis, which will be effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. In the period of initial adoption, entities will not be required to provide the amended disclosures for any previous periods presented for comparative purposes. However, those disclosures are required for periods ending after initial adoption. Early adoption is permitted. The Group is currently evaluating the impact of adoption on its consolidated financial statements.

Unaudited pro forma information

The pro forma balance sheet information as of December 31, 2009 assumes the conversion upon completion of the initial public offering of all convertible preferred shares outstanding as of December 31, 2009 into ordinary shares.

Unaudited pro forma net earnings per share

Pro forma basic and diluted earnings per share is computed by dividing income attributable to holders of ordinary shares by the weighted average number of ordinary shares outstanding for the year plus the number of ordinary shares resulting from the assumed conversion of the outstanding convertible preferred shares.

Translation into United States Dollars

The financial statements of the Group are stated in RMB. Translations of amounts from RMB into U.S. dollars are solely for the convenience of the reader and were calculated at the rate of US$1.00 = RMB6.8259, on December 31, 2009, representing the noon buying rate in the City of New York for cable transfers of Renminbi, as certified for customs purposes by the Federal Reserve Bank of New York. The translation is not intended to imply that the RMB amounts could have been, or could be, converted, realized or settled into U.S. dollars at that rate on December 31, 2009, or at any other rate.

3. ACQUISITIONS

(i) Yiju

As discussed in Note 1, the Company acquired Yiju on April 12, 2007 to expand the number of its leased-and-operated economy hotels. The acquisition was accounted for under purchase accounting. As consideration, the Company issued 4,000,000 ordinary shares, having an estimated fair value of US$0.46 per share, and 4,000,000 Series A preferred shares, having an estimated fair value of US$0.77 per share, for total consideration of RMB37,982,983. The fair value of the ordinary and Series A preferred shares was determined by the Group using generally accepted valuation methodologies, including the discounted cash flow approach, which incorporates certain assumptions

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3. ACQUISITIONS (CONTINUED)

(i) Yiju (continued)

including the financial results and growth trends of the Group, to derive the total equity value of the Group. The following is a summary of the fair values of the assets acquired and liabilities assumed:

		Amortization period
Current assets acquired	7,288,686	
Current liabilities assumed	(40,751,037)	
Property and equipment	48,144,045	5-10 years
Favorable lease	15,184,140	remaining lease term
Goodwill	12,503,372	
Unfavorable lease	(786,917)	remaining lease term
Deferred tax liabilities	(3,599,306)	
Total	37,982,983	

The value of the favorable lease agreements was 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 leases that exceed market prices and is recognized as a liability. The value of favorable and unfavorable lease agreements is amortized using the straight-line method over the remaining lease term.

The excess of purchase price over tangible assets and identifiable intangible assets acquired and liabilities assumed was recorded as goodwill. Goodwill is not deductable for tax purpose.

(ii) Others

During the years ended December 31, 2007 and 2008, the Group acquired nine and two individually immaterial entities, respectively, in the leased-and-owned hotel business. In addition, the Group acquired noncontrolling interest in its existing subsidiaries in 2007. The business acquisition and acquisition of noncontrolling interest in 2007 and 2008 were accounted for under purchase accounting. The aggregate consideration for these acquisitions was comprised of the following:

	2007	2008
Cash consideration	11,517,502	4,230,000
Fair value of ordinary shares issued	9,202,677	-
Total consideration	20,720,179	4,230,000

The fair value of the ordinary shares was determined by the Group using generally accepted valuation methodologies, including the discounted cash flow approach, which incorporates certain assumptions including the financial results and growth trends of the Group, to derive the total equity value of the Group.

3. ACQUISITIONS (CONTINUED)

(ii) Others (continued)

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

	2007	2008	Amortization period
Current assets acquired	19,174,542	3,539,708	
Current liabilities assumed	(44,704,897)	(12,152,725)	
Property and equipment	41,138,602	8,297,038	5-10 years
Favorable lease	5,110,772	1,753,501	remaining lease term
Deferred tax assets	357,413	-	
Goodwill	3,188,298	3,858,468	
Unfavorable lease	(1,536,980)	-	remaining lease term
Deferred tax liabilities	(1,250,862)	(438,375)	
Noncontrolling interest acquired	(756,709)	(627,615)	
Total	20,720,179	4,230,000	

(iii) Pro forma (unaudited)

The following table summarizes unaudited pro forma results of operation for the year ended December 31, 2007 assuming that all acquisitions occurred as of January 1, 2007. 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, 2007. Pro forma results have not been shown for the years ended December 31, 2008 and 2009 as acquisitions occurring during those periods are immaterial.

	Year ended December 31, 2007 (Unaudited)
Pro forma revenue	262,850,688
Pro forma loss attributable to holders of ordinary shares	(136,312,072)
Pro forma loss per share:	
Basic	(3.01)
Diluted	(3.01)

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3. ACQUISITIONS (CONTINUED)

(iii) Pro forma (unaudited) (continued)

(iv) In 2009 the Group acquired noncontrolling interests in five existing subsidiaries for cash consideration of RMB1,945,000. The acquisitions of the noncontroling interests were accounted for as equity transactions. The difference between the purchase consideration and the related carrying value of the noncontrolling interests amount of RMB494,758 was recorded as a reduction of additional paid-in capital.

4. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consist of the following:

	As of December 31,		
	2007	**2008**	**2009**
Cost:			
Buildings	11,859,649	11,859,649	11,859,649
Leasehold improvements	351,378,761	901,755,476	1,096,753,728
Furniture, fixtures and equipment	73,271,951	157,911,986	182,790,955
Motor vehicles	552,060	191,967	191,967
	437,062,421	1,071,719,078	1,291,596,299
Less: Accumulated depreciation	(46,933,302)	(135,992,221)	(277,529,412)
	390,129,119	935,726,857	1,014,066,887
Construction in process	75,056,923	21,679,968	14,199,835
Property and equipment, net	465,186,042	957,406,825	1,028,266,722

Depreciation expense was RMB32,101,539, RMB89,058,919 and RMB143,675,927 for the years ended December 31, 2007, 2008 and 2009, respectively.

In 2009 the Group demolished one leased-and-operated hotel due to local government zoning requirements. As a result, the Group wrote off property and equipment of RMB3,752,736, favorable lease agreement of RMB377,162 and goodwill of RMB1,097,975 associated with this hotel and recognized an impairment loss of RMB1,947,873, which is net of RMB3,280,000 cash received.

In addition, in 2009 the Group was formally notified by local government authorities that two additional leased-and-operated hotels of the Group will likely be demolished due to local government zoning requirements. The aggregate carrying amount of property and equipment at the hotels was RMB13,039,483 as of December 31, 2009. Neither hotel has recorded intangible assets or goodwill. The Group has not recognized any impairment as expected cash flows from the hotels' operations prior to demolition and expected amounts to be received as a result of the demolition will likely 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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5. INTANGIBLE ASSETS, NET AND UNFAVORABLE LEASE

Intangible assets, net consist of the following:

	As of December 31,		
	2007	2008	2009
Favorable lease agreements	20,294,912	22,048,413	21,538,254
Purchased software	2,132,000	2,980,077	3,985,377
Total	22,426,912	25,028,490	25,523,631
Less: Accumulated amortization	(975,697)	(3,059,573)	(5,128,871)
Total	21,451,215	21,968,917	20,394,760

Unfavorable lease

	As of December 31,		
	2007	2008	2009
Unfavorable lease agreements	2,323,897	2,323,897	2,323,897
Less: Accumulated amortization	(175,255)	(482,084)	(788,913)
Unfavorable lease agreements, net	2,148,642	1,841,813	1,534,984

Favorable and unfavorable leases agreements were acquired in business acquisitions as disclosed in Note 3. 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, 2007, 2008 and 2009 amounted to RMB975,697, RMB2,083,876 and RMB2,202,295, respectively.

The annual estimated amortization expense for the above intangible assets and unfavorable lease for the following years is as follows:

	Amortization for intangible assets	Amortization for unfavorable lease	Net Amortization
2010	2,202,306	(306,829)	1,895,477
2011	2,202,306	(306,829)	1,895,477
2012	2,198,827	(306,829)	1,891,998
2013	2,152,766	(208,180)	1,944,586
2014	2,028,240	(167,806)	1,860,434
Thereafter	9,610,315	(238,511)	9,371,804
	20,394,760	(1,534,984)	18,859,776

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6. GOODWILL

The changes in the carrying amount of goodwill for the years ended December 31, 2007, 2008 and 2009 were as follows:

	Gross Amount	Accumulated Impairment Loss	Net Amount
Balance at January 1, 2007	-	-	-
Increase in goodwill related to acquisitions	15,691,670	-	15,691,670
Impairment losses recognized	-	-	-
Balance at December 31, 2007	15,691,670	-	15,691,670
Increase in goodwill related to acquisitions	3,858,468	-	3,858,468
Impairment losses recognized	-	-	-
Balance at December 31, 2008	19,550,138	-	19,550,138
Increase in goodwill related to acquisitions	-	-	-
Impairment losses recognized	-	(1,097,975)	(1,097,975)
Balance at December 31, 2009	19,550,138	(1,097,975)	18,452,163

7. DEBT

The Group's borrowings consist of the following:

	As of December 31,		
	2007	2008	2009
Borrowings:			
Short-term debt	37,800,000	80,000,000	-
Long-term debt, current portion	-	2,000,000	57,000,000
Subtotal	37,800,000	82,000,000	57,000,000
Long-term debt	-	27,500,000	80,000,000
Total	37,800,000	109,500,000	137,000,000

In 2007, the Group had various short-term bank borrowings with maturity dates ranging from March to June 2008. The weighted average interest rate of the short-term borrowings for the year ended December 31, 2007 was 8.02%. These short-term borrowings were guaranteed by Qi Ji, founder of the Group, and collateralized by office buildings of the Group with a net book value of RMB10,193,826 as of December 31, 2007.

In January 2008, the Group entered into a one-year revolving bank credit facility under which the Group can borrow up to RMB150,000,000 during the term of the facility. As of December 31, 2008, the Group had unused credit facility of RMB70,000,000 available for future borrowings. This credit facility was renewed in June 2009. As of December 31, 2009, the Group had available credit facility of RMB150,000,000 for future borrowing. The weighted average interest rates for borrowings drawn under such credit facility were 6.00% and 4.98% for the years ended December 31, 2008 and 2009, respectively. This credit facility was guaranteed by Qi Ji, founder of the Group and collateralized by office buildings of the Group with a net book value of RMB9,066,880 as of December 31, 2009.

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7. DEBT (CONTINUED)

In September 2008, the Group entered a three-year credit facility under which the Group could borrow up to RMB172,000,000 during the term of the facility. As of December 31, 2008, the Group had drawn down RMB 30,000,000, repaid RMB 500,000 and had RMB 29,500,000 outstanding under the facility. As of December 31, 2009, the Group had drawn down the remaining credit facility of RMB 142,000,000, repaid RMB 34,500,000 and had RMB 137,000,000 outstanding under the facility. As of December 31, 2009, there were no funds available under the facility for future borrowing. The interest rate for each draw down is established on the draw-down date and is adjusted annually, based on the loan interest rate stipulated by the People's Bank of China for the corresponding period. The weighted average interest rates for borrowings drawn under such credit facility were 7.29% and 5.72% for the years ended December 31, 2008 and 2009, respectively. Certain commercial buildings owned by Suzhou Property, an entity controlled by Qi Ji (see Notes 1 and 19) were pledged as collateral for the credit facility.

The Group had no loan covenants related to its short-term or long-term borrowings.

Future payments for long-term debt as of December 31, 2009 were as follows:

2010	57,000,000
2011	80,000,000
Total	137,000,000

8. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	As of December 31,		
	2007	2008	2009
Deposit for share subscription	-	63,264,538	-
Business taxes and other subcharge payables	6,529,795	8,450,430	12,471,140
Accrual for customer loyalty program	1,160,288	6,271,534	1,875,817
Payable to noncontrolling interest holders	21,902,401	25,168,122	31,452,902
Other payables	11,986,188	18,073,418	11,108,184
Accrued rental	17,543,265	10,392,775	11,562,013
Accrued utilities	3,622,436	8,881,883	12,235,690
Other accrued expenses	5,707,572	6,638,293	8,677,646
Total	68,451,945	147,140,993	89,383,392

The deposit for share subscription represented funds received from third-party investors as of December 31, 2008 in the amount of RMB63,264,538 for the purpose of acquiring the Company's ordinary shares. In 2009 the Company issued 1,683,618 ordinary shares in exchange for RMB20,761,473 of the deposit. The remaining subscription deposit was refunded to the investors.

From time to time, the Group receives cash funding advanced from noncontrolling interest holders for individual hotel working capital purposes. Such advances are non-interest bearing and are payable upon demand.

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9. CONVERTIBLE NOTES

On March 30, 2007, the Company issued convertible notes (the "Notes") of RMB30,472,000 (US$4,000,000). The Notes bore interest at 5.0% per annum, compounded monthly, and had a maturity date of September 26, 2007. The Notes and any accrued and unpaid interest were convertible at any time on or before the maturity date, into preference shares issued in a future equity financing. The conversion price was equal to either (i) 85% of the purchase price of preference shares issued within three months of the Notes issuance date, assuming gross proceeds of no less than US$5,000,000, or (ii) 80% of the purchase price of preferred shares issued three months after the Notes issuance date but before the maturity date, assuming in both cases, gross proceeds of no less than US$5,000,000 (a "Qualified Equity Financing"). If a Qualified Equity Financing did not occur prior to the maturity date, the conversion price was calculated based on a pre-money valuation of the Company equal to US$120,000,000. In all cases, the preference rights of the new preference shares were required to have no less favorable terms than the rights of the most senior preference shares of the Company then outstanding.

Holders of the Notes were entitled to put the Notes to the Company upon a change in control and upon an event of default, defined as a failure to pay principal and interest when due, a breach of representation and warranties or the filing for bankruptcy, reorganization, insolvency, liquidation, dissolving or wind-up. The Company had an option to call the Notes upon maturity and upon a Qualified Equity Financing.

On June 20, 2007, the entire principal amount of the Notes and accrued interest of RMB331,215 (US$43,478) was converted into 3,729,526 Series B convertible redeemable preferred shares. The conversion price was approximately RMB7.40 (US$1.08) per share, or 85% of the issuance price of the Series B convertible redeemable preferred shares. No gain or loss was recognized from the conversion.

The Company's call option is considered an embedded derivative instrument subject to bifurcation, however, the value of the embedded derivative was nil at issuance and throughout the period prior to conversion. The Company did not record a beneficial conversion feature ("BCF") as the effective conversion price of the Notes of RMB7.40 (US$1.08) per share was greater than the fair value of the ordinary shares of RMB3.04 (US$0.45), into which the preferred shares were convertible, on the issuance date of the Notes.

10. PREFERRED SHARES, WARRANT I and WARRANT II

As discussed in Note 1, in February 2007, the Company issued 44,000,000 Series A convertible preferred shares, par value US$0.0001 per share (the "Series A Shares"), at issuance price of US$0.50 per share.

On June 20, 2007, the Company issued the following:

	Series B Shares	Warrant I	Warrant II	Proceeds
Tranche A	29,008,007	10,565,952	3,136,001	RMB281,866,019 (US$37,000,003)
Tranche B	3,136,002	1,142,266	-	RMB 30,472,014 (US$4,000,001)
Convertible Notes (Note 9)	3,729,526	1,358,452	-	-
	35,873,535	13,066,670	3,136,001	RMB312,338,033 (US$41,000,004)

10. PREFERRED SHARES, WARRANT I and WARRANT II (CONTINUED)

Total cash proceeds of RMB310,383,483 (US$40,743,434) were net of issuance costs of RMB1,954,550 (US$256,570). Holders of Warrant I and Warrant II are entitled to purchase Series B Shares at a per share purchase price of RMB10.44 (US$1.53) and RMB8.70 (US$1.28), respectively.

The key terms of Series A Shares and Series B Shares (collectively the "Preferred Shares") are as follows:

Dividends

The holders of the Preferred Shares are entitled to participate in dividends paid to holders of ordinary shares on an as-converted basis.

Voting Rights

Each ordinary share is entitled to two votes per share. A Series A Share is entitled to one one-half of the number of ordinary shares into which it is convertible (one vote per ordinary share). Each Series B Share votes on an as-if converted basis (two votes per ordinary share).

Conversion

Before June 20, 2007, the Series A Shares were automatically convertible into ordinary shares upon the consummation of an initial public offering ("IPO") or by obtaining the necessary written consent from the holders of the Series A Shares. An IPO referred to an underwritten public offering of ordinary shares or ordinary share equivalents registered under the U.S. Securities Act of 1933 with a gross offering size to the public of at least US$25,000,000, or a listing of ordinary shares or ordinary share equivalents on the Singapore and/or Hong Kong Stock Exchanges, or on any combination of such stock exchanges, accompanied by a public offering meeting the above size and thresholds. Such conversion terms were modified, effective June 20, 2007. The Company deemed the modification to be a transfer of wealth between different classes of preferred shareholders with no resulting accounting consequence.

On and after June 20, 2007, the Preferred Shares are convertible into ordinary shares at 1:1 ratio initially, at the option of the holder at any time. The Preferred Shares are also automatically converted upon the consummation of IPO or obtaining the necessary written consent from the holders of Preferred Shares. An IPO refers to a firm commitment, underwritten IPO by the Company of its ordinary shares with (i) a market capitalization equal to no less than US$495,000,000 immediately prior to the IPO, and (ii) total offering proceeds to the Company, before deduction of selling expenses, of not less than US$50,000,000.

The conversion prices of the Preferred Shares are subject to anti-dilution adjustments and in the event the Company issues ordinary shares at a price per share lower than the applicable conversion price in effect immediately prior to such issuance. As of December 31, 2007 and 2008, no adjustments to the conversion prices had occurred.

The Company has determined that there was no BCF attributable to the Preferred Shares as the effective conversion price of the Preferred Shares was greater than the fair value of the ordinary shares on the respective commitment dates. The Company will reevaluate whether a BCF is required to be recorded upon the modification to the effective conversion price of the Preferred Shares, if any.

10. PREFERRED SHARES, WARRANT I and WARRANT II (CONTINUED)

Redemption

The Series A Shares are not redeemable.

The Series B Shares are redeemable at a price equal to the subscription price plus all declared but unpaid dividends at the election of the holders of a majority of such shares on or after May 1, 2012.

Liquidation Preferences

The holders of Preferred Shares have preference over holders of ordinary shares with respect to payment of dividends and distribution of assets in the event of any voluntary or involuntary liquidation, dissolution, winding up or deemed liquidation of the Company. A deemed liquidation event includes a change in control and the sale, transfer or disposition of all or substantially all of the assets of the Group. The holders of Preferred Shares will receive an amount equal to the subscription price, plus declared but unpaid dividends. Series B Shares must receive their liquidation payment prior to any such payments being made on the Series A Shares.

Before June 20, 2007, the holders of the Series A Shares were entitled to receive, prior to any distribution to the holders of ordinary shares, an amount equal to 150% of subscription price, plus all declared but unpaid dividends upon liquidation. Concurrent with the issuance of the Series B Shares on June 20, 2007, the liquidation amount of the Series A Shares was modified to reflect the term described above. As previously described, the Company deemed the modification of the Series A Shares to be a transfer of wealth between different classes of preferred shareholders with no resulting accounting consequence.

Investor Put Option

The holders of Series B Shares have the right before the date of a Qualified IPO to require Qi Ji, founder and CEO of the Group, to purchase all or any portion of the Series B Shares at a per share price equal to 105% of the subscription price, upon the occurrence of certain triggering events.

The Company recorded the fair value of the Warrant I and Warrant II of RMB11,148,692 and RMB4,395,770, respectively, as liabilities in the consolidated balance sheets as such warrants are convertible into mezzanine equity securities. The fair value of Warrant I and Warrant II was computed using the binomial option pricing model and the following assumptions:

	Warrant I	Warrant II
Contractual life	1 year	1 year
Volatility	45.386%	45.386%
Expected dividend	-	-
Average risk-free rate	5.329%	5.329%

The residual value of the proceeds of RMB294,839,021 was recorded as the initial carrying value of the Series B Shares. The Company has accreted the carrying value of the Series B Shares to their redemption value at each reporting date, resulting in a deemed dividend to the holders of Series B Shares of RMB17,499,012, nil and nil for the years ended December 31, 2007, 2008 and 2009, respectively.

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10. PREFERRED SHARES, WARRANT I and WARRANT II (CONTINUED)

In December 2007 and June 2008, the Company issued Series B Shares as a result of warrant exercises as follows:

	Warrant I	Warrant II	Warrant III*	Proceeds
December 2007	1,142,266	3,136,001	4,704,001	RMB86,321,354 (US$11,748,367)
June 2008	7,069,778	-	-	RMB74,274,859 (US$10,821,087)

* See discussion in Note 11

As a result of the above, all Warrant II had been exercised. As of December 31, 2007, 11,924,404 Warrant I were outstanding, having a fair value of RMB8,536,094.

On June 20, 2008, 4,201,294 and 653,333 Warrant I were transferred by one of the Series B shareholders to another Series B shareholder and John Wu, respectively, for no consideration. There was no accounting for this transaction as the transfer date was the expiration date and the Warrant I strike price exceeded the fair value of the underlying Series B Shares. On June 20, 2008, 7,069,778 Warrant I, inclusive of those transferred, were exercised and the remaining 4,854,626 Warrant I expired unexercised.

On February 5, March 15 and May 31, 2008, the Company issued 11,760,002, 11,760,002 and 1,306,667 Series B Shares for RMB10.44 (US$1.53) per share for total proceeds of RMB129,322,801 (US$18,000,000), RMB127,587,602 (US$18,000,000) and RMB13,894,401 (US$2,000,000), respectively, to existing ordinary and Series A shareholders.

In May 2008, the Company exchanged 1,306,667 Series B Shares for a RMB13,894,400 (US$2,000,000) related party payable due to Powerhill, previously advanced to the Group for working capital purposes (see Note 19). No compensation expense was recorded given the effective purchase price of the Series B Shares exceeded the fair value of the Series B Shares on the exchange date.

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10. PREFERRED SHARES, WARRANT I and WARRANT II (CONTINUED)

The movements in the number and carrying value of the Series B Shares are as follows:

	Share	Amount (in Renminbi)
Balance at January 1, 2007	-	-
Proceeds from issuance of Series B Shares with warrants, net of issuance costs	32,144,009	310,383,483
Issuance of Series B Shares in exchange for convertible notes and accrued interest	3,729,526	30,803,215
Proceeds allocated to Warrants I and II at fair value	-	(15,544,462)
Proceeds from exercise of Warrants I, II, and III	8,982,268	86,321,354
Warrant liability transferred to Series B Shares upon warrant exercise	-	8,366,787
Accretion via deemed dividend on Series B Shares	-	17,499,012
Balance at December 31, 2007	44,855,803	437,829,389
Proceeds from issuance of Series B Shares to ordinary and Series A shareholders	24,826,671	270,804,804
Issuance of Series B Shares in exchange for loans due to related parties	1,306,667	13,894,400
Proceeds from exercise of Warrants I	7,069,778	74,274,859
Balance at December 31, 2008	78,058,919	796,803,452
Balance at December 31, 2009	78,058,919	796,803,452

11. ORDINARY SHARES and WARRANT III

On June 20, 2007, the Company issued 7,840,001 ordinary shares and 4,704,001 detachable warrants ("Warrant III") for RMB8.70 (US$1.28) per share to Winner Crown for a promissory note of RMB76,185,973 (US$10,000,784). The promissory note was interest free, had a term of four months and was collateralized solely by the ordinary shares. Warrant III was entitled to purchase Series B convertible redeemable preferred shares at RMB8.70 (US$1.28) per share. The Company recorded the fair value of Warrant III of RMB6,593,655 as a liability in the consolidated balance sheets, as such warrants were convertible into mezzanine equity securities, and a corresponding compensation charge given Warrant III was not subject to forfeiture upon failure to pay the promissory note. The fair value of Warrant III was computed using the binomial option pricing model and the following assumptions:

Contractual life	1 year
Volatility	45.386%
Expected dividend	-
Average risk-free rate	5.329%

The Company accounted for the promissory note as a non-recourse note and the associate ordinary shares as an effective option grant. The fair value of the option was effectively nil given the short duration of the promissory note and an exercise price that exceeded the fair value of the underlying ordinary shares. The promissory note was repaid on October 12, 2007.

On June 20, 2007, in conjunction with the issuance of Series B Shares, Qi Ji entered into an arrangement with the Series B shareholders wherein all of his 32,840,001 ordinary shares became

11. ORDINARY SHARES and WARRANT III (CONTINUED)

subject to repurchase, at the option of the Company. The repurchase price is equal to (a) the par value of the ordinary shares in case of (i) bankruptcy of Qi Ji or (ii) termination of Qi Ji's employment either by himself or by the Company with cause, or (b) the price originally paid by Qi Ji to acquire such shares in the event of termination of Qi Ji's employment by the Company without cause. The term of the repurchase right is five years, with the number of ordinary shares subject to repurchase decreasing by 50% on June 20, 2008 and the remaining 50% decreasing ratably over the subsequent four year term. The repurchase right terminates upon an initial public offering. As Qi Ji has control of the Board of Directors, and will retain such control as long as he remains the majority holder of the ordinary and Series A shares, he controls the Company. As a result, the Company has determined that such provision is not substantive and that the arrangement was entered into as an inducement made to facilitate the transaction on behalf of the Company, rather than as compensatory.

In May 2009, the Company issued 3,375,635 ordinary shares for RMB12.32 (US$1.80) per share to independent third parties, for total proceeds of RMB41,613,108 (US$6,090,557). In August 2009, the Company issued 1,982,509 and 783,734 ordinary shares at RMB12.32 (US$1.80) to Winner Crown and independent third parties for total proceeds of RMB24,432,215 (US$3,576,982) and RMB9,661,311 (US$1,414,068), respectively.

In August 2009, the former Chief Financial Officer of the Group exercised his option to purchase 735,000 ordinary shares at an exercise price of US$0.75 per share.

12. HOTEL OPERATING COSTS

Hotel operating costs include all direct costs incurred in the operation of the leased-and-operated hotels and franchised-and-managed hotels and consist of the following:

	Year Ended December 31,		
	2007	**2008**	**2009**
Rents	94,035,579	263,332,528	418,543,806
Utilities	18,751,449	59,476,726	90,034,744
Personnel cost	34,411,037	137,230,935	169,248,048
Depreciation and amortization	33,234,234	92,838,032	141,599,824
Consumable, food and beverage	35,597,064	82,662,332	119,055,974
Others	12,332,209	51,823,495	65,989,757
Total	228,361,572	687,364,048	1,004,472,153

13. 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.

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13. PRE-OPENING EXPENSES (CONTINUED)

	Year Ended December 31,		
	2007	2008	2009
Rents	41,515,191	77,764,122	29,906,758
Personnel cost	11,585,041	16,401,710	3,584,149
Others	7,919,632	13,896,486	4,330,111
Total	61,019,864	108,062,318	37,821,018

14. 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 options 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. Under the 2008 Global Share Plan, the Group may issue options to purchase up to 3,000,000 ordinary shares. In October 2008, the Group increased the maximum number of options available under the 2008 Global Share Plan to 7,000,000. In September 2009, the Group adopted 2009 Share Incentive Plan which allows the Group to offer incentive awards to Participants. Under the 2009 Share Incentive Plan, the Group may issue options to purchase up to 3,000,000 ordinary shares. The 2007 and 2008 Global Share Plans and 2009 Share Incentive Plan (collectively, the "Option Plans") contain the same terms and conditions. All options granted under the Option Plans have a life of ten years and vest 50% on the second anniversary of the stated vesting commencement date with the remaining 50% vesting ratably over the following two years. For the years ended December 31, 2007, 2008 and 2009, 11,909,540, 1,948,370 and 6,305,975 options, respectively, were granted to employees of the Group at exercise prices ranging from RMB3.40 to RMB10.44 (US$0.50 to US$1.53). As of December 31, 2009, options to purchase 17,966,473 of ordinary shares were outstanding and options to purchase 2,033,527 ordinary shares were available for future grant under the Option Plans.

The Group records share-based compensation based on the grant date fair value of the option. When estimating the fair value of its ordinary shares, the Group has considered a number of factors, using generally accepted valuation methodologies, including the discounted cash flow approach, which incorporates certain assumptions including the financial results and growth trends of the Group, to derive the total equity value of the Group. The valuation model allocated the equity value between the ordinary shares and the preference shares and determined the fair value of the ordinary shares based on the option pricing model under the enterprise value allocation method. Under this method, the ordinary shares have value only if the funds available for distribution to shareholders exceed the value of the liquidation preference at the time of a liquidity event.

The weighted-average grant date fair value for options granted during the years ended December 31, 2007, 2008 and 2009 was RMB1.57 (US$0.23), RMB1.84 (US$0.27) and RMB6.20 (US$0.91), respectively, computed using the binomial option pricing model. The binomial model requires the input of highly subjective assumptions including the expected stock price volatility and the expected price multiple at which employees are likely to exercise stock options. The Company uses historical data to estimate forfeiture rate. Expected volatilities are based on the average volatility of 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.

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14. SHARE-BASED COMPENSATION (CONTINUED)

The fair value of stock options was estimated using the following significant assumptions:

	2007	2008	2009
Suboptimal exercise factor	2.5	2.5	2.5
Risk-free interest rate	5.12 to 5.30%	5.22 to 5.58%	3.95 to 4.58%
Volatility	41.38 to 47.61%	41.77 to 43.30%	52.33 to 55.12%
Dividend yield	-	-	-
Life of option	10 years	10 years	10 years

The following table summarized the Group's share option activity under the Option Plans:

	Number of options	Weighted-average exercise price	Weighted-average remaining contractual life	Aggregate intrinsic value
		US$	Years	US$
Share options outstanding at January 1, 2009	12,677,410	0.92		
Granted	6,305,975	1.53		
Forfeited/Cancelled	(281,912)	1.30		
Exercised	(735,000)	0.75		
Share options outstanding at December 31, 2009	17,966,473	1.13	7.01	19,695,659
Share options vested or expected to vest at December 31, 2009	16,169,826	1.13	7.01	17,726,094
Share options exercisable at December 31, 2009	8,664,265	0.70	7.28	12,839,688

As of December 31, 2009, there was RMB36,700,402 in total unrecognized compensation expense related to unvested share-based compensation arrangements, which is expected to be recognized over a weighted-average period of 3.4 years.

On August 14, 2007, the Group agreed to and issued 387,634 ordinary shares to two external consultants for certain property location services provided and recorded a corresponding share-based compensation charge of RMB1,934,527.

15. EARNINGS (LOSS) PER SHARE

The following table sets forth the computation of basic and diluted loss per share for the years indicated:

	Year Ended December 31,		
	2007	2008	2009
Net income (loss) attributable to ordinary shareholders — basic	(129,122,135)	(136,162,467)	13,634,052
Amounts allocated to preferred shares for participating rights to dividends	-	-	28,910,478
Net income (loss) attributable to ordinary shareholders — diluted	(129,122,135)	(136,162,467)	42,544,530
Weighted average ordinary shares outstanding — basic	45,248,223	54,071,135	57,562,440
Stock options	-	-	4,010,526
Preferred shares	-	-	122,058,919
Weighted average ordinary shares outstanding — diluted	45,248,223	54,071,135	183,631,885
Basic earnings (loss) per share	(2.85)	(2.52)	0.24
Diluted earnings (loss) per share	(2.85)	(2.52)	0.23
Pro Forma earnings per share (unaudited):			
Shares used in computation-basic			57,562,440
Assumed conversion of preferred shares			122,058,919
Weighted average shares outstanding — basic			179,621,359
Stock options			4,010,526
Weighted average shares outstanding — diluted			183,631,885
Pro forma net earnings per share on a converted basis — basic			0.24
Pro forma net earnings per share on a converted basis — diluted			0.23

15. EARNINGS (LOSS) PER SHARE (CONTINUED)

For the years ended December 31, 2007, 2008 and 2009, the Group had securities which could potentially dilute basic earnings per share in the future, but which were excluded from the computation of diluted earnings (loss) per share as their effects would have been anti-dilutive. Such outstanding securities consist of the following:

	Year Ended December 31,		
	2007	2008	2009
Series A preferred shares	44,000,000	44,000,000	-
Series B preferred shares	44,855,803	78,058,919	-
Warrants	11,924,404	-	-
Outstanding employee options	11,785,340	12,677,410	11,260,935
Total	112,565,547	134,736,329	11,260,935

16. INCOME TAXES

Cayman Islands

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gain.

Hong Kong

China Lodging HK is subject to Hong Kong profit tax at a rate of 16.5% in 2008 and 2009. 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.

PRC

In 2007, the Company's subsidiaries incorporated in the PRC were subject to Enterprise Income Tax ("EIT") on taxable income in accordance with the Enterprise Income Tax Law and the Income tax Law of the PRC concerning Foreign Investment Enterprise and Foreign Enterprises (collectively "PRC Enterprise Income Tax Laws"). The statutory EIT rate was 33%, which was comprised of a 30% national income tax and a 3% local income tax.

On March 16, 2007, the PRC government promulgated the Law of the People's Republic of China on Enterprise Income Tax ("New EIT Law"), which was effective from January 1, 2008. Under the New EIT Law, domestically-owned enterprises and foreign-invested enterprises are subject to a uniform tax rate of 25%. The Company's subsidiaries transitioned from 33% to 25%, effective January 1, 2008.

Effective on January 1, 2007, the Group made its assessment of the level of authority for each of its uncertain tax position (including the potential application of interests and penalties) based on the technical merits, and has measured the unrecognized benefits associated with the tax positions. This assessment did not have any impact on the Group's total liabilities or equity (deficit). At December 31, 2007, 2008 and 2009, the amounts of gross unrecognized tax benefits were zero. The group does not anticipate any significant increase to its liability for unrecognized tax benefit within the next 12 months. The Group will classify interest and penalties related to income tax matters, if any, in income tax expense.

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16. INCOME TAXES (CONTINUED)

PRC (continued)

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 RMB100,000 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 2004 through 2009 on non-transfer pricing matters, and from 2004 through 2009 on transfer pricing matters.

The tax expenses (benefit) comprises:

	As of December 31,		
	2007	**2008**	**2009**
Current Tax	2,484,087	10,246,932	10,032,529
Deferred Tax	(19,746,205)	(34,126,710)	7,957,146
Total	(17,262,118)	(23,879,778)	17,989,675

A reconciliation between the effective income tax rate and the PRC statutory income tax rate is as follows:

	Year Ended December 31,		
	2007	**2008**	**2009**
PRC statutory tax rate	33%	25%	25%
Tax effect of other expenses that are not deductible in determining taxable profit	(8)%	(1)%	3%
Effect of different tax rate of group entities operating in other jurisdictions	(2)%	(2)%	1%
Effect of change in tax rate	(9)%	-	-
Effect of change in valuation allowance	(1)%	(7)%	(3)%
Effective tax rate	13%	15%	26%

16. INCOME TAXES (CONTINUED)

The principal components of the Group's deferred income tax assets and liabilities as of December 31, 2007, 2008 and 2009 are as follows:

	As of December 31,		
	2007	**2008**	**2009**
Deferred tax assets:			
Net loss carryforward	8,796,195	61,143,357	45,046,819
Pre-opening expenses	14,403,598	344,433	1,341,553
Deferred revenue	1,171,698	5,602,416	11,346,999
Deferred rent	5,442,259	7,320,959	7,756,106
Unfavorable lease	329,437	278,057	226,677
Bad debt provision	-	105,842	168,911
Accrual for customer loyalty program	290,072	1,567,884	468,954
Valuation allowance	(2,673,904)	(13,510,873)	(11,861,810)
Total deferred tax assets	27,759,355	62,852,075	54,494,209
Deferred tax liabilities:			
Favorable lease	4,628,955	4,630,054	4,100,055
Capitalized interest	905,611	2,308,897	2,438,176
Total deferred tax liabilities	5,534,566	6,938,951	6,538,231
Deferred tax assets are analyzed as:			
Current	11,129,810	12,237,797	18,272,303
Non-Current	16,629,545	50,614,278	36,221,906
	27,759,355	62,852,075	54,494,209
Deferred tax liabilities are analyzed as:			
Current	-	-	-
Non-current	5,534,566	6,938,951	6,538,231
	5,534,566	6,938,951	6,538,231

As of December 31, 2009, the Group had tax loss carryforwards of RMB181,149,729 which will expire between 2010 and 2014 if not used.

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

16. INCOME TAXES (CONTINUED)

tax law. The Group has considered the following possible sources of taxable income when assessing the realization of deferred tax assets:

- Future reversals of existing taxable temporary differences;
- Further taxable income exclusive of reversing temporary differences and carryforwards;
- Future taxable income arising from implementing tax planning strategies.

The Group has also considered specific known trend of profits expected to be reflected for a company operating in the hotel industry. The Group believes it is more-likely-than-not that the Group will realize the benefits of these deductible differences, net of the existing valuation allowances as of December 31, 2007, 2008 and 2009. The amount of the deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward periods are reduced.

17. MAINLAND CHINA CONTRIBUTION PLAN AND PROFIT APPROPRIATON

Full time employees of the Group in the PRC participate in a government-mandated multi-employer 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 RMB5,595,127, RMB23,289,780 and RMB26,711,472 for the years ended December 31, 2007, 2008 and 2009, respectively. The Group has no ongoing obligation to its employees subsequent to its contributions to the PRC plan.

18. 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 enterprise expansion and staff bonus and welfare and are not distributable as cash dividends and amounted to RMB220,856 and RMB550,512 and RMB3,091,071 as of December 31, 2007, 2008 and 2009, respectively. In addition, due to restrictions on the distribution of share capital from the Company's PRC subsidiaries, the PRC subsidiaries share capital of RMB1,134,145,834 at December 31, 2009 is considered restricted. As a result of these PRC laws and regulations, as of December 31, 2009, approximately RMB1,146,803,785 is not available for distribution to the Company by its PRC subsidiaries in the form of dividends, loans or advances.

19. 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

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19. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

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 because they are affiliates of the Group under the common control of the Group's major shareholder. The related parties only act as service providers and lessors to the Group and there is no other relationship wherein the Group has the ability to exercise significant influence over the operating and financial policies of these parties. 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
Lishan Property (Suzhou) Co., Ltd. ("Suzhou Property")	Commercial leasing business	Controlled by Qi Ji
Shanghai Shuyu Industry Management Co., Ltd. ("Shuyu")	Commercial leasing business	Controlled by Qi Ji
Ctrip.com International Ltd. ("Ctrip.com")	Online travel services provider	Qi Ji is a director
Powerhill Holding Limited. ("Powerhill")	Investment Company	Controlled by Qi Ji
Winner Crown Holdings Limited. ("Winner Crown")	Investment Company	Controlled by Qi Ji
Qi Ji	Founder	Founder

(a) Related party balances

Amounts due from related parties are comprised of an advance payment made to Shuyu for short-term financing, a loan to Qi Ji and a loan to Suzhou Property which was converted into prepayment for rent during 2009. The amounts due from related parties were unsecured and interest free.

	At December 31,		
	2007	2008	2009
Shuyu	3,000,000	-	-
Suzhou Property	4,710,712	5,006,541	4,632,338
Qi Ji	-	377,139	-
Total	7,710,712	5,383,680	4,632,338

Amounts due to related parties were comprised of short-term advances from Powerhill and Qi Ji for working capital and commissions payable to Ctrip for reservation services. The amounts due to related parties were interest free and payable upon demand.

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19.RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(a) Related party balances (continued)

	At December 31,		
	2007	**2008**	**2009**
Ctrip.com	840,585	1,508,860	927,584
Powerhill	14,609,200	-	-
Qi Ji	402,861	-	-
Total	15,852,646	1,508,860	927,584

The amount due to Powerhill as of December 31, 2007 of RMB14,609,200 (US$2,000,000) was exchanged for 1,306,667 series B preferred shares in May 2008 (see Note 10).

(b) Related party transactions

During the years ended December 31, 2007, 2008 and 2009, related party transactions consisted of the following:

	Year Ended December 31,		
	2007	**2008**	**2009**
Rental expense — Suzhou Property	3,450,799	3,542,963	3,613,509
Commission expenses — Ctrip.com	5,569,353	7,515,618	9,949,158

Certain commercial buildings of Suzhou Property are pledged as collateral for the Company's credit facility (see Note 7).

Qi Ji has provided personal guarantees in regard to the Group's short-term borrowings of RMB37,800,000, RMB80,000,000 and nil as of December 31, 2007, 2008 and 2009, respectively.

20. 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, 2009 were as follows:

Year ending December 31,	
2010	459,778,942
2011	461,692,798
2012	469,555,727
2013	463,524,584
2014	465,113,186
Thereafter	2,884,821,462
Total	5,204,486,699

20. COMMITMENTS AND CONTINGENCIES (CONTINUED)

(b) Purchase Commitments

As of December 31, 2009, the Group's commitments related to leasehold improvements and installation of equipment for hotel operations was to RMB21,734,892 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. The Group doesn't believe that any currently pending legal or administrative proceeding to which the Group is a party will have a material adverse effect on the business or financial condition.

21. SUBSEQUENT EVENTS

In January and February 2010, the Company granted options to the employees of the Group to purchase 118,000 and 54,595 of ordinary shares at an exercise price of US$1.53, respectively.

In January 2010, the Group acquired noncontrolling interests in two existing subsidiaries for cash consideration of RMB1,650,000 and RMB425,000, respectively, and in one existing subsidiary for cash consideration of RMB3,984,200 and a warrant to purchase 1,500,000 ordinary shares of the Company at an exercise price of US$1.54 per share. The fair value of the warrant as of the acquisition date was RMB7,067,187. The warrant was exercised in February 2010.

In January 2010, the Company issued a warrant to a third party to purchase 200,000 ordinary shares of the Company at an exercise price of US$1.54 per share in exchange for market research service for six years. The fair value of the warrant as of the measurement date was RMB942,292. The warrant was exercised in February 2010.

In January 2010, the Group entered into a three-year bank credit facility under which the Group can borrow up to RMB150,000,000 during the term of facility. Principal payments are due on each anniversary date with the amount payable being dependent upon amounts previously borrowed against the facility. As of March 5, 2010, the Group had drawn down RMB70,000,000 with an interest rate of 4.86%. The interest rate for each draw is established on the draw-down date and is adjusted annually based on the loan interest rate stipulated by the People's Bank of China for the corresponding period. Interest is payable at the end of each month. This credit facility was not collateralized.

The entire long-term debt balance of RMB137,000,000 as of December 31, 2009 was repaid in February 2010.

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FINANCIAL INFORMATION FOR PARENT COMPANY
BALANCE SHEETS
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	As of December 31,			
	2007	2008	2009	2009
	RMB	RMB	RMB	US$ (Note 2)
Assets				
Current assets:				
Cash and cash equivalents	123,643,114	5,516,776	8,847,298	1,296,136
Amounts due from subsidiaries	-	13,669,200	13,654,400	2,000,381
Prepayments and other current assets	136,564	-	51,827,668	7,592,796
Total current assets	123,779,678	19,185,976	74,329,366	10,889,313
Investment in subsidiaries	428,349,063	765,868,852	817,568,539	119,774,469
Total assets	552,128,741	785,054,828	891,897,905	130,663,782
Liabilities, mezzanine equity and equity (deficit)				
Current liabilities:				
Salary and welfare payable	-	1,075,237	-	-
Accrued expenses and other current liabilities	2,942,158	22,529,003	1,006,068	147,391
Warrants	8,536,094	-	-	-
Total current liabilities	11,478,252	23,604,240	1,006,068	147,391
Mezzanine equity:				
Series B convertible redeemable preferred shares ($0.0001 par value per share; 60,000,000, 106,000,000 and 106,000,000 shares authorized as of December 31, 2007, 2008 and 2009, respectively; 44,855,803, 78,058,919 and 78,058,919 shares issued and outstanding as of December 31, 2007, 2008 and 2009, respectively) (liquidation value RMB734,555,147 (US$107,612,937))	437,829,389	796,803,452	796,803,452	116,732,365
Equity (deficit):				
Ordinary shares ($0.0001 par value per share; 200,000,000, 300,000,000 and 300,000,000 shares authorized as of December 31, 2007, 2008 and 2009, respectively; 54,071,135, 54,071,135 and 60,948,013 shares issued and outstanding as of December 31, 2007, 2008 and 2009, respectively)	41,792	41,792	46,490	6,811
Series A convertible preferred shares ($0.0001 par value per share; 44,000,000, 44,000,000 and 44,000,000 shares authorized as of December 31, 2007, 2008 and 2009, respectively; 44,000,000, 44,000,000 and 44,000,000 shares issued and outstanding as of December 31, 2007, 2008 and 2009, respectively) (liquidation value RMB150,095,000 (US$22,000,000))	34,136	34,136	34,136	5,001
Additional paid-in capital	260,251,508	265,066,530	351,994,132	51,567,431
Accumulated deficit	(151,838,975)	(288,001,442)	(245,456,912)	(35,959,641)
Accumulated other comprehensive loss	(5,667,361)	(12,493,880)	(12,529,459)	(1,835,576)
Total equity (deficit)	102,821,100	(35,352,864)	94,088,387	13,784,026
Total liabilities, mezzanie equity and equity (deficit)	552,128,741	785,054,828	891,897,907	130,663,782

ADDITIONAL FINANCIAL INFORMATION — FINANCIAL STATEMENTS SCHEDULE I
CHINA LODGING GROUP, LIMITED
FINANCIAL INFORMATION FOR PARENT COMPANY
STATEMENTS OF OPERATIONS
(In Renminbi, except share and per share data, unless otherwise stated)

	Year Ended December 31			
	2007	2008	2009	2009
	RMB	RMB	RMB	US$ (Note 2)
Operating costs and expenses:				
General and administrative expenses	22,776,088	7,756,402	9,663,763	1,415,749
Total operating costs and expenses	22,776,088	7,756,402	9,663,769	1,415,749
Loss from operations	(22,776,088)	(7,756,402)	(9,663,769)	(1,415,749)
Interest income	836,659	1,178,661	13,097	1,919
Interest expense	331,215	-	-	-
Foreign exchange loss	(1,740)	(10,478,098)	-	-
Change in fair value of warrants	5,235,236	8,536,094	-	-
Income (loss) in investment in subsidiaries	(94,585,975)	(127,642,722)	52,195,196	7,646,639
Net income (loss) attributable to China Lodging Group, Limited	(111,623,123)	(136,162,467)	42,544,530	6,232,809
Deemed dividend on Series B convertible redeemable preferred shares	(17,499,012)	-	-	-
Net income (loss) attributable to ordinary share holders	(129,122,135)	(136,162,467)	42,544,530	6,232,809

ADDITIONAL FINANCIAL INFORMATION — FINANCIAL STATEMENTS SCHEDULE I
CHINA LODGING GROUP, LIMITED
FINANCIAL INFORMATION FOR PARENT COMPANY
STATEMENTS OF CASH FLOWS
(In Renminbi, except share and per share date, unless otherwise stated)

	Year Ended December 31,			
	2007	2008	2009	2009
	RMB	RMB	RMB	US$ (Note 2)
Operating activities:				
Net income (loss)	(111,623,123)	(136,162,467)	42,544,530	6,232,809
Adjustments to reconcile net income (loss) to net cash used in operating activities:				
Share-based compensation	14,785,372	4,815,022	7,955,166	1,165,438
Change in the fair value of warrants	(5,235,236)	(8,536,094)	-	-
Loss (income) in investment in subsidiaries	94,585,975	127,642,722	(52,195,196)	(7,646,639)
Interest expenses of convertible notes converted into Series B preferred shares	331,215	-	-	-
Changes in operating assets and liabilities:				
Other current assets	(136,564)	136,564	(487,056)	(71,354)
Salary and welfare payable	-	1,075,237	(1,075,237)	(157,523)
Accrued expenses and other current liabilities	2,941,011	(2,677,694)	(264,466)	(38,744)
Net cash used in operating activities	(4,351,350)	(13,706,710)	(3,552,259)	(516,013)
Investing activities:				
Investment in subsidiaries	(371,253,245)	(465,162,510)	(51,340,612)	(7,521,442)
Net cash used in investing activities	(371,253,245)	(465,162,510)	(51,340,612)	(7,521,442)
Financing activities:				
Deemed capital distribution in connection with restructuring	(14,885,029)	-	-	-
Contribution from shareholders in restrucuturing	1,552,260	-	-	-
Net proceeds from issuance of ordinary shares to founder	76,185,973	-	24,432,215	3,579,340
Net proceeds from issuance ordinary shares	-	-	30,512,946	4,470,172
Net proceeds from issuance of ordinary shares upon exercise of option	-	-	3,765,258	551,613
Net proceeds from issuance of Series B preferred shares	310,383,483	270,804,804	-	-
Net proceeds from issuance of Series B preferred shares upon warrant exercise	86,321,354	74,274,859	-	-
Net proceeds from issuance of convertible notes	30,472,000	-	-	-
Deposits received for share subscription	-	22,264,538	-	-
Refund of deposit for share subscription	-	-	(1,503,065)	(220,200)
Deposit received for exercise of option	-	-	1,006,068	147,390
Net cash provided by financing activities	490,030,041	367,344,201	58,213,422	8,528,315
Effect of exchange rate changes on cash and cash equivalents	(5,667,361)	(6,601,319)	(20,029)	(2,934)
Net increase (decrease) in cash and cash equivalents	108,758,085	(118,126,338)	3,330,522	487,924
Cash and cash equivalents at the beginning of the year	14,885,029	123,643,114	5,516,776	808,212
Cash and cash equivalents at the end of the year	123,643,114	5,516,776	8,847,298	1,296,136
Supplemental schedule of non-cash investing and financing activities:				
Deemed capital distribution in connection with restructuring	13,715,546	-	-	-
Issuance of Series A preferred shares and ordinary shares upon restructuring	61,854	-	-	-
Issuance of Series A preferred shares and ordinary shares upon acquisition of Yiju	37,979,892	-	-	-
Issuance of Series B preferred shares in exchange for convertible notes	30,803,215	-	-	-
Issuance of Series B preferred shares in exchange of advance from related party	. -	13,894,400	-	-
Fair value transferred to Series B preferred shares upon warrants exercise	8,366,787	-	-	-
Ordinary shares issued upon business acquisitions and acquisition of noncontrolling interest	9,201,288	-	-	-
Issuance of ordinary shares from subscription deposit	-	-	20,761,473	3,041,573

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.

Powerhill Holdings Limited ("Powerhill") was founded in the BVI in December 2003. China Lodging Group, Limited (the "Company") was incorporated in the Cayman Islands on January 4, 2007. Prior to February 4, 2007, the Company did not have any operations, and the business of the Group was conducted through Powerhill and its subsidiaries. On February 4, 2007, Powerhill acquired the Company and transferred ownership of two of its subsidiaries to the Company as a result of a reorganization described in Note 1 to the accompanying consolidated financial statements.

The condensed financial information of the Parent Company presented herein represents the accounts of Powerhill for the period from January 1, 2007 to February 3, 2007, and the accounts of the Company for the period from February 4, 2007 to December 31, 2008. For all periods presented, all references to number of shares and per share data have been presented as if the recapitalization occurred on January 1, 2007.

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.

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 Powerhill and the Company and, as such, these statements should be read in conjunction with the notes to the accompanying consolidated financial statements.

ADDITION 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 ACCOUNT
(In Renminbi)

	Balance at Beginning of year	Charge to costs and expenses	Charge taken against allowance	Balance at end of year
Allowance for doubtful accounts of accounts receivables and other receivables:				
December 31, 2007	-	500,000	-	500,000
December 31, 2008	500,000	423,368	-	923,368
December 31, 2009	923,368	1,252,275	-	2,175,643
Valuation allowance for deferred tax assets				
December 31, 2007	1,082,187	1,591,717	-	2,673,904
December 31, 2008	2,673,904	10,836,969	-	13,510,873
December 31, 2009	13,510,873	8,472,009	(10,121,072)	11,861,810

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 6 INDEMNIFICATION OF DIRECTORS AND OFFICERS

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime. Our amended and restated memorandum and articles of association, which will become effective upon the closing of this offering, will provide for indemnification of officers and directors for losses, damages, costs and expenses incurred in their capacities as such, except through their own dishonesty or fraud.

Under the form of indemnification agreements filed as Exhibit 10.4 to this registration statement, we will agree to indemnify our directors and executive officers against certain liabilities and expenses incurred by such persons in connection with claims made by reason of their being such a director or executive officer.

The form of underwriting agreement to be filed as Exhibit 1.1 to this registration statement will also provide for indemnification of us and our officers and directors.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling us under the foregoing provisions, we have been informed that in the opinion of the Securities and Exchange Commission, or the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

ITEM 7 RECENT SALES OF UNREGISTERED SECURITIES

During the past three years, we have issued and sold the securities listed below without registering the securities under the Securities Act.

We believe that our issuances of our (i) ordinary shares, (ii) Series A preferred shares, (iii) Series B preferred shares, (iv) warrants to purchase our Series B preferred shares and (v) warrants to purchase our ordinary shares were exempt from registration under the Securities Act in reliance on Regulation S under the Securities Act or under Section 4(2) of the Securities Act regarding transactions not involving a public offering.

Based on our Amended and Restated 2007 Global Share Plan, Amended and Restated 2008 Global Share Plan and Amended and Restated 2009 Share Incentive Plan, we granted options to purchase our ordinary shares to certain of our former or current directors, executive officers, consultants and employees from time to time, during the period between February 2007 and February 2010. As of the date of this prospectus, the aggregate number of our ordinary shares underlying our outstanding options is 18,139,068. See "Management — Share Incentive Plans."

We believe that our issuances of options to purchase our ordinary shares were exempt from registration under the Securities Act in reliance on Rule 701, which allows an issuer that is not at the time of grant subject to the reporting requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934 and is not an investment company to make option grants pursuant to a written share incentive plan.

Purchaser	Date of Sale or Issuance	Number of Securities	Consideration in U.S. dollars	Underwriting Discount and Commission
Series A Preferred Shares				
Powerhill Holdings Limited	February 4, 2007	40,000,000, of which 20,000,000 held on behalf of Qi Ji and 20,000,000 held on behalf of Tongtong Zhao	US$20,000,000 ((i) in the form of 100% of registered capital of HanTing Xingkong (Shanghai) Hotel Management Co., Ltd. and Shanghai HanTing Hotel Management Group, Ltd., representing 100% shares of such companies, and (ii) payment of US$200,000 in cash to us)	-
John Jiong Wu	February 4, 2007	4,000,000	US$2,000,000 (in the form of 100% registered capital of Yiju (Shanghai) Hotel Management Co., Ltd.	-
Series B Preferred Shares(1)				
Chengwei Partners, L.P.	June 20, 2007	466,480	US$594,999.90	-
Chengwei Ventures Evergreen Fund, L.P.	June 20, 2007	11,446,755	US$14,600,450.47	-
Chengwei Ventures Evergreen Advisors Fund, LLC	June 20, 2007	1,414,768	US$1,804,550.73	-
CDH Courtyard Limited	June 20, 2007	13,328,003	US$17,000,001.11	-
Pinpoint Capital 2006 A Limited	June 20, 2007	1,568,001	US$2,000,000.96	-
Northern Light Venture Fund, L.P.	June 20, 2007	1,179,450	US$1,504,400.27	-
Northern Light Partners Fund, L.P.	June 20, 2007	129,517	US$165,200.23	-
Northern Light Strategic Fund, L.P.	June 20, 2007	259,034	US$330,400.46	-
IDG-Accel China Growth Fund L.P.	June 20,2007	4,687,033	US$5,428,408.85 (including US$2,312,100.43 in cash and US$3,116,308.42 in cancellation of an outstanding convertible promissory note)	-
IDG-Accel China Growth Fund-A L.P.	June 20, 2007	957,840	US$1,109,347.18 (including US$472,499.41 in cash and US$636,847.77 in cancellation of an outstanding convertible promissory note)	-
IDG-Accel China Investors L.P.	June 20, 2007	436,654	US$505,722.19 (including US$215,400.48 in cash and US$290,321.71 in cancellation of an outstanding convertible promissory note)	-
Winner Crown Holdings Limited	December 21, 2007	4,704,001	US$6,000,000	

Purchaser	Date of Sale or Issuance	Number of Securities	Consideration in U.S. dollars	Underwriting Discount and Commission
CDH Courtyard Limited	December 21, 2007	1,440,865	US$1,837,837.72	-
Pinpoint Capital 2006 A Limited	December 21, 2007	571,133	US$874,183.02	-
Northern Light Venture Fund, L.P.	December 21, 2007	429,606	US$657,560.10	-
Northern Light Partners Fund, L.P.	December 21, 2007	47,176	US$72,208.15	-
Northern Light Strategic Fund, L.P.	December 21, 2007	94,351	US$144,414.77	-
Chengwei Partners, L.P.	December 30, 2007	50,430	US$64,323.97	
Chengwei Ventures Evergreen Fund, L.P.	December 30, 2007	1,237,487	US$1,578,427.04	-
Chengwei Ventures Evergreen Advisors Fund, LLC	December 30, 2007	152,948	US$195,086.70	-
IDG-Accel China Growth Fund L.P.	December 30, 2007	195,966	US$249,956.59	-
IDG-Accel China Growth Fund-A L.P.	December 30, 2007	40,048	US$51,081.62	-
IDG-Accel China Investors L.P.	December 30, 2007	18,257	US$23,286.99	-
Winner Crown Holdings Limited	February 5, 2008	7,513,335	US$11,500,000	-
Tongtong Zhao	February 5, 2008	3,266,667	US$5,000,000	-
Jiong (John) Wu	February 5, 2008	980,000	US$1,500,000	-
Winner Crown Holdings Limited	March 15, 2008	11,760,002	US$18,000,000	-
Powerhill Holdings Limited	May 31, 2008	1,306,667	US$2,000,000 (all in the form of assignment of loan to us)	-
Winner Crown Holdings Limited	May 31, 2008	1,306,667	US$2,000,000	-
Northern Light Venture Fund, L.P.	July, 4 2008	3,160,213	US$4,837,059.97	-
Northern Light Partners Fund, L.P.	July 4, 2008	347,027	US$531,163.46	-
Northern Light Strategic Fund, L.P.	July 4, 2008	694,054	US$1,062,326.92	-
IDG-Accel China Growth Fund L.P.	July 4, 2008	1,707,217	US$2,613,086.83	-
IDG-Accel China Growth Fund-A L.P.	July 4, 2008	348,886	US$534,009.10	-
IDG-Accel China Investors L.P.	July 4, 2008	159,048	US$243,440.78	-
Jiong (John) Wu	July 4, 2008	653,333	US$1,000,000	-
Ordinary Shares(2)				
Offshore Incorporations (Cayman) Limited	January 4, 2007	1	US$0.0001	-
Jiong (John) Wu	February 4, 2007	3,999,999	US$400	-
Winner Crown Holdings Limited	February 4, 2007	25,000,000	US$2,500	-
Tongtong Zhao	February 4, 2007	15,000,000	US$1,500	-
Winner Crown Holdings Limited	June 20, 2007	7,840,001	US$9,999,996.68	-
Yongbin Cai, Yangqing Shi, Wenying Yang and Hui Zhu	August 14, 2007	1,550,533	US$1,977,718.06	
Jihua Ma, Shengli Wang and Rongying Xue	December 21, 2007	680,601	US$1,129,864.07	
Hui Wan	May 22, 2009	811,539	US$1,464,236	-
Crown Horse Limited	May 22, 2009	807,418	US$1,456,800	-
Qinghua Cai	May 22, 2009	554,241	US$1,000,000	-
Heiho Tong	May 22, 2009	405,770	US$732,118	-
Ge Feng	May 22, 2009	358,435	US$646,713	-
Jun Zhu	May 22, 2009	243,462	US$439,271	-
Jacob International Limited	May 22, 2009	113,616	US$204,993	-
Global Crystal Consultants Limited	May 22, 2009	81,154	US$146,424	-
Richtime Dev. Limited	August 6, 2009	735,000	US$551,250	
Winner Crown Holdings Limited	August 6, 2009	1,982,509	US$3,576,981	-
Bo Li	August 6, 2009	482,866	US$871,220	-
Huiqiu Cheng	August 6, 2009	162,308	US$292,847	-
Jacob International Limited	August 6, 2009	138,560	US$250,000	-

Purchaser	Date of Sale or Issuance	Number of Securities	Consideration in U.S. dollars	Underwriting Discount and Commission
Everlasting Investment Management Co., Ltd	February 8, 2010	1,500,000	US$2,310,000	-
Tongren Investment Holdings Limited	February 8, 2010	200,000	US$308,000	-

(1) Include Series B preferred shares issued as a result of the exercise of warrants.

(2) Include ordinary shares issued as a result of the exercise of warrants.

In June 2007, we issued the following warrants to purchasers of our Series B preferred shares and Winner Crown for the purchase of additional Series B preferred shares. The warrants were issued in connection with the sale of our Series B preferred shares in June 2007 and we did not receive any separate consideration for the warrants. The number of Series B preferred shares covered by each warrant, the per share exercise price and current status of each warrant are listed below.

Warrant No.	Purchaser	Number of Series B Preferred Shares Covered	Per Share Exercise Price	Current Status
No. 1	Chengwei Partners, L.P.	169,912	US$1.530612	Exercised in full
No. 2	Chengwei Ventures Evergreen Fund, L.P.	4,169,396	US$1.530612	Exercised in full
No. 3	Chengwei Ventures Evergreen Advisors Fund, LLC	515,319	US$1.530612	Exercised in full
No. 4	CDH Courtyard Limited	4,854,626	US$1.530612	Expired. Not exercised.
No. 5	Pinpoint Capital 2006 A Limited	571,133	US$1.530612	Exercised in full
No. 6	Northern Light Venture Fund, L.P.	429,606	US$1.530612	Exercised in full
No. 7	Northern Light Partners Fund, L.P.	47,176	US$1.530612	Exercised in full
No. 8	Northern Light Strategic Fund, L.P.	94,351	US$1.530612	Exercised in full
No. 9	IDG-Accel China Growth Fund L.P.	1,707,217	US$1.530612	Exercised in full
No. 10	IDG-Accel China Growth Fund-A L.P.	348,886	US$1.530612	Exercised in full
No. 11	IDG-Accel China Investors L.P.	159,048	US$1.530612	Exercised in full
No. 12	Chengwei Partners, L.P.	50,430	US$1.27551	Exercised in full
No. 13	Chengwei Ventures Evergreen Fund, L.P.	1,237,487	US$1.27551	Exercised in full
No. 14	Chengwei Ventures Evergreen Advisors Fund, LLC	152,948	US$1.27551	Exercised in full
No. 15	CDH Courtyard Limited	1,440,865	US$1.27551	Exercised in full
No. 16	IDG-Accel China Growth Fund L.P.	195,966	US$1.27551	Exercised in full
No. 17	IDG-Accel China Growth Fund-A L.P.	40,048	US$1.27551	Exercised in full
No. 18	IDG-Accel China Investors L.P.	18,257	US$1.27551	Exercised in full
No. 19	Winner Crown Holdings Limited	4,704,001	US$1.27551	Exercised in full

In March 2007, we issued the following convertible promissory notes, all of which were converted into our Series B preferred shares in June 2007.

Purchaser	Principal Amount	Consideration	Underwriting Discount and Commission
IDG-Accel China Growth Fund L.P.	US$3,082,800	US$3,082,800	-
IDG-Accel China Growth Fund-A L.P.	US$630,000	US$630,000	-
IDG-Accel China Investors L.P.	US$287,200	US$287,200	-

In January 2010, we issued the following warrants. The number of ordinary shares covered by each warrant, the per share exercise price and current status of each warrant are listed below.

Warrant No.	Purchaser	Number of Ordinary Shares Covered	Per Share Exercise Price	Current Status
No. 1	Everlasting Investment Management Co., Ltd.	1,500,000	US$1.54	Exercised in full
No. 2	Tongren Investment Holdings Limited	200,000	US$1.54	Exercised in full

ITEM 8 EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Exhibits

See Exhibit Index beginning on page II-8 of this registration statement.

(b) Financial Statement Schedules

Schedules have been omitted because the information required to be set forth therein is not applicable or is shown in our consolidated financial statements or the notes thereto.

ITEM 9 UNDERTAKINGS

The undersigned registrant hereby undertakes to provide to the underwriter at the closing specified in the underwriting agreements, certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant under the provisions described in Item 6, or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant under Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form F-1 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Shanghai, People's Republic of China, on March 5, 2010.

China Lodging Group, Limited

By: /s/ Tuo (Matthew) Zhang
Name: Tuo (Matthew) Zhang
Title: Chief Executive Officer

POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints each of Tuo (Matthew) Zhang and Min (Jenny) Zhang his or her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any or all amendments (including post-effective amendments) to this registration statement and any and all related registration statements pursuant to Rule 462(b) of the Securities Act, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the SEC, hereby ratifying and confirming all that said attorney-in-fact and agent, or its substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act, this registration statement has been signed by the following persons in the capacities indicated on March 5, 2010.

Signature	Title
/s/ Qi Ji Name: Qi Ji	Executive Chairman of the Board of Directors
/s/ Tuo (Matthew) Zhang Name: Tuo (Matthew) Zhang	Chief Executive Officer (principal executive officer)
/s/ Min (Jenny) Zhang Name: Min (Jenny) Zhang	Chief Financial Officer (principal financial and accounting officer)
/s/ John Jiong Wu Name: John Jiong Wu	Director
/s/ Tongtong Zhao Name: Tongtong Zhao	Director
/s/ Ping Ping Name: Ping Ping	Independent Director
/s/ Yan Huang Name: Yan Huang	Independent Director

SIGNATURE OF AUTHORIZED U.S. REPRESENTATIVE

Under the Securities Act, the undersigned, the duly authorized representative in the United States of China Lodging Group, Limited, has signed this registration statement or amendment thereto in Newark, Delaware, on March 5, 2010.

Authorized U.S. Representative

By: /s/ Donald J. Puglisi
Name: Donald J. Puglisi
Title: Managing Director

China Lodging Group, Limited

EXHIBIT INDEX

Exhibit Number	Description
1.1*	Form of Underwriting Agreement
3.1	Amended and Restated Memorandum and Articles of Association of the Registrant, as currently in effect
3.2*	Amended and Restated Memorandum and Articles of Association of the Registrant, to become effective upon the completion of this offering
4.1*	Form of the Registrant's American Depositary Receipt (included in Exhibit 4.3)
4.2	Specimen Certificate for Ordinary Shares of the Registrant
4.3*	Form of Deposit Agreement among the Registrant, the Depositary and all Holders and Beneficial Owners of the American Depositary Shares issued thereunder
4.4	Ordinary Share and Series A Preferred Share Purchase Agreement, dated February 4, 2007
4.5	Supplemental Agreement of Ordinary Share and Series A Preferred Share Purchase Agreement, dated April 18, 2007
4.6	Series A Preferred Shareholders Agreement, dated February 4, 2007
4.7	Series B Preferred Share Purchase Agreement, dated June 20, 2007
4.8	Amended and Restated Shareholders Agreement, dated June 20, 2007
4.9	Form of Certificate of Warrant to Purchase Series B Preferred Stock
4.10	Form of Series B Convertible Preferred Shares Subscription Agreement and its amendment
4.11	Warrant for the Purchase of Shares of Common Stock of the Registrant, dated January 8, 2010
4.12	Warrant for the Purchase of Shares of Common Stock of the Registrant, dated January 15, 2010
5.1*	Opinion of Conyers Dill & Pearman regarding the validity of the ordinary shares being registered
8.1*	Opinion of Conyers Dill & Pearman regarding certain Cayman Islands tax matters
8.2	Opinion of Davis Polk & Wardwell LLP regarding certain U.S. tax matters
10.1	Amended and Restated 2007 Global Share Plan, amended and restated as of December 12, 2007
10.2	Amended and Restated 2008 Global Share Plan, amended and restated as of October 31, 2008
10.3	Amended and Restated 2009 Share Incentive Plan, amended and restated as of October 1, 2009
10.4	Form of Indemnification Agreement with the Registrant's Directors
10.5	Form of Employment Agreement between the Registrant and Executive Officers of the Registrant
10.6	Facility Agreement between China Merchants Bank and HanTing Xingkong (Shanghai) Hotel Management Co., Ltd., dated June 19, 2009
10.7	Fixed Assets Loan Agreement between the Industrial and Commercial Bank of China and Shanghai HanTing Hotel Management Group, Ltd. (formerly known as Lishan Senbao (Shanghai) Investment Management Co., Ltd.), dated September 22, 2008
10.8	Fixed Assets Loan Contract between the Industrial and Commercial Bank of China and HanTing Xingkong (Shanghai) Hotel Management Co., Ltd., dated January 4, 2010
16.1	Letter from Ernst & Young Hua Ming regarding change in certifying accountant
21.1	Subsidiaries of the Registrant
23.1	Consent of Deloitte Touche Tohmatsu CPA Ltd.
23.2*	Consent of Conyers Dill & Pearman (included in Exhibit 5.1 and 8.1)
23.3	Consent of Davis Polk & Wardwell LLP (included in Exhibit 8.2)
23.4	Consent of Jun He Law Offices
23.5	Consent of Shanghai Inntie Hotel Management Consulting Co., Ltd.
23.6	Consent of Euromonitor International
23.7	Consent of Smith Travel Research
23.8	Consent of iResearch Consulting Group
24.1	Powers of Attorney (included on the signature page in Part II of this registration statement)
99.1	Code of Business Conduct and Ethics of the Registrant

* To be filed by amendment.

Exhibit 3.1

THE COMPANIES LAW
EXEMPTED COMPANY LIMITED BY SHARES
AMENDED AND RESTATED
MEMORANDUM OF ASSOCIATION
OF
CHINA LODGING GROUP, LIMITED

Adopted pursuant to a members' written resolution passed on January 18, 2008

1. The name of the Company is China Lodging Group, Limited.

2. The Registered Office of the Company shall be at the offices of Offshore Incorporations (Cayman) Limited of Scotia Centre, 4th Floor, PO Box 2804, George Town, Grand Cayman, KY1-1112, Cayman Islands.

3. Subject to the following provisions of this Memorandum, the objects for which the Company is established are unrestricted.

4. Subject to the following provisions of this Memorandum, the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided by Section 27(2) of The Companies Law.

5. Nothing in this Memorandum shall permit the Company to carry on a business for which a license is required under the laws of the Cayman Islands unless duly licensed.

6. The Company shall not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands; provided that nothing in this clause shall be construed as to prevent the Company effecting and concluding contracts in the Cayman Islands, and exercising in the Cayman Islands all of its powers necessary for the carrying on of its business outside the Cayman Islands.

7. The liability of each member is limited to the amount from time to time unpaid on such member's shares.

8. The share capital of the Company is US$45,000.0000 divided into 300,000,000 Ordinary Shares of a nominal or par value of US$0.0001 each and 150,000,000 Preferred Shares of a nominal or par value of US$0.0001 each, further divided into 44,000,000 Series A Preferred Shares and 106,000,000 Series B Preferred Shares.

9. The Company may exercise the power contained in the Companies Law to deregister in the Cayman Islands and be registered by way of Continuation in another jurisdiction.

AMENDED AND RESTATED
ARTICLES OF ASSOCIATION
OF
CHINA LODGING GROUP, LIMITED

Adopted pursuant to a members' written resolution passed on January 18, 2008

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Table A

The regulations in Table A in the First Schedule to the Law (as defined below) do not apply to the Company.

INTERPRETATION

1. Definitions

1.1 In these Articles, the following words and expressions shall, where not inconsistent with the context, have the following meanings, respectively:

2007 Global Share Plan	means the global share plan adopted by the Board on February 4th, 2007 and approved by the then Shareholders on February 4th, 2007, under which 10,000,000 Ordinary Shares are reserved for issuance as of the date hereof;
2008 Global Share Plan	means the global share plan adopted by the Board on June 15 2007 and approved by the then Shareholders on June 15, 2007, under which 3,000,000 Ordinary Shares are reserved for issuance as of the date hereof;
Additional Ordinary Shares	means, with respect to Series A Preferred Share or Series B Preferred Share, all Ordinary Shares issued (or, pursuant to Article 4.2.6(e)(2), deemed to be issued) by the Company after the Original Issue Date for Series A Preferred Share or Series B Preferred Share, as applicable, other than the Exempted Securities;
Affiliate	means, with respect to any given Person, any other Person directly or indirectly Controlling, Controlled by, or under common Control with such Person and, where the given Person is an individual, the spouse, parent, sibling, or child thereof;
Alternate Director	means an alternate director appointed in accordance with these Articles;
Approve or Approval	"Approval" means, when used with respect to the Series B Shareholders, the approval in writing of such matter by (i) the holders of a majority of the Series B Preferred Shares then outstanding,

	including at least one of Chengwei and CDH (for so long as Chengwei or CDH remains a Series B Shareholder), or (ii) both of Chengwei and CDH (for so long as each of Chengwei and CDH remains a Series B Shareholder) and the term "Approved" has meanings correlative to the foregoing;
Articles	means these Articles of Association as altered from time to time;
Auditor	means any Person appointed to serve as the auditor for the Group;
Board	means the board of directors appointed or elected pursuant to these Articles and acting at a meeting of directors at which there is a quorum or by written resolution in accordance with these Articles;
Business Day	means a day, excluding Saturdays, on which banks in Hong Kong are generally open for business;
CDH	means CDH Courtyard Limited, a company incorporated under the laws of the British Virgin Islands;
Chairman	means the chairman of the Board;
Chengwei	means, collectively, Chengwei Partners, L.P., an exempted limited partnership organized and existing under the laws of the Cayman Islands, Chengwei Ventures Evergreen Fund, L.P., an exempted limited partnership organized and existing under the laws of the Cayman Islands, and Chengwei Ventures Evergreen Advisors Fund, LLC, an exempted limited liability company organized and existing under the laws of the Cayman Islands;
Co-Founders	means Ms. Tong Tong ZHAO and Mr. John Jiong WU;
Company	means the company for which these Articles are approved and confirmed;
Constitutional Documents	means, with respect to any Person, the Certificate of Incorporation, Memorandum of Association, Articles of Association, Joint Venture Agreement, or

	similar constitutive documents for such Person;
Control	means, when used with respect to any Person, the power to direct 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;
Consent	means any consent, approval, authorization, waiver, permit, grant, franchise, concession, agreement, license, exemption or order of, registration, certificate, declaration or filing with, or report or notice to, any Person, including any Government Entity.
Conversion Price	has the meaning as defined in Article 4.2.5(a)(1).
Conversion Rights	has the meaning as defined in Article 4.2.5.
Conversion Share	has the meaning as defined in Article 4.2.5(c).
Conversion Redemption Amount	has the meaning as defined in Article 4.2.5(c).
Convertible Securities	means any evidences of indebtedness, shares or other securities or instruments directly or indirectly convertible into or exchangeable for Ordinary Shares, but excluding Options;
Deemed Liquidation Event	has the meaning as defined in Article 4.2.15;
Director	means a director of the Company duly elected in accordance to these Articles and shall include where applicable an Alternate Director;
Encumbrance	means and includes any option, right to acquire, right of pre-emption, mortgage, charge, pledge, lien, hypothecation, title retention, right of set off, counterclaim, trust arrangement or other security or any equity or restriction (including any restriction imposed under the laws of any applicable jurisdiction) of any nature whatsoever;
Exchange Act	means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated

	thereunder;
Exempted Distribution	means (i) a distribution payable solely in Ordinary Shares, (ii) upon termination of such services, the repurchase of Ordinary Shares at or below cost from employees, officers, directors, consultants or other persons retained to provide services for any Group Company as permitted by the terms of their engagement by the Group Company approved by the Board, (iii) any conversion or exchange of Preferred Shares pursuant to the rights thereof, and (iv) any redemption or other repurchase of Preferred Shares pursuant to the rights thereof;
Exempted Securities	means Ordinary Shares issued or issuable as follows. (i) Ordinary Shares issued as a dividend or distribution on Preferred Shares; (ii) Ordinary Shares issued by reason of a share dividend, share split, or other distribution on Ordinary Shares that is covered by Article 4.2.5; (iii) Ordinary Shares issued to employees or directors of, or consultants or advisors to, the Company or any of its subsidiaries pursuant to the Share Option Plan; or (iv) Ordinary Shares issued upon the exercise, conversion or exchange of duly authorized and issued Options and Convertible Securities pursuant to the terms thereof;
Founder	means Mr. Qi JI;
Government Entity	means any government or any agency, bureau, board, commission, court, department, official, political subdivision, tribunal or other instrumentality of any government;
Group	means the Company and all other Group Companies;
Group Company	means the Company or any Person (other than a natural Person) Controlled by the Company;

Initial Consideration	has the meaning as defined in Article 4.2.18;
IPO	means an initial public offering of the Company's Ordinary Shares on the New York Stock Exchange, the NASDAQ Global Market, the Main Board of the Hong Kong Stock Exchange or any other exchange of recognized international reputation and standing duly approved by the Board;
Key Management Personnel	means each of the following positions in any Group Company: (i) the Chief Executive Officer (responsible for general strategic direction with emphasis on sales, marketing and business development), (ii) the Chief Financial Officer (responsible for fund raising, financial control and management), (iii) the Chief Operating Officer or Head of Operations (responsible for operations, public relations and corporate marketing), and (iv) the Executive Vice President of any functional department;
Law	means the Companies Law of the Cayman Islands and every modification, reenactment or revision thereof for the time being in force;
Liabilities	means, with respect to any Person, liabilities owing by such Person of any nature, whether accrued, absolute, contingent or otherwise, and whether due or to become due;
Memorandum	means the Amended and Restated Memorandum of Associate of the Company as amended from time to time;
Merger Agreement	has the meaning as defined in Article 4.2.16;
month	means calendar month;
Noteholders	means IDG-Accel China Growth Fund L.P., IDG-Accel China Growth Fund-A L.P. and IDG-Accel China Investors L.P., each an exempted limited partnership organized and existing under the laws of the Cayman Islands;
Note Agreement	means the Convertible Note Purchase Agreement entered into by and between the Company and the

	Noteholders on March 28, 2007 and the Convertible Promissory Note, dated March 30, 2007, issued by the Company thereunder;
notice	means written notice as further provided in these Articles unless otherwise specifically stated;
Officer	means any person appointed by the Board to hold an office in the Company;
Option	means rights, options or warrants to subscribe for, purchase or otherwise acquire Ordinary Shares or Convertible Securities;
ordinary resolution	means a resolution of the Shareholders passed by a simple majority of the votes cast at a duly constituted general meeting (or, if so specified, a meeting of Shareholders holding a class or series of shares) of the Company where a quorum was present, or passed in lieu of a meeting by the unanimous written consent of all Shareholders entitled to vote;
Ordinary Shareholder	means the legal or beneficial holders of Ordinary Shares, as recognized on the Register of Shareholders;
Ordinary Shares	means the ordinary shares of par value of US$0.0001 each in the capital of the Company;
Original Issue Date	means, (i) with respect to Series A Preferred Shares, the date on which the first Series A Preferred Share was issued and (ii) with respect to Series B Preferred Shares, the "Closing Date" under the Series P Purchase Agreement;
paid-up	means paid-up or credited as paid-up;
Person	means any individual, partnership, corporation, trust or other entity (including, without limitation, any unincorporated joint venture and whether or not having separate legal personality);
PRC	means the People's Republic of China (and unless the context requires or specifies otherwise shall exclude Hong Kong, Macau and Taiwan);
Preferred Directors	means the Series A Director and the Series B

	Directors.
Preferred Shareholders	means the Series A Shareholders and Series B Shareholders;
Preferred Shares	means the Series A Preferred Shares and Series B Preferred Shares;
Qualified IPO	means a firm commitment, underwritten IPO by the Company of its Ordinary Shares with (i) a market capitalization of the Company equal to no less than US$495 million (or the equivalent thereof in other currencies) immediately prior to the IPO, and (ii) total offering proceeds to the Company, before deduction of selling expenses, of not less than US$50 million (or the equivalent thereof in other currencies);
RE Company	means a real estate company that may be established in the PRC by the Founder, the Company or any Affiliate of the Founder or the Company (i) for the purpose of acquiring, owning, enhancing, managing, operating or maintaining assets, real property or other facilities for use in lodging-related business activities, including but not limited to limited service, deluxe, luxury, upscale, and midscale with food and beverage service, and (ii) deriving no less than 50% of its gross revenue from leasing and other transactions with the Group.
Register of Directors and Officers	means the register of Directors and Officers referred to in these Articles;
Register of Shareholders	means the register of Shareholders referred to in these Articles;
Registered Office	means the registered office for the time being of the Company;
Related Party	means, with respect to any specified Person, the holder of any equity interest in such Person, or any director, officer or employee of such Person, or any Affiliate of any of the foregoing; notwithstanding the foregoing, Related Parties of any Group Company or the Founder shall also include any real estate investment fund or similar business that is a Related

	Party of any Group Company or the Founder, any RE Company, or any Affiliate thereof;
Reserved Shares	means not more than 7,000,000 Ordinary Shares or options, warrants, rights (including conversion or preemptive rights and rights of first refusal) for the purchase of such Ordinary Shares issuable for such purposes and in such amounts and at such prices and upon such other terms that shall be determined from time to time by the Board (including at least a majority of the Preferred Directors, if any) in accordance with these Articles and the Shareholders Agreement.
Seal	means the common seal or any official or duplicate seal of the Company;
Secretary	means the person appointed to perform any or all of the duties of secretary of the Company and includes any deputy or assistant secretary and any person appointed by the Board to perform any of the duties of the Secretary;
Series A Director	has the meaning as defined in Article 37.2;
Series A Preferred Shares	means the Series A Preferred Shares of par value US$0.0001 each in the capital of the Company;
Series A Purchase Agreement	means the purchase agreement dated February 4th, 2007 entered into among the Company, Winner Crown Holdings Limited, Ms. Tong Tong ZHAO, Mr. John Jiong WU and the Investors listed on schedule C thereto;
Series A Shareholders	means the legal or beneficial holders of Series A Shares, as recognized on the Register of Shareholders;
Series A Subscription Price	means the subscription price per share of the Series A Preferred Shares under the Series A Purchase Agreement, subject to appropriate adjustment in the event of any share dividend, share split, combination or other similar recapitalization with respect to the Series A Preferred Shares;
Series B Directors	has the meaning as defined in Article 37.2;

Series B Preferred Shares	means the Series B Preferred Shares of par value US$0.0001 each in the capital of the Company;
Series B Purchase Agreement	means the Series B Preferred Shares Purchase Agreement, dated June 20, 2007, entered into among the Company, the WFOEs, certain founders named therein, Chengwei, CDH and certain other subscribers to the Series B Preferred Shares;
Series B Shareholder	means the legal or beneficial holders of Series B Shares, as recognized on the Register of Shareholders;
Series B Subscription Price	means the subscription price per share of the Series B Preferred Shares under the Series B Purchase Agreement, subject to appropriate adjustment in the event of any share dividend, share split, combination or other similar recapitalization with respect to the Series B Preferred Shares;
Shares or shares	means the shares in the capital of the Company, including Series B Preferred Shares, Series A Preferred Shares, Ordinary Shares and shares of any other series or class issued in the Company;
Share Option Plan	means the Company's 2007 Global Share Plan, 2008 Global Share Plan and any other share option, share appreciation, share purchase, phantom share or other equity-based plan, arrangement, agreement, policy or understanding, whether written or unwritten, duly authorized by the Board pursuant to Article 4.2.3(k) and the Shareholders Agreement;
Shareholder or shareholder	means the person registered in the Register of Shareholders as the holder of shares in the Company, including Ordinary Shareholders and Preferred Shareholders and, when two or more persons are so registered as joint holders of shares, means the person whose name stands first in the Register of Shareholders as one of such joint holders or all of such persons, as the context so requires;
Shareholders Agreement	means the Amended and Restated Shareholders Agreement, dated June 20, 2007 by and among the Company and the other parties listed therein;
special resolution	means a resolution passed by a majority of not less

	than two thirds of the votes cast at a duly constituted general meeting (or, if so specified, a meeting of Shareholders holding a class or series of shares) of the Company where a quorum was present, or passed in lieu of a meeting by the unanimous written consent of all Shareholders entitled to vote;
Subscription Price	means, with respect to any Series A Preferred Share or Series B Preferred Share, respectively, the Series A Subscription Price and Series B Subscription Price;
subsidiary	means, with respect to any given Person, any other Person (other than a natural Person) Controlled by such given Person;
Taxes	means any national, provincial or local income, sales and use, excise, franchise, real and personal property, gross receipt, capital stock, production, business and occupation, disability, employment, payroll, severance or withholding tax or charge imposed by any government entity, any interest and penalties (civil or criminal) related thereto or to the nonpayment thereof, and any loss or Tax Liability incurred in connection with the determination, settlement or litigation of any Liability arising therefrom;
Tax Returns	means any tax return, declaration, reports, estimates, claim for refund, claim for extension, information returns, or statements relating to Taxes, including any schedule or attachment thereto;
WFOEs	means (i) Hanting Xingkong Hotel Management (Shanghai) Co., Ltd. (汉庭星空(上海)酒店管理有限 公 司), a wholly foreign-owned enterprise registered in Shanghai, PRC; (ii) Lishan Senbao Investment Management (Shanghai) Co., Ltd. (力山森堡 (上海)投资管理有限 公 司), a wholly foreign-owned enterprise registered in Shanghai, PRC; and (iii) Yiju Hotel Management (Shanghai) Co., Ltd. (亿 居 (上 海) 酒 店 管 理 有 限 公 司), a wholly foreign-owned enterprise registered in Shanghai,

	PRC;
written resolution	means a resolution passed in accordance with Article 35 or 60 (as the case may be); and
year	means calendar year.

1.2 In these Articles, where not inconsistent with the context:

(a) words denoting the plural number include the singular number and vice versa;

(b) words denoting the masculine gender include the feminine and neuter genders;

(c) words importing persons include companies, associations or bodies of persons whether corporate or not;

(d) the words:-

(i) "may" shall be construed as permissive; and

(ii) "shall" shall be construed as imperative;

(e) a reference to statutory provision shall be deemed to include any amendment or re-enactment thereof; and

(f) unless otherwise provided herein, words or expressions defined in the Law shall bear the same meaning in these Articles.

1.3 In these Articles expressions referring to writing or its cognates shall, unless the contrary intention appears, include facsimile, printing, lithography, photography, electronic mail and other modes of representing words in visible form.

1.4 Headings used in these Articles are for convenience only and are not to be used or relied upon in the construction hereof.

SHARES

2. Power to Issue Shares

2.1 Subject to these Articles, the Board shall have the power to issue any unissued shares of the Company on such terms and conditions as it may determine and any shares or class of shares (including the issue or grant of options, warrants and other rights, renounceable or otherwise in respect of shares) may be issued with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital, or otherwise as the Company may by resolution of the Shareholders prescribe, provided that no share shall be issued at a discount except in accordance with the Law.

3. Redemption and Purchase of Shares

3.1 Subject to the Law as then in effect and the other provisions of these Articles, the Company is authorised to issue shares which are to be redeemed or are liable to be redeemed at the option of the Company or a Shareholder.

3.2 Subject to the Law as then in effect and the other provisions of these Articles, the Company is hereby authorised to make payments in respect of the redemption of its shares out of capital or out of any other account or fund which is authorised for such purpose.

3.3 Every share certificate representing a redeemable share shall indicate that the share is redeemable.

3.4 In the case of shares redeemable at the option of a Shareholder a redemption notice from a Shareholder may not be revoked without the agreement of the Board.

3.5 Subject to the Law as then in effect and the other provisions of these Articles, the redemption price may be paid in any manner authorized by these Articles for the payment of dividends.

3.6 The Directors may exercise as they think fit the powers conferred on the Company by Section 37(5) of the Law (payment out of capital) but only if and to the extent that the redemption could not otherwise be made (or not without making a fresh issue of shares for this purpose).

3.7 No share may be redeemed unless it is fully paid-up.

3.8 Subject to the Law as then in effect and the other provisions of these Articles, the Board may exercise all the powers of the Company to purchase all or any part or its own shares in accordance with the Law. Shares purchased by the Company shall be cancelled and shall cease to confer any right or privilege on the Shareholder from whom the shares are purchased.

4. Rights Attaching to Shares

4.1 Ordinary Shares. The Ordinary Shareholders shall, subject to the other provisions of these Articles:

(a) be entitled to one vote per Ordinary Share;

(b) be entitled to such dividends as the Board may from time to time declare;

(c) in the event of a winding-up, dissolution or liquidation of the Company, whether voluntary or involuntary or for the purpose of a reorganization or otherwise or upon any distribution of capital, be entitled to the surplus assets of the Company; and

(d) generally be entitled to enjoy all of the rights attaching to the Ordinary Shares.

4.2 Preferred Shares. The Preferred Shareholders shall, subject to the provisions of these Articles, be entitled to the following rights and preferences:

Voting

4.2.1 On any matter presented to the shareholders for their action or consideration at any meeting of shareholders (or by written resolution of shareholders in lieu of meeting), (i) each Series B Shareholder shall be entitled to cast the number of votes equal to the number of Ordinary Shares into which the Series B Preferred Shares held by such Series B Shareholder are convertible as of the record date for determining shareholders entitled to vote on such matter, and (ii) each Series A Shareholder shall be entitled to cast the number of votes equal to one-half (1/2) the number of Ordinary Shares into which the Series A Preferred Shares held by such Series A Shareholder are convertible as of the record date for determining shareholders entitled to vote on such matter. Except as provided by Law or by the other provisions of these Articles, holders of Preferred Shares shall vote together with the holders of Ordinary Shares as a single class.

Protective Provisions

4.2.2 For so long as the Series A Preferred Shares are in issue, the following acts shall require the prior written approval or affirmative vote (in addition to any other vote or consent required by the Law or these Articles) of the Series A Director:

(a) any amendment to, cancellation, waiver or other change in respect of, the rights, preferences, privileges, powers, obligations or liabilities arising in connection with the Series A Preferred Shares if such amendment, cancellation, waiver or other change would materially and adversely affect the holders thereof.

4.2.3 Notwithstanding anything to the contrary in the Constitutional Documents of any Group Company, so long as any Series B Preferred Shares remain outstanding, the Company shall not, and shall ensure that none of the other Group Companies, whether directly or indirectly, take any of the actions described below unless Approved by the Series B Shareholders:

(a) any amendment to, cancellation, waiver or other change in respect of, the rights, preferences, privileges, powers, obligations or liabilities arising in connection with the Series B Preferred Shares or otherwise adversely affecting the holders thereof;

(b) any increase or decrease in the authorized number of Series B Preferred Shares;

(c) the creation, or authorization of shares, securities or instruments convertible, exchangeable or exercisable for or into shares (including convertible debt), having rights, privileges or preferences superior to or on parity with the Series B Preferred Shares with respect to voting, dividends, redemption, conversion or liquidation or any other rights (including and without limitation, registration rights);

(d) the purchase or redemption of, payment or declaration of any dividend on, or making of any distribution on, any equity interest therein, other than (i) redemption of the Series B Preferred Shares as expressly authorized herein, (ii) dividends or

other distributions payable on the Ordinary Shares solely in the form of additional Ordinary Shares and (iii) upon termination of such services, repurchases of shares at below cost from former employees, officers, directors, consultants or other persons who performed services for any Group Company as permitted by the terms of their engagement by such Group Company approved by the Board;

(e) amendment, alteration or repeal of any provision of the Constitutional Documents thereof;

(t) liquidation, dissolution or winding up of the business and affairs thereof;

(g) any Deemed Liquidation Event;

(h) the issuance or agreement to issue shares or other securities or instruments exchangeable, convertible or exercisable for any equity interest therein, other than the Reserved Shares and shares issuable under the Transaction Documents (as defined in the Series B Purchase Agreement) and the Share Option Plan;

(i) raising or authorization of any indebtedness or debt financing by the Company, and the raising or authorization of any indebtedness or debt financing by any other member of the Group if after such indebtedness or debt financing the aggregate amount of indebtedness and debt financing by all members of the Group would exceed US$20 million, provided that this clause (i) shall not apply to any loan extended to a Group Company by a shareholder of the Company if (i) such loan is made on terms no less favorable to the Group Company than the terms that would be customary in an arms-length loan extended by a commercial bank, (ii) such loan is subordinate to any amounts that are or may become payable to any Investor by the Group Company, whether by virtue of the Investor's ownership of securities of the Company or pursuant to any of the Transaction Documents, including without limitation any indemnification by the Company pursuant to the Series B Purchase Agreement, and (iii) after receipt of such loan, the aggregate amount of all such loans from shareholders of the Company to the Group Companies does not exceed US$15 million;

(j) any increase or decrease in the number of positions on the Board;

(k) the adoption or termination of any Share Option Plan or amendment to any provision of any Share Option Plan or increase in the amount of Ordinary Shares reserved for future issuance pursuant to any Share Option Plan;

(l) any action that effects a reclassification or recapitalization of the issued and outstanding shares of the Company;

(m) except as specifically contemplated in the Series B Purchase Agreement, the entry into any transaction or series of transactions (or the termination, extension, continuation after expiry, renewal, amendment, variation or waiver of any term

under agreement with respect to any transaction or series of transactions) between any Group Company, on the one hand, and any Related Party of any Group Company (other than another Group Company), on the other hand;

(n) the sale, transfer, lease, assignment, parting with or disposal by the Company or any Group Company, whether directly or indirectly, of all or substantially all of the property, assets or revenues of the Company or such Group Company;

(p) the merger, consolidation, reorganization, or amalgamation of any Group Company with or into any other Person or any scheme of arrangement or other business combination with or into any other Person;

(q) the purchase or other acquisition by any of the Company or the Group Companies, or any combination of the foregoing, of another Person or all (or substantially all) of the business and/or assets of another Person through a single transaction or series of related transactions (i) with aggregate value of at least US$2,500,000, (ii) for which any required Consent has not been obtained, or (iii) if the target company of such transaction has not obtained any Consent required in connection with the conduct of its business;

(r) the re-domestication, continuance or removal thereof to any other jurisdiction; and

(s) any repayment or retirement of all or any portion of any indebtedness of any Group Company whether incurred before or after the date hereof, other than customary interest and maintenance payments.

4.2.4 Notwithstanding anything to the contrary in the Constitutional Documents of the Company or any Group Company, the Company shall not, and shall ensure that none of the other Group Companies, whether directly or indirectly, take any of the actions described below unless approved in a resolution adopted by a majority of the Board, including at least two (2) Series B Directors:

(a) approval of any annual operating plan, budgets or any changes thereto;

(b) the guarantee, directly or indirectly, of any indebtedness, or the indemnification to any Person regarding or in connection with any indebtedness, except for trade accounts or any Group Company arising in the ordinary course of business;

(c) alteration or amendment of the accounting principles thereof except as required by applicable law;

(d) appointment, dismissal or change in the appointment of independent public accountants, Auditor or counsels thereof;

(e) the making of any loan or advance to any Person or granting any credit to any

Person, except accounts receivable arising in the ordinary course of business;

(f) the sale, transfer, lease, assignment or disposal of any assets (whether by a single transaction or a series of related transactions) the aggregate fair market value of which exceeds US$3,000,000;

(g) the purchase or acquisition of any assets thereof (whether by a single transaction or a series of related transactions) the aggregate purchase price or cost to acquire of which exceeds US$3,000,000;

(h) the commencement or settlement of any litigation the amount in controversy with respect to which exceeds US$3,000,000;

(i) any change to the principal business thereof, entry into new lines of business thereby, or exiting a line of business thereby;

(j) hiring or termination of the CEO, CFO, chief operating officer or any other officer with the position of executive vice president or higher of any Group Company or any change to the compensation of any such officer of any Group Company, including the award of any option grants or share awards;

(k) amendment, alteration or repeal of any provision of the Constitutional Documents of any Group Company (other than the Company);

(l) the creation of any mortgage, charge, pledge, lien or other encumbrance with respect to assets thereof other than in the ordinary course of business or as imposed by operation of law;

(m) the formation of any committee of the Board of Directors of any Group Company and any changes to the powers granted to any such committee;

(n) any increase or decrease in the size or any change in the member(s) of the Board of Directors of any Group Company other than the Company; and

(o) the prescription of any regulation in general meeting that would limit the powers of the Board of Directors of any of the Group Companies.

Conversion Rights

4.2.5 The holders of the Preferred Shares shall have conversion rights as follows (the **"Conversion Rights"**):

(a) Optional Conversion.

(1) Conversion Ratio. Each Preferred Share shall be convertible, at the option of the holder thereof, at any time and from time to time, and without the

payment of additional consideration by the holder thereof, into such number of fully paid and nonassessable Ordinary Shares as is determined by dividing the Subscription Price applicable for such Preferred Share by the Conversion Price (as defined below) for such Preferred Share in effect at the time of conversion. The **"Conversion Price"** for each Preferred Share shall initially be equal to the Subscription Price for such Preferred Share. Such initial Conversion Price, and the rate at which Preferred Shares may be converted into Ordinary Shares, shall be subject to adjustment as provided below.

(2) Termination of Conversion Rights. In the event of a notice of redemption of any Preferred Shares pursuant to Article 4.2.7 and Article 4.2.8, the Conversion Rights of the shares designated for redemption shall terminate at the close of business on the last full day preceding the date fixed for redemption, unless the redemption price is not fully paid on such redemption date, in which case the Conversion Rights for such shares shall continue until such price is paid in full. In the event of a liquidation, dissolution or winding up of the Company or a Deemed Liquidation Event, the Conversion Rights shall terminate at the close of business on the last full day preceding the date fixed for the payment of any such amounts distributable on such event to the holders of Preferred Shares.

(b) Mandatory Conversion. The Preferred Shares shall automatically be converted into Ordinary Shares at the then effective conversion rate (i) upon a Qualified IPO, and (ii) upon the date and time, or the occurrence of an event, as Approved by the Series B Shareholders.

(c) Mechanics of Conversion.

(1) Reservation of Shares. The Company shall at all times when the Preferred Shares shall be outstanding, reserve and keep available out of its authorized but unissued share capital, for the purpose of effecting the conversion of the Preferred Shares, such number of its duly authorized Ordinary Shares as shall from time to time be sufficient to effect the conversion of all outstanding Preferred Shares; and if at any time the number of authorized but unissued Ordinary Shares shall not be sufficient to effect the conversion of all then outstanding Preferred Shares, the Company shall take such corporate action as may be necessary to increase its authorized but unissued Ordinary Shares to such number of shares as shall be sufficient for such purposes, including, without limitation, engaging in best efforts to obtain the requisite shareholder approval of any necessary amendment to the Memorandum and these Articles. Before taking any action which would cause an adjustment reducing the Conversion Price of any Preferred Share below the then par value of the Ordinary Shares issuable upon conversion of such Preferred Share, the Company will take any corporate action which may, in the opinion of its counsel, be necessary in order that the Company

may validly and legally issue fully paid and nonassessable Ordinary Shares at such adjusted Conversion Price.

(2) Notice of Optional Conversion. In order for a Preferred Shareholder to voluntarily convert its Preferred Shares into Ordinary Shares, such Preferred Shareholder shall surrender the certificate or certificates for such Preferred Shares (or, if such registered holder alleges that such certificate has been lost, stolen or destroyed, a lost certificate affidavit), at the office of the transfer agent for the Preferred Shares (or at the principal office of the Company if the Company serves as its own transfer agent), together with written notice that such holder elects to convert all or any number of the Preferred Shares represented by such certificate or certificates and, if applicable, any event on which such conversion is contingent. Such notice shall state such Preferred Shareholder's name or the names of the nominees in which such Preferred Shareholder wishes the certificate or certificates for Ordinary Shares to be issued. If required by the Company, certificates surrendered for conversion shall be endorsed or accompanied by a written instrument or instruments of transfer, in form satisfactory to the Company, duly executed by the registered holder or his, her or its attorney duly authorized in writing. The close of business on the date of receipt by the transfer agent (or by the Company if the Company serves as its own transfer agent) of such certificates (or lost certificate affidavit) and notice shall be the time of conversion, and the Ordinary Shares issuable upon conversion of the shares represented by such certificate shall be deemed to be outstanding of record as of such date. The Company shall, as soon as practicable after the time of conversion, issue and deliver to such Preferred Shareholder, or to his, her or its nominees, a certificate or certificates for the number of full Ordinary Shares issuable upon such conversion in accordance with the provisions hereof, a certificate for the number (if any) of the Preferred Shares represented by the surrendered certificate that were not converted into Ordinary Shares, and payment of any declared but unpaid dividends on the Preferred Shares converted.

(3) Notice of Mandatory Conversion. All holders of Preferred Shares to be converted shall be sent written notice of the time of conversion and the place designated for conversion of all such Preferred Shares pursuant to Article 4.2.5(b). Such notice need not be sent in advance of the occurrence of the time of conversion. Promptly following receipt of such notice, each holder of Preferred Shares subject to conversion shall surrender his, her or its certificate or certificates for all such shares (or, if such holder alleges that such certificate has been lost, stolen or destroyed, a lost certificate affidavit) to the Company at the place designated in such notice. If so required by the Company, certificates surrendered for conversion shall be endorsed or accompanied by written instrument or instruments of transfer, in form satisfactory to the Company, duly executed by the registered holder or by his, her or its attorney duly authorized in writing. All rights with respect to

the Preferred Shares converted pursuant to Article 4.2.5(b), including the rights, if any, to receive notices and vote (other than as a holder of Ordinary Shares), will terminate at the time of conversion designated in the notice (notwithstanding the failure of the holder or holders thereof to surrender the certificates at or prior to such time), except only the rights of the holders thereof, upon surrender of their certificate or certificates (or lost certificate affidavit and agreement) therefor, to receive the items provided for in the next sentence of Article 4.2.5(b). As soon as practicable after the time of conversion and the surrender of the certificate or certificates (or lost certificate affidavit) for the Preferred Shares, the Company shall issue and deliver to such holder, or to his, her or its nominees, a certificate or certificates for the number of full Ordinary Shares issuable on conversion of any Preferred Shares in accordance with the provisions hereof, together with the payment of any declared but unpaid dividends on the Preferred Shares converted.

(4) The Company shall redeem any Preferred Share to be converted (the **"Conversion Share"**) for aggregate consideration (the **"Conversion Redemption Amount"**) equal to (a) the aggregate par value of any capital shares of the Company to be issued upon such conversion and (b) the aggregate value, as determined by the Board, of any other assets which are to be distributed upon such conversion.

(5) Concurrent with the redemption of the Conversion Share, the Company shall apply the Conversion Redemption Amount for the benefit of the holder of the Conversion Share to pay for any capital shares of the Company issuable, and any other assets distributable, to such holder in connection with such conversion.

(6) Upon application of the Conversion Redemption Amount, the Company shall issue to the holder of the Conversion Share all capital shares issuable, and distribute to such holder all other assets distributable, upon such conversion.

(d) Effect of Conversion.

(1) All Preferred Shares which shall have been surrendered for conversion as herein provided shall no longer be deemed to be outstanding and all rights with respect to such shares shall immediately cease and terminate at the time of conversion, except only the right of the holders thereof to receive Ordinary Shares in exchange therefor and to receive payment of any dividends declared but unpaid thereon. Any Series A Preferred Shares or Series B Preferred Shares so converted shall be retired and cancelled and may not be reissued as shares of such series, and the Company may thereafter take such appropriate action (without the need for shareholder action) as may be necessary to reduce the authorized number of Series A

Preferred Shares or Series B Preferred Shares, as applicable, accordingly.

(2) The Ordinary Shares to which a Preferred Shareholder is entitled in exercising the Conversion Right shall, subject to each Preferred Share being fully paid up by the holder thereof:

(i) be credited as fully paid; and

(ii) rank pari passu in all respects and form one class with the Ordinary Shares in issue.

(e) No Further Adjustment. Upon any such conversion, no adjustment to the Conversion Price shall be made for any declared but unpaid dividends on any Preferred Shares surrendered for conversion or on the Ordinary Shares delivered upon conversion.

(f) Taxes. The Company shall pay any and all issue and other similar taxes that may be payable in respect of any issuance or delivery of Ordinary Shares upon conversion of Preferred Shares pursuant to this Article 4.2.5. The Company shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of Ordinary Shares in a name other than that in which the Preferred Shares so converted were registered, and no such issuance or delivery shall be made unless and until the person or entity requesting such issuance has paid to the Company the amount of any such tax or has established, to the satisfaction of the Company, that such tax has been paid.

(g) Notice of Record Date. In the event:

(i) the Company shall take a record of the holders of its Ordinary Shares (or other securities at the time issuable upon conversion of the Preferred Shares) for the purpose of entitling or enabling them to receive any dividend or other distribution, or to receive any right to subscribe for or purchase any shares of any class or any other securities, or to receive any other security; or

(ii) of any capital reorganization of the Company, any reclassification of the Ordinary Shares of the Company, or any Deemed Liquidation Event; or

(iii) of the voluntary or involuntary dissolution, liquidation or winding-up of the Company,

then, and in each such case, the Company will send or cause to be sent to the Preferred Shareholders a notice specifying, as the case may be, (i) the record date for such dividend, distribution or right, and the amount and character of such dividend, distribution or right, or (ii) the effective date on which such

reorganization, reclassification, consolidation, merger, transfer, dissolution, liquidation or winding-up is proposed to take place, and the time, if any is to be fixed, as of which the holders of record of Ordinary Shares (or such other securities at the time issuable upon the conversion of the Preferred Shares) shall be entitled to exchange their Ordinary Shares (or such other securities) for securities or other property deliverable upon such reorganization, reclassification, consolidation, merger, transfer, dissolution, liquidation or winding-up, and the amount per share and character of such exchange applicable to the Preferred Shares and the Ordinary Shares. Such notice shall be sent at least 10 days prior to the record date or effective date for the event specified in such notice.

4.2.6 Adjustments to Conversion Price

(a) Adjustment for Share Splits and Combinations. If the Company shall at any time or from time to time after the Original Issue Date for any series of Preferred Shares effect a subdivision of the outstanding Ordinary Shares, the Conversion Price for such series of Preferred Shares in effect immediately before that subdivision shall be proportionately decreased so that the number of Ordinary Shares issuable on conversion of each share of such series shall be increased in proportion to such increase in the aggregate number of Ordinary Shares outstanding. If the Company shall at any time or from time to time after the Original Issue Date for any series of Preferred Shares combine the outstanding Ordinary Shares, the Conversion Price for such series of Preferred Shares in effect immediately before the combination shall be proportionately increased so that the number of Ordinary Shares issuable on conversion of each share of such series shall be decreased in proportion to such decrease in the aggregate number of Ordinary Shares outstanding. Any adjustment under this subsection shall become effective at the close of business on the date the subdivision or combination becomes effective.

(b) Adjustment for Certain Dividends and Distributions. In the event the Company at any time or from time to time after the Original Issue Date for any series of Preferred Shares shall make or issue, or fix a record date for the determination of holders of Ordinary Shares entitled to receive, a dividend or other distribution payable on the Ordinary Shares in the form of additional Ordinary Shares, then and in each such event the Conversion Price for such series of Preferred Shares in effect immediately before such event shall be decreased as of the time of such issuance or, in the event such a record date shall have been fixed, as of the close of business on such record date, by multiplying the Conversion Price for such series of Preferred Shares then in effect by a fraction:

(i) the numerator of which shall be the total number of Ordinary Shares issued and outstanding immediately prior to the time of such issuance on the close of business on such record date, and

(ii) the denominator of which shall be the total number of Ordinary Shares

issued and outstanding immediately prior to the time of such issuance on the close of business on such record date plus the number of Ordinary Shares issuable in payment of such dividend or distribution.

Notwithstanding the foregoing, if such record date shall have been fixed and such dividend is not fully paid or if such distribution is not fully made on the date fixed therefor, the Conversion Price for such series of Preferred Shares shall be recomputed accordingly as of the close of business on such record date and thereafter the Conversion Price for such series of Preferred Shares shall be adjusted pursuant to this subsection as of the time of actual payment of such dividends or distributions; and no such adjustment on the Conversion Price for such series of Preferred Shares shall be made if the holders of such series of Preferred Shares simultaneously receive a dividend or other distribution of Ordinary Shares in a number equal to the number of Ordinary Shares as they would have received if all outstanding Preferred Shares of such series had been converted into Ordinary Shares on the date of such event.

(c) Adjustments for Other Dividends and Distributions. In the event the Company at any time or from time to time after the Original Issue Date for any series of Preferred Shares shall make or issue, or fix a record date for the determination of holders of Ordinary Shares entitled to receive, a dividend or other distribution payable in securities of the Company (other than a distribution in the form of Ordinary Shares) or in other property and the provisions of Article 4.2.10 and Article 4.2.11 do not apply to such dividend or distribution, then and in each such event the holders of such series of Preferred Shares, shall receive, simultaneously with the distribution to the holders of Ordinary Shares, a dividend or other distribution of such securities or other property in an amount equal to the amount of such securities or other property as they would have received if all outstanding Preferred Shares of such series had been converted into Ordinary Shares on the date of such event.

(d) Adjustment for Merger or Reorganization, etc. Subject to the provisions of Article 4.2.15, if there shall occur any reorganization, recapitalization, reclassification, consolidation or merger involving the Company in which the Ordinary Shares (but not the Preferred Shares of any series) are converted into or exchanged for securities, cash or other property (other than a transaction covered by Article 4.2.6(a) to 4.2.6(c)), then, following any such reorganization, recapitalization, reclassification, consolidation or merger, each Preferred Share of such series shall thereafter be convertible (in lieu of the Ordinary Shares into which it was convertible prior to such event) into the kind and amount of securities, cash or other property which a holder of the number of Ordinary Shares of the Company issuable upon conversion of such Preferred Share immediately prior to such reorganization, recapitalization, reclassification, consolidation or merger would have been entitled to receive pursuant to such transaction; and, in such case, appropriate adjustment (as determined in good faith by the Board) shall be made in the application of the provisions in Article 4.2.5 and Article 4.2.6 with respect to the rights and interests

thereafter of the holders of such series of Preferred Shares, to the end that the provisions set forth in Article 4.2.5 and Article 4.2.6 (including provisions with respect to changes in and other adjustments of the Conversion Price for such series) shall thereafter be applicable, as nearly as reasonably may be, in relation to any securities or other property thereafter deliverable upon the conversion of such series of Preferred Shares.

(e) Anti-Dilution Provisions. In the event the Company shall at any time after the Original Issue Date for any series of Preferred Shares, issue Additional Ordinary Shares (including Additional Ordinary Shares deemed to be issued pursuant to Article 4.2.6(e)(2)), without consideration or for a consideration per share less than the applicable Conversion Price for such series of Preferred Shares in effect immediately prior to such issuance, then the Conversion Price for such series of Preferred Shares shall be reduced, concurrently with such issuance, to the consideration per share received by the Company for such issuance or deemed issuance of the Additional Ordinary Shares; provided that if such issuance or deemed issuance was without consideration, then the Company shall be deemed to have received an aggregate of $0.0001 of consideration for all such Additional Ordinary Shares issued or deemed to be issued.

(1) Determination of Consideration. For purposes of this Article 4.2.6(e), the consideration received by the Company for the issuance of any Additional Ordinary Shares shall be computed as follows:

(A) Cash and Property. Such consideration shall:

(i) insofar as it consists of cash, be computed at the aggregate amount of cash received by the Company, excluding amounts paid or payable for accrued interest;

(ii) insofar as it consists of property other than cash, be computed at the fair market value thereof at the time of such issue, as determined and certified by the Auditor; and

(iii) in the event Additional Ordinary Shares are issued together with other shares or securities or other assets of the Company for consideration which covers both, be the proportion of such consideration so received, computed as provided in clauses (i) and (ii) above, as determined and certified by the Auditor.

(B) Options and Convertible Securities. The consideration per share received by the Company for Additional Ordinary Shares deemed to have been issued pursuant to Article 4.2.6(e)(2), relating to Options and Convertible Securities, shall be determined by dividing

(i) the total amount, if any, received or receivable by the Company as consideration for the issuance of such Options or Convertible Securities, plus the minimum aggregate amount of additional consideration (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such consideration) payable to the Company upon the exercise of such Options or the conversion or exchange of such Convertible Securities, or in the case of Options for Convertible Securities, the exercise of such Options for Convertible Securities and the conversion or exchange of such Convertible Securities, *by*

(ii) the maximum number of Ordinary Shares (as determined below) issuable upon the exercise of such Options or the conversion or exchange of such Convertible Securities.

(2) Deemed Issuance of Additional Ordinary Shares.

(A) If the Company from time to time after the Original Issue Date, shall issue any Options or Convertible Securities or shall fix a record date for the determination of holders of any class of securities entitled to receive any such Options or Convertible Securities, then for purposes of calculating any adjustment to the Conversion Price of the Preferred Shares, the maximum number of Ordinary Shares (as set forth in the instrument relating thereto, assuming the satisfaction of any conditions to exercisability, convertibility or exchangeability but without regard to any provision contained therein for a subsequent adjustment of such number) issuable upon the exercise of such Options or, in the case of Convertible Securities and Options therefor, the conversion or exchange of such Convertible Securities, shall be deemed to be Additional Ordinary Shares issued as of the time of such issuance or, in case such a record date shall have been fixed, as of the close of business on such record date.

(B) If the terms of any Option or Convertible Security, the issuance of which resulted in an adjustment to the Conversion Price for a series of Preferred Shares, pursuant to the terms of Article 4.2.6(e), are revised as a result of an amendment to such terms or any other adjustment pursuant to the provisions of such Option or Convertible Security (including, without limitation, automatic adjustments to such terms pursuant to anti-dilution or similar provisions of such Option or Convertible Security) to provide for either (1) any increase or decrease in the number of Ordinary Shares issuable upon the exercise, conversion and/or exchange of any such Option or Convertible Security or (2) any increase or decrease in the

consideration payable to the Company upon such exercise, conversion and/or exchange, then, effective upon such increase or decrease becoming effective, the Conversion Price for such series of Preferred Shares computed upon the original issue of such Option or Convertible Security (or upon the occurrence of a record date with respect thereto) shall be readjusted to such Conversion Price as would have obtained had such revised terms been in effect upon the original date of issuance of such Option or Convertible Security. Notwithstanding the foregoing, no readjustment pursuant to this clause (b) shall have the effect of increasing the Conversion Price for such series of Preferred Shares to an amount which exceeds the lower of (i) the Conversion Price in effect immediately prior to the original adjustment made as a result of the issuance of such Option or Convertible Security, or (ii) the Conversion Price that would have resulted from any issuances of Additional Ordinary Shares (other than deemed issuances of Additional Ordinary Shares as a result of the issuance of such Option or Convertible Security) between the original adjustment date and such readjustment date.

(C) If the terms of any Option or Convertible Security, the issuance of which did not result in an adjustment to the Conversion Price for a series of Preferred Shares pursuant to the terms of Article 4.2.6(e) (either because the consideration per share of the Additional Ordinary Shares subject thereto was equal to or greater than the Conversion Price for such series of Preferred Shares then in effect, or because such Option or Convertible Security was issued before the Original Issue Date for such series of Preferred Shares), are revised after the Original Issue Date for such series of Preferred Shares, as a result of an amendment to such terms or any other adjustment pursuant to the provisions of such Option or Convertible Security (but excluding automatic adjustments to such terms pursuant to anti-dilution or similar provisions of such Option or Convertible Security) to provide for either (1) an increase or decrease in the number of Ordinary Shares issuable upon the exercise, conversion or exchange of such Option or Convertible Security or (2) an increase or decrease in the consideration payable to the Company upon such exercise, conversion or exchange, then such Option or Convertible Security, as so amended or adjusted, and the Additional Ordinary Shares subject thereto (determined in the manner provided in Article 4.2.6(e)(2)(A)) shall be deemed to have been issued effective upon such increase or decrease becoming effective.

(D) Upon the expiration or termination of any unexercised Option or unconverted or unexchanged Convertible Security (or portion thereof) which resulted (either upon its original issuance or upon a

revision of its terms) in an adjustment to the Conversion Price for a series of Preferred Shares pursuant to the terms of Article 4.2.6(e), the Conversion Price for such series of Preferred Shares shall be readjusted to such Conversion Price as would have obtained had such Option or Convertible Security (or portion thereof) never been issued.

(E) If the number of Ordinary Shares issuable upon the exercise, conversion and/or exchange of any Option or Convertible Security, or the consideration payable to the Company upon such exercise, conversion and/or exchange, is calculable at the time such Option or Convertible Security is issued or amended but is subject to adjustment based upon subsequent events, any adjustment to the Conversion Price provided for in this Article 4.2.6(e)(2) shall be effected at the time of such issuance or amendment based on such number of shares or amount of consideration without regard to any provisions for subsequent adjustments (and any subsequent adjustments shall be treated as provided in clauses (b) and (c) of this Article 4.2.6(e)(2)). If the number of ordinary Shares issuable upon the exercise, conversion and/or exchange of any Option or Convertible Security, or the consideration payable to the Company upon such exercise, conversion and/or exchange, cannot be calculated at all at the time such Option or Convertible Security is issued or amended, any adjustment to the Conversion Price that would result under the terms of this Article 4.2.6(e)(2) at the time of such issuance or amendment shall instead be effected at the time such number of shares and/or amount of consideration is first calculable (even if subject to subsequent adjustments), assuming for purposes of calculating such adjustment to the Conversion Price that such issuance or amendment took place at the time such calculation can first be made.

(3) Multiple Closing Dates. In the event the Company shall issue on more than one date Additional Ordinary Shares that are a part of one transaction or a series of related transactions and that would result in an adjustment to the Conversion Price for any series of Preferred Shares, pursuant to the terms of Article 4.2.6(e), then, upon the final such issuance, the Conversion Price for such series of Preferred Shares shall be readjusted to give effect to all such issuances as if they occurred on the date of the first such issuance (and without giving effect to any additional adjustments as a result of any such subsequent issuances within such period).

(f) In case any event shall occur as to which the other provisions of this Article are not strictly applicable, but the failure to make any adjustment to the Conversion Price would not fairly protect the conversion rights of the Preferred Shares in accordance with the essential intent and principles hereof, then, in each such case, the

Company, in good faith, shall determine the appropriate adjustment to be made, on a basis consistent with the essential intent and principles established in this Article, necessary to preserve, without dilution, the conversion rights of such Preferred Shares. If any Preferred Shareholder shall reasonably and in good faith disagree with such determination by the Company, then the Company shall appoint an internationally recognized investment banking firm, which shall give their opinion as to the appropriate adjustment, if any, on the basis described above. Upon receipt of such opinion, the Company will promptly mail a copy thereof to the Preferred Shareholders and shall make the adjustments described therein.

(g) Certificate as to Adjustments. Upon the occurrence of each adjustment or readjustment of the Conversion Price for any series of Preferred Shares pursuant to this Article 4.2.6, the Company at its expense shall, as promptly as reasonably practicable but in any event not later than 10 days thereafter, compute such adjustment or readjustment in accordance with the terms hereof and furnish to each holder of Preferred Shares of such series, a certificate setting forth such adjustment or readjustment (including the kind and amount of securities, cash or other property into which such series of Preferred Shares are convertible) and showing in detail the facts upon which such adjustment or readjustment is based. The Company shall, as promptly as reasonably practicable after the written request at any time of any holder of such series of Preferred Shares (but in any event not later than 10 days thereafter), furnish or cause to be furnished to such holder a certificate setting forth (i) the Conversion Price for such series of Preferred Shares then in effect, and (ii) the number of Ordinary Shares and the amount, if any, of other securities, cash or property which then would be received upon the conversion of such series of Preferred Shares.

Redemption

4.2.7 Series A Redemption. Series A Preferred Shares shall not be redeemable.

4.2.8 Series B Redemption. Series B Preferred Shares shall be redeemed by the Company out of funds lawfully available therefor at a price equal to the Series B Subscription Price per share, plus all declared but unpaid dividends thereon (the **"Redemption Price"**), after receipt by the Company at any time on or after May 1, 2012, from the holders of at least a majority of the then outstanding Series B Preferred Shares, of written notice requesting redemption of all Series B Preferred Shares and setting forth the date for such redemption (the **"Redemption Date"**). Such notice shall be given no less than sixty (60) days in advance of the Redemption Date. On the Redemption Date, the Company shall redeem all outstanding Series B Preferred Shares. The Company shall pay one-third (1/3) of the Redemption Price in cash on the Redemption Date and issue to each Series B Shareholder a promissory note in form and substance reasonably satisfactory to the holders representing a majority in voting power of the Series B Preferred Shares being redeemed, for the balance or the Redemption Price, which shall be due and payable in two equal installments on the first and second anniversaries of the Redemption Date, respectively.

(a) Redemption Notice. Written notice of the mandatory redemption (the **"Redemption Notice"**) shall be sent to each Series B Shareholder not less than forty (40) days prior to the Redemption Date. Each Redemption Notice shall state:

(1) the number of Series B Preferred Shares held by the Series B Shareholder as of record on the Register of Shareholders;

(2) the Redemption Date and the Redemption Price; and

(3) that the Series B Shareholder is to surrender to the Company, in the manner and at the place designated, his, her or its certificate or certificates representing the Series B Preferred Shares to be redeemed.

(b) Surrender of Certificates; Payment. In connection with the redemption of any Series B Preferred Share, the holder thereof shall surrender to the Company, in the manner and at the place designated by the Company for that purpose, the certificate representing such Series B Preferred Share. Upon receipt of any such certificate for Series B Preferred Shares, the Company shall promptly pay the redemption price with respect to such shares to the order of the holder whose name appears on such certificate, and such certificate shall be cancelled. In the case of any lost, stolen or destroyed certificate, the Company shall promptly pay the redemption price to the holder of the Series B Preferred Shares that would have been evidenced by such certificate upon such holder executing an agreement reasonably satisfactory to the Company to indemnify the Company for any loss incurred by it in connection with such lost, stolen or destroyed certificate.

4.2.9 Redeemed or Otherwise Acquired Shares. Any shares that are redeemed or otherwise acquired by the Company or any of its subsidiaries shall be automatically and immediately cancelled and retired and shall not be reissued, sold or transferred. Neither the Company nor any of its subsidiaries may exercise any voting or other rights granted to the holders of redeemed shares following redemption.

Dividends

4.2.10 Except for an Exempted Distribution, no dividend or other distribution (whether in cash or in kind) shall be declared or paid with respect to any other class or series of shares of the Company unless and until a distribution is likewise declared or paid with respect to the outstanding Series B Preferred Shares which in amount and kind, on a per share, as-if converted basis (assuming conversion as of the date of such declaration or as of the record date for such payment), is equal to the distribution paid on each share of such other class or series of shares (where such class or series of shares are not the Ordinary Shares, treating such other class or series on an as-if converted basis, assuming conversion as of the date of such declaration or as of the record date for such payment).

4.2.11 Except for an Exempted Distribution, no dividend or other distribution (whether in cash or in kind) shall be declared or paid with respect to any other class or series of shares of the

Company unless and until a distribution is likewise declared or paid with respect to the outstanding Series A Preferred Shares which in amount and kind, on a per share, as-if converted basis (assuming conversion as of the date of such declaration or as of the record date for such payment), is equal to the distribution paid on each share of such other class or series of shares (where such class or series of shares are not the Ordinary Shares, treating such other class or series on an as-if converted basis, assuming conversion as of the date of such declaration or as of the record date for such payment).

Liquidation Preference

4.2.12 Payments on Series B Preferred Shares. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company, or a Deemed Liquidation Event, the Series B Shareholders shall be entitled to be paid out of the assets of the Company available for distribution to its shareholders, before any payment shall be made to the Series A Shareholders or Ordinary Shareholders, an amount per Series B Preferred Share equal to the Series B Subscription Price, plus all accrued or declared but unpaid dividends thereon. If upon any such liquidation, dissolution or winding up of the Company, or a Deemed Liquidation Event, the assets of the Company available for distribution to its shareholders shall be insufficient to pay the Series B Shareholders the full amount to which they shall be entitled under this Article 4.2.12, the Series B Shareholders shall share ratably in any distribution of the assets available for distribution in proportion to the respective amounts which would otherwise be payable in respect of the Series B Preferred Shares held by them upon such distribution if all amounts payable on or with respect to such Series B Preferred Shares were paid in full.

4.2.13 Payments on Series A Preferred Shares. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company, or a Deemed Liquidation Event, after the payment of all preferential amounts required to be paid to the Series B Shareholders, the Series A Shareholders shall be entitled to be paid out of the remaining assets of the Company available for distribution to its shareholders before any payment shall be made to the Ordinary Shareholders, an amount per Series A Preferred Share equal to Series A Subscription Price, plus all accrued or declared but unpaid dividends thereon. If upon any such liquidation, dissolution or winding up of the Company, or a Deemed Liquidation Event, after the payment of all preferential amounts required to be paid to the Series B Shareholders, the remaining assets of the Company available for distribution to its shareholders shall be insufficient to pay the Series A Shareholders the full amount to which they shall be entitled under this Article 4.2.13, the Series A Shareholders shall share ratably in any distribution of the remaining assets available for distribution in proportion to the respective amounts which would otherwise be payable in respect of the Series A Preferred Shares held by them upon such distribution if all amounts payable on or with respect to such Series A Preferred Shares were paid in full.

4.2.14 Distribution of Remaining Assets. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company, or a Deemed Liquidation Event, after the payment of all preferential amounts required to be paid to the Series B Shareholders and Series A Shareholders, the remaining assets of the Company available for distribution to

its shareholders shall be distributed among the holders of any Preferred Shares and/or Ordinary Shares pro rata, based on the number of shares held by each such holder, treating for this purpose all such securities as if they had been converted to Ordinary Shares pursuant to the terms of these Articles immediately prior to such dissolution, liquidation or winding up of the Company, or the Deemed Liquidation Event.

Deemed Liquidation Events

4.2.15 Definition. Each of the following events shall be considered a **"Deemed Liquidation Event"** unless holders representing at least a majority in voting power of the Series A Preferred Shares have approved in writing, and the Series B Shareholders have Approved, a waiver waiving the treatment of such event as a Deemed Liquidation Event:

(1) any consolidation or merger of the Company with or into any other person, or any other corporate reorganization, in which the Shareholders immediately prior to such consolidation, merger or reorganization, own less than fifty percent of the Company's voting power immediately after such consolidation, merger or reorganization, or any transaction or series of related transactions involving the Company pursuant to which in excess of fifty percent of the Company's voting power is transferred; or

(2) a sale, transfer, lease, exclusive licensing or other disposition of all or substantially all of the property, assets or revenues of the Company.

4.2.16 Requirement. The Company shall not enter into or permit any transaction that would constitute a Deemed Liquidation Event referred to in Article 4.2.15(1) unless the agreement or plan of merger or consolidation for such transaction (the **"Merger Agreement"**) provides that the consideration payable to the shareholders of the Company shall be allocated among the shareholders of the Company in accordance with Articles 4.2.12 to 4.2.14.

4.2.17 Amount Deemed Paid or Distributed. The amount deemed paid or distributed to the shareholders of the Company upon any such merger, consolidation, sale, transfer, exclusive license, other disposition shall be the cash or the value of the property, rights or securities paid or distributed to such shareholders by the Company or the acquiring person, firm or other entity. The value of such property, rights or securities shall be determined and certified by an independent investment bank of international repute and standing appointed by the Hong Kong International Arbitration Centre.

4.2.18 Allocation of Escrow. In the event of a Deemed Liquidation Event pursuant to Subsection Article 4.2.15(1), if any portion of the consideration payable to the shareholders of the Company is placed into escrow and/or is payable to the shareholders of the Company subject to contingencies, the Merger Agreement shall provide that (a) the portion of such consideration that is not placed in escrow and not subject to any contingencies (the **"Initial Consideration"**) shall be allocated among the shareholders of the Company in accordance with Article 4.2.12 through Article 4.2.14 as if the Initial Consideration were the only

consideration payable in connection with such Deemed Liquidation Event and (b) any additional consideration which becomes payable to the shareholders of the Company upon release from escrow or satisfaction of contingencies shall be allocated among the shareholders of the Company in accordance with Article 4.2.12 through Article 4.2.14 after taking into account the previous payment of the Initial Consideration as part of the same transaction.

5. Calls on Shares

5.1 The Board may make such calls as it thinks fit upon the Shareholders in respect of any monies (whether in respect of nominal value or premium) unpaid on the shares allotted to or held by such Shareholders and, if a call is not paid on or before the day appointed for payment thereof, the Shareholder may at the discretion of the Board be liable to pay the Company interest on the amount of such call at such rate as the Board may determine, from the date when such call was payable up to the actual date of payment. The Board may differentiate between the holders as to the amount of calls to be paid and the times of payment of such calls.

5.2 The Company may accept from any Shareholder the whole or a part of the amount remaining unpaid on any shares held by him, although no part of that amount has been called up.

5.3 The Company may make arrangements on the issue of shares for a difference between the Shareholders in the amounts and times of payments of calls on their shares.

6. Joint and Several Liabilities to Pay Calls

The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof.

7.1 Forfeiture of Shares

7.1 If any Shareholder fails to pay, on the day appointed for payment thereof, any call in respect of any share allotted to or held by such Shareholder, the Board may, at any time thereafter during such time as the call remains unpaid, forward (or direct the Secretary to forward) such Shareholder a notice in writing in the form, or as near thereto as circumstances admit, of the following:

Notice of Liability to Forfeiture for Non-Payment of Call • (the "Company")

You have failed to pay the call of [amount of call] made on the [ ] day of [ ], 20[ ], in respect of the [number] share(s) [number in figures] standing in your name in the Register of Shareholders of the Company, on the [ ] day of [ ], 20[ ], the day appointed for payment of such call. You are hereby notified that unless you pay such call together with interest thereon at the rate of [ ] per annum computed from the said [ ] day of [ ], 20[ ] at the registered office of the Company the share(s) will be liable to be forfeited.

Dated this [ ] day of [ ], 20[ ]

_____

[Signature of Secretary] By Order of the Board

7.2 If the requirements of such notice are not complied with, any such share may at any time thereafter before the payment of such call and the interest due in respect thereof be forfeited by a resolution of the Board to that effect, and such share shall thereupon become the property of the Company and may be disposed of as the Board shall determine. Without limiting the generality of the foregoing, the disposal may take place by sale, repurchase, redemption or any other method of disposal permitted by and consistent with these Articles and the Law.

7.3 A Shareholder whose share or shares have been forfeited as aforesaid shall, notwithstanding such forfeiture, be liable to pay to the Company all calls owing on such share or shares at the time of the forfeiture and all interest due thereon.

7.4 The Board may accept the surrender of any shares which it is in a position to forfeit on such terms and conditions as may be agreed. Subject to those terms and conditions, a surrendered share shall be treated as if it had been forfeited.

8. Share Certificates

8.1 Every Shareholder shall be entitled to a certificate under the seal of the Company (or a facsimile thereof) specifying the number and, where appropriate, the class of shares held by such Shareholder and whether the same are fully paid up and, if not, how much has been paid thereon. The Board may by resolution determine, either generally or in a particular case, that any or all signatures on certificates may be printed thereon or affixed by mechanical means.

8.2 If any share certificate shall be proved to the satisfaction of the Board to have been worn out, lost, mislaid, or destroyed the Board may cause a new certificate to be issued and request an indemnity for the lost certificate if it sees fit.

8.3 Share certificates may not be issued in bearer form.

9. Fractional Shares

No fractional Ordinary Shares shall be issued upon conversion of any Preferred Share. All Ordinary Shares (including fractions thereof) issuable upon conversion of more than one Preferred Share by holder thereof shall be aggregated for purposes of determining whether the conversion would result in the issuance of any fractional share. If, after such aggregation, the conversion would result in the issuance of any fractional share, the Company shall, in lieu of issuing any fractional share, pay cash equal to the product of such fraction multiplied by the fair market value of a Ordinary Share on the date of conversion as determined in good faith by the Board.

REGISTRATION OF SHARES

10. Register of Shareholders

The Board shall cause to be kept in one or more books a Register of Shareholders which may be kept outside the Cayman Islands at such place as the Directors shall appoint and shall enter therein the following particulars:

(a) the name and address of each Shareholder, the number, and (where appropriate) the class of shares

held by such Shareholder and the amount paid or agreed to be considered as paid on such shares;

(b) the date on which each person was entered in the Register of Shareholders; and

(c) the date on which any person ceased to be a Shareholder.

11. Registered Holder Absolute Owner

11.1 The Company shall be entitled to treat the registered holder of any share as the absolute owner thereof and accordingly shall not be bound to recognise any equitable claim or other claim to, or interest in, such share on the part of any other person.

11.2 No person shall be entitled to recognition by the Company as holding any share upon any trust and the Company shall not be bound by, or be compelled in any way to recognise (even when having notice thereof), any equitable, contingent, future or partial interest in any share or any other right in respect of any share except an absolute right to the entirety of the share in the holder. If, notwithstanding this Article, notice of any trust is at the holder's request entered in the Register or on a share certificate in respect of a share, then, except as aforesaid:

(a) such notice shall be deemed to be solely for the holder's convenience;

(b) the Company shall not be required in any way to recognise any beneficiary, or the beneficiary, of the trust as having an interest in the share or shares concerned;

(c) the Company shall not be concerned with the trust in any way, as to the identity or powers of the trustees, the validity, purposes or terms of the trust, the question of whether anything done in relation to the shares may amount to a breach of trust or otherwise; and

(d) the holder shall keep the Company fully indemnified against any liability or expense which may be incurred or suffered as a direct or indirect consequence of the Company entering notice of the trust in the Register or on a share certificate and continuing to recognise the holder as having an absolute right to the entirety of the share or shares concerned.

12. Transfer of Registered Shares

12.1 An instrument of transfer shall be in writing in the form of the following, or as near thereto as circumstances admit, or in such other form as the Board may accept:

Transfer of a Share or Shares • (the "Company")

FOR VALUE RECEIVED.....[amount], I, [name of transferor] hereby sell, assign and transfer unto [transferee] of [address], [number] of shares of the Company.

DATED this [ ] day of [ ], 20[ ]

Signed by: In the presence of:

Transferor	Witness
Transferor Witness	
Transferee Witness	

12.2 Such instrument of transfer shall be signed by or on behalf of the transferor and transferee, provided that, in the case of a fully paid share, the Board may accept the instrument signed by or on behalf of the transferor alone. The transferor shall be deemed to remain the holder of such share until the same has been transferred to the transferee in the Register of Shareholders.

12.3 The Board shall refuse to register the transfer of any share prohibited pursuant to the Shareholders Agreement.

12.4 The Board may refuse to recognise any instrument of transfer unless it is accompanied by the certificate in respect of the shares to which it relates and by such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer.

12.5 The joint holders of any share may transfer such share to one or more of such joint holders, and the surviving holder or holders of any share previously held by them jointly with a deceased Shareholder may transfer any such share to the executors or administrators of such deceased Shareholder.

13. Transmission of Registered Shares

13.1 In the case of the death of a Shareholder, the survivor or survivors where the deceased Shareholder was a joint holder, and the legal personal representatives of the deceased Shareholder where the deceased Shareholder was a sole holder, shall be the only persons recognised by the Company as having any title to the deceased Shareholder's interest in the shares. Nothing herein contained shall release the estate of a deceased joint holder from any liability in respect of any share which had been jointly held by such deceased Shareholder with other persons. Subject to the provisions of Section 39 of the Law, for the purpose of this Article, legal personal representative means the executor or administrator of a deceased Shareholder or such other person as the Board may, in its absolute discretion, decide as being properly authorised to deal with the shares of a deceased Shareholder.

13.2 Any person becoming entitled to a share in consequence of the death or bankruptcy of any Shareholder may be registered as a Shareholder upon such evidence as the Board may deem sufficient or may elect to nominate some person to be registered as a transferee of such share, and in such case the person becoming entitled shall execute in favour of such nominee an instrument of

transfer in writing in the form, or as near thereto as circumstances admit, of the following:

Transfer by a Person Becoming Entitled on Death/Bankruptcy of a Shareholder • (the "Company")

I/We, having become entitled in consequence of the [death/bankruptcy] of [name and address of deceased Shareholder] to [number] share(s) standing in the Register of Shareholders of the Company in the name of the said [name of deceased/bankrupt Shareholder] instead of being registered myself/ourselves, elect to have [name of transferee] (the "Transferee") registered as a transferee of such share(s) and I/we do hereby accordingly transfer the said share(s) to the Transferee to hold the same unto the Transferee, his or her executors, administrators and assigns, subject to the conditions on which the same were held at the time of the execution hereof; and the Transferee does hereby agree to take the said share(s) subject to the same conditions.

DATED this [ ] day of [ ], 20[ ]

Signed by: In the presence of:

Transferor	Witness
Transferor	Witness
Transferee	Witness

13.3 On the presentation of the foregoing materials to the Board, accompanied by such evidence as the Board may require to prove the title of the transferor, the transferee shall be registered as a Shareholder. Notwithstanding the foregoing, the Board shall, in any case, have the same right to decline or suspend registration as it would have had in the case of a transfer of the share by that Shareholder before such Shareholder's death or bankruptcy, as the case may be.

13.4 Where two or more persons are registered as joint holders of a share or shares, then in the event of the death of any joint holder or holders the remaining joint holder or holders shall be absolutely entitled to the said share or shares and the Company shall recognise no claim in respect of the estate of any joint holder except in the case of the last survivor of such joint holders.

ALTERATION OF SHARE CAPITAL

14. Power to Alter Capital

14.1 Subject to the Law and these Articles, the Company may from time to time by ordinary resolution alter the conditions of the Memorandum to increase its share capital by new shares of such amount as it thinks expedient or, if the Company has shares without par value, increase its share capital by such number of shares without nominal or par value, or increase the aggregate consideration for which its shares may be issued, as it thinks expedient.

14.2 Subject to the Law and these Articles, the Company may from time to time by ordinary resolution

alter the conditions of the Memorandum to:

(a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;

(b) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; or

(c) cancel shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled or, in the case of shares without par value, diminish the number of shares into which its capital is divided.

14.3 For the avoidance of doubt it is declared that paragraph 14.2(a) and (b) above do not apply if at any time the shares of the Company have no par value.

14.4 Subject to the Law and these Articles, the Company may from time to time by special resolution reduce its share capital in any way or, subject to Article 73, alter any conditions of the Memorandum relating to share capital.

15. Variation of Rights Attaching to Shares

15.1 Subject to these Articles, if, at any time, the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound-up, be varied with the consent in writing of the holders of three-fourths of the issued shares of that class or with the sanction of a resolution passed by a majority of the votes cast at a separate general meeting of the holders of the shares of the class at which meeting the necessary quorum shall be two persons at least holding or representing by proxy one-third of the issued shares of the class. Subject to these Articles, the rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

DIVIDENDS AND CAPITALIZATION

16. Dividends

16.1 The Board may, subject to these Articles and any direction of the Company in general meeting, declare a dividend to be paid to the Shareholders, in proportion to the number of shares held by them, and such dividend may be paid in cash or wholly or partly in specie in which case the Board may fix the value for distribution in specie of any assets. No unpaid dividend shall bear interest as against the Company.

16.2 Dividends may be declared and paid out or profits of the Company, realised or unrealised, or from any reserve set aside from profits which the Directors determine is no longer needed, or not in the same amount. Dividends may also be declared and paid out or share premium account or any other

fund or account which can be authorised for this purpose in accordance with the Law.

16.3 With the sanction of an ordinary resolution of the Company and subject to these Articles, the Directors may determine that a dividend shall be paid wholly or partly by the distribution of specific assets (which may consist of the shares or securities of any other company) and may settle all questions concerning such distribution. Without limiting the foregoing generally and subject to these Articles, the Directors may fix the value of such specific assets, may determine that cash payments shall be made to some Shareholders in lieu of specific assets and may vest any such specific assets in trustees on such terms as the Directors think fit.

16.4 Subject to these Articles, the Company may pay dividends in proportion to the amount paid up on each share where a larger amount is paid up on some shares than on others.

16.5 Subject to these Articles, the Board may declare and make such other distributions (in cash or in specie) to the Shareholders as may be lawfully made out of the assets of the Company. No unpaid distribution shall bear interest as against the Company.

16.6 The Board may fix any date as the record date for determining the Shareholders entitled to receive any dividend or other distribution, but, unless so fixed, the record date shall be the date of the Directors' resolution declaring same.

17. Power to Set Aside Profits

17.1 The Board may, before declaring a dividend, set aside out of the surplus or profits of the Company, such sum as it thinks proper as a reserve to be used to meet contingencies or for equalising dividends or for any other purpose. Pending application, such sums may be employed in the business of the Company or invested, and need not be kept separate from other assets of the Company. The Directors may also, without placing the same to reserve, carry forward any profit which they decide not to distribute.

17.2 Subject to any direction from the Company in general meeting, the Directors may on behalf of the Company exercise all the powers and options conferred on the Company by the Law in regard to the Company's share premium account.

18. Method of Payment

18.1 Any dividend, interest, or other monies payable in cash in respect of the shares may be paid by cheque or draft sent through the post directed to the Shareholder at such Shareholder's address in the Register of Shareholders, or to such person and to such address as the holder may in writing direct.

18.2 In the case of joint holders of shares, any dividend, interest or other monies payable in cash in respect of shares may be paid by cheque or draft sent through the post directed to the address of the holder first named in the Register of Shareholders, or to such person and to such address as the

joint holders may in writing direct. If two or more persons are registered as joint holders of any shares any one can give an effectual receipt for any dividend paid in respect of such shares.

18.3 The Board may deduct from the dividends or distributions payable to any Shareholder all monies due from such Shareholder to the Company on account of calls or otherwise.

19. Capitalization

19.1 The Board may resolve to capitalise any sum for the time being standing to the credit of any of the Company's share premium or other reserve accounts or to the credit of the profit and loss account or otherwise available for distribution by applying such sum in paying up unissued shares to be allotted as fully paid bonus shares pro rata to the Shareholders.

19.2 The Board may resolve to capitalise any sum for the time being standing to the credit of a reserve account or sums otherwise available for dividend or distribution by applying such amounts in paying up in full partly paid or nil paid shares of those Shareholders who would have been entitled to such sums if they were distributed by way of dividend or distribution.

MEETINGS OF MEMBERS

20. Annual General Meetings

The Company may in each year hold a general meeting as its annual general meeting. The annual general meeting of the Company may be held at such time and place as the Chairman or any two Directors or any Director and the Secretary or the Board shall appoint.

21. Extraordinary General Meetings

21.1 General meetings other than annual general meetings shall be called extraordinary general meetings.

21.2 Any two Directors or any Director and the Secretary or the Board may convene an extraordinary general meeting of the Company whenever in their judgment such a meeting is necessary.

22. Requisitioned General Meetings

22.1 The Board shall, on the requisition of Shareholders holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up share capital of the Company as at the date of the deposit carries the right to vote at general meetings of the Company, forthwith proceed

to convene an extraordinary general meeting of the Company. To be effective the requisition shall state the objects of the meeting, shall be in writing, signed by the requisitionists, and shall be deposited at the Registered Office. The requisition may consist of several documents in like form each signed by one or more requisitionists.

22.2 If the Directors do not within twenty-one days from the date of the requisition duly proceed to call an extraordinary general meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene an extraordinary general meeting; but any meeting so called shall not be held more than ninety days after the requisition. An extraordinary general meeting called by requisitionists shall be called in the same manner, as nearly as possible, as that in which general meetings are to be called by the Directors.

23. Notice

23.1 At least fourteen Business Days' notice of an annual general meeting shall be given to each Shareholder entitled to attend and vote thereat, stating the date, place and time at which the meeting is to be held and if different, the record date for determining Shareholders entitled to attend and vote at the general meeting, and, as far as practicable, the other business to be conducted at the meeting.

23.2 At least ten Business Days' notice of an extraordinary general meeting shall be given to each Shareholder entitled to attend and vote thereat, stating the date, place and time at which the meeting is to be held and the general nature of the business to be considered at the meeting.

23.3 The Board may fix any date as the record date for determining the Shareholders entitled to receive notice of and to vote at any general meeting of the Company but, unless so fixed, as regards the entitlement to receive notice of a meeting or notice of any other matter, the record date shall be the date of dispatch of the notice and, as regards the entitlement to vote at a meeting, and any adjournment thereof, the record date shall be the date of the original meeting.

23.4 A general meeting of the Company shall, notwithstanding that it is called on shorter notice than that specified in these Articles, be deemed to have been properly called if it is so agreed by (i) all the Shareholders entitled to attend and vote thereat in the case of an annual general meeting; and (ii) in the case of an extraordinary general meeting, by seventy-five percent of the Shareholders entitled to attend and vote thereat.

23.5 The accidental omission to give notice of a general meeting to, or the non-receipt of a notice of a general meeting by, any person entitled to receive notice shall not invalidate the proceedings at that meeting.

24. Giving Notice

24.1 A notice may be given by the Company to any Shareholder either by delivering it to such Shareholder in person or by sending it to such Shareholder's address in the Register of

Shareholders or to such other address given for the purpose. For the purposes of this Article, a notice may be sent by letter mail, courier service, cable, telex, telecopier, facsimile, electronic mail or other mode of representing words in a legible form.

24.2 Any notice required to be given to a Shareholder shall, with respect to any shares held jointly by two or more persons, be given to whichever of such persons is named first in the Register of Shareholders and notice so given shall be sufficient notice to all the holders of such shares.

24.3 Any notice shall be deemed to have been served at the time when the same would be delivered in the ordinary course of transmission and, in proving such service, it shall be sufficient to prove that the notice was properly addressed and prepaid, if posted, and the time when it was posted, delivered to the courier or to the cable company or transmitted by telex, facsimile, electronic mail, or such other method as the case may be.

25. Postponement of General Meeting

The Board may postpone any general meeting called in accordance with the provisions of these Articles provided that notice of postponement is given to each Shareholder before the time for such meeting. Fresh notice of the date, time and place for the postponed meeting shall be given to each member in accordance with the provisions of these Articles.

26. Participating in Meetings by Telephone

Shareholders may participate in any general meeting by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting.

27. Quorum at General Meetings

27.1 A general meeting of the Company is duly constituted if, at the commencement of and throughout the meeting, there are present in person or by proxy

two members holding not less than an aggregate of 50% in voting power of the shares of the Company, including not less than 50% in voting power of the Series B Preferred Shares,

provided that (i) if the Company shall at any time have only one Shareholder, one Shareholder present in person or by proxy shall form a quorum for the transaction of business at any general meeting of the Company held during such time and (ii) if the business of the general meeting includes considering a special resolution to wind-up the Company or to alter or add to these Articles or the Memorandum, the quorum must include shareholders representing not less than two-thirds in voting power of the then issued and outstanding Preferred Shares.

27.2 If within half an hour from the time appointed for the meeting a quorum is not present, the meeting shall stand adjourned to the same day one week later, at the same time and place or to such other day, time or place as the Board may determine.

28 Chairman to Preside

Unless otherwise agreed by a majority of those attending and entitled to vote thereat, the Chairman, if there be one, shall act as chairman at all meetings of the Shareholders at which such person is present. In his absence a chairman shall be appointed or elected by those present at the meeting and entitled to vote.

29 Voting on Resolutions

29.1 Subject to the provisions of the Law and these Articles, any question proposed for the consideration of the Shareholders at any general meeting shall be decided by the affirmative votes of a majority of the votes cast in accordance with the provisions of these Articles and in the case of an equality of votes the resolution shall fail.

29.2 No Shareholder shall be entitled to vote at a general meeting unless such Shareholder has paid all the calls on all shares held by such Shareholder.

29.3 At any general meeting a resolution put to the vote of the meeting shall, in the first instance, be voted upon by a show of hands and, subject to any rights or restrictions for the time being lawfully attached to any class of shares and subject to the provisions of these Articles, every Shareholder present in person and every person holding a valid proxy at such meeting shall be entitled to one vote and shall cast such vote by raising his hand.

29.4 At any general meeting if an amendment shall be proposed to any resolution under consideration and the chairman of the meeting shall rule on whether the proposed amendment is out of order, the proceedings on the substantive resolution shall not be invalidated by any error in such ruling.

29.5 At any general meeting a declaration by the chairman of the meeting that a question proposed for consideration has, on a show of hands, been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in a book containing the minutes of the proceedings of the Company shall, subject to the provisions of these Articles, be conclusive evidence of that fact.

30 Power to Demand a Vote on a Poll

30.1 Notwithstanding the foregoing, a poll may be demanded by the Chairman or at least one Shareholder.

30.2 Where a poll is demanded, subject to any rights or restrictions for the time being lawfully attached to any class of shares, every person present at such meeting shall have one vote for each share of which such person is the holder or for which such person holds a proxy and such vote shall be counted by ballot as described herein, or in the case of a general meeting at which one or more Shareholders are present by telephone, in such manner as the chairman of the meeting may direct and the result of such poll shall be deemed to be the resolution of the meeting at which the poll was demanded and shall replace any previous resolution upon the same matter which has been the subject of a show of hands. A person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

30.3 A poll demanded for the purpose of electing a chairman of the meeting or on a question of adjournment shall be taken forthwith and a poll demanded on any other question shall be taken in such manner and at such time and place at such meeting as the chairman of the meeting may direct and any business other than that upon which a poll has been demanded may be proceeded with pending the taking of the poll.

30.4 Where a vote is taken by poll, each person present and entitled to vote shall be furnished with a ballot paper on which such person shall record his vote in such manner as shall be determined at the meeting having regard to the nature of the question on which the vote is taken, and each ballot paper shall be signed or initialed or otherwise marked so as to identify the voter and the registered holder in the case of a proxy. At the conclusion of the poll, the ballot papers shall be examined and counted by a committee of not less than two Shareholders or proxy holders appointed by the chairman for the purpose and the result of the poll shall be declared by the chairman.

31 Voting by Joint Holders of Shares

In the case of joint holders, the vote of the senior who tenders a vote (whether in person or by proxy) shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the Register of Shareholders.

32 Instrument of Proxy

32.1 An instrument appointing a proxy shall be in writing or transmitted by electronic mail in substantially the following form or such other form as the chairman of the meeting shall accept:

Proxy • (the "Company")

I/We, [insert names here], being a Shareholder of the Company with [number] shares, HEREBY APPOINT [name] of [address] or failing him, [name] of [address) to be my/our proxy to vote for me/us at the meeting of the Shareholders held on the [ ] day of [ ], 20[ ] and at any adjournment thereof. (Any restrictions on voting to be inserted here.)

Signed this [ ] day of [ ], 20[ ]

Shareholder(s)

32.2 The instrument of proxy shall be signed or, in the case of a transmission by electronic mail, electronically signed in a manner acceptable to the chairman, by the appointor or by the appointor's attorney duly authorised in writing, or if the appointor is a corporation, either under its seal or signed or, in the case of a transmission by electronic mail, electronically signed in a manner acceptable to the chairman, by a duly authorised officer or attorney.

32.3 A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf.

32.4 The decision of the chairman of any general meeting as to the validity of any appointment of a proxy shall be final.

33 Representation of Corporate Shareholder

33.1 A corporation which is a Shareholder may, by written instrument, authorise such person or persons as it thinks fit to act as its representative at any meeting of the Shareholders and any person so authorised shall be entitled to exercise the same powers on behalf of the corporation which such person represents as that corporation could exercise if it were an individual Shareholder, and that Shareholder shall be deemed to be present in person at any such meeting attended by its authorised representative or representatives.

33.2 Notwithstanding the foregoing, the chairman of the meeting may accept such assurances as he thinks fit as to the right of any person to attend and vote at general meetings on behalf of a corporation which is a Shareholder.

34 Adjournment of General Meeting

The chairman of a general meeting may, with the consent of a majority in number of those present at any general meeting at which a quorum is present, and shall if so directed, adjourn the meeting. Unless the meeting is adjourned for more than 60 days fresh notice of the date, time and place for the resumption of the adjourned meeting shall be given to each Shareholder entitled to attend and vote thereat, in accordance with the provisions of these Articles.

35 Written Resolutions

35.1 Anything which may be done by resolution of the Company in general meeting or by resolution of a meeting of any class of the Shareholders may, without a meeting and without any previous notice being required, be done by resolution in writing signed by, or in the case of a Shareholder that is a corporation whether or not a company within the meaning of the Law, on behalf of, all the Shareholders who at the date of the resolution would be entitled to attend the meeting and vote on the resolution.

35.2 A resolution in writing may be signed by, or in the case of a Shareholder that is a corporation whether or not a company within the meaning of the Law, on behalf of, all the Shareholders, or all the Shareholders of the relevant class thereof, in as many counterparts as may be necessary.

35.3 A resolution in writing made in accordance with this Article is as valid as if it had been passed by the Company in general meeting or by a meeting or the relevant class of Shareholders, as the case may be, and any reference in any Article to a meeting at which a resolution is passed or to Shareholders voting in favour of a resolution shall be construed accordingly.

35.4 A resolution in writing made in accordance with this Article shall constitute minutes for the purposes of the Law.

35.5 For the purposes of this Article, the date of the resolution is the date when the resolution is signed by, or in the case of a Shareholder that is a corporation whether or not a company within the meaning of the Law, on behalf of, the last Shareholder to sign and any reference in any Article to the date of passing of a resolution is, in relation to a resolution made in accordance with this Article, a reference to such date.

36 Directors Attendance at General Meetings

The Directors of the Company shall be entitled to receive notice of, attend and be heard at any general meeting.

DIRECTORS AND OFFICERS

37 Election and Appointment of Directors

37.1 The Board shall be elected or appointed in writing in the first place by the subscribers to the Memorandum or by a majority of them. There shall be no shareholding qualification for Directors unless prescribed by special resolution.

37.2 The composition of the Board shall be determined as follows:

(a) The Board shall consist of five Directors or such other number as all Shareholders may determine by unanimous resolution.

(b) Shareholders representing a majority in voting power of the Ordinary Shares shall have the right to nominate, from time to time, individuals to occupy two (2) of the five positions on the Board.

(c) For so long as any Series A Preferred Shares remain outstanding, Shareholders representing a majority in voting power of the Series A Preferred Shares shall have the right to nominate, from time to time, an individual to occupy one (1) of the five positions on the Board ("**Series A Director**"); and

(d) For so long as any Series B Preferred Shares remain outstanding, Shareholders representing a majority in voting power of the Series B Preferred Shares shall have the right to nominate, from time to time, individuals to occupy two (2) of the five positions on the Board ("**Series B Directors**"); provided that:

(1) For so long as Chengwei holds no less than 25% of the total number of issued and outstanding Series B Preferred Shares, Chengwei shall have the right to nominate, from time to time, an individual to occupy one (1) of the two positions as a Series B Director; and

(2) For so long as CDH holds no less than 25% of the total number of issued and outstanding Series B Preferred Shares, CDH shall have the right to nominate, from time to time, an individual to occupy one (1) of the two positions as a Series B Director.

(e) For so long as the Noteholders hold any Series B Preferred Shares, the Noteholders shall be entitled, by notice in writing to the Company, to jointly appoint one (1) person, as observer to attend and speak at, either in person or by teleconference, any and all meetings of the

Board. The Company shall provide to such observer the same information concerning the Company, and access thereto, provided to members of the Board.

(f) Each of Chengwei and CDH, respectively, for so long as it holds any Series B Preferred Shares, shall be entitled by notice in writing to the Company, to appoint one (1) person, as observer to attend and speak at, either in person or by teleconference, any and all meetings of the Board. The Company shall provide to such observer the same information concerning the Company, and access thereto, provided to members of the Board.

37.3 If Series B Shareholders or Series A Shareholders, as the case may be, fail to elect a sufficient number of Directors to fill all directorships for which they are entitled to elect Directors pursuant to Article 37.2, then any directorship not so filled shall remain vacant until such time as the Series B Shareholders or Series A Shareholders, as the case may be, elect a person to fill such directorship by vote or written resolution in lieu of a meeting; and no such directorship may be filled by shareholders of the Company other than by the shareholders of the Company that are entitled to elect a person to fill such directorship, voting exclusively and as a separate class. At any meeting held for the purpose of electing a Director, the presence in person or by proxy of the holders of a majority of the outstanding shares entitled to elect such Director shall constitute a quorum for the purpose of electing such Director. Except as otherwise provided in this Article 37, a vacancy in any directorship filled by the holders of any class or series shall be filled only by vote or written resolution in lieu of a meeting of the holders of such class or series or by any remaining director or directors elected by the holders of such class or series pursuant to this Article 37.

38 [Reserved.]

39 Term of Office of Directors

An appointment of a Director may be on terms that the Director shall automatically retire from office (unless he has sooner vacated office) at the next or a subsequent annual general meeting or upon any specified event or after any specified period; but no such term shall be implied in the absence of express provision.

40 Alternate Directors

40.1 A Director may at any time appoint any person (including another Director) to be his Alternate Director and may at any time terminate such appointment. An appointment and a termination of appointment shall be by notice in writing signed by the Director and deposited at the Registered Office or delivered at a meeting of the Directors.

40.2 The appointment of an Alternate Director shall determine on the happening of any event which, if he were a Director, would cause him to vacate such office or if his appointor ceases for any reason to be a Director.

40.3 An Alternate Director shall be entitled to receive notices of meetings of the Directors and shall be entitled to attend and vote as a Director at any such meeting at which his appointor is not

personally present and generally at such meeting to perform all the functions of his appointor as a Director; and for the purposes of the proceedings at such meeting these Articles shall apply as if he (instead of his appointor) were a Director, save that he may not himself appoint an Alternate Director or a proxy.

40.4 If an Alternate Director is himself a Director or attends a meeting of the Directors as the Alternate Director of more than one Director, his voting rights shall be cumulative.

40.5 Unless the Directors determine otherwise, an Alternate Director may also represent his appointor at meetings of any committee of the Directors on which his appointor serves; and the provisions of this Article shall apply equally to such committee meetings as to meetings of the Directors.

40.6 If so authorised by an express provision in his notice of appointment, an Alternate Director may join in a written resolution of the Directors adopted pursuant to these Articles and his signature of such resolution shall be as effective as the signature of his appointor.

40.7 Save as provided in these Articles an Alternate Director shall not, as such, have any power to act as a Director or to represent his appointor and shall not be deemed to be a Director for the purposes of these Articles.

40.8 A Director who is not present at a meeting of the Directors, and whose Alternate Director (if any) is not present at the meeting, may be represented at the meeting by a proxy duly appointed, in which event the presence and vote of the proxy shall be deemed to be that of the Director. All the provisions of these Articles regulating the appointment of proxies by Shareholders shall apply equally to the appointment of proxies by Directors.

41 [Reserved]

42 Vacancy in the Office of Director

The office of Director shall be vacated if the Director:

(a) is removed from office pursuant to these Articles;

(b) dies or becomes bankrupt, or makes any arrangement or composition with his creditors generally;

(c) is or becomes of unsound mind or an order for his detention is made under the Mental Health Law of the Cayman Islands or any analogous law of a jurisdiction outside the Cayman Islands, or dies; or

(d) resigns his office by notice in writing to the Company.

43 Remuneration of Directors

The remuneration (if any) of the Directors shall, subject to any direction that may be given by the Company in general meeting, be determined by the Directors as they may from time to time determine and

shall be deemed to accrue from day to day. The Directors may also be paid all travel, hotel and other expenses properly incurred by them in attending and returning from the meetings of the Board, any committee appointed by the Board, general meetings of the Company, or in connection with the business of the Company or their duties as Directors generally.

44 Defect in Appointment of Director

All acts done in good faith by the Board or by a committee of the Board or by any person acting as a Director shall, notwithstanding that it be afterwards discovered that there was some defect in the appointment of any Director or person acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such person had been duly appointed and was qualified to be a Director.

45 Directors to Manage Business

Subject to Articles 46, the business of the Company shall be managed and conducted by the Board. Except as otherwise provided by Law or these Articles, in managing the business of the Company, the Board may exercise all the powers of the Company.

46 Powers of the Board of Directors

Without limiting the generality of Article 45, except as otherwise provided by Law or these Articles, the Board may:

(a) appoint, suspend, or remove any manager, secretary, clerk, agent or employee of the Company and may fix their remuneration and determine their duties;

(b) exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and may issue debentures, debenture stock and other securities whether outright or as security for any debt, liability or obligation of the Company or any third party;

(c) appoint one or more Directors to the office of managing director or chief executive officer of the Company, who shall, subject to the control of the Board, supervise and administer all of the general business and affairs of the Company;

(d) appoint a person to act as manager of the Company's day-to-day business and may entrust to and confer upon such manager such powers and duties as it deems appropriate for the transaction or conduct of such business;

(e) by power of attorney, appoint any company, firm, person or body of persons, whether nominated directly or indirectly by the Board, to be an attorney of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Board) and for such period and subject to such conditions as it may think fit and any such power or attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Board may think fit and may also authorise any such attorney to sub-delegate all or any of the powers, authorities and discretions so vested in the attorney. Such

attorney may, if so authorised under the seal of the Company, execute any deed or instrument under such attorney's person seal with the same effect as the affixation of the seal of the Company;

(f) procure that the Company pays all expenses incurred in promoting and incorporating the Company;

(g) delegate any of its powers (including the power to sub-delegate) to a committee of one or more persons appointed by the Board and every such committee shall conform to such directions as the Board shall impose on them. Subject to any directions or regulations made by the Directors for this purpose, the meetings and proceedings of any such committee shall be governed by the provisions of these Articles regulating the meetings and proceedings of the Board, including provisions for written resolutions;

(h) delegate any of its powers (including the power to sub-delegate) to any person on such terms and in such manner as the Board sees fit;

(i) present any petition and make any application in connection with the liquidation or reorganisation of the Company;

(j) in connection with the issue of any share, pay such commission and brokerage as may be permitted by law; and

(k) authorise any company, firm, person or body of persons to act on behalf of the Company for any specific purpose and in connection therewith to execute any agreement, document or instrument on behalf of the Company.

Without limiting the foregoing, the Company shall not, and shall not permit any other Group Company, to appoint or dismiss any Key Management Personnel without the prior approval of the Board.

47 Register of Directors and Officers

47.1 The Board shall cause to be kept in one or more books at the registered office of the Company a Register of Directors and Officers in accordance with the Law and shall enter therein the following particulars with respect to each Director and Officer:

(a) first name and surname; and

(b) address.

47.2 The Board shall, within the period of thirty days from the occurrence of:

(a) any change among its Directors and Officers; or

(b) any change in the particulars contained in the Register of Directors and Officers,

cause to be entered on the Register of Directors and Officers the particulars of such change and the date on which such change occurred, and shall notify the Registrar of Companies of any such change that takes place.

48 Officers

The Officers shall consist of a Secretary and such additional Officers as the Board may determine all of whom shall be deemed to be Officers for the purposes of these Articles.

49 Appointment of Officers

The Secretary (and additional Officers, if any) shall be appointed by the Board from time to time.

50 Duties of Officers

The Officers shall have such powers and perform such duties in the management, business and affairs of the Company as may be delegated to them by the Board from time to time.

51 Remuneration of Officers

The Officers shall receive such remuneration as the Board may determine.

52 Conflicts of Interest

52.1 Any Director, or any Director's firm, partner or any company with whom any Director is associated, may act in any capacity for, be employed by or render services to the Company and such Director or such Director's firm, partner or company shall be entitled to remuneration as if such Director were not a Director. Nothing herein contained shall authorise a Director or Director's firm, partner or company to act as Auditor to the Company.

52.2 A Director who is directly or indirectly interested in a contract or proposed contract or arrangement with the Company shall declare the nature of such interest as required by law.

52.3 Following a declaration being made pursuant to this Article, and unless disqualified by the chairman of the relevant Board meeting, a Director may vote in respect of any contract or proposed contract or arrangement in which such Director is interested and may be counted in the quorum for such meeting.

53 Indemnification and Exculpation of Directors and Officers

53.1 The Directors, Officers and Auditors of the Company and any trustee for the time being acting in relation to any of the affairs of the Company and every former director, officer, auditor or trustee and their respective heirs, executors, administrators, and personal representatives (each of which persons being referred to in this Article as an "**indemnified party**") shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed

duty, or in their respective offices or trusts, and no indemnified party shall be answerable for the acts, receipts, neglects or defaults of the others of them or for joining in any receipts for the sake of conformity, or for any bankers or other persons with whom any moneys or effects belonging to the Company shall or may be lodged or deposited for safe custody, or for insufficiency or deficiency of any security upon which any moneys of or belonging to the Company shall be placed out on or invested, or for any other loss, misfortune or damage which may happen in the execution of their respective offices or trusts, or in relation thereto, PROVIDED THAT this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the said persons. Each Shareholder agrees to waive any claim or right of action such Shareholder might have, whether individually or by or in the right of the Company, against any Director or Officer on account of any action taken by such Director or Officer, or the failure of such Director or Officer to take any action in the performance of his duties with or for the Company, PROVIDED THAT such waiver shall not extend to any matter in respect of any fraud or dishonesty with may attach to such Director or Officer.

53.2 The Company may purchase and maintain insurance for the benefit of any Director or Officer of the Company against any liability incurred by him in his capacity as a Director or Officer of the Company or indemnifying such Director or Officer in respect of any loss arising or liability attaching to him by virtue of any rule of law in respect of any negligence, default, breach of duty or breach of trust of which the Director or Officer may be guilty in relation to the Company or any subsidiary thereof.

53.3 The rights conferred on any person by this Article 53 shall not be exclusive of any other rights which such person may have or hereafter acquire under any applicable law, Constitutional Document of the Company, agreement, vote of the Shareholders or Directors or otherwise.

MEETINGS OF THE BOARD OF DIRECTORS

54 Board Meetings

Board meetings shall be held at least once every fiscal quarter. Subject thereto, the Board may meet for the transaction of business, adjourn and otherwise regulate its meetings as it sees fit. A resolution put to the vote at a meeting shall be passed by a majority of the Board unless these Articles provide otherwise.

55 Notice of Board Meetings

At least seven Business Days' notice (or such other period of notice as may be agreed on any occasion or from time to time by all the Directors) of a board meeting shall be given to each Director stating the date, time and place of the meeting and the business to be transacted thereat. Notice of a meeting of the Board shall be deemed to be duly given to a Director if it is given to such Director in writing and sent to such Director by post, cable, telex, telecopier, facsimile, electronic mail or other mode of representing words in a legible form at such Director's last known address or any other address given by such Director to the Company for this purpose.

56 Participation in Meetings by Telephone

Directors may participate in any meeting of the Board by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting.

57 Quorum at Board Meetings

The quorum necessary for the transaction of business at a meeting of the Board shall be three (3) Directors, including at least one (1) Series B Director for so long as any Series B Preferred Shares remain outstanding and one (1) Series A Director of so long as any Series A Preferred Shares remain outstanding. If within thirty (30) minutes of the time appointed for a meeting, a quorum is not present the meeting shall stand adjourned until the same time and place on the same day in the next week and if at such adjourned meeting a quorum is not present within thirty (30) minutes from the time appointed for such adjourned meeting (or such longer interval as the chairman of the meeting may think fit to allow) the Director(s) present in person or by his alternates shall constitute a quorum.

58 Board to Continue in the Event of Vacancy

The Board may act notwithstanding any vacancy in its number.

59 Chairman to Preside

Unless otherwise agreed by a majority of the Directors attending, the Chairman, if there be one, shall act as chairman at all meetings of the Board at which such person is present. In his absence a chairman shall be appointed or elected by the Directors present at the meeting. The Chairman shall not have a casting vote.

60 Written Resolutions

60.1 Anything which may be done by resolution of the Directors may, without a meeting and without any previous notice being required, be done by resolution in writing signed by, or in the case of a Director that is a corporation whether or not a company within the meaning of the Law, on behalf of, all the Directors.

60.2 A resolution in writing may be signed by, or in the case of a Director that is a corporation whether or not a company within the meaning of the Law, on behalf of, all the Directors in as many counterparts as may be necessary.

60.3 A resolution in writing made in accordance with this Article is as valid as if it had been passed by the Directors in a directors' meeting, and any reference in any Article to a meeting at which a resolution is passed or to Directors voting in favour of a resolution shall be construed accordingly.

60.4 A resolution in writing made in accordance with this Article shall constitute minutes for the purposes of the Law.

60.5 For the purposes of this Article, the date of the resolution is the date when the resolution is signed

by, or in the case of a Director that is a corporation whether or not a company within the meaning of the Law, on behalf of, the last Director to sign (or Alternate Director to sign if so authorised under Article 40.6), and any reference in any Article to the date of passing of a resolution is, in relation to a resolution made in accordance with this Article, a reference to such date.

61 Validity of Prior Acts of the Board

No regulation or alteration to these Articles made by the Company in general meeting shall invalidate any prior act of the Board which would have been valid if that regulation or alteration had not been made.

CORPORATE RECORDS

62 Minutes

62.1 The Board shall cause minutes to be duly entered in books provided for the purpose:

62.1.1 of all elections and appointments of Officers;

62.1.2 of the names of the Directors present at each meeting of the Board and of any committee appointed by the Board; and

62.1.3 of all resolutions and proceedings of general meetings of the Shareholders, meetings of the Board, meetings of managers and meetings of committees appointed by the Board;

62.2 Minutes of all meetings of the Board shall be sent to all Directors within thirty (30) days following the meeting.

63 Register of Mortgages and Charges

63.1 The Directors shall cause to be kept the Register of Mortgages and Charges required by the Law.

63.2 The Register of Mortgages and Charges shall be open to inspection in accordance with the Law, at the office of the Company on every Business Day, subject to such reasonable restrictions as the Board may impose, so that not less than two hours in each such Business Day be allowed for inspection.

64 Form and Use of Seal

64.1 The Seal shall only be used by the authority of the Directors or of a committee of the Directors authorised by the Directors in that behalf; and, until otherwise determined by the Directors, the Seal shall be affixed in the presence of a Director or the Secretary or an assistant secretary or some other person authorised for this purpose by the Directors or the committee of Directors.

64.2 Notwithstanding the foregoing, the Seal may without further authority be affixed by way of

authentication to any document required to be filed with the Registrar of Companies in the Cayman Islands, and may be so affixed by any Director, Secretary or assistant secretary of the Company or any other person or institution having authority to file the document as aforesaid.

64.3 The Company may have one or more duplicate Seals, as permitted by the Law; and, if the Directors think fit, a duplicate Seal may bear on its face of the name of the country, territory, district or place where it is to be issued.

ACCOUNTS

65 Books of Account

65.1 The Board shall cause to be kept proper records of account with respect to all transactions of the Company and in particular with respect to:

(a) all sums of money received and expended by the Company and the matters in respect of which the receipt and expenditure relates;

(b) all sales and purchases of goods by the Company; and

(c) all assets and liabilities of the Company.

65.2 Such records of account shall be kept and proper books of account shall not be deemed to be kept with respect to the matters aforesaid if there are not kept, at such place as the Board thinks fit, such books as are necessary to give a true and fair view of the state of the Company's affairs and to explain its transactions.

65.3 No Shareholder (not being a Director) shall have any right of inspecting any account or book or document of the Company.

66 Financial Year End

The financial year end of the Company shall be 31st December in each year but, subject to these Articles and any direction of the Company in general meeting, the Board may from time to time prescribe some other period to be the financial year, provided that the Board may not without the sanction of an ordinary resolution prescribe or allow any financial year longer than eighteen months.

AUDITS

67 [Reserved]

68 Appointment of Auditors

68.1 Subject to the rights and powers of any class or series of Preferred Shares and subject to prior

written resolution being obtained from the holder(s) representing at least two-thirds in voting power of the then issued and outstanding Preferred Shares, the Company may in general meeting appoint Auditors to hold office for such period as such holder(s) of Preferred Shares may determine.

68.2 The Auditor may be a Shareholder but no Director, Officer or employee of the Company shall, during his continuance in office, be eligible to act as an Auditor of the Company.

69 Remuneration of Auditors

Unless fixed by the Company in general meeting the remuneration of the Auditor shall be as determined by the Directors subject always to the prior written resolution of the holder(s) representing at least two-thirds in voting power of the then issued and outstanding Preferred Shares.

70 Duties of Auditor

The Auditor shall make a report to the Shareholders on the accounts examined by him and on every set of financial statements laid before the Company in general meeting, or circulated to Shareholders, pursuant to these Articles during the Auditor's tenure of office.

71 Access to Records

71.1 The Auditor shall at all reasonable times have access to the Company's books, accounts and vouchers and shall be entitled to require from the Company's Directors and Officers such information and explanations as the Auditor thinks necessary for the performance of the Auditor's duties and, if the Auditor fails to obtain all the information and explanations which, to the best of his knowledge and belief, are necessary for the purposes of their audit, he shall state that fact in his report to the Shareholders.

71.2 The Auditor shall be entitled to attend any general meeting at which any financial statements which have been examined or reported on by him are to be laid before the Company and to make any statement or explanation he may desire with respect to the financial statements.

VOLUNTARY WINDING-UP AND DISSOLUTION

72 Winding-Up

72.1 Subject to these Articles, the Company may be voluntarily wound-up by a special resolution of the Shareholders.

72.2 If the Company shall be wound up the liquidator may, with the sanction of a special resolution and subject to these Articles, divide amongst the Shareholders in specie or in kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the Shareholders or different

classes of Shareholders. The liquidator may, with the like sanction and subject to these Articles, vest the whole or any part of such assets in the trustees upon such trusts for the benefit of the Shareholders as the liquidator shall think fit, but so that no Shareholder shall be compelled to accept any shares or other securities or assets whereon there is any liability.

CHANGES TO CONSTITUTION

73 Changes to Articles

Subject to the Law, the Memorandum and these Articles, the Company may, by special resolution, alter or add to these Articles.

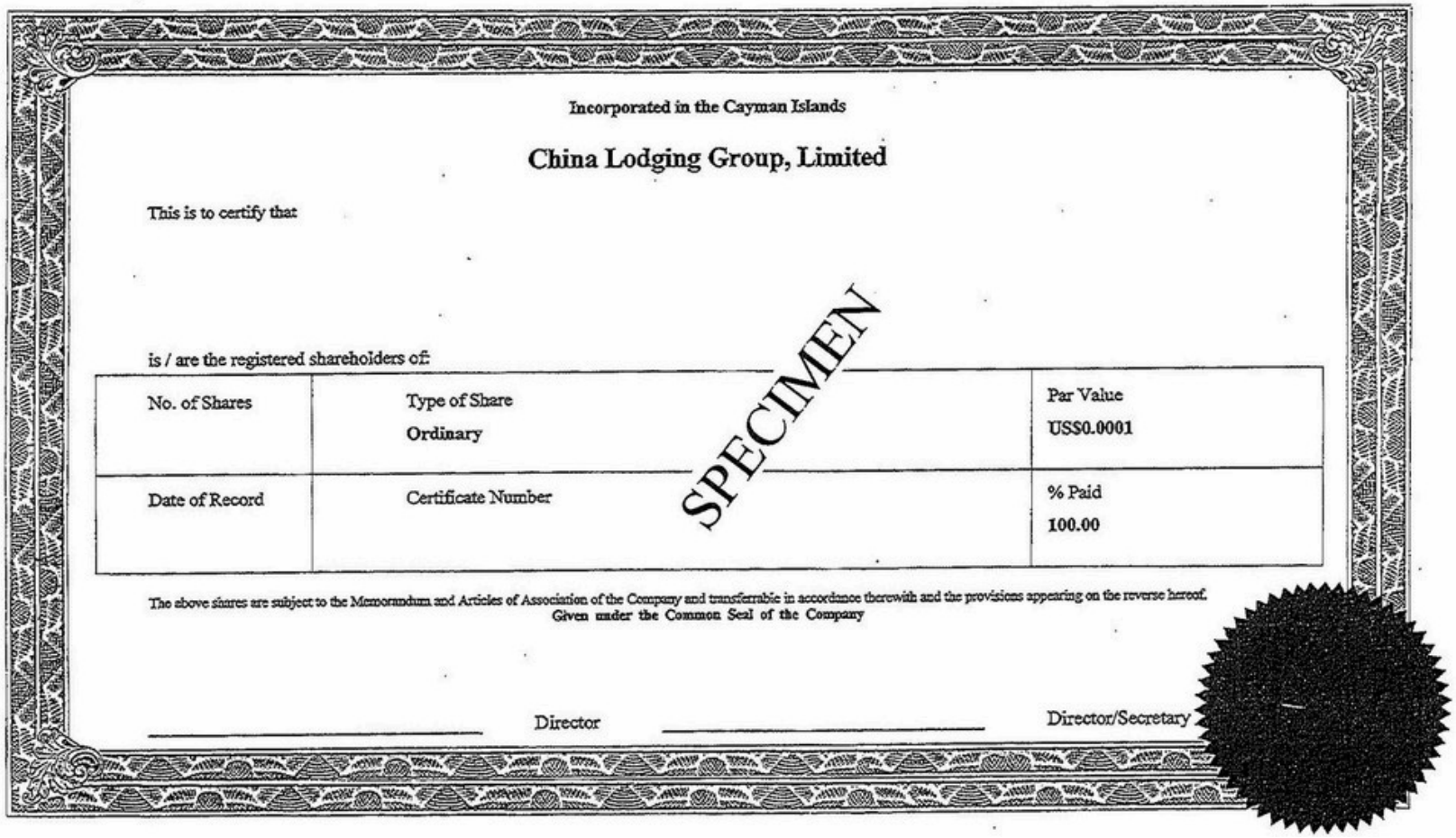
74 Changes to the Memorandum of Association

Subject to the Law and the Articles, the Company may from time to time by special resolution alter the Memorandum with respect to any objects, powers or other matters specified therein.

75 Discontinuance

Subject to these Articles, the Board may exercise all the powers of the Company to transfer by way of continuation the Company to a named country or jurisdiction outside the Cayman Islands pursuant to the Law.

Exhibit 4.2



Incorporated in the Cayman Islands

China Lodging Group, Limited

This is to certify that

is / are the registered shareholders of:

SPECIMEN

No. of Shares	Type of Share **Ordinary**	Par Value **US$0.0001**
Date of Record	Certificate Number	% Paid **100.00**

The above shares are subject to the Memorandum and Articles of Association of the Company and transferrable in accordance therewith and the provisions appearing on the reverse hereof.
Given under the Common Seal of the Company

Director

Director/Secretary

Exhibit 4.4

Dated February 4th, 2007

WINNER CROWN HOLDINGS LIMITED
("Party A")

and

MS. TONG TONG ZHAO
("Party B")

and

MR. JOHN JIONG WU
("Party C")

and

INVESTORS
("Party D")

and

CHINA LODGING GROUP, LIMITED
("Company")

ORDINARY SHARE AND SERIES A PREFERRED SHARE PURCHASE AGREEMENT

Relating to

CHINA LODGING GROUP, LIMITED

THIS SERIES A PREFERRED SHARE PURCHASE AGREEMENT (this "Agreement") is made and entered into as of February 4th, 2007 by and between:

1. **WINNER CROWN HOLDINGS LIMITED,** a company incorporated in the British Virgin Islands under company No. 618532 having its registered office at Akara Bldg., 24 De Castro Street, Wickhams Cay I, Road Town, Tortola, British Virgin Islands ("Party A");

2. **MS. TONG TONG ZHAO,** (Canadian passport number: JW698597), 5-22C, 118 Ziyun Road, Shanghai, 200051, P.R.China ("Party B");

3. **MR. JOHN JIONG WU,** (United States passport number: 302014663), 774 Mays Blvd. #Ste 10 — 337, Incline Village, NV 89452, USA ("Party C");

4. **MR. QI JI,** (PRC passport number: G11395585), B1-1102, Haitian Garden, 1481 Huqingping Road, Shanghai, 201702, P.R.China;

5. **Each of the holder of the Series A Preferred Shares (persons or entities) listed on Schedule C hereto** (collectively "Investors" and each the "Investor")

6. **CHINA LODGING GROUP, LIMITED,** a company incorporated in Cayman Islands under company No. 179930 having its registered office at the office of Offshore Incorporations (Cayman) Limited, Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands("the Company").

RECITALS

A. The Company has, at the date of this Agreement, an authorised share capital of US$20,000 divided into 200,000,000 Shares, of which one (1) Share has been issued and is fully paid or credited as fully paid. Particulars of the Company are set out in Schedule A.

B. The Company desires to issue and sell to the Founders and the Founders desire to purchase from the Company 43,999,999 Ordinary Shares, par value of US$0.0001 per share, of the Company on the terms and conditions set forth in this Agreement;

C. The Company desires to issue and sell to the Investors and the Investors desire to purchase from the Company 44,000,000 Series A preferred shares, par value of US$0.0001 per share, of the Company (the "Series A Shares") on the terms and conditions set forth in this Agreement;

D. The Investors own 100% of the equity interest of the WFOEs (as defined below) under the laws of the People's Republic of China on the date of this Agreement; and

E. The WFOEs will be engaged in the business of property management, hotel management, property conversion and property improvement (the "Principal Business").

WITNESSETH

THE PARTIES HEREBY AGREE AS FOLLOWS:

1. Definitions and Interpretation

1.1 Definitions. In this Agreement and its Schedules and Exhibits, the following terms shall have the meanings ascribed to them below:

"Ancillary Agreements" means, collectively, the Non-disclosure Agreement, the ESOP, the Employment Agreement, the Shareholders Agreement and any other document or agreement contemplated by this Agreement or any Ancillary Agreement;

"Business Day" means any day (excluding a Saturday) on which banks generally open for business in Hong Kong;

"Board of Directors" or **"Board"** means the board of directors of the Company;

"Co-founders" means Party A, Party B and Party C collectively;

"Control" of a given Person means the power or authority, whether exercised or not, to direct the business, management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, which power or authority shall conclusively be presumed to exist upon possession of beneficial ownership or power to direct the vote of more than 50% of the votes entitled to be cast at shareholder's meetings of such Person or power to control the composition of the board of directors of such Person; the terms "Controlled" has meanings correlative to the foregoing;

"Employment Agreement", means the Employment Agreement entered into by and between the Company and each of the Founders on 1st February, 2007 in substantially the form set out in Schedule F;

"Foreign Official" means an employee of a Governmental Authority, a foreign official, a member of a foreign political party, a foreign political candidate, an officer of a public international organization, or an officer or employee of a PRC state-owned enterprise, where the term "foreign" has the meaning ascribed to it under the United States Foreign Corrupt Practices Act;

"Founder(s)" means Mr. Qi JI, who is the sole beneficial owner of Party A and the Co-founders collectively;

"Governmental Authority" means any nation or government or any province or state or any other political subdivision thereof; any entity, authority or body exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including government authority, agency, department, board, commission or instrumentality of PRC or any political subdivision thereof, any court, tribunal or arbitrator, and any self-regulatory organization;

"Group Company" means the Company and WFOEs collectively.

"HANTING XINGKONG" means Hanting Xingkong Hotel Management (Shanghai) Co., Ltd. (汉庭星空(上海)酒店管理有限公司), a wholly foreign-owned enterprise registered in Shanghai, PRC;

"Law" means any constitutional provision, statute or other law, rule, regulation, official policy or interpretation of any Government Authority and any injunction, judgment, order, ruling, assessment or writ;

"Lien" means any mortgage, pledge, deed of trust, hypothecation, right of others, claim, security interest, encumbrance, burden, title defect, title retention agreement, lease, sublease, license, occupancy agreement, easement, covenant, condition, encroachment, voting trust agreement, interest, option, right of first offer, negotiation or refusal, proxy, lien, charge or other restrictions or limitations of any nature whatsoever, including, but not limited to, such liens as may arise under any contract;

"LISHAN SENBAO" means Lishan Senbao Investment Management (Shanghai) Co., Ltd. (力山森堡 (上海)投资管理有限公司), a wholly foreign-owned enterprise registered in Shanghai, PRC;

"Material Adverse Effect" means any (a) event, occurrence, fact, condition, change, development or effect that is or may be materially adverse to the business, operations, prospects, results of operations, condition (financial or otherwise), properties (including intangible properties), assets (including intangible assets) or liabilities of the Group Company or (b) material impairment of the ability of the Group Company to perform their respective obligations hereunder or under the other Transaction Documents, as applicable;

"Memorandum and Articles" means the amended and restated memorandum of association and the articles of association attached hereto as Exhibit A and Exhibit B, respectively, as adopted by resolution in writing of all Shareholders of the Company;

"Non-disclosure Agreement" means the Non-disclosure and Non-competition and Invention Agreement (保密信息、不竞争、发明协议) to be entered into between the individual Founders and the Company on 1st February, 2007 in substantially the form set out in Schedule G;

"Ordinary shares" means the Company's ordinary shares, with a par value of US$0.0001 per share;

"Person" means any individual, corporation, partnership, limited partnership, proprietorship, association, limited liability company, firm, trust, estate or other enterprise or entity;

"PRC" means the People's Republic of China, but solely for the purposes of this Agreement and other Transaction Documents, excluding the Hong Kong Special Administrative Region, Macau Special Administrative Region and the Islands of Taiwan;

"Qualified IPO" means (i) an underwritten public offering of Ordinary Shares or Ordinary Share equivalents registered under the Securities Act having a gross offering size to the public of at least US$25 million; or (ii) a listing of Ordinary Shares or Ordinary Share equivalents on the Singapore and/or Hong Kong Stock Exchanges, or on any combination of such stock exchanges, accompanied by a public offering of Ordinary Shares or Ordinary Shares equivalent meeting the above size thresholds;

Related Party Transaction(s) shall have the same meaning as in the Securities Act;

"Securities" means shares of share capital, partnership interests, limited liability company interests, warrants, options, bonds, notes, debentures and other equity and debt securities of whatever kind of any Person, whether readily marketable or not;

"Securities Act" or **"Act"** means the U.S. Securities Act of 1933, as amended and interpreted from time to time;

"Shareholders Agreement" means the Shareholders' Agreement to be entered into between the Founders, the Investors and the Company on the date of this Agreement in substantially the form set out in Schedule E;

"Subsidiary(ies)" means any entities, which is directly or indirectly owned by the WFOEs more than 51% of the issued and outstanding share capital or voting interests;

"Transaction Documents" means this Agreement, the Ancillary Agreements, the Memorandum and Articles and Resolutions (as defined in Section 5. 8 below);

"US GAAP" means United States generally accepted accounting principles;

"WFOEs" means the HANTING XINGKONG, LISHAN SENBAO and YIJU collectively; and

"YIJU" mean Yiju Hotel Management (Shanghai) Co., Ltd. (亿居(上海)酒店管理有限公司), a wholly foreign-owned enterprise registered in Shanghai, PRC.

1.2 Save as otherwise expressly stated herein, references to any statute or statutory provision includes a reference to that statute, statutory provision or Listing Rule as from time to time amended, extended or re-enacted.

1.3 In this Agreement, references to:

1. Recitals and Clauses are to the recitals and clauses of this Agreement;
2. the singular includes the plural and vice versa;
3. words importing gender or the neuter include both genders and the neuter; and

4. persons include bodies corporate or unincorporated.

1.4 Headings are for convenience only and shall not affect the interpretation of this Agreement.

2. Purchase and Sale of Shares.

2.1 Sale and Issuance of Ordinary Shares.

(i) Subject to the terms and conditions of this Agreement, at the Completion, each Founder agrees to subscribe for and purchase, and the Company agrees to issue and sell to such Founder, that number of the Company's Ordinary shares, par value US$0.0001 per share, with the rights and privileges as set forth in the Memorandum and Articles, indicated opposite such Founder's name in Schedule B attached hereto, at an aggregate amount of consideration of US$4,400.00 set forth therein (such consideration in the aggregate, the **"Ordinary Price"**).

(ii) The purchase and sale of the Ordinary shares shall take place on a date and at a location to be mutually agreed to by the parties (which time and place are designated as the **"Completion"**) as soon as practicable after all conditions to the Completion under Sections 5 and 6 hereof have been satisfied or waived.

At the Completion:

(a) Party A shall make payment in the amount of US$2,500.00 to the Company by cash, or by other payment methods mutually agreed to between the Company and the Party A;

(b) Party B shall make payment in the amount of US$1,500.00 to the Company by cash, or by other payment methods mutually agreed to between the Company and the Party B; and

(c) Party C shall make payment in the amount of US$400.00 to the Company by cash, or by other payment methods mutually agreed to between the Company and the Party C; and

(d) The Company shall deliver to each Founder certificates representing the Ordinary Shares that such Founder is purchasing pursuant to Section 2.1(i) hereof.

2.2 Sale and Issuance of Series A Preferred Shares.

(i) Subject to the terms and conditions of this Agreement, at the Completion, each Investor agrees to subscribe for and purchase, and the Company agrees to issue and sell to such Investor, that number of the Company's Series A preferred shares, par value US$0.0001 per share, with the rights and privileges as set forth in the Memorandum and Articles (the **"Series A Preferred Shares"**), indicated

opposite such Investor's name in Schedule C attached hereto, at a per share purchase price of US$0.50 for the aggregate amount of consideration set forth therein (such consideration in the aggregate, the **"Series A Price**").

(ii) The purchase and sale of the Series A Preferred Shares shall take place on a date and at a location to be mutually agreed to by the parties (which time and place are designated as the **"Completion"**) as soon as practicable after all conditions to the Completion under Sections 5 and 6 hereof have been satisfied or waived.

At the Completion:

(a) Investors A (as set forth in Schedule C) shall make payment in US$20,000,000 to the Company of the Series A Price, by (i) transfer of 100% of Registered Capital of the HANTING XINGKONG and LISHAN SENBAO, which is representing 100% shares of such companies, and (h)Payment of US$200,000 in cash to the Company, or by other payment methods mutually agreed to between the Company and the Investors;

(b) Investors B (as set forth in Schedule C) shall make payment in US$2,000,000 to the Company of the Series A Price, by transfer 100% of Registered Capital of the YIJU, which is representing 100% shares of YIJU, or by other payment methods mutually agreed to between the Company and the Investors; and

(c) The Company shall deliver to each Investor certificates representing the Series A Preferred Shares that such Investor is purchasing pursuant to Section 2.2(i) hereof.

The Ordinary shares and the Series A shares to be purchased and sold pursuant to this Agreement will be collectively hereinafter referred to as the "Purchased Shares". A Post-money Cap Table is attached to this Agreement as Schedule D.

3. Representations and Warranties of the Company and the Founders. The Company and each of the Founders hereby jointly and severally represents and warrants to the Investors that the statements in this Section 3, are all true, correct and complete. For the purposes of this Section 3, where any statement in the representations and warranties hereunder is expressed to be given or made to a party's best knowledge after due inquiry, or so far as a party is aware, it shall mean that such party has made all reasonable, diligent and prudent inquiries of such party's officers, directors, and other employees reasonably believed to have knowledge of the matter in question, prior to the date of this Agreement and prior to the Completion, in each case according to the context;

3.1 Organization, Good Standing and Qualification. Each Group Company is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation. Each Group Company has all requisite corporate power and authority to carry on its business as now conducted and as proposed to be conducted and is duly qualified to transact business and is in good standing in each jurisdiction in which the failure to so qualify would have a Material Adverse Effect on such entity.

3.2 Capitalization. Immediately following the Completion, the authorized share capital of the Company shall consist of:

(i) 100,000,000 convertible redeemable participating preferred shares, par value US$0.0001 per share, all of which shall have been designated Series A Preferred Shares, of which 44,000,000 shares shall have been issued. The rights, privileges and preferences of the Series A Preferred Shares are as stated in the Memorandum and Articles.

(ii) 100,000,000 Ordinary shares, par value US$0.0001 per share, of which 44,000,000 shares shall be issued and outstanding, 56,000,000 shares shall be reserved for issuance upon the conversion of other shares and at maximum 10,000,000 shares shall be reserved for issuance under the Company's ESOP (as defined in Section 7 hereof). The rights, privileges and preferences of Ordinary shares are as stated in the Memorandum and Articles.

(iii) Except for (a) the conversion privileges of the Series A Preferred Shares and (b) the options issued in accordance with the ESOPs (as defined in Section 7 hereof), there are no outstanding options, securities, warrants, rights (including conversion or preemptive rights and rights of first refusal), proxy or stockholders agreements, or agreements of any kind for the purchase or acquisition from the Company of any of its Equity Securities. Except as set forth in the Transaction Documents, the Company is not a party or subject to any agreement (and to the knowledge of the Company there is no agreement between any Persons) that affects or relates to the voting or giving of written consents with respect to any security of the Company.

3.3 Authorization.

All corporate action on the part of the Company, its officers, directors and Shareholders necessary for the authorization, execution and delivery of this Agreement and each of the Ancillary Agreements, the performance of all obligations of the Company and the Founders hereunder and thereunder, and the authorization, issuance (or reservation for issuance), sale and delivery of the Series A Preferred Shares being sold hereunder has been taken or will be taken prior to the Completion, and this Agreement and each of the Ancillary Agreements to which the Company or any Founder is party constitute the valid and legally binding obligation of the Company and the Founders, enforceable in accordance with their respective terms, except (a) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, and other laws of general application affecting enforcement of creditors' rights generally, and (b) as limited by laws relating to the availability of specific performance, injunctive relief, or other equitable remedies. The issuance of Series A Preferred Shares pursuant to this Agreement is not subject to any preemptive rights or rights of first refusal, or if any such preemptive rights or rights of first refusal exist, waiver of such rights has been obtained from the holders thereof.

3.4 Valid Issuance of Shares.

(i) The Series A Preferred Shares, when issued and delivered in accordance with the terms of this Agreement for the consideration expressed herein, will be duly and validly issued, credited as fully paid and non-assessable, and will be

free of restrictions on transfer (except for any restrictions on transfer set forth in this Agreement or any Ancillary Agreements).

(ii) All presently outstanding Ordinary shares of the Company are duly and validly issued, credited as fully paid and non-assessable, and such shares have been issued in full compliance with the requirements of all applicable securities Laws and regulations, including to the extent applicable, the Securities Act and all other antifraud and other provisions of applicable securities Laws and regulations.

3.5 Governmental Consents. No consent, approval, order or authorization of, or registration, qualification, designation, declaration or filing with, any Governmental Authority on the part of the Company is required in connection with the consummation of the transactions contemplated by this Agreement or the Ancillary Agreement.

3.6 Offering. Subject in part to the truth and accuracy of the Investors' representations set forth in Section 4 of this Agreement, the offer, sale and issuance of the Series A Preferred Shares, as contemplated by this Agreement, are exempt from the registration and prospectus delivery requirements of the Securities Act and any applicable securities Laws, and neither the Company nor any authorized agent acting on its behalf has taken or will take any action that would cause the loss of such exemption.

3.7 Books and Records. All accounts, ledgers, material files, documents, instruments, papers, books and records relating to the business, operations, conditions (financial or other) of the Company, results of operations, and assets and properties of the Company (collectively, the **"Books and Records"**), each as supplied to the Investors, are true, correct, complete and current in all material respects, there are no material inaccuracies or discrepancies of any kind contained or reflected therein, and they have been maintained in accordance with relevant legal requirements and high industry standards, including the maintenance of an adequate system of internal controls. The minute books of the Company, as made available to the Investors and their representatives, contain complete and accurate records of all meetings of and corporate actions or written consents by the Shareholders and the boards of directors of the Company, and, to the extent that such minute books are deficient, all material information not contained in such minutes has been conveyed to the Investors in other written form.

3.8 Tax Matters. The provisions for taxes in the respective financial statements of each of the Company is sufficient for the payment of all accrued and unpaid applicable taxes of the Company, whether or not assessed or disputed as of the date of each such balance sheet. There have been no extraordinary examinations or audits of any tax returns or reports by any applicable governmental agency. The Company has filed or caused to be filed on a timely basis all tax returns that are or were required to be filed, and have paid, or made provision for the payment of, all taxes that have become due. There are in effect no waivers of applicable statutes of limitations with respect to taxes for any year.

3.9 Litigation. There is (i) no action, suit, proceeding and (ii) to the best knowledge of the Company and the Founders, each after due inquiry, no investigation against the Company are any of the foregoing Persons aware of any facts which are or would be likely to give rise to any such action, suit proceeding or investigation. To the best knowledge of the Company and the Founders, each after due inquiry, there is no action, suit, proceeding or investigation against any employee, officer or director of the Company in connection with their respective relationship with such entity, as the case may be, in any case pending or

threatened. There is no judgment, decree, or order of any court or Governmental Authority in effect and binding on any of the Company. There is no action, suit, proceeding, or investigation by the Company currently pending or which the Company intends to initiate.

3.10 Liabilities. Except as disclosed, the Company do not have any liabilities of any nature, whether accrued, absolute, contingent or otherwise, and whether due or to become due, except for trade or business obligations and liabilities incurred in the ordinary course of business, which trade or business obligations and liabilities do not exceed US$10,000,000 in the aggregate.

3.11 Compliance with Laws.

(i) The Company is, and at all times have been, in full compliance with any Laws or regulations that are applicable to them or to the conduct or operation of their business or the ownership or use of any of their assets, except for such non-compliance by the Company that, in the aggregate, would not result in any Material Adverse Effect on the Company.

(ii) No event has occurred and no circumstance exists that (with or without notice or lapse of time) (a) may constitute or result in a violation by the Company of, or a failure on the part of the Company to comply with, any Law or regulation, or (b) may give rise to any obligation on the part of the Company to undertake, or to bear all or any portion of the cost of, any remedial action of any nature, except for such violations or failures by the Company that, in the aggregate, would not result in any Material Adverse Effect on the Company.

(iii) The Company has not received any notice or other communication (whether oral or written) from any governmental or regulatory body regarding (a) any actual, alleged, possible, or potential violation of, or failure to comply with, any Law, or (b) any actual, alleged, possible, or potential obligation on the part of the Company, to undertake, or to bear all or any portion of the cost of, any remedial action of any nature.

(iv) None of the Company or any Founder has directly or indirectly (a) made any contribution, gift, bribe, payoff, influence payment, kickback, or any other fraudulent payment in any form, whether in money, property, or services to any Foreign Official or otherwise (A) to obtain favorable treatment in securing business for the Company (B) to pay for favorable treatment for business secured, (C) to obtain special concessions or for special concessions already obtained, for or in respect of the Company, or (D) in violation of any Law, including without limitation the United States Foreign Corrupt Practices Act, or (b) established or maintained any fund or assets in which the Company shall have proprietary rights that have not been recorded in the Books and Records of the Company.

3.12 Title; Liens; Permits.

(i) The Company has good and marketable title to all the properties and assets, whether real, personal, or mixed and whether tangible or intangible, reflected as owned in the Books and Records of the Company. With respect to the property and assets it leases, the Company is in compliance with such leases and holds a valid leasehold interest free of any material Liens, claims or encumbrances. The Company

owns or leases all properties and assets necessary to conduct its business and operations as presently conducted.

(ii) All properties and assets reflected in the Books and Records of the Company are free and clear of all materials Liens and encumbrances and are not, in the case of real property, subject to any rights of way, building use restrictions, exceptions, variances, reservations, or limitations of any nature.

(iii) The Company has all material franchises, authorizations, approvals, permits, certificates and licenses **("Permits")** necessary for its respective business and operations as now conducted and as now proposed to be conducted.

3.13 Subsidiaries. The Company does not own or Control, directly or indirectly, any interest in any other corporation, partnership, trust, joint venture, association or other entity at the time immediately prior to the Completion.

3.14 Registration Rights. Except as provided in the Shareholders Agreement, the Company has not granted or agreed to grant any person or entity any registration rights (including piggyback registration rights) with respect to any of their securities.

3.15 Labor Agreements and Actions. The employment of each officer and employee of the Company is terminable at the will of such Person, as the case may be, without the payment of any severance or other benefits on the part of such Person to such officer or employee. The Company is not a party to or bound by any currently effective employment contract, deferred compensation agreement, bonus plan, incentive plan, profit sharing plan, retirement agreement or other employee compensation agreement. To each of the Founders' and the Company's best knowledge after due inquiry, the Company has complied in all material respects with all applicable Laws related to employment, and none of such Persons is aware that it has any labor relations problems (including without limitation, any union organization activities, threatened or actual strikes or work stoppages or material grievances). The Company is not bound by or subject to (and none of its assets or properties is bound by or subject to) any written or oral, express or implied, contract, commitment or arrangement with any labor union.

3.16 Material Contracts and Obligations. All agreements, contracts, leases, licenses, instruments, commitments (oral or written), indebtedness, liabilities and other obligations to which each the Company is a party or by which it is bound that (i) are material to the conduct and operations of its business and properties, (ii) involve any of the officers, consultants, directors, employees or shareholders of the Company; or (iii) obligate the Company to share, license or develop any product or technology and have been made available for inspection by the Investors. "Material" shall mean (i) having an aggregate value, cost or amount, or imposing liability or contingent liability on the Company, in excess of US$1,000,000 or that extend for more than one year beyond the date of this Agreement, (ii) not terminable upon thirty (30) days notice without incurring any penalty or obligation, (iii) containing exclusivity, non-competition, or similar clauses that impair, restrict or impose conditions on the Company's right to offer or sell products or services in specified areas, during specified periods, or otherwise, (iv) not in the ordinary course of business, (v) transferring or licensing any assets to or from the Company, or (vi) an agreement whose termination would be reasonably likely to have a Material Adverse Effect.

3.17 Compliance with Other Instruments and Agreements. Neither of the Company is in, nor shall the conduct of its business as currently or proposed to be conducted result in, violation, breach or default of any term of its constitutional documents of the Company which may include, as applicable, memoranda and articles of association, by-laws, (the "Constitutional Documents"), or in any material respect of any term or provision of any mortgage, indenture, contract, agreement or instrument to which the Company is a party or by which it may be bound, (the "Company Contracts") or of any provision of any judgment, decree, order, statute, rule or regulation applicable to or binding upon the Company. None of the activities, agreements, commitments or rights of the Company is ultra vires or unauthorized. The execution, delivery and performance of and compliance with this Agreement, any Ancillary Agreement and the consummation of the transactions contemplated hereby and thereby will not result in any such violation, breach or default, or be in conflict with or constitute, with or without the passage of time or the giving of notice or both, either a default under the Constitutional Documents or the Company Contracts.

3.18 Disclosure. The Company, and each of the Founders has fully provided the Investors with all the information that the Investors have reasonably requested for deciding whether to purchase the Purchased Shares and all information that the Company, and each of the Founders believes is reasonably necessary to enable the Investor to make such decision. No representation or warranty by the Company and the Founders, in this Agreement and no information or materials provided by the Company, and the Founders to the Investors in connection with the negotiation or execution of this Agreement or any agreement contemplated hereby contains or will contain any untrue statement of a material fact, or omits or will omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances in which they are made, not misleading.

3.19 Exempt Offering. The offer and sale of the Purchased Shares pursuant to this Agreement are exempt from the registration requirements of the Act and from the registration or qualification requirements of any other applicable securities laws and regulations.

3.20 Financial Advisor Fees. There exists no agreement or understanding between the Company or any of its affiliates and any investment bank or other financial advisor under which the Company may owe any brokerage, placement or other fees relating to the offer or sale of the Purchased Shares.

3.21 No Contravention. Each Founder's execution, delivery and performance of his obligations under this Agreement and the Shareholders Agreement shall not:

(a) contravene, violate, conflict with nor result in any breach of any of his/her obligations to any person (including without limitation, under any contract, security document, undertaking, agreement, instrument or otherwise) nor any order or decree directly or indirectly relating to him; nor

(b) contravene, violate nor result in any breach of any laws or regulations applicable to him/her.

4. Representations and Warranties of the Investors. Each Investor, severally and not jointly with any other Investor, hereby represents and warrants to the Company that:

4.1 Status. Each Investor is an entity duly organized, validly existing and in good standing under the Laws of the jurisdiction of its formation.

4.2 Authorization. Each Investor has full power and authority to enter into this Agreement and each of the Ancillary Agreements, and this Agreement and each of the Ancillary Agreements, when executed and delivered by the Investors, will constitute valid and legally binding obligations of such Investor, enforceable against it in accordance with their respective terms except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, and other Laws of general application affecting enforcement of creditors' rights generally, and (ii) as limited by Laws relating to the availability of specific performance, injunctive relief, or other equitable remedies.

4.3 Purchase for Own Account. The securities to be received by each Investor will be acquired for investment purposes for such Investor's own account, not as a nominee or agent, and not with a view to the resale or distribution of any part thereof, and such Investor has no present intention of selling, granting any participation in, or otherwise distributing the same. By executing this Agreement, such Investor further represents that it does not have any contract, undertaking, agreement or arrangement with any person to sell, transfer or grant participations to such person or to any third person, with respect to any of the securities.

4.4 Investment Experience. Each Investor is an investor in securities of companies in the development stage and acknowledges that it is able to bear the economic risk of its investment and has such knowledge and experience in financial or business matters that it is capable of evaluating the merits and risks of the investment in the securities.

4.5 Exempt from Registration; Restricted Securities. Such Investor understands that the Purchased Shares will not be registered under the Act or registered or listed publicly pursuant to any other applicable securities laws and regulations, on the ground that the sale provided for in this Agreement is exempt from registration under the Act or the registration or listing requirements of any other applicable securities laws and regulations, and that the reliance of the Company on such exemption is predicated in part on such Investor's representations set forth in this Agreement. Such Investor understands that the Purchased Shares are restricted securities within the meaning of Rule 144 under the Act; that the Purchased Shares are not registered or listed publicly and must be held indefinitely unless they are subsequently registered or listed publicly or an exemption from such registration or listing is available.

4.6 Disclosure of Information. Each Investor and its advisors have been furnished with all materials relating to the business, finances and operations of the Company which have been requested by such Investor or its advisors. Such Investor and its advisors have been afforded the opportunity to ask questions of representatives of the Company and have received answers to such questions, as such Investor deems necessary in connection with its decision to subscribe for the Series A Preferred Shares. Notwithstanding the foregoing, each party acknowledges and agrees that the foregoing shall not in any way limit, reduce or affect the representations and warranties provided by the Company and the Founders in this Agreement.

4.7 Legends. Each Investor understands that the certificates evidencing the securities issued pursuant to this Agreement may bear the following legend:

"THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THEY MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE

ABSENCE OF A REGISTRATION STATEMENT IN EFFECT WITH RESPECT TO THE SECURITIES UNDER SUCH ACT OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED OR UNLESS SOLD PURSUANT TO RULE 144 OF SUCH ACT."

5. Conditions of the Investors' Obligations at Completion. The obligations of the Investors under Section 2.1 of this Agreement, unless otherwise waived in writing by the Investors, are subject to the fulfillment on or before the Completion of each of the following conditions:

5.1 Representations and Warranties. The representations and warranties of the Company and the Founders contained in Section 3 shall be true, correct and complete when made, and shall be true, correct and complete on and as of the Completion with the same effect as though such representations and warranties had been made on and as of the date of such Completion.

5.2 Performance. Each of the Company and the Founders shall have performed and complied with all agreements, obligations and conditions contained in this Agreement that are required to be performed or complied with by it on or before the Completion.

5.3 Authorizations. Each of the Company and the Founders shall have obtained all authorizations, approvals, waivers or permits of any Person, Governmental Authority or other regulatory body necessary for the consummation of all of the transactions contemplated by this Agreement and other Transaction Documents, including without limitation any authorizations, approvals, waivers or permits that are required in connection with the lawful issuance of the Series A Preferred Shares pursuant to this Agreement, and all such authorizations, approvals, waivers and permits shall be effective as of the Completion.

5.4 Completion Certificate. The chief executive officer of the Company shall have executed and delivered to each Investor at the Completion a certificate (i) stating that the conditions specified in Sections 5.1, 5.2 and 5.3 hereto have been fulfilled, and (ii) attaching thereto (A) the Memorandum and Articles as then in effect, (B) copies of all resolutions approved by the Company's shareholders and board of directors related to the transactions contemplated hereby, and (C) good standing certificates with respect to the Company from the applicable authority(ies) in the Cayman Islands.

5.5 Proceedings and Documents. All corporate and other proceedings in connection with the transactions contemplated at the Completion and all documents incident thereto shall be reasonably satisfactory in form and substance to the Investors, and the Investors shall have received (i) all such counterpart original or other copies of such documents as they may reasonably request, and (ii) a certificate executed by a director of the Company on behalf of the Company, certifying the validity of all such counterpart original or other copies of such documents as such the Investors may reasonably request.

5.6 Securities Laws. The offer and sale of the Series A Shares to the Investors pursuant to this Agreement shall be exempt from the registration and/or qualification requirements of all applicable securities laws.

5.6 Memorandum and Articles. The Memorandum and Articles shall have been duly amended by all necessary action of the Board of Directors and/or the Shareholders of the Company, as set forth in the forms attached hereto as Exhibit A and Exhibit B, respectively.

5.7 Shareholders Agreement. The Company and the Founders shall have entered into Shareholders Agreement in the form attached hereto as Schedule E, and such agreement shall be in full force and effect.

5.8 Resolutions. The Company's existing shareholder shall have unanimously adopted the written resolutions attached hereto as Exhibit C (the **"Resolutions").**

5.9 No Litigation. No action, suit, proceeding, claim, arbitration or investigation shall have been threatened or instituted prior to the Completion against any of the Founders and the Company or the Investors, seeking to enjoin, challenge the validity of, or assert any liability against any of them on account of, any transactions contemplated by this Agreement or any other Transaction Documents.

5.10 Employment Agreement. All the founders shall have entered into Employment Agreement in the form attached hereto as Schedule F, and such agreements shall be in full force and effect.

6. Conditions of the Company's Obligations at Completion. The obligations of the Company to the Investors under this Agreement are subject to the fulfillment on or before the Completion of each of the following conditions by the Investors:

6.1 Representations and Warranties. The representations and warranties of the Investors contained in Section 4 shall be true, correct and complete when made, and shall be true, correct and complete on and as of the Completion with the same effect as though such representations and warranties had been made on and as of the Completion.

6.2 Payment of Purchase Price. The Investors shall have paid the Series A Price for the Series A Preferred Shares as contemplated in Section 2.2(i) hereof as contemplated in Section 2.2(ii).

7. Post-Completion Covenants. Each of the Company and the Founders hereby agrees and covenants that it shall take all action necessary to effectuate the covenants set forth in this Section 7.

7.1 Stock Options.

(i) **Employee Stock Option Plan.**

(a) Upon Completion, and upon the Completion of any private equity financing of the Company following the issuance and sale of the Series A Preferred Shares hereunder, the Company may reserved at maximum 10,000,000 Ordinary shares (the **"ESOP Reserved Shares")** for issuance to its employees, officers, directors, consultants or other service providers (collectively, the **"Qualified Employees"),** pursuant to option plans, agreements, arrangements and allocations, in each case as approved by the Board of Directors, including the directors elected by the Investors (any such plan, an **"ESOP").**

(b) The exercise price of the ESOP Reserved Shares shall be determined by the Board of Director of the Company.

(c) Any allocation for ESOP Reserved Shares shall be approved by the Board of Directors, including the directors elected by the Investors.

(ii) **Vesting.** Unless otherwise unanimously approved by the Board of Directors, the schedule of issuance of all stock or options to the Qualified Employees shall be set in the ESOP plan.

7.2 Qualified IPO. Each of the Company and the Founders shall use their best efforts to effectuate the Completion of a Qualified IPO prior to the third anniversary of the date of the Completion. In the event of an underwritten public offering of the Company's securities, each of the Company and each of such Persons agree to take all steps consistent with all legal requirements in order to minimize any restrictions on the transfer of any Series A Preferred Shares held by the Investors.

7.3 Founders Shares Lock-up. Any Ordinary Shares directly or indirectly held by the Founders or its beneficial owners shall not be transferable except as provided in the Shareholders Agreement.

7.4 Founders' Shares Vesting. Any Ordinary Shares issued to the Founders or its beneficial owners shall be vested according to the schedule set forth in the Employment Agreement.

7.5 Use of Proceeds. The Company shall use the proceeds from the Series A financing contemplated under this Agreement for the following use:

- business expansion, and
- working capital.

7.6 Non-competition.

(a) Each Founder shall not at any time during his employment with the Company and for forty-eight (48) months thereafter (the **"Restricted Period")** have any ownership interest (of record or beneficial) in or have any interest as an employee, consultant, officer or director in, or otherwise aid or assist in any manner, any person other than the Group Company that engages in the Principal Business or any business similar to the Principal Business or any business that would reasonably be expected to prevent such Founders from participating as full-time employees of the Company; provided, however, that (i) each Founder may keep directly or indirectly, solely as an investment, the securities of any person which are publicly traded on any national or regional securities exchange if such Founder is not a controlling person of, or a member of a group which controls, such person, and such securities was obtained and disclosed by such Founder before the execution day of this Agreement; or (ii) each Founder may own directly or indirectly, solely as an investment, up to 1% of the securities of any person which are publicly traded on any national or regional securities exchange if such Founder is not a controlling person of, or a member of a group which controls, such person.

(b) During the Restricted Period, each Founder shall not solicit or assist any other person to solicit any business (other than for the Group Company) from any present or past customer of the Group Company; or request or advise any present or future customer of the Group Company to withdraw, curtail or cancel its business dealings with the Group Company; or commit any other act or assist others to commit any other act which might adversely affect the business of the Group Company.

(c) During the Restricted Period, each Founder shall not directly or indirectly, (i) solicit or encourage any employee of the Group Company to leave the employ of the Group Company; (b) cause the hiring of any employee of the Group Company by any other person if such hiring is proposed to occur within twelve (12) months after the termination of such employee's employment with the Group Company; or (c) solicit or encourage any consultant then under contract with the Group Company to cease work for the Group Company.

8. Post-Completion to Do List

The Company shall, within thirty (30) days after the Completion, complete the following:

(a) Register of Members. The Founders and Investors shall have received copies of the Company's register of members, certified by a director of the Company as true and complete as of the date of the Completion, updated to show such Founders and Investors as the holders of the respective number of shares of the Company issued pursuant to this Agreement.

(b) Register of Directors. The Founders and Investors shall have received copies of the Company's register of directors, certified by a director of the Company as true and complete as of the date of the Completion, updated to show such nominees of the Founders and Investors has been valid appointed as directors of the Company.

9. Termination.

Each party hereto shall use its best endeavors to fulfill or procure the fulfillment of the conditions specified in Section 5 and Section 6 ("Conditions Precedent") relating to it/him on or before the date of Completion. If any of the Conditions Precedent relating to any Party hereto is not fulfilled or waived in writing by the other Parties so entitled to do so in accordance with the foregoing provisions of this Section on or before 1st May, 2007, then unless the other Parties hereto agree otherwise in writing, this Agreement shall forthwith cease to have further effect and be null and void and no party hereto shall have any obligation or liability to or any claim or demand against any other parties hereto under this Agreement, except for any antecedent obligations and liabilities and except for any failure to use its best endeavors to fulfill or procure the fulfillment of the Conditions Precedent relating to it/him as aforesaid.

10. Confidentiality.

10.1 Disclosure of Terms. The terms and conditions of this Agreement, any term sheet or memorandum of understanding entered into pursuant to the transactions contemplated hereby, all exhibits and schedules attached hereto and thereto, and the transactions contemplated hereby and thereby (collectively, the **"Financing Terms"),** including their existence, shall be considered confidential information and shall not be disclosed by any party hereto to any third party except as permitted in accordance with the provisions set forth below.

10.2 Permitted Disclosures. Notwithstanding the foregoing, the Company may, after the Completion, disclose the existence of the investment and the identity of the Investors solely to its current or bona fide prospective investors, employees, investment bankers, lenders, accountants, legal counsels and business partners, in each case only where such persons or entities are under appropriate nondisclosure obligations substantially similar to those set forth in this Section 10. The Investors shall be entitled to disclose their respective investments in the Company and the terms thereof to third parties or to the public.

10.3 Legally Compelled Disclosure. In the event that any party is requested or becomes legally compelled (including without limitation, pursuant to securities Laws and regulations) to disclose the existence of this Agreement or content of any of the Financing Terms in contravention of the provisions of this Section 10, such party (the **"Dis-Completion Party")** shall provide the other parties hereto with prompt written notice of that fact and shall consult with the other parties hereto regarding such disclosure. The Dis-Completion Party shall, to the extent possible and with the cooperation and reasonable efforts of the other parties, seek a protective order, confidential treatment or other appropriate remedy. In such event, the Dis-Completion Party shall furnish only that portion of the information which is legally required and shall exercise reasonable efforts to obtain reliable assurance that confidential treatment will be accorded such information.

10.4 Other Exceptions. Notwithstanding any other provision of this Section 10, the confidentiality obligations of the parties shall not apply to: (a) information which a restricted party learns from a third party having the right to make the disclosure, provided the restricted party complies with any restrictions imposed by the third party; (b) information which is rightfully in the restricted party's possession prior to the time of disclosure by the protected party and not acquired by the restricted party under a confidentiality obligation; or (c) information which enters the public domain without breach of confidentiality by the restricted party.

10.5 Press Releases, Etc. No announcements regarding the Investors' investment in the Company may be made by any party hereof in any press conference, professional or trade publication, marketing materials or otherwise to the general public without the prior written consent of the Investors.

10.6 Other Information. The provisions of this Section 10 shall be in addition to, and not in substitution for, the provisions of any separate nondisclosure agreement executed by any of the parties hereto with respect to the transactions contemplated hereby.

10.7 Notices. All notices required under this Section 10 shall be made pursuant to Section 11.6 of this Agreement.

11. Miscellaneous.

11.1 Survival of Warranties. The warranties, representations and covenants of the Company and the Investors contained in or made pursuant to this Agreement shall survive the execution and delivery of this Agreement and the Completion, and shall in no way be affected by any investigation of the subject matter thereof made by or on behalf of any of the Investors or the Company.

11.2 Indemnity. The Company agrees to indemnify and hold harmless the Investors, and the Investors' directors, officers, employees, affiliates, agents and assigns (each, an **"Indemnitee"),** against any and all Indemnifiable Losses to such Indemnitee, directly or indirectly, as a result of, or based upon or arising from any inaccuracy in or breach of nonperformance of any of the representations, warranties, covenants or agreements made by the Company in or pursuant to this Agreement. For purposes of this Section 11.2, **"Indemnifiable Loss"** means, with respect to any Indemnitee, any action, cost, damage, disbursement, expense, liability, loss, deficiency, diminution in value, obligation, penalty or settlement of any kind or nature, whether foreseeable or unforeseeable, including, but not limited to, (i) interest or other carrying costs, penalties, legal, accounting and other professional fees and expenses reasonably incurred in the investigation, collection, prosecution and defense of claims and amounts paid in settlement, that may be imposed on or otherwise incurred or suffered by such Indemnitee and (ii) any taxes that may be payable by such Indemnitee as a result of the indemnification of any Indemnifiable Loss hereunder.

11.3 Successors and Assigns. Except as otherwise provided herein, the terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties hereto whose rights or obligations hereunder are affected by such terms and conditions. This Agreement, and the rights and obligations herein may be assigned by the Investors to any affiliate of the Investors, but not to any other person without the prior written consent of the Company. Except as otherwise provided herein and in the Ancillary Agreements, no Founder may assign any of his or her rights or delegate any of his or her obligations under this Agreement without the prior written consent of the Investors. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

11.4 Governing Law and Dispute Resolution. This Agreement shall be construed and governed by the laws of the People's Republic of China. Any dispute or difference arising out of or in connection with this Agreement shall be referred to and determined by arbitration at China International Economic and Trade Arbitration Commission in accordance with its applicable Arbitration Rules if the dispute cannot be settled through amicable consultation. The arbitration shall be conducted in Shanghai, and the language used in arbitration shall be Chinese. The arbitration award shall be final and binding on the Parties.

11.5 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

11.6 Notices. Unless otherwise provided, any notice required or permitted under this Agreement shall be given in writing and shall be deemed effectively given upon personal delivery to the party to be notified or on the 10th day after the date mailed, by registered or

certified mail, postage prepaid and addressed to the party to be notified at the address indicated for such party on the signature page hereof, or at such other address as such party may designate by ten (10) days' advance written notice to the other parties, or on the first business day following the date of transmission by facsimile.

11.7 Administrative Fees and Other Expenses. The Company shall pay all costs and expenses incurred in connection with the negotiation, execution, delivery and performance of this Agreement and other Transaction Documents and the transactions contemplated hereby and thereby.

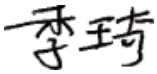
11.8 Amendments and Waivers. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and the Investors. Any amendment or waiver effected in accordance with this paragraph shall be binding upon each holder of any securities purchased under this Agreement at the time outstanding (including securities into which such securities are convertible), each future holder of all such securities, and the Company.

11.9 Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable Law, such provision shall be excluded from this Agreement and the balance of the Agreement shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms.

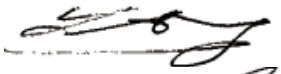
11.10 Entire Agreement. This Agreement and the documents referred to herein, together with all schedules and exhibits hereto and thereto, constitute the entire agreement among the parties and no party shall be liable or bound to any other party in any manner by any warranties, representations, or covenants except as specifically set forth herein or therein; provided, however, that nothing in this Agreement or any Ancillary Agreement shall be deemed to terminate or supersede the provisions of any confidentiality and nondisclosure agreements executed by the parties hereto prior to the date of this Agreement, all of which agreements shall continue in full force and effect until terminated in accordance with their respective terms.

[*The remainder of this page has been left intentionally blank*]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

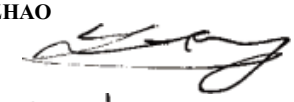
SIGNED by )

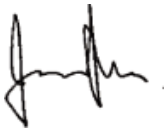
for and on behalf of **WINNER**)
CROWN HOLDINGS LIMITED)

in the presence of:- )

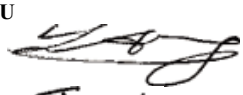
SIGNED by )

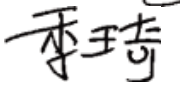
MS. TONG TONG ZHAO)

in the presence of:- )

SIGNED by )

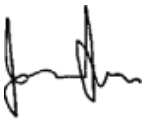
MR. JOHN JIONG WU)

in the presence of:- )

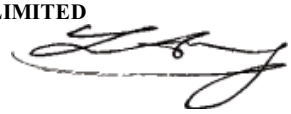
SIGNED by )

for and on behalf of **POWERHILLS**)
HOLDING LIMITED)

in the presence of:- )

SIGNED by )

for and on behalf of **CHINA**)
LODGING GROUP LIMITED)

in the presence of:- )

SCHEDULE A

PARTICULARS OF THE COMPANY

Date and Place of Incorporation	:	January 4th 2007, Cayman Islands
Authorised Share Capital	:	20,000 divided into 200,000,000 Shares
Issued Share Capital	:	1 share
Registered office	:	the office of Offshore Incorporations (Cayman) Limited, Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands
Shareholders	:	Mr. John Jiong WU (as to 1 Share)
Directors	:	Mr. John Jiong WU

SCHEDULE B

FOUNDERS

Founder(s)	Ordinary Shares Subscribed	Consideration for Ordinary Shares (US$)
Winner Crown Holdings Limited	25,000,000	2,500.00
Ms. Tong Tong ZHAO	15,000,000	1,500.00
Mr. John Jiong WU	3,999,999	400.00
Total	43,999,999	4,400.00

SCHEDULE C

INVESTORS

Investor(s)	Identification	Address	Series A Preferred Shares Subscribed	Consideration for Series A Shares (US$)
Powerhill Holding Limited (refer to as Investor A)	Company No. 571975	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	40,000,000	20,000,000
Mr. John Jiong WU (refer to as Investor B)	United States passport No. 302014663	774 Mays Blvd. #Ste 10 – 337, Incline Village, NV 89452, USA	4,000,000	2,000,000
Total			44,000,000	22,000,000

SCHEDULE D

POST-MONEY CAP TABLE

Name of Shareholders	Ordinary Shares	Series A Shares	Remarks
WINNER CROWN HOLDINGS LIMITED	25,000,000	NIL	N/A
MS. TONG TONG ZHAO	15,000,000	NIL	N/A
MR. JOHN JIONG WU	4,000,000	4,000,000	N/A
POWERHILLS HOLDING LIMITED	NIL	40,000,000	20,000,000 Series A Shares is held on behalf of Mr. Qi JI and 20,000,000 Series A Shares is held on behalf of Ms. Tong Tong ZHAO
Total	44,000,000	44,000,000	N/A

SCHEDULE E

SHAREHOLDERS AGREEMENT

SCHEDULE F

EMPLOYMENT AGREEMENT

SCHEDULE G

NON-DISCLOSURE AND NON-COMPETITION AND INVENTION AGREEMENT
(保密信息、不竞争、发明协议)

LIST OF EXHIBITS

Exhibit A	AMENDED AND RESTATED MEMORANDUM OF ASSOCIATION
Exhibit B	AMENDED AND RESTATED ARTICLES OF ASSOCIATION
Exhibit C	RESOLUTIONS

EXHIBIT A
AMENDED AND RESTATED MEMORANDUM OF ASSOCIATION

EXHIBIT B
AMENDED AND RESTATED ARTICLES OF ASSOCIATION

EXHIBIT C

RESOLUTIONS

Exhibit 4.5

Execution Copy

Dated April 18th, 2007

WINNER CROWN HOLDINGS LIMITED
("Party A")

and

MS. TONG TONG ZHAO
("Party B")

and

MR. JOHN JIONG WU
("Party C")

and

INVESTORS
("Party D")

and

CHINA LODGING GROUP, LIMITED
("Company")

SUPPLEMENTAL AGREEMENT

of

ORDINARY SHARE AND SERIES A PREFERRED SHARE PURCHASE AGREEMENT

Relating to

CHINA LODGING GROUP, LIMITED

Execution Copy

THIS **SUPPLEMENTAL AGREEMENT** (this "Agreement") is made and entered into as of April 18th, 2007 by and between:

1. **WINNER CROWN HOLDINGS LIMITED**, a company incorporated in the British Virgin Islands under company No. 618532 having its registered office at Akara Bldg., 24 De Castro Street, Wickhams Cay I, Road Town, Tortola, British Virgin Islands ("Party A");

2. **MS. TONG TONG ZHAO,** (Canadian passport number: JW698597), 5-22C, 118 Ziyun Road, Shanghai, 200051, P.R.China ("Party B");

3. **MR. JOHN JIONG WU**, (United States passport number: 302014663), 774 Mays Blvd. #Ste 10 — 337, Incline Village, NV 89452, USA ("Party C");

4. **MR. QI JI,** (PRC passport number: G11395585), B1-1102, Haitian Garden, 1481 Huqingping Road, Shanghai, 201702, P.R.China;

5. **Each of the holder of the Series A Preferred Shares (persons or entities) listed on Schedule A hereto** (collectively "Investors" and each the "Investor")

6. **CHINA LODGING GROUP, LIMITED**, a company incorporated in Cayman Islands under company No. 179930 having its registered office at the office of Offshore Incorporations (Cayman) Limited, Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands("the Company").

WHEREAS:

A. All parties have entered into an Ordinary Share and Series A Preferred Share Purchase Agreement ("the SPA") dated February 4th 2007;

B. In the section 9 ("the Section") of the SPA, all parties agreed that unless all the conditions precedent set out in section 5 and section 6 of the SPA is fulfilled or waived on or before 1st May, 2007, the SPA shall be terminated on 1st May, 2007;

C. All parties agreed to enter into this Agreement to modify the Section .

WITNESSETH

THE PARTIES HEREBY AGREE AS FOLLOWS:

1. Definitions and Interpretation

Unless otherwise stated in this Agreement, terms defined in the SPA shall have the same meanings when used herein.

2. Modification of the Section

All Parties agreed to modify the Section as following:

Each party hereto shall use its best endeavors to fulfill or procure the fulfillment of the conditions specified in Section 5 and Section 6 ("Conditions Precedent") relating to it/him on or before the date of Completion. If any of the Conditions Precedent relating to any Party hereto is not fulfilled or waived in writing by the other Parties so entitled to do so in accordance with the foregoing provisions of this Section on or before 1st July, 2007, then unless the other Parties hereto agree otherwise in writing, this Agreement shall forthwith cease to have further effect and be null and void and no party hereto shall have any obligation or liability to or any claim or demand against any other parties hereto under this Agreement, except for any antecedent obligations and liabilities and except for any failure to use its best endeavors to fulfill or procure the fulfillment of the Conditions Precedent relating to it/him as aforesaid

3. Governing Law and Dispute Resolution.

This Agreement shall be construed and governed by the laws of the People's Republic of China. Any dispute or difference arising out of or in connection with this Agreement shall be referred to and determined by arbitration at China International Economic and Trade Arbitration Commission in accordance with its applicable Arbitration Rules if the dispute cannot be settled through amicable consultation. The arbitration shall be conducted in Shanghai, and the language used in arbitration shall be Chinese. The arbitration award shall be final and binding on the Parties.

4. Counterparts.

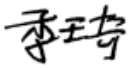
This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

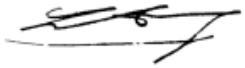
5. Entire Agreement.

This Agreement constitutes the entire agreement and understanding between the parties and, unless express stated herein otherwise, supersedes all previous proposals, representations, warranties, agreements or undertakings relating thereto, whether oral, written or otherwise.

[*The remainder of this page has been left intentionally blank*]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

SIGNED by )

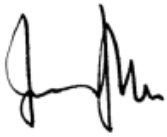
for and on behalf of **WINNER**)
CROWN HOLDINGS LIMITED)
in the presence of:- )

)

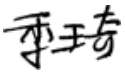
SIGNED by 

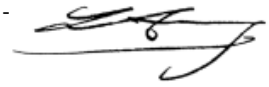
MS. TONG TONG ZHAO)
in the presence of:- )

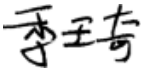
)

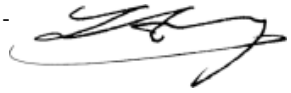
SIGNED by 

MR. JOHN JIONG WU)
in the presence of:- )

SIGNED by )

for and on behalf of **POWERHILLS**)
HOLDING LIMITED)
in the presence of:- )

SIGNED by )

for and on behalf of **CHINA**)
LODGING GROUP LIMITED)
in the presence of:- )

SCHEDULE A

INVESTORS

Investor(s)	Identification	Address	Series A Preferred Shares Subscribed
Powerhill Holding Limited	Company No. 571975	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	40,000,000
Mr. John Jiong WU	United States passport No. 302014663	774 Mays Blvd. #Ste 10 — 337, Incline Village, NV 89452, USA	4,000,000
		Total	44,000,000

Exhibit 4.6

Execution Copy

Dated February 4th, 2007

WINNER CROWN HOLDINGS LIMITED
("Party A")

and

MS. TONGTONG ZHAO
("Party B")

and

MR. JOHN JIONG WU
("Party C")

and

INVESTORS
("Party D")

and

CHINA LODGING GROUP, LIMITED
("Company")

SHAREHOLDERS AGREEMENT
Relating to
CHINA LODGING GROUP, LIMITED

Shareholders Agreement

This Shareholders Agreement (this "Agreement") is made and entered into as of February 4th 2007 by and among:

1. **WINNER CROWN HOLDINGS LIMITED**, a company incorporated in British Virgin Islands under company No. 618532 having its registered office at Akara Bldg., 24 De Castro Street, Wickhams Cay I, Road Town, Tortola, British Virgin Islands ("Party A");

2. **MS. TONG TONG ZHAO**, (Canadian passport number: JW698597), 5-22C, 118 Ziyun Road, Shanghai, 200051, P.R.China ("Party B");

3. **MR. JOHN JIONG WU**, (United States passport number: 302014663), 774 Mays Blvd. #Ste 10 — 337, Incline Village, NV 89452, USA ("Party C");

4. **Each of the persons or entities listed on Exhibit A hereto** (collectively "Investors" and each the "Investor"); and

(the "Founders" and "Investors" are hereinafter collectively the "Shareholders" and each and any of them the "Shareholder")

5. **CHINA LODGING GROUP**, **LIMITED**, a company incorporated in Cayman Islands under company No. 179930 having its registered office at the office of Offshore Incorporations (Cayman) Limited, Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands ("the Company").

RECITALS

A. The Company is a private limited company incorporated under the laws of Cayman Islands and as at the date hereof has an authorised share capital of US$20,000 divided into 200,000,000 shares of US$0.0001 each. One Ordinary Share has been issued and is fully paid up or credited as fully paid. Corporate information of the Company is set out in Exhibit B.

B. Each Investor has agreed to purchase from the Company, and the Company has agreed to sell to such Investor, certain Series A Preferred Shares, par value US$0.0001 per share, of the Company (the "Series A Preferred Shares"), on the terms and conditions set forth in that certain Series A Preferred Share Purchase Agreement dated as of February 4th, 2007 by and among the parties (the "Purchase Agreement").

C. The Purchase Agreement provides that the execution and delivery of this Agreement by the parties shall be a condition precedent to the consummation of the transactions contemplated under the Purchase Agreement.

NOW, THEREFORE, in consideration of the foregoing recitals, the mutual promises hereinafter set forth, and other good and valuable considerations, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. INFORMATION RIGHTS; BOARD REPRESENTATIONS

1.1 Information Rights. The Company covenants and agrees that, commencing on the Date of this Agreement, for so long as an Investor holds any Series A Preferred Shares, or any Ordinary Shares, par value US$0.0001 per share, of the Company (the "Ordinary

Shares"), the Company will make available and deliver to such Investor upon written request:

(a) audited annual consolidated financial statements as soon as such documents become available but no later than ninety (90) days after the end of each fiscal year, prepared in accordance with Generally Accepted Accounting Principles (GAAP) of the United States.

(b) unaudited quarterly consolidated financial statements, within forty-five (45) days after the end of each fiscal quarter, certified by the Chief Executive Officer of the Company (the "CEO) and Chief Financial Officer of the Company (the "CFO");

The Information Rights shall terminate upon consummation of a Qualified Public Offering. For purpose of this Agreement, "**Qualified Public Offering"** shall mean (i) an underwritten public offering of Ordinary Shares or Ordinary Share equivalents registered under the US Securities Act of 1933 having a gross offering size to the public of at least US$300 million; or (ii) a listing of Ordinary Shares or Ordinary Share equivalents on the Singapore and/or London and/or Hong Kong Stock Exchanges, or on any combination of such stock exchanges, accompanied by a public offering of Ordinary Shares or Ordinary Shares equivalent meeting the above size thresholds.

1.2 Board Representation.

(a) The Company's Amended and Restated Memorandum and Articles of Association (the "Memorandum and Articles") shall provide that the Company's Board of Directors (the "Board") shall consist of three (3) members; for as long as any Series A Preferred Shares are outstanding, the Investors shall have the right to appoint and remove One (1) Director; and the Founders shall have the right to appoint and remove two (2) Directors.

(b) Notice of any appointment or removal under this clause shall be given to the other Shareholders and to the Company at their addresses given in this Agreement and within seven (7) days after receipt of such notice the parties hereto shall join in procuring (so far as that lies within their respective powers) that such action is taken as is necessary under the Articles to effect the appointment or removal concerned.

(c) Meetings of the Board shall (unless the Shareholders shall otherwise agree) take place either in Shanghai or in a place to be agreed by all the Directors but not in any event less frequently than two (2) times in each calendar year. Notice of any such meeting of the Board shall be of not less than seven (7) days and shall be in writing and the quorum for Board meetings shall be two (2) Directors.

(d) A quorum must be present at the beginning of and throughout each meeting of the Board. If within thirty (30) minutes of the time appointed for a meeting, a quorum is not present, the meeting shall stand adjourned until the same time and place on the same day in the next week and if at such adjourned meeting a quorum is not present within thirty (30) minutes from the time appointed for such adjourned meeting (or such longer interval as the chairman of the meeting may think fit to allow) the Director(s) present in person or by his/their alternates shall constitute a quorum.

(e) Notices. The Company shall procure that a notice of each meeting, agenda of the business to be transacted at the meeting and all documents and materials to be circulated at or presented to the meeting are sent to all directors entitled to receive notice of the meeting at least seven (7) days before the meeting and a copy of the minutes of the meeting is sent to such persons within thirty (30) days following the meeting.

1.3 Board Decision

(a) The Board shall be responsible for (i) appointment and dismissal of Key Management Personnel (as defined below); (ii) the issuance of stock options as performance incentive for allotment to the key management executives, key employees and other contributors of the Company ("**ESOP**"), provided that the issued ESOP shall not be over 10,000,000 shares; (iii) any Key Matters (as defined below) of the Company. The decision of the Board of the Company shall be made by a simple majority vote of board members, unless the director nominated by the Investor use its veto right according to the Protection Provisions of this Agreement.

(b) Under the circumstance of any deadlock, the deadlocked matters shall be reverted to the decisions of a shareholders' meeting and to be decided by simple majority vote of the shareholders.

(c) The "Key Management Personnel" shall means: (i) the Chief Executive Officer (responsible for general strategic direction with emphasis on sales, marketing and business development), (ii) the Chief Financial Officer (responsible for fund raising, financial control and management), (iii) the Chief Operating Officer or Head of Operations (responsible for operations, public relations and corporate marketing), and (iv) Executive Vice President of various functional departments.

(d) Notwithstanding any provisions hereof to the contrary, the "Key Matters" shall means the following issues related to the Group Company and any subsidiaries Controlled by the Group Company (as defined in the Purchase Agreement). However, the "Key Matters" shall exclude any natural termination of any entity, business, lease, contract, agreement, deal, transaction or other matter as appropriate:

i) save as contemplated in this Agreement, direct or indirect provision of any loans and/or guarantees to any parties, excluding among the Company, the Group Company, and subsidiaries;

ii) entering into any Related Party Transaction(s);

iii) commencing or acquiring any new line of business which does not fall within the Business or engaging in any other business activities;

iv) engaging in any material investments or disposals. For this purpose, a "material investment" or a "material disposal" means an investment or a disposal which exceeding US$3,000,000;

v) varying, modifying or abrogating any of the rights attaching to any of the Shares or modifying or varying the Articles;

vi) any merger, consolidation, reconstruction or amalgamation, provided that such merger, consolidation, reconstruction or amalgamation shall not be exceeded US$3,000,000 of investment or US$3,000,000 of liability;

vii) winding up the Company and/or the Group Company, and/or its subsidiary(s) (including any indirectly invested and materially controlled subsidiary(s) of the Company), or passing of any resolution to liquidate them, or applying to any court of competent jurisdiction for an order to convene a meeting of creditors or any class of creditors or members or any class of members or to sanction any such compromise or arrangement;

viii) altering its accounting year end from 31st December or changing its secretary, auditors or accounting policies and practices;

ix) entering into any leasing contract or arrangement involving an annual payment exceeding US$3,000,000, or entering into any other contract or arrangement involving a sum exceeding US$3,000,000 otherwise than on normal commercial terms and in the ordinary and usual course of the business of the Company;

x) indebtedness, pledges or guarantees by the Company exceeding US$3,000,000;

xi) approval of annual budget;

xii) approval of any capital expenditure, excluding any expenditure for leasing property improvement, involving a sum exceeding US$3,000,000;

xiii) doing or failing to do anything which has the effect of breaching, varying or modifying the terms of the Shares Subscription Agreement;

xiv) decision for a Qualified Public Offering, listing place, and sponsors;

xv) adoption or amendment of the ESOP; and

xvi) adoption or amendment of any other employee (other than the Key Management Personnel) equity incentive plan of the Company.

Compensation Committee. A Compensation Committee (the "Compensation Committee") shall be set up under the Board of the Company. The Compensation Committee shall consist of no less than two members appointed by the Investors.

The Compensation Committee shall be responsible for:

i) Review, and make recommendations for approval by the members of the Board regarding, corporate goals and objectives relevant to the compensation of the Corporation's executive officers;

ii) Review, and make recommendations for approval by the members of the Board regarding, the compensation for the Key Management Personnel, including, as applicable, (a) base salary, (b) bonus, (c)

long-term incentive and equity compensation, and (d) any other compensation, perquisites, and special or supplemental benefits;

iii) Establish and modify the terms and conditions of employment of Key Management Personnel of the Company, by contract or otherwise; and

iv) Make recommendations to the full Board regarding the fees and other compensation to be paid to members of the Board for their service as directors and as members of committees of the Board.

2. REGISTRATION RIGHTS

2.1 Applicability of Rights. The Investors shall be entitled to the following rights with respect to any potential public offering of the Series A Preferred Shares or the Company's Ordinary Shares in the United States and shall be entitled to reasonably analogous or equivalent rights with respect to any other offering of the Company's securities in any other jurisdiction in which the Company undertakes to publicly offer or list such securities for trading on a recognized securities exchange. The Company shall not grant registration rights superior to or in parity with those granted to the Series A preferred Shares to any other holder of the Company's securities without the prior approval of the holders of a majority of the Series A Preferred Shares.

2.2 Definitions. For purposes of this Section 2:

(a) Registration. The terms "register," "registered," and "registration" refer to a registration effected by filing a registration statement which is in a form which complies with, and is declared effective by the SEC (as defined below) in accordance with the Securities Act.

(b) Registrable Securities. The term "**Registrable Securities**" means: (1) any Ordinary Shares of the Company issued or issuable pursuant to conversion of any shares of Series A Preferred Shares issued (A) under the Purchase Agreement, or (B) pursuant to the Right of Participation (defined in Section 3), (2) any Ordinary Shares issued (or issuable upon the conversion or exercise of any warrant, right or other security which is issued) as a dividend or other distribution with respect to, or in exchange for or in replacement of, any Series A Preferred Shares described in clause (1) of this subsection (b), and (3) any other Ordinary Shares of the Company owned or hereafter acquired by an Investor. Notwithstanding the foregoing, "Registrable Securities" shall exclude any Registrable Securities sold by a person in a transaction in which rights under this Section 2 are not assigned in accordance with this Agreement, and any Registrable Securities which are sold in a registered public offering under the Securities Act or analogous statute of another jurisdiction, or sold pursuant to Rule 144 promulgated under the Securities Act or analogous rule of another jurisdiction.

(c) Registrable Securities Then Outstanding. The number of shares of "**Registrable Securities then outstanding**" shall mean the number of Ordinary Shares of the Company that are Registrable Securities and are then issued and outstanding, issuable upon conversion of Series A Preferred Shares then issued and outstanding or issuable upon conversion or exercise of any warrant, right or other security then outstanding.

(d) Holder. For purposes of this Section 2, the term "**Holder**" means any person owning or having the rights to acquire Registrable Securities or any permitted

assignee of record of such Registrable Securities to whom rights under this Section 2 have been duly assigned in accordance with this Agreement.

(e) Form F-3. The term "**Form F-3**" means such respective form under the Securities Act or any successor registration form under the Securities Act subsequently adopted by the SEC which permits inclusion or incorporation of substantial information by reference to other documents filed by the Company with the SEC.

(f) SEC. The term "SEC" or "**Commission**" means the U.S. Securities and Exchange Commission.

(g) Registration Expenses. The term "**Registration Expenses**" shall mean all expenses incurred by the Company in complying with Sections 2.3, 2.4 and 2.5 hereof, including, without limitation, all registration and filing fees, printing expenses, fees, and disbursements of counsel for the Company, reasonable fees and disbursements of counsel for the Holders, "blue sky" fees and expenses and the expense of any special audits incident to or required by any such registration (but excluding the compensation of regular employees of the Company which shall be paid in any event by the Company).

(h) Selling Expenses. The term "**Selling Expenses**" shall mean all underwriting discounts and selling commissions applicable to the sale of Registrable Securities pursuant to Sections 2.3, 2.4 or 2.5 hereof.

(i) Exchange Act. The term "**Exchange Act**" shall mean the Securities Exchange Act of 1934, as amended, and any successor statute.

(j) Qualified Public Offering. The term "**Qualified Public Offering**" shall have the same meaning as in Clause 1.1.

2.3. Demand Registration.

(a) Request by Holders. If the Company shall, at any time after the earlier of (i) the second anniversary of the date of this Agreement or (ii) six (6) months following the taking effect of a registration statement for a Qualified Public Offering, receive a written request from the Holders of at least 25% of the Series A Preferred Shares that the Company file a registration statement under the Securities Act covering the registration of Registrable Securities pursuant to this Section 2.3, then the Company shall, within ten (10) business days of the receipt of such written request, give written notice of such request ("**Request Notice**") to all Holders, and use its best efforts to effect, as soon as practicable, the registration under the Securities Act of all Registrable Securities that the Holders request to be registered and included in such registration by written notice given by such Holders to the Company within twenty (20) days after receipt of the Request Notice, subject only to the limitations of this Section 2.3; provided that the Company shall not be obligated to effect any such registration if the Company has, within the six (6) month period preceding the date of such request, already effected a registration under the Securities Act pursuant to this Section 2.3 or Section 2.5 or in which the Holders had an opportunity to participate pursuant to the provisions of Section 2.4, other than a registration from which the Registrable Securities of the Holders have been excluded (with respect to all or any portion of the Registrable Securities the Holders requested be included in such registration) pursuant to the provisions of Section 2.4(a). For purposes of this Agreement,

at the election of Holders of at least 75% of the Series A Preferred Shares in connection with the exercise of any registration right in this Agreement, reference to registration of securities under the Securities Act and the Exchange Act shall be deemed to mean the equivalent registration in a jurisdiction other than the United States as designated by such Holders, it being understood and agreed that in each such case all references in this Agreement to the Securities Act, the Exchange Act and rules, forms of registration statements and registration of securities thereunder, U.S. law and the SEC, shall be deemed to refer, to the equivalent statutes, rules, forms of registration statements, registration of securities and laws of and equivalent government authority in the applicable non-U.S. jurisdiction.

(b) Underwriting. If the Holders initiating the registration request under this Section 2.3 (the "**Initiating Holders**") intend to distribute the Registrable Securities covered by their request by means of an underwriting, then they shall so advise the Company as a part of their request made pursuant to this Section 2.3 and the Company shall include such information in the Request Notice. In such event, the right of any Holder to include its Registrable Securities in such registration shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting (unless otherwise mutually agreed by a majority in interest of the Initiating Holders and such Holder) to the extent provided herein. All Holders proposing to distribute their securities through such underwriting shall enter into an underwriting agreement in customary form with the managing underwriter or underwriters selected for such underwriting by the Holders of a majority of the Registrable Securities being registered and reasonably acceptable to the Company. Notwithstanding any other provision of this Section 2.3, if the underwriter(s) advise(s) the Company in writing that marketing factors require a limitation of the number of securities to be underwritten, then the Company shall so advise all Holders of Registrable Securities which would otherwise be registered and underwritten pursuant hereto, and the number of Registrable Securities that may be included in the underwriting shall be reduced as required by the underwriter(s) and allocated among the Holders of Registrable Securities on a pro rata basis according to the number of Registrable Securities then outstanding held by each Holder requesting registration (including the Initiating Holders); provided, however, that the number of shares of Registrable Securities to be included in such underwriting and registration shall not be reduced unless all other securities are first entirely excluded from the underwriting and registration including, without limitation, all shares that are not Registrable Securities and are held by any other person, including, without limitation, any person who is an employee, officer or director of the Company or any subsidiary of the Company; provided further, that at least twenty-five percent (25)% of shares of Registrable Securities requested by the Holders to be included in such underwriting and registration shall be so included. If any Holder disapproves of the terms of any such underwriting, such Holder may elect to withdraw therefrom by written notice to the Company and the underwriter(s), delivered at least ten (10) business days prior to the effective date of the registration statement. Any Registrable Securities excluded or withdrawn from such underwriting shall be excluded and withdrawn from the registration.

(c) Maximum Number of Demand Registrations. The Company shall not be obligated to effect more than three (3) such demand registration pursuant to this Section 2.3.

(d) Deferral. Notwithstanding the foregoing, if the Company shall furnish to Holders requesting registration pursuant to this Section 2.3, a certificate signed by the Chief Executive Officer of the Company stating that in the good faith judgment of the Board, it would be materially detrimental to the Company and its shareholders for such registration statement to be filed at such time, then the Company shall have the right to defer such filing for a period of not more than ninety (90) days after receipt of the request of the Initiating Holders; provided, however, that the Company may not utilize this right more than once in any twelve (12) month period; provided further, that the Company shall not register any other of its shares during such twelve (12) month period. A demand right shall not be deemed to have been exercised until such deferred registration shall have been effected.

2.4 Piggyback Registrations.

(a) The Company shall notify all Holders of Registrable Securities in writing at least thirty (30) days prior to filing any registration statement under the Securities Act for purposes of effecting a public offering of securities of the Company (including, but not limited to, registration statements relating to secondary offerings of securities of the Company, but excluding registration statements relating to any registration under Section 2.3 or Section 2.5 of this Agreement or to any employee benefit plan or a corporate reorganization), and shall afford each such Holder an opportunity to include in such registration statement all or any part of the Registrable Securities then held by such Holder. Each Holder desiring to include in any such registration statement all or any part of the Registrable Securities held by it shall within twenty (20) days after receipt of the above-described notice from the Company, so notify the Company in writing, and in such notice shall inform the Company of the number of Registrable Securities such Holder wishes to include in such registration statement. If a Holder decides not to include all of its Registrable Securities in any registration statement thereafter filed by the Company, such Holder shall nevertheless continue to have the right to include any Registrable Securities in any subsequent registration statement or registration statements as may be filed by the Company with respect to offerings of its securities, all upon the terms and conditions set forth herein.

(b) Underwriting. If a registration statement under which the Company gives notice under this Section 2.4 is for an underwritten offering, then the Company shall so advise the Holders of Registrable Securities. In such event, the right of any such Holder's Registrable Securities to be included in a registration pursuant to this Section 2.4 shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting to the extent provided herein. All Holders proposing to distribute their Registrable Securities through such underwriting shall enter into an underwriting agreement in customary form with the managing underwriter or underwriters selected for such underwriting. Notwithstanding any other provision of this Agreement but subject to Section 2.12, if the managing underwriter(s) determine(s) in good faith that marketing factors require a limitation of the number of shares to be underwritten, then the managing underwriter(s) may exclude shares from the registration and the underwriting, and the number of shares that may be included in the registration and the underwriting shall be allocated, first, to the Company, second, to each of the Holders requesting inclusion of their Registrable Securities in such registration statement on a pro rata basis based on the total number of shares of Registrable Securities then held by each such Holder, and third, to holders of

other securities of the Company; provided, however, that the right of the underwriter(s) to exclude shares (including Registrable Securities) from the registration and underwriting as described above shall be restricted so that (i) the number of Registrable Securities included in any such registration is not reduced below twenty-five percent (25%) of the aggregate number of shares of Registrable Securities for which inclusion has been requested; and (ii) all shares that are not Registrable Securities and are held by any other person, including, without limitation, any person who is an employee, officer or director of the Company (or any subsidiary of the Company) shall first be excluded from such registration and underwriting before any Registrable Securities are so excluded. If any Holder disapproves of the terms of any such underwriting, such Holder may elect to withdraw therefrom by written notice in the Company and the underwriter(s), delivered at least ten (10) business days prior to the effective date of the registration statement. Any Registrable Securities excluded or withdrawn from such underwriting shall be excluded and withdrawn from the registration.

(c) Not Demand Registration. Registration pursuant to this Section 2.4 shall not be deemed to be a demand registration as described in Section 2.3 above. There shall be no limit on the number of times the Holders may request registration of Registrable Securities under this Section 2.4.

2.5 Form F-3 Registration. In case the Company shall receive from any Holder or Holders of a majority of all Registrable Securities then outstanding a written request or requests that the Company effect a registration on Form F-3 and any related qualification or compliance with respect to all or a part of the Registrable Securities owned by such Holder or Holders, then the Company will:

(a) Notice. Promptly give written notice of the proposed registration and the Holder's or Holders' request therefore, and any related qualification or compliance, to all other Holders of Registrable Securities; and

(b) Registration. As soon as practicable, effect such registration and all such qualifications and compliances as may be so requested and as would permit or facilitate the sale and distribution of all or such portion of such Holders or Holders' Registrable Securities as are specified in such request, together with all or such portion of the Registrable Securities of any other Holder or Holders joining in such request as are specified in a written request given within twenty (20) days after the Company provides the notice contemplated by Section 2.5(a); provided, however, that the Company shall not be obligated to effect any such registration, qualification or compliance pursuant to this Section 2.5:

(1) if Form F-3 is not available for such offering by the Holders;

(2) if the Holders, together with the holders of any other securities of the Company entitled to inclusion in such registration, propose to sell Registrable Securities and such other securities (if any) at an aggregate price to the public of less than US$500,000;

(3) if the Company shall furnish to the Holders a certificate signed by the Chief Executive Officer of the Company stating that in the good faith judgment of the Board of Directors of the Company, it would be materially detrimental to the Company and its shareholders for such Form F-3 Registration to be effected at such time, in which event the Company shall have the right to defer the filing of the Form F-3

registration statement no more than once during any twelve (12) month period for a period of not more than ninety (90) days after receipt of the request of the Holder or Holders under this Section 2.5; provided that the Company shall not register any of its other shares during such ninety (90) day period.

(4) if the Company has, within the six (6) month period preceding the date of such request, already effected a registration under the Securities Act other than a registration from which the Registrable Securities of Holders have been excluded (with respect to all or any portion of the Registrable Securities the Holders requested be included in such registration) pursuant to the provisions of Sections 2.3(b) and 2.4(a); or

(5) in any particular jurisdiction in which the Company would be required to qualify to do business or to execute a general consent to service of process in effecting such registration, qualification or compliance.

Subject to the foregoing, the Company shall file a Form F-3 registration statement covering the Registrable Securities and other securities so requested to be registered as soon as practicable after receipt of the request or requests of the Holders.

(c) Not Demand Registration. Form F-3 registrations shall not be deemed to be demand registrations as described in Section 2.3 above. Except as otherwise provided herein, there shall be no limit on the number of times the Holders may request registration of Registrable Securities under this Section 2.5.

2.6 Expenses. All Registration Expenses incurred in connection with any registration pursuant to Sections 2.3, 2.4 or 2.5 (but excluding Selling Expenses) shall be borne by the Company. Each Holder participating in a registration pursuant to Sections 2.3, 2.4 or 2.5 shall bear such Holder's proportionate share (based on the total number of shares sold in such registration other than for the account of the Company) of all Selling Expenses or other amounts payable to underwriter(s) or brokers, in connection with such offering by the Holders. Notwithstanding the foregoing, the Company shall not be required to pay for any expenses of any registration proceeding begun pursuant to Section 2.3 if the registration request is subsequently withdrawn at the request of the Holders of a majority of the Registrable Securities to be registered, unless the Holders of a majority of the Registrable Securities then outstanding agree that such registration constitutes the use by the Holders of one (1) demand registration pursuant to Section 2.3 (in which case such registration shall also constitute the use by all Holders of Registrable Securities of one (1) such demand registration); provided further, however, that if at the time of such withdrawal, the Holders have learned of a material adverse change in the condition, business, or prospects of the Company not known to the Holders at the time of their request for such registration and have withdrawn their request for registration with reasonable promptness after learning of such material adverse change, then the Holders shall not be required to pay any of such expenses and such registration shall not constitute the use of a demand registration pursuant to Section 2.3.

2.7 Obligations of the Company. Whenever required to effect the registration of any Registrable Securities under this Agreement the Company shall, as expeditiously as reasonably possible:

(a) Registration Statement. Prepare and file with the SEC a registration statement with respect to such Registrable Securities and use its best efforts to cause such

registration statement to become effective, and, upon the request of the Holders of a majority of the Registrable Securities registered thereunder, keep such registration statement effective for a period of up to ninety (90) days or, in the case of Registrable Securities registered under Form F-3 in accordance with Rule 415 under the Securities Act or a successor rule, until the distribution contemplated in the registration statement has been completed; provided, however, that (i) such ninety (90) day period shall be extended for a period of time equal to the period any Holder refrains from selling any securities included in such registration at the request of the underwriter(s), and (ii) in the case of any registration of Registrable Securities on Form F-3 which are intended to be offered on a continuous or delayed basis, such ninety (90) day period shall be extended, if necessary, to keep the registration statement effective until all such Registrable Securities are sold.

(b) Amendments and Supplements. Prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement.

(c) Prospectuses. Furnish to the Holders such number of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as they may reasonably request in order to facilitate the disposition of the Registrable Securities owned by them that are included in such registration.

(d) Blue Sky. Use its best efforts to register and qualify the securities covered by such registration statement under such other securities or "blue sky" laws of such jurisdictions as shall be reasonably requested by the Holders, provided that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions, unless the Company is already subject to service in such jurisdiction and except as may be required by the Securities Act.

(e) Underwriting. In the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement in usual and customary form, with the managing underwriter(s) of such offering. Each Holder participating in such underwriting shall also enter into and perform its obligations under such an agreement.

(f) Notification. Notify each Holder of Registrable Securities covered by such registration statement at any time when a prospectus relating thereto is required to be delivered under the Securities Act of (i) the issuance of any stop order by the SEC in respect of such registration statement, or (ii) the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing, and at the request of any such Holder, prepare and furnish to such Holder a reasonable number of copies of a supplement or amendment of such prospectus as may be necessary so that, as thereafter delivered to the purchasers of such shares, such prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to

make the statements therein not misleading or incomplete in light of the circumstances then existing.

(g) Opinion and Comfort Letter. Furnish, at the request of any Holder requesting registration of Registrable Securities, on the date that such Registrable Securities are delivered to the underwriter(s) for sale, if such securities are being sold through underwriters, or, if such securities are not being sold through underwriters, on the date that the registration statement with respect to such securities becomes effective, (i) an opinion, dated as of such date, of the counsel representing the Company for the purposes of such registration, in form and substance as is customarily given to underwriters in an underwritten public offering and reasonably satisfactory to a majority in interest of the Holders requesting registration, addressed to the underwriters, if any, and to the Holders requesting registration of Registrable Securities and (ii) letters dated as of (x) the effective date of the registration statement covering such Registrable Securities and (y) the closing date of the offering, from the independent certified public accountants of the Company, in form and substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering and reasonably satisfactory to a majority in interest of the Holders requesting registration, addressed to the underwriters, if any, and to the Holders requesting registration of Registrable Securities.

2.8 Furnish Information. It shall be a condition precedent to the obligations of the Company to take any action pursuant to Sections 2.3, 2.4 or 2.5 that the selling Holders shall furnish to the Company such information regarding themselves, the Registrable Securities held by them and the intended method of disposition of such securities as shall be required to timely effect the Registration of their Registrable Securities.

2.9 Indemnification. In the event any Registrable Securities are included in a registration statement under Sections 2.3, 2.4 or 2.5:

(a) By the Company. To the extent permitted by law, the Company will indemnify and hold harmless each Holder, its partners, officers, directors, legal counsel, any underwriter (as defined in the Securities Act) for such Holder and each person, if any, who controls such Holder or underwriter within the meaning of the Securities Act or the Exchange Act, against all losses, claims, damages, and liabilities (joint or several; or actions, proceedings or settlements in respect thereof) to which they may become subject under the Securities Act, the Exchange Act, or other United States federal or state law, insofar as such losses, claims, damages, or liabilities (or actions, proceedings or settlements in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (collectively a "**Violation**"):

(i) any untrue statement or alleged untrue statement of a material fact contained in such registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto;

(ii) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading; or

(iii) any violation or alleged violation by the Company of the Securities Act, the Exchange Act, any United States federal or state securities law, or any rule or regulation promulgated under the Securities Act, the

Exchange Act, or any United States federal or state securities law in connection with the offering covered by such registration statement;

and the Company will reimburse each such Holder, and its respective partners, officers, directors, legal counsel, underwriter and controlling person for any legal or other expenses reasonably incurred by them, as such expenses are incurred, in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the indemnity agreement contained in this subsection 2.9(a) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Company (which consent shall not be unreasonably withheld), nor shall the Company be liable in any such case for any such loss, claim, damage, liability or action to the extent that it arises out of or is based upon a Violation which occurs in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by such Holder, partner, officer, director, legal counsel, underwriter or controlling person of such Holder.

(b) By Selling Holders. To the extent permitted by law, each selling Holder will, if Registrable Securities held by Holder are included in the securities as to which such registration qualifications or compliance is being effected, indemnify and hold harmless the Company, each of its directors, each of its officers who has signed the registration statement, each person, if any, who controls the Company within the meaning of the Securities Act, any underwriter and any other Holder selling securities under such registration statement or any of such other Holder's partners, directors, officers, legal counsel or any person who controls such Holder within the meaning of the Securities Act or the Exchange Act, against any losses, claims, damages or liabilities (joint or several) to which the Company or any such director, officer, legal counsel, controlling person, underwriter or other such Holder, partner or director, officer or controlling person of such other Holder may become subject under the Securities Act, the Exchange Act or other United States federal or state law, insofar as such losses, claims, damages or liabilities (or actions in respect thereto) arise out of or are based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished by such Holder expressly for use in connection with such registration; and each such Holder will reimburse any legal or other expenses reasonably incurred by the Company or any such director, officer, controlling person, underwriter or other Holder, partner, officer, director or controlling person of such other Holder in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the indemnity agreement contained in this subsection 2.9(b) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Holder, which consent shall not be unreasonably withheld; and provided, further, that in no event shall any indemnity under this Section 2.9(b) exceed the net proceeds received by such Holder in the registered offering out of which the applicable Violation arises.

(c) Notice. Promptly after receipt by an indemnified Party under this Section 2.9 of notice of the commencement of any action (including any governmental action), such indemnified Party will, if a claim in respect thereof is to be made against any indemnifying Party under this Section 2.9, deliver to the indemnifying Party a written notice of the commencement thereof and the indemnifying Party shall have the right to participate in, and, to the extent the indemnifying

Party so desires, jointly with any other indemnifying Party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnified Party shall have the right to retain its own counsel, with the fees and expenses to be paid by the indemnifying Party, as incurred, if representation of such indemnified Party by the counsel retained by the indemnifying Party would be inappropriate due to actual or potential conflict of interests between such indemnified Party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying Party within a reasonable time of the commencement of any such action shall relieve such indemnifying Party of liability to the indemnified Party under this Section 2.9 to the extent the indemnifying Party is prejudiced as a result thereof, but the omission to so deliver written notice to the indemnifying Party will not relieve it of any liability that it may have to any indemnified Party otherwise than under this Section 2.9.

(d) Contribution. In order to provide for just and equitable contribution to joint liability under the Securities Act in any case in which either (i) any indemnified Party makes a claim for indemnification pursuant to this Section 2.9 but it is judicially determined (by the entry of a final judgment or decree by a court of competent jurisdiction and the expiration of time to appeal or the denial of the last right of appeal) that such indemnification may not be enforced in such case notwithstanding the fact that this Section 2.9 provides for indemnification in such case, or (ii) contribution under the Securities Act may be required on the part of any indemnified Party in circumstances for which indemnification is provided under this Section 2.9; then, and in each such case, the indemnified Party and the indemnifying Party will contribute to the aggregate losses, claims, damages or liabilities to which they may be subject (after contribution from others) in such proportion so that a Holder (together with its related persons) is responsible for the portion represented by the percentage that the public offering price of its Registrable Securities offered by and sold under the registration statement bears to the public offering price of all securities offered by and sold under such registration statement, and the Company and other selling Holders are responsible for the remaining portion. The relative fault of the indemnifying Party and of the indemnified Party shall be determined by a court of law by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission to state a material fact relates to information supplied by the indemnifying Party or by the indemnified Party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission; provided, however, that, in any such case: (A) no Holder will be required to contribute any amount in excess of the net proceeds to such Holder from the sale of all such Registrable Securities offered and sold by such Holder pursuant to such registration statement; and (B) no person or entity guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) will be entitled to contribution from any person or entity who was not guilty of such fraudulent misrepresentation.

(e) Survival; Consents to Judgments and Settlements. The obligations of the Company and Holders under this Section 2.9 shall survive the completion of any offering of Registrable Securities in a registration statement, regardless of the expiration of any statutes of limitation or extensions of such statutes. No indemnifying Party, in the defense of any such claim or litigation, shall, except with the consent of each indemnified Party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term

thereof the giving by the claimant or plaintiff to such indemnified Party of a release from all liability in respect to such claim or litigation.

2.10 No Registration Rights to Third Parties. Without the prior written consent of a majority of the Investors, the Company covenants and agrees that it shall not grant, or cause or permit to be created, for the benefit of any person or entity any registration rights of any kind (whether similar to the demand, "piggyback" or Form F-3 registration rights described in this Section 2, or otherwise) relating to any securities of the Company which are senior to, or on a parity with, those granted to the Holders of Registrable Securities.

2.11 Market Stand-Off. Each Founder and each Investor agrees that, so long as it holds any voting securities of the Company, upon request by the Company or the underwriters managing the initial public offering of the Company's securities, it will not sell or otherwise transfer or dispose of any securities of the Company (other than those permitted to be included in the registration and other transfers to affiliates permitted by law) without the prior written consent of the Company or such underwriters, as the case may be, for a period of time specified by the representative of the underwriters not to exceed 180 days from the effective date of the registration statement covering such initial public offering or the pricing date of such offering as may be requested by the underwriters. The foregoing provision of this Section 2.11 shall not apply to the sale of any securities of the Company to an underwriter pursuant to any underwriting agreement, and shall only be applicable to the Holders if all officers, directors and holders of one percent (1%) or more of the Company's outstanding share capital enter into similar agreements, and if the Company or any underwriter releases any officer, director or holder of one percent (1%) or more of the Company's outstanding share capital from his or her sale restrictions so undertaken, then each Holder shall be notified prior to such release and shall itself be simultaneously released to the same proportional extent. The Company shall require all future acquirers of the Company's securities holding at least one percent (1%) of the then outstanding share capital of the Company to execute prior to a Qualified Public Offering a market stand-off agreement containing substantially similar provisions as those contained in this Section 2.11.

2.12 Listing in Hong Kong. Without limiting the generality of the foregoing provisions in this Section 2, in the event of a listing of the Company's Ordinary Shares in Hong Kong (the "**Listing**"):

(a) The selection of Hong Kong as the jurisdiction, and the relevant exchange as the exchange for the Listing shall be subject to the prior written approval of Holders of at least 75% of the Registrable Securities;

(b) The selection of the sponsor and/or lead manager (and any co-managers) for the Listing shall be subject to the prior written approval of Holders of at least 75% of the Registrable Securities;

(c) Each Holder of Registrable Securities shall have the right to include and sell all of the Ordinary Shares (as-converted) held by it in such Listing;

(d) Each Holder of Registrable Securities shall have the right to attend all meetings in connection with the Listing where the Company is present;

(e) The determination of the price at which the Ordinary Shares are to be listed in such Listing shall be subject to the prior written approval of Holders of at least 75% of the Registrable Securities;

(f) All expenses incurred in connection with the inclusion and sale of any Ordinary Shares held by any Holder (including all reasonable fees and disbursements of counsel for the Investor) shall be borne by the Company;

(g) At any time after the Second anniversary of the date of this Agreement, at the written request from Holders of at least 75% of the Registrable Securities for a Listing, the Company shall use its best efforts to effect such Listing on terms and subject to conditions as agreed upon between the Company and such Holder; and

(h) The Company shall not require any Holder to hold, or refrain from transferring, any of its shares in the Company beyond the specific period(s) as set forth in the listing rules applicable to such Listing.

2.13 Rule 144 Reporting. With a view to making available to the Holders the benefits of certain rules and regulations of the SEC which may at any time permit the sale of the Registrable Securities to the public without registration or pursuant to a registration on Form F-3, after such time as a public market exists for the Ordinary Shares, the Company agrees to:

(a) Make and keep public information available, as those terms are understood and defined in Rule 144 under the Securities Act, at all times after the effective date of the first registration under the Securities Act filed by the Company for an offering of its securities to the general public;

(b) File with the SEC in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act (at any time after it has become subject to such reporting requirements); and

(c) So long as a Holder owns any Registrable Securities, to furnish to such Holder forthwith upon request (i) a written statement by the Company as to its compliance with the reporting requirements of Rule 144 (at any time after ninety (90) days after the effective date of the Company's initial public offering), the Securities Act and the Exchange Act (at any time after it has become subject to such reporting requirements), or its qualification as a registrant whose securities may be resold pursuant to Form F-3 (at any time after it so qualifies), (ii) a copy of the most recent annual or quarterly report of the Company, and (iii) such other reports and documents of the Company as a Holder may reasonably request in availing itself of any rule or regulation of the SEC that permits the selling of any such securities without registration or pursuant to Form F-3.

2.14 Termination. The Company shall have no obligations pursuant to Sections 2.3, 2.4, 2.5 and 2.12 with respect to any Registrable Securities proposed to be sold by a Holder in a registration or listing pursuant to Section 2.3, 2.4, 2.5 or 2.12 at the later of seven (7) years after the date hereof or five (5) years after a Qualified Public Offering, or, if, in the opinion of counsel to the Company, all such Registrable Securities proposed to be sold by a Holder may then be sold without registration in any ninety (90) day period pursuant to Rule 144 promulgated under the Securities Act.

3. RIGHT OF PARTICIPATION.

3.1 General. An Investor and any Investor (or Ordinary Shares issued upon conversion of the Series A Preferred Shares) to which rights under this Section 3 have been duly assigned in accordance with Section 5 (such Investor and each such assignee hereinafter referred to as a "**Participation Rights Holder**") shall have the right of first offer to purchase such Participation Rights Holder's Pro Rata Share (as defined below), of all (or any part) of any New Securities (as defined in Section 3.3) that the Company may from time to time issue after the date of this Agreement (the "**Right of Participation**").

3.2 Pro Rata Share. A Participation Rights Holder's "**Pro Rata Share**" for purposes of the Right of Participation is the ratio of (a) the number of Ordinary Shares (calculated on a fully-diluted and as-converted basis) held by such Participation Rights Holder, to (b) the total number of Ordinary Shares (calculated on a fully-diluted and as-converted basis) then outstanding (immediately prior to the issuance of New Securities giving rise to the Right of Participation).

3.3 New Securities. "**New Securities**" shall mean any Series A Preferred Shares or Ordinary Shares whether now authorized or not, and rights, options or warrants to purchase such Series A Preferred Shares, Ordinary Shares and securities of any type whatsoever that are, or may become, convertible or exchangeable into such Series A Preferred Shares, provided, however, that the term "New Securities" shall not include:

(a) Ordinary Shares up to 10,000,000 shares (and/or options or warrants therefore) issued to employees, officers, directors, contractors, advisors or consultants of the Company pursuant to the ESOP approved by the Board;

(b) any shares of Series A Preferred Shares issued under the Purchase Agreement, as such agreement may be amended and any Ordinary Shares issued pursuant to the conversion thereof;

(c) any securities issued in connection with any share split, share dividend or other similar event in which all Participation Rights Holders are entitled to participate on a pro rata basis;

(d) any securities issued upon the exercise, conversion or exchange of any outstanding security if such outstanding security constituted a New Security;

(e) any securities issued pursuant to a Qualified Public Offering; or

(f) any securities issued pursuant to the acquisition of another corporation or entity by the Company by consolidation, merger, purchase of assets, or other reorganization in which the Company acquires, in a single transaction or series of related transactions, all or substantially all assets of such other corporation or entity, or fifty percent (50%) or more of the equity ownership or voting power of such other corporation or entity.

3.4 Procedures.

(a) First Participate Notice. In the event that the Company proposes to undertake an issuance of New Securities (in a single transaction or a series of related transactions), it shall give to each Participation Rights Holder written notice of its intention to issue New Securities (the "**First Participation Notice**"), describing the amount and type of New Securities, the price and the general terms upon which the Company proposes to issue such New Securities. Each Participation Rights Holder shall have ten (10) business days from the date of

receipt of any such First Participation Notice to agree in writing to purchase such Participation Rights Holder's Pro Rata Share of such New Securities for the price and upon the terms and conditions specified in the First Participation Notice by giving written notice to the Company and stating therein the quantity of New Securities to be purchased (not to exceed such Participation Rights Holder's Pro Rata Share). If any Participation Rights Holder fails to so agree in writing within such ten (10) business day period to purchase such Participation Rights Holder's full Pro Rata Share of an offering of New Securities, then such Participation Rights Holder shall forfeit the right hereunder to purchase that part of its Pro Rata Share of such New Securities that it did not agree to purchase.

(b) Second Participation Notice; Oversubscription. If any Participating Rights Holder fails or declines to exercise its Right of Participation in accordance with subsection (a) above, the Company shall promptly give notice (the "**Second Participation Notice**") to other Participating Rights Holders who exercised their Right of Participation (the "**Right Participants**") in accordance with subsection (a) above. Each Right Participant shall have five (5) business days from the date of the Second Participation Notice (the "**Second Participation Period**") to notify the Company of its desire to purchase more than its Pro Rata Share of the New Securities, stating the number of the additional New Securities it proposes to buy (the "**Additional Number**"). Such notice may be made by telephone if confirmed in writing within in two (2) business days. If, as a result thereof, such oversubscription exceeds the total number of the remaining New Securities available for purchase, each oversubscribing Right Participant will be cut back by the Company with respect to its oversubscription to that number of remaining New Securities equal to the lesser of (x) the Additional Number and (y) the product obtained by multiplying (i) the number of the remaining New Securities available for subscription by (ii) a fraction, the numerator of which is the number of Ordinary Shares (calculated on a fully-diluted and as-converted basis) held by such oversubscribing Right Participant and the denominator of which is the total number of Ordinary Shares (calculated on a fully-diluted and as-converted basis) held by all the oversubscribing Right Participants. Each Right Participant shall be obligated to buy such number of New Securities as determined by the Company pursuant to this Section 3.4 and the Company shall so notify the Right Participants within fifteen (15) business days following the date of the Second Participation Notice.

3.5 Failure to Exercise. Upon the expiration of the Second Participation Period, or in the event no Participation Rights Holder exercises the Right of Participation within ten (10) days following the issuance of the First Participation Notice, the Company shall have 120 days thereafter to sell the New Securities described in the First Participation Notice (with respect to which the Right of Participation hereunder were not exercised) at the same or higher price and upon non-price terms not materially more favorable to the purchasers thereof than specified in the First Participation Notice. In the event that the Company has not issued and sold such New Securities within such 120 day period, then the Company shall not thereafter issue or sell any New Securities without again first offering such New Securities to the Participation Rights Holders pursuant to this Section 3.

3.6 Termination. The Right of Participation for each Participation Rights Holder shall not terminate so long as any Investor and its Affiliates (as defined in Rule 144 under the Securities Act) collectively hold any Series A Preferred Shares or Ordinary Shares;

provided, however, that the Right of Participation shall terminate upon a Qualified Public Offering

3.7 Anti-dilution. Upon the occurrence of any Adjustment Events, the specific number of Series A Preferred Shares so referenced in this Agreement shall automatically be proportionally adjusted to reflect the effect on the outstanding shares of such class or series of shares by such Adjustment Events on a full ratchet basis.

For the purpose of this agreement, the Adjustment Events shall, but only include:

(i) any stock splits,

(ii) any stock dividend of the Series A Preferred Shares; and

(iii) any issuance of new shares or equivalents at a price below the purchase price (except for issuance from the Company's ESOP).

4. TRANSFER RESTRICTIONS.

4.1 Certain Definitions. For purposes of this Section 4, "**Ordinary Shares**" means (i) the Company's outstanding Ordinary Shares, (ii) the Ordinary Shares issued or issuable upon conversion of the Company's outstanding Preferred Shares, (iii) the Ordinary Shares issuable upon exercise of outstanding options or warrants and (iv) the Ordinary Shares issuable upon conversion of any outstanding convertible securities; "**Restricted Shares**" means any of the Company's securities now owned or subsequently acquired by any Founder or Permitted Transferee (as defined in Section 4.5 below).

4.2 Sale by Founder; Notice of Sale. Subject to Section 4.6 of this Agreement, if a Founder or Permitted Transferee (the "**Selling Shareholder**") proposes to sell or transfer any Restricted Shares held by it, then the Selling Shareholder shall promptly give written notice (the "**Transfer Notice**") to each Investor prior to such sale or transfer. The Notice shall describe in reasonable detail the proposed sale or transfer including, without limitation, the number of Restricted Shares to be sold or transferred (the "**Offered Shares**"), the nature of such sale or transfer, the consideration to be paid, and the name and address of each prospective purchaser or transferee.

4.3 Right of First Refusal. Each Investor will have the right, exercisable upon written notice (the "**First Refusal Notice**") to the Selling Shareholder, the Company and each other Investor within twenty (20) days after receipt of the Transfer Notice (the "**First Refusal Period**") of its election to exercise its right of first refusal hereunder. The First Refusal Notice shall set forth the number of Offered Shares that such Investor wishes to purchase, which amount shall not exceed the First Refusal Allotment (as defined below) of such Investor. Such right of first refusal may be exercised as follows:

(a) First Refusal Allotment. Each Investor shall have the right to purchase that number of the Offered Shares (the "**First Refusal Allotment**") equivalent to the product obtained by multiplying the aggregate number of the Offered Shares by a fraction, the numerator of which is the number of Ordinary Shares held by such Investor at the time of the transaction and the denominator of which is the total number of Ordinary Shares owned by all the Investors at the time of the transaction. Any Investor will not have a right to purchase any of the Offered Shares unless it exercises its right of first refusal within the First Refusal Period to purchase up to all of its First Refusal Allotment of the Offered Shares. To the extent that any Investor does not exercise its right of first refusal to the full extent of its First Refusal Allotment, the Selling Shareholder and the Investors shall, within five (5) days after the end of the First Refusal Period, make such adjustments to the First Refusal Allotment of

each exercising Investor so that any remaining Offered Shares may be allocated to those Investors exercising their rights of first refusal on a pro rata basis.

(b) Expiration Notice. Within ten (10) days after expiration of the First Refusal Period the Company will give written notice (the "**First Refusal Expiration Notice**") to the Selling Shareholder specifying either (i) that all of the Offered Shares was subscribed by the Investors exercising their rights of first refusal or (ii) that the Investors have not subscribed for all of the Offered Shares in which case the First Refusal Expiration Notice will specify the Co-Sale Pro Rata Portion (as defined below) of the remaining Offered Shares for the purpose of their co-sale right described in Section 4.4 below.

(c) Purchase Price. The purchase price for the Offered Shares to be purchased by the Investors exercising their right of first refusal will be the price set forth in the Transfer Notice, but will be payable as set forth in Section 4.3(d) below. If the purchase price in the Transfer Notice includes consideration other than cash, the cash equivalent value of the non-cash consideration will be as previously determined by the Board in good faith, which determination will be binding upon the Company, the Investors, and the Selling Shareholder, absent fraud or error.

(d) Payment. Payment of the purchase price for the Offered Shares purchased by the Investors shall be made within ten (10) days following the date of the First Refusal Expiration Notice. Payment of the purchase price will be made by wire transfer or check as directed by the Selling Shareholder.

(e) Rights as a Founder or Investor. If any Investor exercises its right of first refusal to purchase the Offered Shares, then, upon the date the notice of such exercise is given by such Investor, the Selling Shareholder will have no further rights as a holder of such Offered Shares except the right to receive payment for such Offered Shares from such Investor in accordance with the terms of this Agreement, and the Selling Shareholder will forthwith cause all certificate(s) evidencing such Offered Shares to be surrendered to the Company for transfer to such Investor.

(f) Application of Co-Sale Right. If the Investors have not elected to purchase all of the Offered Shares, then the sale of the remaining Offered Shares will become subject to the co-sale right set forth in Section 4.4 below.

4.4 Co-Sale Right. To the extent that the Investors have not exercised their right of first refusal with respect to all the Offered Shares, each Investor shall have the right, exercisable upon written notice to the Selling Shareholder, the Company and each other Investor (the "**Co-Sale Notice**") within twenty (20) days after receipt of the First Refusal Expiration Notice (the "**Co-Sale Right Period**"), to participate in such sale of the Restricted Shares at the same price as set forth in the Transfer Notice. The Co-Sale Notice shall set forth the number of Company securities (on both an absolute and as-converted to Ordinary Shares basis) that such participating Investor wishes to include in such sale or transfer, which securities shall correspond to the class of securities constituting the Offered Shares and which amount shall not exceed the Co-Sale Pro Rata Portion (as defined below) of such Investor. To the extent one or more of the Investors exercise such right of participation in accordance with the terms and conditions set forth below, the number of Restricted Shares that the Selling Shareholder may sell in the transaction shall be correspondingly reduced. The only representations, warranties or covenants that any Investor shall be required to make in connection with a sale pursuant to such co-sale right are representations and warranties

with respect to its own ownership of the Company's securities to be sold by it and its ability to convey title thereto free and clear of liens, encumbrances or adverse claims and reasonable covenants regarding confidentiality, publicity and similar matters. The co-sale right of each Investor shall be subject to the following terms and conditions:

(a) Co-Sale Pro Rata Portion. Each Investor may sell all or any part of that number of Ordinary Shares held by it that is equal to the product obtained by multiplying (x) the aggregate number of the Offered Shares subject to the co-sale right hereunder by (y) a fraction, the numerator of which is the number of Ordinary Shares (on an as-converted basis) owned by the Investor at the time of the sale or transfer and the denominator of which is the combined number of Ordinary Shares (on an as-converted basis) at the time owned by all Investors ("**Co-Sale Pro Rata Portion**"). To the extent that any Investor does not participate in the sale to the full extent of its Co-Sale Pro Rata Portion, the Selling Shareholder and the participating Investors shall, within five (5) days after the end of such Co-Sale Right Period, make such adjustments to the Co-Sale Pro Rata Portion of each participating Investor so that any remaining Offered Shares may be allocated to other participating Investors on a pro rata basis.

(b) Transferred Shares. Each participating Investor shall effect its participation in the sale by promptly delivering to the Selling Shareholder for transfer to the prospective purchaser one or more certificates, properly endorsed for transfer, which represent:

(i) the number of Company securities which such Investor elects to sell;

(ii) Series A Preferred Shares, in the event that the participating Investor delivers that number of Series A Preferred Shares which is at such time convertible into the number of Ordinary Shares that such Investor elects to sell; provided in such case that, if the prospective purchaser objects to the delivery of Series A Preferred Shares in lieu of Ordinary Shares, such Investor shall convert such Series A Preferred Shares into Ordinary Shares and deliver Ordinary Shares as provided in Subsection 4.4(b)(i) above. The Company agrees to make any such conversion concurrent with the actual transfer of such shares to the purchaser; or

(iii) or a combination of the above.

(c) Payment to Investors. The share certificate or certificates that the participating Investor delivers to the Selling Shareholder pursuant to Section 4.4(b) shall be transferred to the prospective purchaser in consummation of the sale of the Restricted Shares pursuant to the terms and conditions specified in the Transfer Notice, and the Selling Shareholder shall concurrently therewith remit to such Investor that portion of the sale proceeds to which such Investor is entitled by reason of its participation in such sale. To the extent that any prospective purchaser or purchasers prohibits such assignment or otherwise refuses to purchase shares or other securities from an Investor exercising its co-sale right hereunder, the Selling Shareholder shall not sell to such prospective purchaser or purchasers any Restricted Shares unless and until, simultaneously with such sale, the Selling Shareholder shall purchase such shares or other securities from such Investor.

(d) Right to Transfer. To the extent the Investors do not elect to purchase, or to participate in the sale of, the Restricted Shares subject to the Transfer Notice,

the Selling Shareholder may, not later than ninety (90) days following delivery to the Company and each of the Investors of the Transfer Notice, conclude a transfer of the Restricted Shares covered by the Transfer Notice and not elected to be purchased by the Investors, which in each case shall be on substantially the same terms and conditions as those described in the Transfer Notice. Any proposed transfer on terms and conditions which are materially different from those described in the Transfer Notice, as well as any subsequent proposed transfer of any Restricted Shares by the Selling Shareholder, shall again be subject to the right of first refusal and the co-sale rights of the Investors and shall require compliance by the Selling Shareholder with the procedures described in Section 4.3 and Section 4.4 of this Agreement.

4.5 Exempt Transfers. The right of first refusal and co-sale rights of the Investors shall not apply to (a) any sale or transfer of the Restricted Shares to the Company pursuant to a repurchase right held by the Company in the event of a termination of employment or consulting relationship; or (b) any transfer to the parents, children or spouse, or to trusts for the benefit of such persons, of a Founder (each a "**Permitted Transferee**") for bona fide estate planning purposes (each a "**Permitted Transfer**"); provided that adequate documentation therefore is provided to the Investors to their satisfaction and that any such Permitted Transferee agrees in writing to be bound by this Agreement in place of the relevant Founder; provided, further, that such transferor shall remain liable for any breach by such Permitted Transferee of any provision hereunder.

Any of Founders or their Permitted Transferees shall be allowed to transfer its shares of the Company to the Permitted Transferees, provided that such transfers have been approved by the Board of the Company.

4.6 Prohibited Transfers.

(a) Subject to Section 4.5, none of the Founder or its beneficial owners and or their Permitted Transferees shall sell, assign, transfer through one or a series of transactions any Company securities now held by such Founder or Permitted Transferee (directly or indirectly) to any person before the closing of a Qualified Liquidation Event (as defined in the Memorandum and Articles).

(b) Any attempt by a Founder and/or its beneficial owners to transfer Restricted Shares in violation of this Section 4 shall be void and the Company hereby agrees it will not affect such a transfer nor will it treat any alleged transferee as the holder of such shares.

4.7 Legend.

(a) Each certificate representing the Restricted Shares now or hereafter owned by a Founder or issued to any person in connection with a transfer in compliance with this Section 4 shall be endorsed with the following legend:

"THE SALE, PLEDGE, HYPOTHECATION OR TRANSFER OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE IS SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER SET FORTH IN A SHAREHOLDERS AGREEMENT, A COPY OF WHICH MAY BE OBTAINED UPON WRITTEN REQUEST TO THE SECRETARY OF THE COMPANY."

(b) Each Founder agrees that the Company may instruct its transfer agent to impose transfer restrictions on the shares represented by certificates bearing the legend referred to in Section 4.7(a) above to enforce the provisions of this Agreement and the Company agrees to promptly do so. The legend shall be removed upon termination of the provisions of this Section 4.

5. ASSIGNMENT AND AMENDMENT.

5.1 Assignment. Notwithstanding anything herein to the contrary:

(a) Information Rights and Registration Rights. The rights of the Investors under Section 1.1 may be assigned to any Investor, and the registration rights of the Holders under Section 2 may be assigned to any Holder or to any person acquiring Registrable Securities in a permitted transfer; provided, however, that in either case no party may be assigned any of the foregoing rights unless the Company is given written notice by the assigning party stating the name and address of the assignee and identifying the securities of the Company as to which the rights in question are being assigned; and provided further, that any such assignee shall receive such assigned rights subject to all the terms and conditions of this Agreement, including without limitation the provisions of this Section 5.

(b) Rights of Participation; Right of First Refusal; Co-Sale Rights. The rights of each Investor or each Investor under Sections 3 and 4 are fully assignable in connection with a permitted transfer of shares of the Company by such Investor or Investor; provided, however, that no party may be assigned any of the foregoing rights unless the Company is given written notice by such Investor or Investor at the time of such assignment, stating the name and address of the assignee and identifying the securities of the Company as to which the rights in question are being assigned; and provided further, that any such assignee shall receive such assigned rights subject to all the terms and conditions of this Agreement.

5.2 Amendment of Rights. Any provision in this Agreement may be amended and the observance thereof may be waived (either generally or in a particular instance and either retroactively or prospectively), only by the written consent of (i) as to the Company, only by the Company; (ii) as to the Investors, by persons or entities holding 75% of the Series A Preferred Shares pursuant to Section 5.1 hereof; provided, however, that any Investor may waive any of its rights hereunder without obtaining the consent of any other Investor; and (iii) as to the Founders, by persons or entities holding a majority of the Ordinary Shares held by the Founders and their Permitted Transferees (on an as-converted basis); provided, however, that any Founder may waive any of its rights hereunder without obtaining the consent of any other Founder. Any amendment or waiver effected in accordance with this Section 5.2 shall be binding upon the Company, each Investor, each Founder and their respective assigns.

6. CONFIDENTIALITY AND NON-DISCLOSURE.

6.1 Disclosure of Terms. The terms and conditions of this Agreement and the Purchase Agreement, and all exhibits and schedules attached to such agreements (collectively, the "**Financing Terms**"), including their existence, shall be considered confidential information and shall not be disclosed by any party hereto to any third party except in accordance with the provisions set forth below; provided that such confidential

information shall not include any information that is in the public domain other than caused by the breach of the confidentiality obligations hereunder.

6.2 Press Releases, Etc. Any press release issued by the Company shall not disclose any of the Financing Terms and the final form of such press release shall be approved in advance in writing by the Investors. No other announcement regarding any of the Financing Terms in a press release, conference, advertisement, announcement, professional or trade publication, mass marketing materials or otherwise to the general public may be made without the Investors' prior written consent.

6.3 Permitted Disclosures. Notwithstanding the foregoing, any party may disclose any of the Financing Terms to its current or bona fide prospective investors, employees, investment bankers, lenders, partners, accountants and attorneys, in each case only where such persons or entities are under appropriate nondisclosure obligations. Without limiting the generality of the foregoing, each Investor shall, without disclosing the identities of the other Investors or the Financial Terms of their respective investments in the Company without their consent, be entitled to disclose the Financing Terms for the purposes of fund reporting or inter-fund reporting or to its fund manager, other funds managed by its fund manager and their respective auditors, counsel, directors, officers, employees, shareholders or investors.

6.4 Legally Compelled Disclosure. In the event that any party is requested or becomes legally compelled (including without limitation, pursuant to securities laws and regulations) to disclose the existence of this Agreement and the Purchase Agreement, any of the exhibits and schedules attached to such agreements, or any of the Financing Terms hereof in contravention of the provisions of this Section 6, such party (the "**Disclosing Party**") shall provide the other parties (the "**Non-Disclosing Parties**") with prompt written notice of that fact and use all reasonable efforts to seek (with the cooperation and reasonable efforts of the other parties) a protective order, confidential treatment or other appropriate remedy. In such event, the Disclosing Party shall furnish only that portion of the information which is legally required to be disclosed and shall exercise reasonable efforts to keep confidential such information to the extent reasonably requested by any Non-Disclosing Party.

6.5 Other Information. The provisions of this Section 6 shall be in addition to, and not in substitution for, the provisions of any separate nondisclosure agreement executed by any of the parties with respect to the transactions contemplated hereby.

6.6 Notices. All notices required under this section shall be made pursuant to Section 10.1 of this Agreement.

7. PROTECTIVE PROVISIONS.

7.1 Acts of the Company. In addition to such other limitations as may be provided in the Memorandum and Articles and this Agreement, the following acts of the Company shall require the affirmative vote of the Director nominated by the Investors, unless such acts or any related entity, business, lease, contract, agreement, deal, transaction or other matter (as appropriate) was terminated as a result of the term specified therein:

a) Any pledge, hypothecate, mortgage, encumber of the Company securities;

b) Any merger, consolidation, reconstruction or amalgamation of any business or assets of the Company;

c) The purchase or lease by the Group Company of any real property valued in excess of US$20,000,000.

d) Any amendments to the Memorandum and Articles of Association of the Company and any changes to the rights of the Investors;

e) Authorization or issuance any other securities (including convertible debt) or reclassify any issued securities of the Company into securities, having rights, preferences or privileges senior to or on a parity with the Series A Preferred as to liquidation, dividend, voting (including without limitation, board representation) or redemption rights, or any action that increases, decreases or alters the existing issued share capital of the Company;

f) Any related party transactions involving the Founders or employees;

g) Any purchase or acquisition by the Company, whether for cash, securities, or other consideration, of any other entity or business, or the investment in or purchase of any securities or equity interest in any other entity, if such acquisition or investment would be material to the financial condition or operations of the Company as a whole not to exceed US$30,000,000;

h) Any sale, conveyance, lease, entrustment, or other transfer or disposal by the Company of any economic interest in any material business, product line, or subsidiary with amount exceeding US$30,000,000, excluding the natural termination of lease, contract, and subsidiary created solely to own such lease and/or contract.

i) Initiation and settlement of any litigation expected amount exceeds US$10,000,000

j) Liquidation or dissolution of the Company;

k) The declaration and payment of any dividend or other distribution to any shareholders;

8. REPURCHASE RIGHTS

8.1 Repurchase Right. Upon the occurrence of any of the following Repurchase Events with respect to a Founder, the Company shall purchase and such Founder shall sell, in accordance with this Section 8, all, but not less than all, of the Non-Vested Ordinary Shares (as defined below) then beneficially owned by the Founder (the "Repurchase Right") at its pro rata of the original purchase price (the "Repurchase Price"). For purposes hereof, each of the following shall be a Repurchase Event:

(a) the filing by a Founder of a petition for relief under the Bankruptcy laws in any jurisdiction; or

(b) the death or permanent incapacity of a Founder; or

(c) the voluntary or involuntary termination of full-time employment of a Founder with the Company for any reason, with or without cause (including death or disability).

8.2 Vesting.

(a) For purposes of this Section 8, the term "vest" shall mean with respect to any Ordinary Shares owned by the Founder as of the date of this Agreement, has adjusted for any stock dividend, stock split, recapitalization, merger, reorganization, exchange or the like (the "Founder' Shares") that such Founder' Shares are no longer Non-Vested Ordinary Shares subject to the Repurchase Right. If a Founder would become vested in any fraction of a share of Stock on any date, such fractional share shall not vest and shall remain Non-Vested Stock until Founder becomes vested in the entire share.

(b) Each Founder's Shares shall start to vest based on the terms and conditions as specified in his or her employment agreement with the Company.

(c) Founders shall have the full voting rights for both vested and non-vested Ordinary Shares of the Company.

8.3 Manner of Exercise of Repurchase Right. The Repurchase Right shall be exercised by the Company by delivery of a written notice (the "Repurchase Notice") of exercise to the Founder (or his estate or legal representative) subject to the Repurchase Right following a Repurchase Event.

8.4 Repurchase Procedure. After the Company's Repurchase Notice, the Founder shall promptly endorse and deliver to the Company the certificates representing the Ordinary Shares being repurchased, free and clear of any liens, claims or encumbrances (other than any such lien, claim or encumbrance held by or guaranteed to the Company), and the Company shall then pay promptly to the Founder (but in no event later than thirty (30) days after the date the notice of the Company's election to exercise the Right of Repurchase was delivered to Founder), the total repurchase price. Each of the Founders hereby authorize any director of the Company to execute a transfer in the Founder's name to effect the transfer of Ordinary Shares pursuant to the Repurchase Right granted hereunder.

8.5 Binding Effect. The Company's Repurchase Right shall inure to the benefit of the successors and assigns of the Company and shall be binding upon any representative, executor, administrator, heir, or legatee of the Founder.

9. ADMINISTRATION

9.1 The accounts of the Company shall be kept in accordance with accounting principles generally accepted in Shanghai and shall be audited annually. The audited accounts and report of the Auditors shall be made available to the Shareholders within fifteen (15) days after the issue thereof by the Auditors. Periodic management accounts shall be prepared by the Company and these shall be forwarded to each Director.

9.2 The financial year of the Company shall end on 31st December in each year.

9.3 Bank accounts of the Company shall be operated by the CEO of the Company. Any withdrawal or transfer of fund from such bank accounts shall require the signature by the CEO.

10. GENERAL PROVISIONS

10.1 Notices. Except as may be otherwise provided herein, all notices, requests, waivers and other communications made pursuant to this Agreement shall be in writing and shall be

conclusively deemed to have been duly given (a) when hand delivered to the other party, upon delivery; (b) when sent by facsimile at the number as the parties have been given, upon receipt of confirmation of error-free transmission; (c) seven (7) business days after deposit in the mail as air mail or certified mail, receipt requested, postage prepaid and addressed to the other party as the parties have been given; or (d) three (3) business days after deposit with an international overnight delivery service, postage prepaid, addressed to the parties with next business day delivery guaranteed, provided that the sending party receives a confirmation of delivery from the delivery service provider.

Each person making a communication hereunder by facsimile shall promptly confirm by telephone to the person to whom such communication was addressed each communication made by it by facsimile pursuant hereto but the absence of such confirmation shall not affect the validity of any such communication. A party may change or supplement the addresses given above, or designate additional addresses, for purposes of this Section 10.1 by giving the other party written notice of the new address in the manner set forth above.

10.2 Entire Agreement. This Agreement and the Purchase Agreement, any Ancillary Agreements (as defined in the Purchase Agreement), together with all the exhibits hereto and thereto, constitute and contain the entire agreement and understanding of the parties with respect to the subject matter hereof and supersedes any and all prior negotiations, correspondence, agreements, understandings, duties or obligations between the parties respecting the subject matter hereof; provided, however, that nothing in this Agreement or related agreements shall be deemed to supersede the provisions of any confidentiality and nondisclosure agreements executed between any party hereto prior to the date of this Agreement, all of which agreements shall continue in full force and effect until terminated in accordance with their respective terms.

10.3 Governing Law and Dispute Resolution This Agreement shall be construed and governed by the laws of the People's Republic of China. Any dispute or difference arising out of or in connection with this Agreement shall be referred to and determined by arbitration at China International Economic and Trade Arbitration Commission in accordance with its applicable Arbitration Rules if the dispute cannot be settled through amicable consultation. The arbitration shall be conducted in Shanghai, and the language used in arbitration shall be Chinese. The arbitration award shall be final and binding on the Parties.

10.4 Severability. If any provision of this Agreement is found to be invalid or unenforceable, then such provision shall be construed, to the extent feasible, so as to render the provision enforceable and to provide for the consummation of the transactions contemplated hereby on substantially the same terms as originally set forth herein, and if no feasible interpretation would save such provision, it shall be severed from the remainder of this Agreement, which shall remain in full force and effect unless the severed provision is essential to the rights or benefits intended by the parties. In such event, the parties shall use best efforts to negotiate, in good faith, a substitute, valid and enforceable provision or agreement which most nearly effects the parties' intent in entering into this Agreement.

10.5 Third Parties. Nothing in this Agreement, express or implied, is intended to confer upon any person, other than the parties hereto and their permitted successors and assigns any rights or remedies under or by reason of this Agreement.

10.6 Successors and Assigns. Subject to the provisions of Section 5.1, the provisions of this Agreement shall inure to the benefit of, and shall be binding upon, the successors and permitted assigns of the parties hereto.

10.7 Interpretation; Captions. This Agreement shall be construed according to its fair language. The rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not be employed in interpreting this Agreement. The captions to sections of this Agreement have been inserted for identification and reference purposes only and shall not be used to construe or interpret this Agreement. Unless otherwise expressly provided herein, all references to Sections and Exhibits herein are to Sections and Exhibits of this Agreement.

10.8 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

10.9 Aggregation of Shares. All Series A Preferred Shares or Ordinary Shares held or acquired by Affiliated entities or persons (as defined in Rule 144 under the Securities Act) shall be aggregated together for the purpose of determining the availability of any rights under this Agreement.

10.10 Shareholders Agreement to Control. If and to the extent that there are inconsistencies between the provisions of this Agreement and those of the Memorandum and Articles, the terms of this Agreement shall control. The parties agree to take all actions necessary or advisable, as promptly as practicable after the discovery of such inconsistency (including without limitation passing special resolutions or other resolutions), to amend the Memorandum and Articles so as to eliminate such inconsistency.

10.11 Waiver of Reliance among Investors. Each Investor stipulates that it is not relying upon any person or entity other than the Company and its officers and directors and the Founders in entering into this Agreement or investing in the Company, and, specifically and without limitation, is not relying on any other Investor or any other Investor's controlling persons, members, shareholders, officers, directors, employees, agents, or professional advisers, or on any advice, representations, or work product of any of them. Each Investor hereby waives any claim against, and covenants not to sue, any other Investor or the respective controlling persons, members, shareholders, officers, directors, employees, agents, or professional advisers of any Investor on account of any action heretofore or hereafter taken or omitted to be taken in connection with this Agreement or any transaction contemplated hereby.

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IN WITNESS WHEREOF, the parties have caused their respective duly authorized representatives to execute this Agreement as of the date and year first above written.

SIGNED by 李玮)
for and on behalf of **WINNER**)
CROWN HOLDINGS LIMITED)
in the presence of:-)

SIGNED by)
MS. TONG TONG ZHAO)
in the presence of:-)

SIGNED by)
MR. JOHN JIONG WU)
in the presence of:-)

SIGNED by 李玮)
for and on behalf of **POWERHILLS**)
HOLDING LIMITED)
in the presence of:-)

SIGNED by)
for and on behalf of **CHINA**)
LODGING GROUP, LIMITED)
in the presence of:-)

LIST OF EXHIBITS

Exhibit A	Schedule of Investors
Exhibit B	Corporate Information of the Company

EXHIBIT A

Schedule of Investors

Investors		*Identification*	*Address*	*Number of Series A Shares*	*Purchase Price (US$)*
Powerhills Holding Limited	**(on behalf of Mr. Qi JI)**	**Company No. 571975**	**P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands**	**20,000,000**	**10,000,000**
	(on behalf of Ms. Tong Tong ZHAO)			**20,000,000**	**10,000,000**
Mr. John Jiong WU		**United States passport No. 302014663**	**774 Mays Blvd. #Ste 10 — 337, Incline Village, NV 89452, USA**	**4,000,000**	**2,000,000**

EXHIBIT B

Corporate Information of the Company

Company No.: 179930

COMPANY'S PROFILE

1.1 Name of Company	**:**	**China Lodging Group, Limited**
1.2 Date of Incorporation	**:**	**4th January 2007**
1.3 Registered Address	**:**	**the office of Offshore Incorporations (Cayman) Limited, Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands**
1.4 Directors	**:**	**Mr. John Jiong WU** **Mr. Qi JI** **Ms. Tong Tong ZHAO**
1.5 Shareholdings	**:**	

Share Capital — US$20,000 divided into 200,000,000 shares at a par value of US$0.0001 each.

Issued share capital

Name of Shareholders	Ordinary Shares
WINNER CROWN HOLDINGS LIMITED	**25,000,000**
MS. TONG TONG ZHAO	**15,000,000**
MR. JOHN JIONG WU	**4,000,000**
Total	**44,000,000**

Exhibit 4.7

Dated June 20, 2007

CHINA LODGING GROUP, LIMITED

FOUNDERS NAMED IN SCHEDULE 1

WFOES NAMED IN SCHEDULE 2

and

INVESTORS NAMED IN SCHEDULE 3

SERIES B PREFERRED SHARE PURCHASE AGREEMENT
Relating to
CHINA LODGING GROUP, LIMITED

SERIES B PREFERRED SHARES PURCHASE AGREEMENT

THIS SERIES B PREFERRED SHARES PURCHASE AGREEMENT (this **"Agreement"**) is made as of this June 20, 2007, by and among China Lodging Group, Limited, a company incorporated in the Cayman Islands as company No. 179930 having its registered office at the office of Offshore Incorporations (Cayman) Limited, Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands (the **"Company"**), each of the persons listed in Schedule 1 attached hereto (each a **"Founder"** and collectively, the **"Founders"**), each of the entities listed in Schedule 2 attached hereto (each a **"WFOE"** and collectively, the **"WFOEs"**), and each of the investors listed in Schedule 3 attached hereto (each an **"Investor"** and collectively, the **"Investors"**).

RECITALS

A. The Founders and the Co-Founders (as defined below) own legally or beneficially all of the issued and outstanding share capital of the Company.

B. The Company is (or prior to October 1, 2007 the Company will be) the holding company and 100% parent company of each of the WFOEs, which engage in the business of property management, hotel management, property conversion and property improvement (the **"Business"**).

C. The Founders and the Company seek to induce the Investors to invest in the Company and the Group Companies (as defined below).

D. The Investors wish to invest in the Company and the Group Companies and, to that end, wish to subscribe for certain preferred shares to be newly issued by the Company pursuant to the terms and subject to the conditions of this Agreement.

NOW, THEREFORE, in consideration of the premises set forth above, the mutual covenants and agreements set forth herein and for other good and valuable consideration, the adequacy of which is hereby acknowledged, the parties hereto hereby agree as follows:

CERTAIN DEFINITIONS

For purposes of this Agreement:

"Affiliate" means, with respect to any given Person, any other Person directly or indirectly Controlling, Controlled by, or under common Control with such Person and, where the given Person is an individual, the spouse, parent, sibling, or child thereof.

"Agreement" has the meaning ascribed thereto in the Preamble.

"Ancillary Documents" means, collectively, the Shareholders Agreement, the Memorandum and Articles, the Founder Warrant, the Investor Warrants, the Shareholder Loan Agreement and any other document or agreement contemplated by this Agreement or any Ancillary Document.

"Applicable Law" means, with respect to any Person, any and all provisions of any constitution, treaty, statute, law, regulation, ordinance, code, rule, judgment, rule of

common law, order, decree, award, injunction, governmental approval, concession, grant, franchise, license, agreement, directive, requirement, or other governmental restriction or any similar form of decision of, or determination by, or any interpretation or administration of any of the foregoing by, any Government Entity, whether in effect as of the date hereof or thereafter and in each case as amended, applicable to such Person or its subsidiaries or their respective assets.

"Arbitration Notice" has the meaning ascribed thereto in Section 9.12.

"Articles" means the Amended and Restated Articles of Association of the Company in the form attached hereto as Exhibit A adopted by the Shareholders of the Company on or prior to the date hereof.

"Audited Financials" means the audited consolidated financial statements of the Group Companies for the twelve-month period starting from January 1, 2006 and ending twelve months thereafter, audited and certified by independent public accountants of internationally recognized standing selected by the Company in accordance with GAAP.

"Board" means the Board of Directors of the Company.

"Business" has the meaning ascribed thereto in the Recitals.

"CFC" means a controlled foreign corporation as defined in the Code.

"Chengwei" means, collectively, Chengwei Partners, L.P., an exempted limited partnership organized and existing under the laws of the Cayman Islands, Chengwei Ventures Evergreen Fund, L.P., an exempted limited partnership organized and existing under the laws of the Cayman Islands, and Chengwei Ventures Evergreen Advisors Fund, LLC, an exempted limited liability company organized and existing under the laws of the Cayman Islands.

"Closing" has the meaning ascribed thereto in Section 2.2.

"Closing Date" has the meaning ascribed thereto in Section 2.2.

"Code" means the Internal Revenue Code of 1986, as amended.

"Co-Founders" means MS. TONG TONG ZHAO, (Canadian passport number: JW698597), 5-22C, 118 Ziyun Road, Shanghai, 200051, P.R.China and MR. JOHN JIONG WU, (United States passport number: 302014663), 774 Mays Blvd. #Ste 10 – 337, Incline Village, NV 89452, USA; a **"Co-Founder"** means any of the Co-Founders.

"Company" has the meaning ascribed thereto in the Preamble.

"Company Warrantors" means the Company, each of the WFOEs and each of the Founders.

"Confidential Information" has the meaning ascribed thereto in Section 7.6.

"Consent" means any consent, approval, authorization, waiver, permit, grant, franchise, concession, agreement, license, exemption or order of, registration, certificate, declaration or filing with, or report or notice to, any Person, including any Government Entity.

"Constitutional Documents" means, with respect to any Person, the Certificate of Incorporation, Memorandum of Association, Articles of Association, Joint Venture Agreement, or similar constitutive documents for such Person.

"Contemplated Transactions" means the transactions contemplated hereby and by each of the other Transaction Documents.

"Contract" means any agreement, arrangement, bond, commitment, franchise, indemnity, indenture, instrument, lease, license or binding understanding, whether or not in writing.

"Control" means, when used with respect to any Person, the power to direct 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.

"Conversion Shares" shall mean the Ordinary Shares issued or issuable upon conversion of any Series B Preferred Shares.

"Disclosure Schedule" means, as of the date hereof, the Disclosure Schedule attached hereto as Exhibit C and as of the Closing, the Disclosure Schedule attached hereto as Exhibit C, as modified or supplemented by the Investors and the Company Warrantors in accordance with Section 3.

"Dispute" has the meaning ascribed thereto in Section 9.12.

"Encumbrance" means any claim, charge, easement, encumbrance, lease, covenant, security interest, lien, option, pledge, rights of others, or restriction (whether on voting, sale, transfer, disposition or otherwise), whether imposed by agreement, understanding, law, equity or otherwise.

"Founder" or "Founders" has the meaning ascribed thereto in the Preamble.

"Founder Warrant" means the warrant to be issued by the Company to Winner Crown Holdings Limited in accordance to Section 5.14.

"GAAP" means the generally accepted accounting principles of the United States.

"Government Entity" means any government or any agency, bureau, board, commission, court, department, official, political subdivision, tribunal or other instrumentality of any government.

"Government Official" means any officer or employee of a Government Entity (including, for purposes of this definition, any entity or enterprise owned or controlled by a government), or any Person acting in an official capacity for or on behalf of any such Government Entity.

"Group Companies" means the Company and all of its Subsidiaries, except, for the purposes of Section 3, excluding any Subsidiary not existing on or before April 30, 2007; a **"Group Company"** means any of the Group Companies.

"HKIAC" has the meaning ascribed thereto in Section 9.12.

"Hong Kong" means the Hong Kong Special Administrative Region.

"IDG" means, collectively, IDG-Accel China Growth Fund L.P., IDG-Accel China Growth Fund-A L.P. And IDG-Accel China Investors L.P., each an exempted limited partnership organized and existing under the laws of the Cayman Islands.

"Improvements" has the meaning ascribed thereto in Section 3.10.

"Indemnifiable Loss" means, with respect to any Person, any action, cost, damage, disbursement, expense, liability, loss, deficiency, diminution in value, obligation, penalty or settlement of any kind or nature, other than consequential damages that a party in breach does not, and did not, have reason to foresee as a probable result of such breach. Notwithstanding anything to the contrary provided in the preceding sentence, **"Indemnifiable Loss"** shall include, but shall not be limited to, (i) interest or other carrying costs, penalties, legal, accounting and other professional fees and expenses reasonably incurred in the investigation, collection, prosecution and defense of claims and amounts paid in settlement, that may be imposed on or otherwise incurred or suffered by such Person and (ii) any Taxes that may be payable by such Person by reason of the indemnification of any Indemnifiable Loss hereunder, other than Taxes that would have been payable notwithstanding the event giving rise to indemnification.

"Indemnified Party" has the meaning ascribed thereto in Section 9.1.

"Indemnifying Party" has the meaning ascribed thereto in Section 9.1.

"Intellectual Property" has the meaning ascribed thereto in Section 3.13.

"Intellectual Property License" has the meaning ascribed thereto in Section 3.13.

"Investor" or "Investors" has the meaning ascribed thereto in the Preamble.

"Investor Warrants" means the warrants to be issued by the Company to the Investors in accordance with Section 5.15.

"IPO" means an initial public offering of the Company's Ordinary Shares on the New York Stock Exchange, the NASDAQ Global Market, the Main Board of the Hong Kong Stock Exchange or any other exchange of recognized international reputation and standing duly approved by the Board.

"Key Management Personnel" means each of the following positions, or positions with similar responsibilities, in any Group Company: (i) the Chief Executive Officer (responsible for general strategic direction with emphasis on sales, marketing and business development), (ii) the Chief Financial Officer (responsible for fund raising, financial control and management), (iii) the Chief Operating Officer or Head of Operations (responsible for operations, public relations and corporate marketing), and

(iv) the Executive Vice President of any functional department. A list of the Key Management Personnel is attached hereto as Exhibit D**.**

"Knowledge" means, with respect to any Person, the actual knowledge of such Person and that knowledge which should have been acquired by such Person after making such due inquiry and exercising such due diligence as a prudent business person would have made or exercised in the management of his or her business affairs, including due inquiry of those officers, directors, key employees and professional advisers (including attorneys, accountants and consultants) of the Person and its Affiliates who could reasonably be expected to have knowledge of the matters in question.

"Land Use Rights" has the meaning ascribed thereto in Section 3.10.

"Lead Investors" means Chengwei and CDH Courtyard Limited, a company incorporated under the laws of the British Virgin Islands; a **"Lead Investor"** means any of the Lead Investors.

"Lease" has the meaning ascribed thereto in Section 3.10.

"Liabilities" means, with respect to any Person, liabilities owing by such Person of any nature, whether accrued, absolute, contingent or otherwise, and whether due or to become due.

"Material Adverse Effect" means a material adverse effect (taking into account all the concurrent adverse effects) on (i) the operations, results of operations, financial condition or assets of the Company and the other Group Companies, taken as a whole, or (ii) the ability of the Company and the other Group Companies, taken as a whole, to observe and perform the respective material obligations under any Transaction Documents to which they are a party; provided, that knowledge of such matter could reasonably be expected to severely and negatively impact a potential third-party investor's valuation of the Company and be considered material and important by a reasonable third-party investor in deciding to invest in the Company.

"Material Contract" means, with respect to any Person, any outstanding Contract material to the business of such Person as of or after the date hereof and includes, but is not limited to, those Contracts deemed material by Section 3.12(v).

"Memorandum" means the Amended and Restated Memorandum of Association of the Company in the form attached hereto as Exhibit A adopted by the Shareholders of the Company on or prior to the date hereof.

"MOFCOM" means the Ministry of Commerce or its local branches or, with respect to any matter to be submitted for examination and approval by the Ministry of Commerce or its local branches, any Government Entity which is similarly competent to examine and approve such matter under the laws of the PRC.

"Mortgage" has the meaning ascribed thereto in Section 3.10.

"Noteholders" shall mean IDG-Accel China Growth Fund L.P., IDG-Accel China Growth Fund-A L.P. and IDG-Accel China Investgors L.P., each an exempted limited partnership organized and existing under the laws of the Cayman Islands.

"Note Agreement" means the Convertible Note Purchase Agreement entered into by and between the Company and the Noteholders on March 28, 2007 and the Convertible Promissory Notes, dated March 30, 2007, issued by the Company thereunder.

"Ordinary Shares" means the ordinary shares of par value US$0.0001 each in the capital of the Company, having the rights and obligations as set out in the Memorandum and Articles.

"Person" means any individual, partnership, corporation, trust or other entity (including, without limitation, any unincorporated joint venture and whether or not having separate legal personality).

"Principal Tribunal" has the meaning ascribed thereto in Section 9.12.

"PFIC" means a passive foreign investment company as defined in the Code.

"Pinpoint" means Pinpoint Capital 2006 A Limited, a company incorporated in the Territory of the British Virgin Islands.

"PRC" means the People's Republic of China, but solely for the purposes of this Agreement and all Ancillary Documents, excluding the Hong Kong Special Administrative Region, the Macau Special Administrative Region and the islands of Taiwan.

"Purchase Price" has the meaning ascribed thereto in Section 2.1.

"Qualified IPO" means a firm commitment, underwritten IPO by the Company of its Ordinary Shares with (i) a market capitalization of the Company equal to no less than US$495 million (or the equivalent thereof in other currencies) immediately prior to the IPO, and (ii) total offering proceeds to the Company, before deduction of selling expenses, of not less than US$50 million (or the equivalent thereof in other currencies).

"Related Party" means any of the officers, directors, supervisory board members, or equityholders of the Company or any other Group Company or any Affiliates of such officers, directors, supervisory board members, or equityholders.

"RMB¥" means Renminbi, the lawful currency of the PRC;

"SAIC" means the State Administration of Industry and Commerce or its local branches or, with respect to the issuance of any business license or filing or registration to be effected with or by the State Administration of Industry and Commerce or its local branches, any Government Entity which is similarly competent to issue such business license or accept such filing or registration under the laws of the PRC.

"SEC" means the U.S. Securities and Exchange Commission.

"Securities" has the meaning ascribed thereto in Section 4.2.

"Securities Act" means the U.S. Securities Act of 1933, as amended and interpreted from time to time.

"Selected Financial Information" means the selected interim financial information of the Company as of April 30, 2007 attached hereto as Exhibit F.

"Series A Holders" means holders of Series A Preferred Shares of the Company.

"Series A Preferred Shares" means Series A Preferred Shares of the Company, par value US$0.0001 per share, with the rights and privileges as set forth in the Memorandum and Articles.

"Series B Preferred Shares" means Series B Preferred Shares of the Company, par value US$0.0001 per share, with the rights and privileges as set forth in the Memorandum and Articles.

"Shareholders" means the holders of the Ordinary Shares, Series A Preferred Shares and Series B Preferred Shares.

"Shareholder Loan Agreement" means the Loan Repayment and Share Purchase Agreement substantially in the form of Exhibit K attached hereto, to be entered into by and among the Company, the Founder and the Co-Founders.

"Shareholders Agreement" means an amended and restated shareholders agreement substantially in the form of Exhibit B attached hereto, to be entered into by and among the Company, Series A Holders, the Investors and the Founders.

"Share Option Plan" has the meaning ascribed thereto in the Shareholders Agreement.

"Significant Breach" means a material adverse effect on the operations, results of operations, financial condition or assets of the Company or any other Group Company; provided, that for purposes of the representations provided in Section 3, any such material adverse effect resulting in any loss, directly or indirectly, of (a) at least US$100,000, or its equivalent in other currencies, to any Group Company other than the Company or a WFOE, shall constitute a Significant Breach with respect to such Group Company, (b) at least US$150,000, or its equivalent in other currencies, to any WFOE, shall constitute a Significant Breach with respect to such WFOE, and (c) at least US$250,000, or its equivalent in other currencies, to the Company and all Group Companies taken as a whole, shall constitute a Significant Breach with respect to the Company.

"Social Security Funds" means pension funds, housing funds, unemployment insurance, medical insurance and any other social security funds as provided by the PRC authorities from time to time to which an employer in the PRC is obliged to make contributions for its employees.

"Subsidiary" means, with respect to any given Person, any other Person (other than a natural Person) Controlled by such given Person, including but not limited to the WFOEs).

"Tax" means any national, provincial or local income, sales and use, excise, franchise, real and personal property, gross receipt, capital stock, production, business and occupation, disability, employment, payroll, severance or withholding tax or any other type of tax, levy, assessment, custom duty or charge imposed by any Government Entity, any interest and penalties (civil or criminal) related thereto or to the nonpayment thereof, and any loss or Tax Liability incurred in connection with the determination, settlement or litigation of any Liability arising therefrom.

"Tax Return" means any tax return, declaration, reports, estimates, claim for refund, claim for extension, information returns, or statements relating to Taxes, including any schedule or attachment thereto.

"Transaction Documents" means this Agreement and the Ancillary Documents.

"U.S." means the United States of America.

"Unaudited Pro Forma Financials" means the unaudited pro forma financial statements of the Group Companies prepared on an as-if consolidated basis for the twelve month period ended on December 31 2006 and the four month period ended on April 30, 2007, including all notes thereto, attached hereto as Exhibit E.

"US$" means United States dollars, the lawful currency of the U.S.

"Warrant" means any of the Founder Warrant and the Investor Warrants.

"Warrant Shares" means the Series B Preferred Shares issuable or issued upon exercise of any Warrant.

"WFOE" or "WFOEs" has the meaning ascribed thereto in the Preamble.

1. Interpretation.

1.1 For all purposes of this Agreement, except as otherwise expressly provided, (i) the terms defined in above shall have the meanings assigned to them above and shall include the plural as well as the singular, (ii) all accounting terms not otherwise defined herein have the meanings assigned under GAAP consistently applied, (iii) all references in this Agreement to designated "Sections" and other subdivisions are to the designated Sections and other subdivisions of the body of this Agreement, (iv) pronouns of either gender or neuter shall include, as appropriate, the other pronoun forms, (v) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Section or other subdivision, (vi) all references in this Agreement to designated Schedules and Exhibits are to the Schedules and Exhibits attached to this Agreement unless explicitly stated otherwise, and (vii) any formula that purports to calculate the excess of one value over another shall be deemed to yield a value equal to zero if there is no excess.

2. Sale and Purchase of Series B Preferred Shares.

2.1 Sale and Purchase. Subject to the terms and conditions of this Agreement, at the Closing,

(i) each Investor agrees severally and not jointly to subscribe for and purchase, and the Company agrees to issue and sell to such Investor, the number of Series B Preferred Shares indicated next to such Investor's name in Schedule 3 hereto for the amount of consideration indicated next to such Investor's name as set forth in Schedule 3 hereto (such consideration in the aggregate, the **"Purchase Price"**);

(ii) each Noteholder agrees to convert all of its outstanding principal, together with any accrued and unpaid interest thereon, under the Note Agreement to, and the Company agrees to issue to such Noteholder, the number of Series B Preferred Shares indicated next to such Noteholder's name in Schedule 3 hereto at the Conversion Price (as defined in the Note Agreement) and for an aggregate amount of consideration indicated next to such Noteholder's name as set forth in Schedule 3 hereto.

2.2 Closing. The purchase and sale of the Series B Preferred Shares (the **"Closing")** shall take place at the office of O'Melveny & Myers LLP, Plaza 66, 37th Floor, 1266 Nanjing Road West, Shanghai 200040, PRC on June 20, 2007 or at such other place and on such other date as mutually agreed to by the parties hereto after all conditions to the Closing under Sections 5 and 6 hereof have been waived or satisfied (the date on which the Closing occurs, the **"Closing Date"**).

2.3 Closing Deliveries. At the Closing:

(i) each Investor shall deliver to the Company:

(a) by wire transfer in immediately available funds to an account designated by the Company or by other payment method(s) mutually agreed to by the Company and the Investor such Investor's portion of the Purchase Price set forth on Schedule 3 hereto,

(b) with respect to a Noteholder, a conversion notice and any other instrument or other document reasonably required by the Company to evidence conversion of each Convertible Promissory Note held by such Noteholder,

(c) original counterparts of this Agreement duly executed by the Investor, and

(d) original counterparts of the Shareholders Agreement duly executed by the Investor; and

(ii) the Company shall deliver to each Investor:

(a) a copy of the Company's Register of Members certified by a director of the Company which reflects the Series B Preferred Shares that each Investor is purchasing pursuant to Section 2.1 hereof,

(b) original share certificates representing the Series B Preferred Shares that each Investor is purchasing pursuant to Section 2.1 hereof,

(c) original counterparts of this Agreement duly executed by the Company, each WFOE and each Founder,

(d) original counterparts of the Shareholders Agreement duly executed by the Company, each Series A Holder, each Founder, each Co-Founder and each other party to the Shareholders Agreement (other than the Investors), and

(e) a copy of the Shareholder Loan Agreement duly executed by all parties thereto.

(iii) if so requested by an Investor, the Company shall deliver to such Investor a management rights letter substantially in the form of Exhibit I attached hereto.

3. Representations and Warranties of the Company. Each Company Warrantor jointly and severally represents, warrants and covenants to each of the Investors that all of the representations and warranties set out in this Section 3 (subject to further adjustment pursuant to this Section 3) will be true, accurate and complete as of the Closing Date (except for representations and warranties made as of a specified date, in which case such representations and warranties shall be true, accurate and complete as of such specified date), as qualified by the disclosures set forth in the Disclosure Schedule with specific reference to the Section to which exception is being taken. Between the date of this Agreement and the Closing Date, representations and warranties set out in this Section 3 may be modified or supplemented by mutual written agreement of the Investor and the Company Warrantors. On or before the Closing Date, the Company Warrantors shall notify the Investors of any fact that causes, constitutes or will cause or constitute a breach of any representations and warranties set forth in this Section 3, as amended from time to time.

3.1 Corporate Status.

(i) The Company is an exempted company, duly organized, validly existing and in good standing under the laws of the Cayman Islands. The Company has all requisite corporate power and authority to own and operate its properties, to carry on its business as now conducted and as proposed to be conducted and to perform each of its obligations hereunder and under any Ancillary Document which it may enter into pursuant to the terms hereof. The Company is duly qualified to transact business and is in good standing in each jurisdiction in which such qualification is required. Since its establishment, the Company has carried on its business in compliance with Applicable Law.

(ii) The Company is a holding company and has no business activities other than the ownership of the WFOEs. The Company has no Liabilities or obligations and is not party to any agreement, contract or commitment, other than (a) this Agreement and the Ancillary Documents; (b) any Liabilities or obligations relating solely to the transactions contemplated by this Agreement or by the Ancillary Documents; (c) Liabilities under the Note Agreement; (d) Liabilities reflected in the Unaudited Pro Forma Financials; and (e) Liabilities incurred in the ordinary course of business after April 30, 2007 and not exceeding US$100,000 (or its equivalent in any other currency) in the aggregate.

(iii) Except as disclosed in Section 3.1(iii) of the Disclosure Schedule, each WFOE is duly organized and validly existing under the laws of the PRC. Each Group Company has secured all Consents required from any Government Entity for the

formation and establishment thereof, including, without limitation, MOFCOM approval (if applicable) for such formation and establishment. Except as disclosed in Section 3.1(iii) of the Disclosure Schedule, each Group Company has a valid business license issued by the SAIC and has the corporate power and authority to own and operate its properties, to carry on its business as now conducted and as proposed to be conducted and to perform each of its obligations hereunder and under any Ancillary Document which it may enter into as contemplated hereunder. Except as disclosed in Section 3.1(iii) of the Disclosure Schedule, each Group Company has, since its establishment, carried on its business in compliance with Applicable Law and within the business scope set forth in its business license. The matters disclosed Section 3.1(iii) of the Disclosure Schedule, whether individually or taken as a whole, have not constituted and shall not constitute or lead to a Significant Breach with respect to any Group Company. Each Group Company has passed its statutory annual inspection in the year 2005, as evidenced by an appropriate seal affixed to its current business license, and shall pass its statutory annual inspection in the year 2006.

(iv) The minute books for each WFOE, together with all the records filed with the SAIC, contain complete and accurate records of all meetings conducted, resolutions adopted, and written consents entered into by such WFOE's shareholders and board of directors (or committees thereof) since the date of its incorporation. A true and complete copy of the minute books for each WFOE, together with all the records filed with the SAIC, have been provided to the Investors.

3.2 Power and Authority; Authorization.

(i) All corporate action necessary on the part of the Company and its officers, directors and shareholders has been taken for the authorization, execution, and delivery by the Company of this Agreement and the performance by the Company of its obligations hereunder. As of the Closing, all corporate action necessary on the part of the Company and its officers, directors and shareholders will have been taken for the authorization, execution and delivery by the Company of any Ancillary Document and any other agreements and/or instruments which it may execute or enter into pursuant to the terms hereof, for the performance by the Company of its obligations thereunder, and for the authorization, issuance (or reservation for issuance), sale and delivery of all Series B Preferred Shares and Warrants to be sold hereunder and of all Warrant Shares and Conversion Shares. This Agreement constitutes, and any Ancillary Document or other agreement and/or instrument which the Company may become party to pursuant to the terms hereof will constitute, the valid and legally binding obligation of the Company, enforceable in accordance with its terms, except (a) as limited by applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, and (b) as limited by laws relating to the availability of specific performance, injunctive relief or other remedies in the nature of equitable remedies.

(ii) All corporate action necessary on the part of any Group Company which is party hereto and its officers, directors and shareholders has been taken for the authorization, execution and delivery by such Group Company of this Agreement and the performance by such Group Company of its obligations hereunder. As of the Closing, all corporate action necessary on the part of any Group Company and its

officers, directors and shareholders will have been taken for the authorization, execution and delivery by such Group Company of any Ancillary Document and any other agreements and/or instruments which it may execute or enter into as contemplated hereunder and for the performance by such Group Company of its obligations thereunder. Any Ancillary Document or other agreement and/or instrument which any Group Company may become party to pursuant to the terms hereof will constitute the valid and legally binding obligation of such Group Company, enforceable in accordance with its terms, except (a) as limited by applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, and (b) as limited by laws relating to the availability of specific performance, injunctive relief or other remedies in the nature of equitable remedies.

3.3 Valid Issuance. The Series B Preferred Shares and the Investor Warrants being purchased by each Investor hereunder, when issued, sold and delivered in accordance with the terms of this Agreement for the consideration expressed herein, will be duly and validly issued, fully-paid and non-assessable, and will be free of restrictions on transfer and other Encumbrances, other than such restrictions on transfer or other Encumbrances as may be imposed by this Agreement or the Ancillary Documents. On and after the Closing, the Warrant Shares and Conversion Shares will have been duly and validly reserved for issuance and, upon issuance in accordance with the terms of the Warrants or Memorandum and Articles, as the case may be, will be duly and validly issued, fully-paid, and non-assessable and will be free of restrictions on transfer and other Encumbrances, other than such restrictions on transfer or other Encumbrances as may be imposed by this Agreement or the Ancillary Documents.

3.4 Compliance; No Violations.

(i) Except as disclosed in Section 3.4(i) of the Disclosure Schedule, no Consent is required of any Government Entity on the part of any Group Company in connection with the consummation of the transactions contemplated by this Agreement or by the Ancillary Documents. The Consents described in Section 3.4(i) of the Disclosure Schedule have been duly obtained and include all of the material Consents that any Group Company is required to obtain from any Government Entity or other Person in respect of its business as now conducted or as proposed to be conducted. All Consents described in Section 3.4(i) of the Disclosure Schedule have been duly secured and are in full force and effect, and each Group Company is in compliance with the terms of each such Consent. None of the Group Companies is in violation of any term or provision of its Constitutional Documents. The matters disclosed in Section 3.4 (i) of the Disclosure Schedule, whether individually or taken as a whole, have not constituted and shall not constitute or lead to a Significant Breach with respect to any Group Company.

(ii) None of the Company or any WFOE is in violation of any term or provision of any indebtedness, mortgage, Contract, or any Applicable Law, the violation of which could, whether individually or in the aggregate, constitute or lead to a Significant Breach with respect to the Company or any WFOE.

(iii) Except as disclosed in Section 3.4(iii) of the Disclosure Schedule, the execution, delivery, and performance by any of the Company or the WFOEs of this Agreement and any Ancillary Documents which it may enter into pursuant to the

terms hereof requires no Consent of any third party and (a) will not result in any violation of, be in conflict with, or constitute a default under, with or without the passage of time or the giving of notice, any provision of its Constitutional Documents as in effect at the date hereof, any Applicable Law, or any material Contract or obligation to which it is a party or by which it is bound, (b) accelerate or constitute an event entitling the holder of any indebtedness of the Company or any WFOE to accelerate the maturity of any such indebtedness or to increase the rate of interest presently in effect with respect to such indebtedness, or (c) result in the creation of any Encumbrance upon any of the properties or assets of the Company or any WFOE.

3.5 Capitalization.

(i) As of the date hereof, the authorized capital of the Company consists 100,000,000 Ordinary Shares of a nominal or par value of US$0.0001 each, of which 44,000,000 shares are issued and outstanding, and 100,000,000 Series A Preferred Shares of a nominal or par value of US$0.0001 each, of which 44,000,000 shares are issued and outstanding. Immediately prior to the Closing, the authorized capital of the Company will consist of 200,000,000 Ordinary Shares of a nominal or par value of US$0.0001 each, of which 44,000,000 shares will be issued and outstanding, 44,000,000 Series A Preferred Shares of a nominal or par value of US$0.0001 each, of which 44,000,000 shares will be issued and outstanding and 60,000,000 Series B Preferred Shares of a nominal or par value of US$0.0001 each, none of which will be issued and outstanding. As of the Closing, the Company shall have reserved 35,873,535 Ordinary Shares for issuance upon the conversion of the Series B Preferred Shares to be issued to the Investors pursuant to this Agreement.

(ii) Section 3.5(ii) of the Disclosure Schedule shows an accurate and true list of all outstanding securities of the Company and their holders to be in effect on and immediately following the Closing. All such securities will have been duly authorized and validly issued as of the Closing, will be fully paid, non-assessable and free of preemptive rights (other than those preemptive rights imposed under the Ancillary Documents) and other Encumbrances, and will have been issued in compliance with all Applicable Laws, including those regulating the offer, sale or issuance of securities. Except as shown in Section 3.5(ii) of the Disclosure Schedule, immediately following the Closing there will be no securities of the Company outstanding or issued.

(iii) As of the date hereof, except as disclosed in Section 3.5(iii) of the Disclosure Schedule, except for this Agreement, the Note Agreement and the Share Option Plan, there are no outstanding options, warrants, rights (including conversion or preemptive rights and rights of first refusal), proxy or shareholders agreements or agreements of any kind for the purchase or acquisition from the Company of any of its securities. As of the Closing, except for this Agreement, the Ancillary Documents and the Share Option Plan, there will be no outstanding options, warrants, rights (including conversion or preemptive rights and rights of first refusal), proxy or shareholders agreements or agreements of any kind for the purchase or acquisition from the Company of any of its securities.

(iv) Except as may be provided by the terms of the Series A Preferred Shares and the Series B Preferred Shares, the Company is not subject to any obligation (contingent or otherwise) to purchase or otherwise acquire or retire any

equity interest held therein by its shareholders or to purchase or otherwise acquire or retire any of its other outstanding securities.

3.6 Group Structure.

As of April 30, 2007:

(i) Section 3.6(i) of the Disclosure Schedule lists each Group Company, and correctly sets forth the capitalization of such Group Company, the Company's ownership interest therein, the interest of any other Person therein, the nature of legal entity which the Group Company constitutes, the jurisdiction in which the Group Company was organized, each jurisdiction in which the Group Company is required to be qualified or licensed to do business as a foreign Person and a brief summary of the Group Company's business.

(ii) Except in respect of any interest held in any Group Company, none of the Company or the Group Companies has any Subsidiaries or owns or controls, directly or indirectly, any interest in any other corporation, partnership, trust, joint venture, association or other entity. None of the Company or the Group Companies maintains any offices or any branches.

(iii) Except for any restrictions and limitations imposed by the Applicable Law as specifically disclosed in Section 3.6(iii) of the Disclosure Schedule, in respect of any ownership interest held in a Group Company by the Company or another Group Company described in Section 3.6(i) of the Disclosure Schedule, (a) the Company or such other Group Company holds good and valid title to such ownership interest free and clear of all restrictions on transfer or other Encumbrances, other than those restrictions on transfer or other Encumbrances created by the Ancillary Documents or the Constitutional Documents, (b) such ownership interest was acquired in compliance with all Applicable Laws, including those regulating the offer, sale or issuance of securities, and (c) there are no outstanding options or rights for the purchase or acquisition from the Company or such other Group Company of such ownership interest. There are no outstanding options, warrants, rights (including conversion or preemptive rights and rights of first refusal), proxy or shareholders agreements or agreements of any kind for the purchase or acquisition from any Group Company of any of its equity. None of the Group Companies is subject to any obligation (contingent or otherwise) to purchase or otherwise acquire or retire any interest held therein by its equityholders or to purchase or otherwise acquire or retire any of its securities. The Company has no outstanding Liabilities under the Share Transfer Agreement, dated as of February 4, 2007, by and between the Company and Powerhill Holdings Limited and the Share Transfer Agreement, dated as of February 4, 2007, by and between the Company and Crystal Water Investment Holdings Limited.

(iv) Except as disclosed in Section 3.6(iv) of the Disclosure Schedule, in respect of each Group Company that is organized and existing under the laws of the PRC, the full amount of the registered capital thereof has been contributed, such contribution has been duly verified by a certified accountant registered in the PRC and/or the accounting firm employing such accountant, and the report of the certified accountant evidencing such verification has been registered with the SAIC. Any amount of registered capital of any Group Company that is organized and existing

under the laws of the PRC that has not been contributed was not required to be contributed as of April 30, 2007, and such amount shall be contributed in compliance with Applicable Law.

3.7 Offering. Subject in part to the truth and accuracy of each Investor's representations set forth in Section 4, the offer, sale and issuance pursuant hereto or any Ancillary Document of any Series B Preferred Share or Warrant and the issuance of Warrant Shares upon exercise of any Warrant and Conversion Shares upon conversion of any Series B Preferred Share is exempt from the registration requirements of any applicable securities laws, and neither the Company nor any authorized agent acting on its behalf will take any action that would cause the loss of such exemption.

3.8 Financial Statements; Liabilities

(i) The Unaudited Pro Forma Financials have been certified by the chief executive officer and chief financial officer of the Company. The income statements in the Unaudited Pro Forma Financials present fairly the results of operations of the Company and the WFOEs for the period covered, and the balance sheets in the Unaudited Pro Forma Financials present fairly the financial condition of the Company and the WFOEs as of their respective dates.

(ii) Except as disclosed in Section 3.8(ii) of the Disclosure Schedule, none of the Group Companies has any outstanding Liabilities, except (a) Liabilities that are reflected or disclosed in the most recent balance sheet in the Unaudited Pro Forma Financials, (b) Liabilities incurred in the ordinary course of business and consistent with past practice since April 30, 2007, or (c) Liabilities, in the aggregate not exceeding US$200,000, incurred since April 30, 2007 that are not in the ordinary course of business or consistent with past practice.

(iii) Each of Mr. Qi JI and the Key Management Personnel has not been and shall not be in violation or breach of any non-competition obligations arising from any Contract, Applicable Law or otherwise, including without limitation the Home Inns Hotel Management (Beijing) Limited Employment And Confidentiality Agreement and the Home Inns Hotel Management (Hong Kong) Limited Employment And Confidentiality Agreement entered into by Mr. Qi JI, as a result of having worked for or owning interest in any Group Company.

3.9 Absence of Changes. Since April 30, 2007:

(i) none of the Group Companies has entered into any transaction in an amount in excess of US$200,000 (or its equivalent in any other currency) which is not in the ordinary course of business consistent with past practice;

(ii) there have been no changes, whether individually or in the aggregate, that would constitute or lead to a Significant Breach with respect to the business, financial condition, results, operations or prospects of any of the Group Companies;

(iii) there has been no damage to, destruction or loss of physical property (whether or not covered by insurance), whether individually or in the aggregate, that would constitute or lead to a Significant Breach with respect to the business or operations of any Group Company;

(iv) none of the Group Companies has declared or paid any dividend or made any distribution on its shares or registered capital, or redeemed, purchased or otherwise acquired any of its shares or registered capital;

(v) none of the Group Companies has increased the compensation of any of its officers, or the rate of pay of its employees as a group, except as part of regular compensation increases in the ordinary course of business;

(vi) there has been no waiver of any material right or claim of any Group Company, or the cancellation of any debt or claim held by any Group Company; and

(vii) there has been no sale, assignment or transfer of any tangible or intangible assets of any Group Company except in the ordinary course of business consistent with past practice.

3.10 Real Property.

As of April 30, 2007:

(i) None of the Company or the Group Companies owns or has legal or equitable title or other right or interest in any real property other than the land use rights (the **"Land Use Rights")** held by the Group Companies as set forth in Schedule 3.10(i) of the Disclosure Schedule or as held pursuant to Lease. True and complete copies of the certificates evidencing the Land Use Rights have been delivered to each of the Investors or their agents or professional advisers and any land grant premium required under Applicable Law in connection with securing such Land Use Rights has been fully paid. None of the land with respect to which the Land Use Rights relate constitute arable land that has been converted to other uses. The particulars of the Land Use Rights as set out in Schedule 3.10(i) of the Disclosure Schedule are true and complete.

(ii) Section 3.10(ii) of the Disclosure Schedule sets forth each leasehold interest pursuant to which any Group Company holds any real property (a **"Lease"),** indicating the parties to such Lease, the address of the property demised under the Lease, the rent payable under the Lease and the term of the Lease. Any breach by the real property holder of any Lease, including failure to hold valid land certificates, will entitle the Group Company a party to such Lease to enforce its rights under such Lease and seek compensation to remedy its losses resulting therefrom. Each Lease constitutes the entire agreement to which any Group Company is party with respect to the property demised thereunder, and a true and complete copy of each such Lease has been delivered to the Investors, together with all amendments, modifications, alterations and other changes thereto. Each Lease is valid and subsisting, enforceable against the parties thereto in accordance with its terms and no change in ownership or claim from any third party shall adversely affect the forgoing validity and enforceability. The lessor under each Lease is qualified and has obtained all Consents necessary to enter into such Lease, including without limitation any Consents required from the owner of the property demised pursuant to the Lease if the lessor is not such owner. There is no claim asserted or threatened by any third party regarding the ownership of the property demised pursuant to each Lease. Each Lease is in compliance with Applicable Law with respect to the ownership and operation of property and conduct of business as now conducted and as proposed to be conducted

by any Group Company under such Lease. No Lease shall be discontinued, suspended or challenged by any Government Entity or third party without the Consent of the Group Company to such Lease, and no Group Company shall be subject to any fine, penalty or other punishment from any Government Entity or third party in connection with any Lease. As of the date hereof, all conditions precedent to the enforceability of each Lease have been satisfied and there exists no breach or default, nor state of facts which, with the passage of time, notice, or both, would result in a breach or default on the part of any party to the Lease. A Group Company has accepted possession of the property demised pursuant to each Lease and is in actual possession thereof and has not sublet, assigned or hypothecated its leasehold interest except as set forth on Section 3.10(ii) of the Disclosure Schedule. In the event that any Group Company subleases any real property to a third party, such Group Company shall be qualified to do so and all Consents required for such subleases, including without limitation any Consents required from any Government Entity, shall have been obtained by such Group Company. The particulars of the Leases as set out in Schedule 3.10(ii) of the Disclosure Schedule are true and complete. No breach or breaches of any representations given in this Section 3.10(ii), including any matters disclosed in Section 3.10(ii) of the Disclosure Schedule, in the aggregate, have constituted or shall constitute or lead to a Significant Breach with respect to any Group Company.

(iii) None of the Group Companies has obtained property ownership certification for the buildings and improvements located on land with respect to which it holds under the Leases.

(iv) Each of the Land Use Rights is free and clear of any and all Encumbrances except for those identified in Section 3.10(iv) of the Disclosure Schedule, provided that exercise of the rights under any Encumbrances, whether individually or taken as a whole, has not constituted and shall not constitute or lead to a Significant Breach with respect to any Group Company. A true and complete copy of each of the agreements relating to the Encumbrances identified in Section 3.10(iv) of the Disclosure Schedule (the **"Mortgages")** has been delivered to each of the Investors or their agents or professional advisors.

(v) Except as set forth in Section 3.10(v) of the Disclosure Schedule, none of the Group Companies uses any real property in the conduct of its business except insofar as it holds valid Land Use Rights or has secured a Lease with respect thereto. No default or event of default on the part of any Group Company or event which, with the giving of notice or passage of time or both, would constitute a default or event of default on the part of any Group Company has occurred and is continuing unremedied or unwaived under the terms of any of the Land Use Rights, the Leases or Mortgages. There exists no pending or threatened condemnation, confiscation, dispute, claim, demand or similar proceeding with respect to, or which could constitute or lead to a Significant Breach with respect to, the continued use and enjoyment of any Land Use Right or Lease by any Group Company. The Land Use Rights, Leases and Mortgages are valid and subsisting and are enforceable in accordance with the terms contained therein.

3.11 Personal Property.

(i) The personal property of each Group Company is sufficient for the conduct of its business as currently conducted.

(ii) All personal property of each Group Company which is reflected in the most recent balance sheet in the Unaudited Pro Forma Financials or which has been acquired by any Group Company since the date of such balance sheet and which has not been disposed of in the ordinary course of such Group Company's business is owned by such Group Company free and clear of any Encumbrances, other than Encumbrances in the ordinary course of business on property having a value not exceeding US$200,000 (or its equivalent in any other currency) in the aggregate.

(iii) All machinery, tools and equipment of any Group Company which are reflected in the most recent balance sheet in the Unaudited Pro Forma Financials or which have been acquired thereby since the date of such balance sheet are in a state of reasonable maintenance and repair (except for ordinary wear and tear) and are adequate for the conduct of the business thereof as currently operated, except the machinery, tools and equipment having a value not exceeding RMB¥20,000 individually or US$200,000 (or its equivalent in any other currency) in the aggregate.

(iv) Except as reflected or disclosed in the most recent balance sheet in the Unaudited Pro Forma Financials, none of the Group Companies maintains any inventory other than the inventories of the Group Companies having a value not exceeding US$200,000 (or its equivalent in any other currency) in the aggregate.

3.12 Contracts. Each of the Contracts set forth in Section 3.12(v) of the Disclosure Schedule is deemed to be a Material Contract as of April 30, 2007. With respect to each Material Contract to which any Group Company is a party or to which any Group Company or any of its properties is subject or by which any thereof is bound:

(i) True and complete copies of the Material Contracts, including any amendments and supplements to such Contracts, have been delivered to each of the Investors.

(ii) Unless otherwise noted on Section 3.12(ii) of the Disclosure Schedule, each of the Material Contracts was entered into in the ordinary course of business.

(iii) Each Material Contract is valid and subsisting, enforceable by the parties thereto in accordance with its terms, except (a) as limited by applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, and (b) as limited by laws relating to the availability of specific performance, injunctive relief or other remedies in the nature of equitable remedies. Each Group Company has duly performed all its obligations under each Material Contract to the extent that such obligations to perform have accrued. To the Knowledge of the Company, no breach or default, alleged breach or default, or event which would (with the passage of time, notice or both) constitute a breach or default under any of the Material Contracts by any Group Company, or any other party or obligor with respect thereto, has occurred, or as a result of this Agreement or any Ancillary Document, or the performance hereof or thereof, will occur.

(iv) Consummation of the transactions contemplated by this Agreement, the Ancillary Documents and the Note Agreement will not (and will not give any Person a right to) terminate or modify any rights of, or accelerate or augment any obligation of, any Group Company under any Material Contract.

(v) Notwithstanding anything to the contrary provided herein, each of the following Contracts is deemed to be a Material Contract and has been identified in Section 3.12(v) of the Disclosure Schedule: (a) any Contract with respect to a contract value in excess of US$200,000 (or its equivalent in any other currency); (b) any Contract that has an unexpired term in excess of five years; (c) any Contract on which the business of any Group Company is substantially dependent or which is otherwise material to the business of any Group Company; (d) any Lease and any Contract with respect to the renovation at any real property or any property that is subject to a Lease; (e) any Contract that limits or restricts the ability of any Group Company to compete or otherwise to conduct its business in any material respect; (f) any Contract requiring performance in any country other than the PRC; (g) any Contract that grants a power of attorney, agency or similar authority to another Person or entity, agency or similar authority to another Person or entity; (h) any Contract that contains a right of first refusal; and (i) any other Contract that was not made in the ordinary course of business. No Material Contract has been entered into by the Company or any WFOE after April 30, 2007, and no other Group Company has entered into any Material Contract after April 30, 2007 which is material to the ability of such Group Company to conduct its business as previously conducted.

3.13 Intellectual Property.

(i) Each Group Company owns or possesses sufficient legal rights to (a) all trademarks, service marks, tradenames, copyrights, trade secrets, licenses, information and proprietary rights and processes and (b) all patents and patent rights (such rights are collectively referred to herein as the **"Intellectual Property")** as are necessary to the conduct of its businesses as now conducted and as presently proposed to be conducted. None of the Company Warrantors has any Knowledge that any such Intellectual Property is being infringed by third parties. No claim is currently asserted or threatened against any Group Company by any third party challenging or questioning such Group Company' right to use any of the Intellectual Property or the validity or effectiveness of any license or similar agreement with respect thereto.

(ii) All licenses under which each Group Company is currently using the Intellectual Property (the **"Intellectual Property Licenses")** are in full force and effect in accordance with their terms, and are free and clear of any Encumbrances. None of the Group Companies is in default of any material provision under any Intellectual Property License and no such default is currently threatened.

(iii) The conduct by each Group Company of its respective business does not infringe the rights of any third party in respect of any Intellectual Property nor has any Group Company received any communication that a claim or demand has been made, or threatened to be made to this effect.

(iv) None of the Group Companies will be necessary to utilize in the course of such Group Company's business any Intellectual Property of any of the respective employees of such Group Company made prior to their employment by such Group

Company, except for Intellectual Property that have been validly and properly assigned or licensed to such Group Company as of the date hereof.

(v) Except for the trademark logos listed in Section 3.13(v) of the Disclosure Schedule, which trademarks have been registered or are in the process of being registered in the PRC, none of the Group Companies owns or uses any trademarks. In respect of those trademarks being registered in the PRC, to the Knowledge of the Company Warrantors, there are no legal obstacles to such registration.

(vi) None of the Group Companies is registered by a Government Entity as the owner of any copyright.

(vii) Except for the domain names listed in Section 3.13(vii) of the Disclosure Schedule, which domain names have been registered with the domain name registration institutions throughout the world, none of the Group Companies is the registered owner of any domain names. None of the Group Companies is aware of any claim of any third party in respect of the domain names listed in Section 3.13(vii) of the Disclosure Schedule.

(viii) Each Group Company has taken all security measures that in the judgment of such Group Company are prudent in order to protect the secrecy, confidentiality, and value of its material Intellectual Property.

3.14 Affiliate Transactions. Except as set forth in Section 3.14 of the Disclosure Schedule, none of the Group Companies, on the one hand, is indebted, either directly or indirectly, to any Related Party, on the other hand, in any amount whatsoever, other than for payment of salary for services rendered and reasonable expenses. No Related Party is indebted to any Group Company or has any direct or indirect ownership interest (other than as a result of any ownership interest held in the Company) in any Group Company. To the Knowledge of the Company Warrantors, no Related Party has any direct or indirect ownership interest, or contractual relationship, with any Person with which any Group Company has a business relationship or any Person which, directly or indirectly, competes with any Group Company. Except as set forth in Section 3.14 of the Disclosure Schedule, no Related Party is, directly or indirectly, a party to or otherwise an interested party with respect to any Contract with any Group Company. The matters disclosed in Section 3.14 of the Disclosure Schedule, whether individually or taken as a whole, have not constituted and shall not constitute or lead to a Significant Breach with respect to any Group Company.

3.15 Insurance. Except for the insurances listed in Section 3.15 of the Disclosure Schedule, none of the Group Companies maintains any insurance.

3.16 Litigation. Except as set forth in Section 3.16 of the Disclosure Schedule, there is no litigation, proceedings, investigations (civil, criminal, regulatory or otherwise), arbitration claims, demands, grievances or inquiries pending (or, to the Knowledge of the Company Warrantors, any basis therefor or threat thereof) against or affecting any Group Company, or any of its assets or properties, nor are there any facts which are likely to give rise to any such litigation. There are no judgments unsatisfied against any Group Company or consent decrees or injunctions to which any Group Company or any of its assets are subject.

3.17 Tax Matters

(i) Except as set forth in Section 3.17(i) of the Disclosure Schedule, each Group Company (a) has timely filed all Tax Returns that are required to have been filed by it with any Government Entity, (b) has timely paid all Taxes owed by it which are due and payable or withheld and remitted to the appropriate Governmental Entity all Taxes which it is obligated to withhold and remit from amounts owing to any employee, creditor, customer or third party, and (c) has not waived any statute of limitations with respect to Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency other than, in the case of clauses (a) and (b), unpaid taxes that are in contest with tax authorities by any Group Company in good faith or nonmaterial in amount. The matters disclosed in Section 3.17(i) of the Disclosure Schedule, whether individually or taken as a whole, have not constituted and shall not constitute or lead to a Significant Breach with respect to any Group Company.

(ii) Each Tax Return referred to in paragraph (i) above was properly prepared in compliance with Applicable Law and was (and will be) true, correct and complete in all material respects. None of such Tax Returns contains a statement that is false or misleading in any material respect or omits any matter that is required to be included or without which the statement would be false or misleading in any material respect. No reporting position was taken on any such Tax Return which has not been disclosed to the appropriate tax authority or in such Tax Return, as may be required by Applicable Law. All records relating to such Tax Returns or to the preparation thereof required by Applicable Law to be maintained by each Group Company have been duly maintained.

(iii) The assessment of any additional Taxes with respect to any Group Company for periods for which Tax Returns have been filed is not expected to exceed the recorded Liability therefor in the most recent balance sheet in the Unaudited Pro Forma Financials, and except as disclosed in Section 3.17(iii) of the Disclosure Schedule, there are no material unresolved questions or claims concerning any Tax Liability of any Group Company. There is no pending dispute with, or notice from, any taxing authority relating to any of the Tax Returns filed by any Group Company which, if determined adversely to such Group Company, would result in the assertion by any taxing authority of any valid deficiency in a material amount for Taxes, and to the Knowledge of the Company Warrantors, there is no proposed Liability for a deficiency in any Tax to be imposed upon the properties or assets of any Group Company. None of the Group Companies has been the subject of any examination or investigation by any tax authority relating to the conduct of its business or the payment or withholding of Taxes that has not been resolved or is currently the subject of any examination or investigation by any tax authority relating to the conduct of its business or the payment of withholding of Taxes. None of the Group Companies is responsible for the Taxes of any other Person by reason of contract, successor liability or otherwise.

(iv) None of the Group Companies is or expects to become, as a result of the Contemplated Transactions, a CFC, based in part on the representations in Section 4.7. None of the Group Companies anticipates that any will become a PFIC or CFC for the current taxable year or any future taxable year.

(v) Each Group Company is treated as a corporation for U.S. federal income tax purposes.

3.18 Legal Compliance.

(i) Except as set forth in Section 3.18(i) of the Disclosure Schedule, each Group Company is, and at all times has been, in compliance with Applicable Laws, except where non-compliance could not reasonably be expected to constitute or lead to a Significant Breach with respect to the business or condition of such Group Company.

(ii) To the Knowledge of the Company, except for the events and circumstances which could not reasonably be expected to, individually or aggregately, constitute or lead to a Significant Breach with respect to any Group Company, no event has occurred or circumstance exists that (with or without notice or lapse of time) (a) may constitute or result in a violation by any Group Company of, or a failure on the part thereof to comply with, any Applicable Law, or (b) may give rise to any obligation on the part of any Group Company to undertake, or to bear all or any portion of the cost of, any remedial action of any nature. None of the Group Companies has received any notice or other communication (whether oral or written) from any Government Entity regarding (x) any actual, alleged, possible, or potential violation of, or failure to comply with, any Applicable Law, or (y) any actual, alleged, possible, or potential obligation on the part of any Group Company to undertake, or to bear all or any portion of the cost of, any remedial action of any nature.

(iii) None of the Group Companies or any director, officer, agent, employee, or any other Person associated with or acting for or on behalf of the foregoing, has offered, paid, promised to pay, or authorized the payment of any money, or offered, given a promise to give, or authorized the giving of anything of value, to any Government Official, to any political party or official thereof or to any candidate for political office (or to any Person where such Group Company, director, officer, agent, employee or other Person knew or was aware of a high probability that all or a portion of such money or thing of value would be offered, given or promised, directly or indirectly, to any Government Official, political party, party official, or candidate for political office) for the purposes of:

a) (x) influencing any act or decision of such Government Official, political party, party official, or candidate in his or its official capacity, (y) inducing such Government Official, political party, party official or candidate to do or omit to do any act in violation of the lawful duty of such Government Official, political party, party official or candidate, or (z) securing any improper advantage, or

b) inducing such Government Official, political party, party official, or candidate to use his or its influence with any Government Entity to affect or influence any act or decision of such Government Entity, in order to assist any Group Company in obtaining or retaining business for or with, or directing business to any Group Company.

(iv) None of the Group Companies or any of the respective officers, employees, directors, representatives, or agents of the foregoing has, within the past five years, (a) taken any action in furtherance of any boycott not sanctioned by the United States; (b) engaged directly or indirectly in transactions with any Government Entity, agent, representative, national or resident of, or any entity based or resident in,

any of the following countries: North Korea, Iraq, Libya, Cuba, Iran, Myanmar or Sudan; (c) otherwise engaged in transactions with any entity or person that is the target of U.S. economic sanctions, as designated by the U.S. Treasury Department Office of Foreign Assets Control on its list of Specially Designated Nationals and Blocked Persons; or (d) received unlicensed donations or engaged in financial transactions with respect to which any Group Company knows or has reasonable cause to believe that the financial transaction poses a risk of furthering terrorist attacks anywhere in the world.

3.19 Environmental Compliance. None of the Group Companies is in violation of any applicable statute, law or regulation relating to the environment or occupational health and safety and no material expenditures are or will be required to comply with any such existing statute, law or regulation.

3.20 Employees, Labor Matters, etc.

(i) Each Group Company has complied with all Applicable Law relating to the employment of labor, including provisions thereof relating to wages, hours, social welfare, Social Securities Funds, equal opportunity and collective bargaining. There is no organized labor strike, dispute, slowdown or claim pending, or to the Knowledge of the Company Warrantors threatened against or affecting any Group Company. None of the Group Companies has any contract with any labor union. The matters disclosed in Section 3.20(i) of the Disclosure Schedule, whether individually or taken as a whole, have not constituted and shall not constitute or lead to a Significant Breach with respect to any Group Company.

(ii) Section 3.20(ii) of the Disclosure Schedule sets forth a list of all officers, employees and consultants of each Group Company whose current annual salary or rate of compensation (including bonuses, commissions and inventive compensation) is in excess of RMB¥800,000 (or equivalent in a different currency), together with their current job titles or relationship to such Group Company. None of the Persons referred to above, nor any other officer, key employee or consultant of any Group Company, has notified any Group Company that such Person will cancel or otherwise terminate such Person's relationship with any Group Company, or is being terminated by any Group Company.

(iii) To the Knowledge of the Company Warrantors, except as set forth in Section 3.20(iii) of the Disclosure Schedule, none of the officers, employees or consultants referred to in Section 3.20(ii) of the Disclosure Schedule is obligated under any contract (including licenses, covenants or commitments of any nature) or other agreement, or subject to any judgment, decree or order of any court or administrative agency, that would interfere with the use of his or her best efforts to promote the interests of the Group Companies or that would conflict with the business of the Group Companies as proposed to be conducted. To the Knowledge of the Company Warrantors, the following will not conflict with or result in a breach of the terms, conditions or provisions of, or constitute a default under, any contract, covenant or instrument under which any of such officer, employee or consultant is now obligated: (a) the execution, delivery and performance of any of this Agreement or other Transaction Documents; (b) the adoption by the Company of the Memorandum and Articles, (c) the carrying on of any Group Company's business by the employees thereof; and (d) the conduct of the business of any Group Company as

currently conducted or as proposed to be conducted. No Group Company has reason to believe it is or will be necessary to utilize any inventions of any employees of any Group Company (or people any Group Company currently intend to hire) made prior to or outside the scope of their employment by such Group Company. None of the execution, delivery and performance of this Agreement or other Transaction Documents or the adoption of the Memorandum and Articles will (either alone or upon the occurrence of any additional or subsequent event) constitute an event under any benefit plan or individual agreement that will or may result in any payment (whether of severance pay or otherwise), acceleration, vesting or increase in material benefits with respect to any employee, former employee, consultant, agent or director of any Group Company.

(iv) Except as set forth on Section 3.20(iv) of the Disclosure Schedule, none of the Group Companies has any pension (other than any statutory pension), employee stock purchase or other plan providing for incentives or other compensation to employees. The Company has delivered to the Investors true, correct and complete copies of all documents, summary plan descriptions, insurance contracts, third party administration contracts and all other documentation created to embody all material benefit plans, plus descriptions of any material benefit plans that have not been reduced to writing. Except for required contributions or benefit accruals for the current plan year, no material Liability has been or is expected to be incurred by any Group Company under or pursuant to any Applicable Law relating to benefit plans and, to the Knowledge of the Company Warrantors, no event, transaction or condition has occurred or exists that could result in any such Liability to any Group Company. Each of the benefit plans listed in Section 3.20(iv) of the Disclosure Schedule is and has at all times been in compliance in all material respects with all applicable provisions of Applicable Law.

3.21 State-Owned Assets. None of the assets of any Group Company constitute state-owned assets and, inasmuch, are not required to undergo any form of valuation under Applicable Law in the PRC governing the transfer of state-owned assets prior to the consummation of the transactions contemplated herein or in any other Transaction Documents.

3.22 Entire Business. There are no material facilities, services, assets or properties shared (i) by the Company with any other Person that is not a Group Company or (ii) by any Group Company with any other Person that is not a Group Company.

3.23 Brokers. Except as set forth on Section 3.20(iv) of the Disclosure Schedule, no finder, broker, agent, financial advisor or other intermediary has acted on behalf of any Group Company or any of its Affiliates in connection with the offering of the Series B Preferred Shares or the negotiation or consummation of this Agreement or the Ancillary Documents or any of the transactions contemplated hereby or thereby. All such negotiations or the consummation of this Agreement or the Ancillary Documents or any of the transactions contemplated hereby or thereby will not give rise to any valid claim against any Group Company or any of the Investors for any brokerage or finder's commission, fee or similar compensation.

3.24 Full Disclosure. The Company has fully provided the Investors with all the information that the Investors have requested for deciding whether to purchase the Series B Preferred Shares and all information that the Company believes is materially necessary to

enable the Investors to make such decision. None of this Agreement or any other statements or certificates or other materials made or delivered, or to be made or delivered to any of the Investors in connection herewith or therewith, contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements herein or therein not misleading.

4. Representations and Warranties of the Investors. Each of the Investors, severally and not jointly, represents, warrants and covenants to the Company that:

4.1 Authorization. Such Investor has full power and authority to enter into this Agreement, and, assuming due and valid execution and delivery hereof, the Agreement constitutes its valid and legally binding obligation, enforceable in accordance with its terms except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, and other laws of general application affecting enforcement of creditors' rights generally, and (ii) as limited by laws relating to the availability of specific performance, injunctive relief, or other equitable remedies.

4.2 Purchase Entirely for Own Account. This Agreement is made with such Investor in reliance upon such Investor's representation to the Company, which by such Investor's execution of this Agreement such Investor hereby confirms, that the Series B Preferred Shares and the Investor Warrants to be acquired hereunder and the Warrant Shares and Conversion Shares (collectively, the **"Securities")** will be acquired by the Investor for investment for the Investor's own account, not as a nominee or agent, and not with a view to the resale or distribution of any part thereof, and that such Investor has no present intention of selling, granting any participation in, or otherwise distributing the same. By executing this Agreement, the Investor further represents that it does not have any contract, undertaking, agreement or arrangement with any Person to sell, transfer or grant participations to such Person or to any third Person, with respect to any of the Securities.

4.3 Disclosure of Information. Such Investor believes it has received all the information it considers necessary or appropriate for deciding whether to purchase the Series B Preferred Shares. Such Investor further represents that it has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the offering of the Series B Preferred Shares and the business, properties, prospects and financial condition of the Company. The foregoing, however, does not limit or modify the representations and warranties of the Company in Section 3 of this Agreement or the right of the Investors to rely thereon.

4.4 Investment Experience. Such Investor acknowledges that it is able to fend for itself, can bear the economic risk of its investment, and has such knowledge and experience in financial or business matters that it is capable of evaluating the merits and risks of the investment in the Series B Preferred Shares. Such Investor also represents it has not been organized for the purpose of acquiring the Series B Preferred Shares.

4.5 Status of Investor. Such Investor (i) is purchasing the Securities in accordance with any applicable securities laws of any state of the United States or any other jurisdiction or (ii) is an "accredited investor" within the meaning of SEC Rule 501 of Regulation D, as presently in effect, under the Securities Act.

4.6 Restricted Securities. Such Investor understands that the Securities it is purchasing are characterized as "restricted securities" under U.S. federal securities laws

inasmuch as they are being acquired from the Company in a transaction not involving a public offering and that under such laws and applicable regulations such securities may be resold without registration under the Act, only in certain limited circumstances. In this connection, such Investor represents that it is familiar with SEC Rule 144, as presently in effect, and understands the resale limitations imposed thereby and by the Securities Act.

4.7 Tax Matters.

(i) Each of the Lead Investors and Pinpoint represents and warrants that such Investor is not a US Person as defined by §957(c) of the Code and no Person owns an ownership interest, directly or indirectly, in such Investor that would cause such Person to be a U.S. shareholder with respect to any Group Company as defined by §951(b) of the Code. For these purposes direct and indirect ownership is determined under §958 of the Code including the constructive ownership provisions in §958(b).

(ii) Each of the Investors other than the Lead Investors and Pinpoint represents and warrants that such Investor is an exempted limited partnership formed under the laws of the Cayman Islands, and such Investor agrees to take reasonable steps to assist the company in determining whether any Person owns an ownership interest, directly or indirectly, in such Investor that would cause such Person to be a U.S. shareholder with respect to any Group Company as defined by §951(b) of the Code. For these purposes direct and indirect ownership is determined under §958 of the Code including the constructive ownership provisions in § 958(b).

5. Conditions of the Investors' Obligations at Closing. The obligations of each Investor at the Closing are subject to the fulfillment on or before the Closing of each of the following conditions, unless waived by the Lead Investors in writing:

5.1 Representations and Warranties. The representations and warranties of the Company Warrantors contained or referred to herein shall be true, correct and complete in all material respects as of the date of the Closing as though made at such date with reference to the facts and circumstances existing at such time (except to the extent that a representation and warranty speaks as of an earlier date, in which case such representation and warranty shall be true as of such earlier date), and each of the Company Warrantors shall have delivered a certificate to such effect, dated the date of the Closing, signed by such Company Warrantor or by a director or officer thereof.

5.2 Performance. Each party to this Agreement (other than the Investors) shall have performed and complied with all agreements, obligations and conditions contained in this Agreement or the Ancillary Documents which such party is required to perform or comply with on or before the Closing.

5.3 Proceedings and Documents. All corporate and other proceedings in connection with the transactions contemplated at the Closing, and all documents incident thereto, shall be in form and substance reasonably satisfactory to the Lead Investors, and each Investor shall have received all such counterpart original and certified or other copies of such documents as such Investor may reasonably request.

5.4 Qualifications. Except as disclosed in the Disclosure Schedule, all Consents of any competent Government Entity that are required in connection any of the transactions

contemplated hereunder, under any of the Ancillary Documents or under other agreements to be entered into in connection herewith shall have been duly obtained and shall continue to be in effect.

5.5 No Orders; Legal Proceedings. Except as disclosed in the Disclosure Schedule, there shall be no Applicable Law in effect which prohibits or restricts the transactions contemplated by this Agreement or the Ancillary Documents which is not waived by a competent Government Entity.

5.6 No Material Adverse Change. There shall not have been any changes, whether individually or in the aggregate, that have had or can reasonably be expected to have a Material Adverse Effect on the business, financial condition, results, operations or prospects of the Company, the WFOEs, or the other Group Companies taken as a whole, since December 31, 2006.

5.7 Compliance Certificate. A director of the Company shall deliver to each Investor at the Closing a certificate stating that the conditions specified in Section 5.1, Section 5.2, Section 5.4, Section 5.5 and Section 5.6 have been fulfilled.

5.8 Legal Opinions. The Investors shall have each received from Conyers Dill & Pearman, special Cayman Islands counsel to the Company, and Guantao Law Firm, special PRC counsel to the Company, written opinions dated and delivered as of the date of the Closing, in form and substance satisfactory to the Lead Investors.

5.9 Due Diligence. The Investors shall have completed financial, business and legal due diligence on the Company and the WFOEs to their satisfaction.

5.10 Investment Committee Approval. Each Investor's respective investment committee, if and when applicable, shall have approved, and shall not have revoked such approval of, the terms of the investment and the transactions contemplated herein and in the Transaction Documents.

5.11 Memorandum and Articles. The Memorandum and Articles, in the form attached hereto as Exhibit A shall have been duly adopted by all necessary actions of the Board and Shareholders of the Company and shall remain in full force and effect.

5.12 Shareholders Agreement. The Shareholders Agreement, dated as of the date of the Closing, in form attached hereto as Exhibit B, shall have been duly executed by all parties thereto (other than the Investors) and shall be in full force and effect.

5.13 Indemnification Agreement. The Company shall have entered into an Indemnification Agreement, dated as of the date of the Closing, in the form attached hereto as Exhibit G, with each member appointed to the Board in accordance with Section 7.8 and such Indemnification Agreements shall be in full force and effect.

5.14 Founder Warrant. The Company shall have delivered to Winner Crown Holdings Limited a warrant, dated as of the date of the Closing, in the form attached hereto as Exhibit H, duly executed by the parties thereto, for the purchase of up to 4,704,000 Series B Preferred Shares at a per share purchase price of US$1.27551.

5.15 Investor Warrants. The Company shall have delivered to (i) each Investor a warrant, dated as of the date of the Closing, in the form attached hereto as Exhibit J-1, duly

executed by the parties thereto, for the purchase of an amount of Series B Preferred Shares at a per share purchase price as set forth next to such Investor's name on Schedule 4, and (ii) each of the Lead Investors and IDG a warrant, dated as of the date of the Closing, in the form attached hereto as Exhibit J-2, duly executed by the parties thereto, for the purchase of an amount of Series B Preferred Shares at a per share purchase price as set forth next to such Investor's name on Schedule 5.

5.16 Disclosure Schedule. Any modification or supplement to the Disclosure Schedule shall have been prepared and delivered by the Company to the Investors in form and substance satisfactory to the Investors.

5.17 Employment Agreement. Mr. Qi JI shall have entered into an Employment Agreement with the Company, dated on or prior to the date of the Closing, which shall

(i) provide, *inter alia,* that

(a) all equity securities of the Company beneficially owned by Mr. Qi JI as of the Closing, and

(b) any equity securities of the Company purchased by Mr. Qi JI (directly or beneficially) pursuant to the Shareholder Loan Agreement

shall be subject to the Company's Repurchase Right under Section 9 of the Shareholders Agreement with the following vesting schedule: 50% of such equity securities shall vest on the one (1) year anniversary of the Closing and the remaining 50% of such equity securities shall vest in equal monthly installments over a period of four (4) years thereafter,

(ii) be otherwise in form and substance satisfactory to the Lead Investors, and

(iii) be in full force and effect.

5.18 Shareholder Loan Agreement. The Shareholder Loan Agreement, dated as of the date of the Closing, in the form attached hereto as Exhibit K, shall have been duly executed by all parties thereto and shall be in full force and effect.

6. Conditions of the Company's Obligations at Closing. The obligations of the Company at the Closing are subject to the fulfillment on or before the Closing of each of the following conditions, unless waived by the Company in writing:

6.1 Representations and Warranties. The representations and warranties of the Investors contained in Section 4 of this Agreement shall be true and correct as of the date of the Closing as though made at such date with reference to the facts and circumstances existing at such time (except to the extent that a representation and warranty speaks as of an earlier date, in which case such representation and warranty shall be true as of such earlier date).

6.2 Performance. Each Investor shall have performed and complied with all agreements, obligations and conditions contained in this Agreement or the Ancillary Documents which such Investor is required to perform or comply with on or before the Closing.

6.3 No Orders; Legal Proceedings. There shall be no Applicable Law in effect which prohibits or restricts the transactions contemplated by this Agreement or the Ancillary Documents which is not waived by a competent Government Entity.

6.4 Shareholders Agreement. The Shareholders Agreement, dated as of the date hereof, in form attached hereto as Exhibit B, shall have been duly executed by the Investors.

7. Additional Covenants.

7.1 Use of Proceeds. The Company will use the proceeds from the sale of Series B Preferred Shares hereunder for business expansion, capital expenditures, marketing and general working capital for its Business; provided that none of the proceeds shall be used to retire or pay off all or any portion of any indebtedness of any Group Company, whether incurred before or after the date hereof, other than (i) indebtedness to commercial lenders and the Shareholders (other than the Shareholder Loan (as defined in the Shareholder Loan Agreement)), outstanding as of the Closing, not exceeding US$4,000,000 in the aggregate (ii) the Shareholder Loan (as defined in and pursuant to the Shareholder Loan Agreement) or (iii) scheduled interest and principal repayment, when due and payable, without the prior written approval of the Lead Investors.

7.2 Pre-Closing Actions. As promptly as practicable, each of the parties to this Agreement will: (i) use reasonable best efforts to take all actions required of such party and to do all other things reasonably necessary, proper or advisable to consummate the transactions contemplated hereby and by the Ancillary Documents; (ii) file or supply, or cause to be filed or supplied, all applications, notifications and information required to be filed or supplied by such party pursuant to Applicable Law in connection with this Agreement, the Ancillary Documents and the issuance of the Series B Preferred Shares pursuant hereto and the consummation of the other transactions contemplated hereby and by the Ancillary Documents; (iii) use reasonable best efforts to obtain, or cause to be obtained, all Consents (including any Consents required under any contract) necessary to be obtained by such party in order to consummate the transactions contemplated pursuant to this Agreement and the Ancillary Documents; and (iv) coordinate and cooperate with the other parties in exchanging such information and supplying such assistance as may be reasonably requested by the other parties in connection with any filings and other actions to be made or taken in order to consummate the transactions contemplated pursuant to this Agreement and the Ancillary Documents.

7.3 Conduct of Business. Except as otherwise permitted by this Agreement or with the written consent of the Lead Investors, from the date hereof to the date of the Closing, the Company shall and shall cause each other Group Company to:

(i) carry on its business in the ordinary course consistent with past practice and in substantially the same manner as conducted prior to the date hereof and use reasonable best efforts to preserve its relationships with customers, suppliers and others having business dealings with any Group Company;

(ii) not create, issue or sell any securities, or grant or otherwise issue any options or purchase rights with respect thereto, or enter into any contract or commitment to do any of the foregoing, except in the ordinary course of business by a Group Company that is not a WFOE;

(iii) not repay or prepay any Liability or obligation in excess of US$100,000 (or its equivalent in any other currency) in the aggregate prior to its stated maturity other than in the ordinary course of business consistent with past practice;

(iv) not declare or make any dividend, payment or distribution to its shareholders or purchase, retire, acquire or redeem any of its shares or any part of its registered capital or other securities;

(v) not mortgage, pledge or subject to lien or any other Encumbrance, any of its material assets, tangible or intangible other than in the ordinary course of business by a Group Company that is not a WFOE;

(vi) not sell, assign, license, transfer or otherwise dispose of any of its assets having a fair market value of more than US$100,000 (or its equivalent in any other currency) in aggregate, or incur any Liabilities or obligations (including Liabilities with respect to indebtedness, capital leases or guarantees thereof) in excess of US$100,000 (or its equivalent in any other currency) in the aggregate, other than in the ordinary course of business;

(vii) not grant (or commit to grant) any increase in compensation (including incentive or bonus compensation) to any officer or any general increase in compensation (including incentive or bonus compensation) to its employees other than, in each case, normal merit and cost-of-living increases, or enter into any new, or amend or alter (or commit to enter into, amend or alter) in any material respect any existing, employment or consulting agreements or any bonus, incentive compensation, profit sharing, retirement, pension, group insurance, death benefit or other fringe benefit plan, collective bargaining agreement or commitment (including any commitment to pay retirement or other benefits) trust agreement or similar arrangement adopted by it with respect to its own employees;

(viii) not amend its Constitutional Documents except as provided herein or as required by Applicable Law;

(ix) not merge or consolidate with or into any other Person, or make any acquisition of all or substantially all of the stock, assets or business of any other Person, if such merger, consolidation or acquisition would be material to the financial condition or operations of the Company or any WFOE or has an aggregate fair market value exceeding US$100,000 (or its equivalent in any other currency);

(x) maintain in full force and effect existing insurance to the extent available on commercially reasonable terms;

(xi) not make any capital expenditure or capital commitment (other than in an emergency) which exceeds US$100,000 (or its equivalent in any other currency) in a single transaction or a series of related transactions, other than in the ordinary course of business consistent with past practice;

(xii) not make any material Tax elections, settle any Tax disputes or make any changes to any accounting methods;

(xiii) other than as may be reasonably required to consummate the transactions contemplated hereby, not make any modifications of or changes in or terminate any existing Contract set forth in Section 3.12 of the Disclosure Schedule; or

(xiv) except as expressly required by this Agreement, enter into or assume any material contract, agreement, obligation lease, license or commitment which involves an aggregate monetary commitment or exposure for all such contracts in excess of US$100,000 (or its equivalent in any other currency) other than in the ordinary course of business.

7.4 Non-Violation. Pending the Closing, none of the Group Companies will, without the prior written consent of the Lead Investors, take any action which (i) would render any of the representations or warranties made by the Company Warrantors in this Agreement untrue in any material respect if given with reference to the facts and circumstances then existing, or (ii) would result in any of the covenants contained in this Agreement becoming incapable of performance. Each Company Warrantor will promptly advise the Investor of any action or event of which such Company Warrantor becomes aware which would have the effect of making incorrect in any material respect any such representations or warranties if given with reference to facts and circumstances then existing or which has the effect of rendering any such covenants incapable of performance.

7.5 Certain Business Practices. Each Group Company will (i) pay and/or fund all social benefits which it is required by Applicable Law to pay or fund to or on behalf of any of the prior or continuing employees thereof, (ii) will timely and accurately declare all taxable revenues and pay all Taxes required by Applicable Law, and (iii) will not enter into multiple lease contracts with concurrent terms for a single business premise.

7.6 Confidentiality. Each party hereto shall keep confidential, and shall cause its officers, directors, and employees to keep confidential, the terms and conditions hereof, of any predecessor agreement and of any Ancillary Document (collectively, the **"Confidential Information")** except as the Lead Investors and the Company mutually agree otherwise; provided that any party may disclose Confidential Information (i) to the extent required by Applicable Law so long as, where such disclosure is to a Government Entity, such party shall use all reasonable efforts to obtain confidential treatment of the Confidential Information so disclosed, (ii) to the extent required by the rules of any stock exchange, (iii) to its officers, directors, employees and professional advisors as necessary to the performance of its obligations in connection herewith and with the Ancillary Documents so long as such party advises each Person to whom the Confidential Information is so disclosed as to the confidential nature thereof, (iv) to its investors and any Person otherwise providing substantial debt or equity financing to such party so long as the party advises each Person to whom the Confidential Information is so disclosed as to the confidential nature thereof, and (v) to any Person that enters into bona fide negotiations to acquire such party or such party's interest in the Company so long as such Person has agreed to maintain the confidentiality of the Confidential Information.

7.7 Certain Agreements. Within thirty (30) days after the Closing Date, the Company shall procure each of the Key Management Personnel to enter into (i) an employment agreement (or a supplemental agreement to his/her existing employment agreement), (ii) a proprietary information and inventions agreement and (iii) a non-

competition agreement, with the Company or one of the WFOEs, in form and substance reasonably satisfactory to the Lead Investors.

7.8 Appointment of New Directors. The parties hereto shall procure that Ms. Ping PING, with Mr. Eric LI as her alternate, and Mr. Yan HUANG, with Mr. Gongquan WANG as his alternate, shall be appointed as additional directors of the Company and Mr. Eric LI and Mr. Gongquan WANG shall be appointed as Board observers, effective immediately as of the Closing.

7.9 Government Approval and Registration. The Company shall procure that each WFOE shall obtain the appropriate certificate of approval and its new business license on or prior to July 1, 2007 identifying the Company as its sole investor.

7.10 Disclosure Schedule. The Company shall prepare the Disclosure Schedule in consultation and cooperation with the Investors and their counsels, and shall deliver to the Investors the Disclosure Schedule in a form satisfactory to the Investors as soon as practicable after the date hereof and prior to the Closing.

7.11 Audited Financials. The Company shall deliver the Audited Financials to the Investors as soon as practicable after the date hereof and prior to the six (6) month anniversary of the Closing Date, which Audited Financials shall not materially and adversely differ from the Unaudited Pro Forma Financials covering the same period.

7.12 Business Licenses. The Company Warrantors shall procure that each Group Company shall, as soon as practicable after the date hereof and prior to the six (6) month anniversary of the Closing Date, have secured all Consents required from any Government Entity for the ownership and operation of its properties and conduct of its business as then conducted and as then proposed to be conducted and have updated its business license to reflect the business as then conducted and as then proposed to be conducted.

7.13 Franchise Consents. The Company Warrantors shall procure that each WFOE shall, as soon as practicable after the date hereof and prior to the six (6) month anniversary of the Closing Date, have obtained all Consents required by Applicable Law for conducting franchise business, including without limitation approval from MOFCOM and registration with SAIC.

8. Termination and Survival.

8.1 Termination.

(i) This Agreement and the transactions contemplated by this Agreement shall terminate upon the mutual consent in writing of the parties hereto;

(ii) The Lead Investors shall have the right to terminate this Agreement (x) upon notice from the Lead Investors given to the other parties in the event of any material misrepresentation or other breach under this Agreement by any party (other than an Investor) which materially affects any Investor, if such breach is not remedied within thirty (30) days after written notice thereof is given to the breaching party by the affected party; or (y) upon notice from the Lead Investors given to the other parties if there shall be any change in Applicable Law since the date hereof that makes consummation of the transactions hereunder illegal or otherwise prohibited

which is not waived or repealed by a competent Government Entity within thirty (30) days of first becoming known to the Lead Investors.

(iii) The Company shall have the right to terminate this Agreement (x) upon notice given to the Investors in the event of any material misrepresentation or other breach under this Agreement by any of the Investors which materially affects the Company, if such breach is not remedied within thirty (30) days after written notice thereof is given to the breaching party by the Company, or (y) upon notice from the Company given to the Investors if there shall be any change in Applicable Law since the date hereof that makes consummation of the transactions hereunder illegal or otherwise prohibited which is not waived or repealed by a competent Government Entity within thirty (30) days of first becoming known to the Company.

8.2 Effect of Termination. If this Agreement is terminated pursuant to the provisions of this Section 8.1, then this Agreement shall become void and have no further effect, provided that no party shall be relieved of any liability for a breach of this Agreement or for any misrepresentation hereunder, nor shall such termination be deemed to constitute a waiver of any available remedy (including specific performance if available) for any such breach or misrepresentation.

8.3 Survival. The provisions of Section 7.6, this Section 8.3 and Section 9 shall survive the termination of this Agreement; provided, however, that if this Agreement is terminated by a party because of a breach by any other party or because one or more conditions to the terminating party's obligations under this Agreement have not been satisfied as a result of any other party's failure to comply with its obligations, the terminating party's right to pursue all legal remedies will survive termination unimpaired.

9. Miscellaneous.

9.1 Indemnity.

(i) Each of the Company Warrantors hereby agrees to jointly and severally indemnify and hold harmless each Investor, and such Investor's employees, Affiliates, agents and assigns, from and against any and all Indemnifiable Losses suffered by such Investor, or such Investor's employees, Affiliates, agents and assigns, directly or indirectly, as a result of, or based upon or arising from any inaccuracy in or breach or nonperformance of any of the representations, warranties, covenants or agreements made by any Company Warrantor in or pursuant to this Agreement or any of the Ancillary Documents.

(ii) Each Investor, severally and not jointly, hereby agrees to indemnify and hold harmless the Company, and the Company's employees, Affiliates, agents and assigns, from and against any and all Indemnifiable Losses suffered by the Company, or the Company's employees, Affiliates, agents and assigns, directly or indirectly, as a result of, or based upon, or arising from any inaccuracy in or breach or nonperformance of any of the representations, warranties, covenants or agreements made by such Investor in or pursuant to this Agreement.

(iii) Any party seeking indemnification with respect to any Indemnifiable Loss (an **"Indemnified Party")** shall give written notice to the party required to provide indemnity hereunder (the **"Indemnifying Party"**).

(iv) The aggregate amount of Indemnifiable Losses subject to Section 9.1(i) and Section 9.1(ii), respectively, suffered by all Indemnified Parties with a right to seek recourse shall exceed US$100,000 before any Indemnified Party shall be entitled to assert any claim for indemnification under Section 9.1(i) and Section 9.1(ii), respectively, in which case the Indemnified Party shall be entitled to claim indemnity for the full amount of its Indemnifiable Losses; provided, that such limitation shall not apply in case of any claim for indemnification based on intentional fraud or misrepresentation.

(v) If any claim, demand or Liability is asserted by any third party against any Indemnified Party, the Indemnifying Party shall upon the written request of the Indemnified Party, defend any actions or proceedings brought against the Indemnified Party in respect of matters embraced by the indemnity under this Section 9.1. If, after a request to defend any action or proceeding, the Indemnifying Party neglects to defend the Indemnified Party, a recovery against the Indemnified Party suffered by it in good faith shall be conclusive in its favor against the Indemnifying Party, provided, however, that, if the Indemnifying Party has not received reasonable notice of the action or proceeding against the Indemnified Party or is not allowed to control its defense, judgment against the Indemnified Party shall only constitute presumptive evidence against the Indemnifying Party.

(vi) This Section 9.1 shall not be deemed to preclude or otherwise limit in any way the exercise of any other rights or pursuit of other remedies for the breach of this Agreement or with respect to any misrepresentation.

9.2 Successors and Assigns. Except as otherwise provided herein, the terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties hereto whose rights or obligations hereunder are affected by such terms and conditions. This Agreement, and the rights and obligations herein may be assigned by the Investors to any Affiliate of the Investors, but not to any other person without the prior written consent of the Company. Except as otherwise provided herein and in the Ancillary Documents, no other party may assign any of its rights or delegate any of its obligations under this Agreement without the prior written consent of the Lead Investors.

9.3 Governing Law. This Agreement shall be governed by and construed under the laws of Hong Kong, without regard to principles of conflicts of law thereunder.

9.4 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Counterparts transmitted by facsimile shall be deemed to be originals.

9.5 Titles and Subtitles. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

9.6 Notices. All notices, claims, certificates, requests, demands and other communications under this Agreement shall be made in writing and shall be delivered to any party hereto by hand or sent by facsimile, or sent, postage prepaid, by reputable overnight courier services at the address given for such party on the signature pages hereof (or at such other address for such party as shall be specified by like notice), and shall be deemed given when so delivered by hand, or if sent by facsimile, upon receipt of a confirmed transmittal

receipt, or if sent by overnight courier, five (5) calendar days after delivery to or pickup by the overnight courier service.

9.7 No Third Party Beneficiary. Except to the extent expressly stated otherwise, nothing in this Agreement is intended to confer upon any Person other than the parties hereto and their respective successors and permitted assigns any rights, benefits, or obligations hereunder.

9.8 Fees and Expenses. The Company shall pay reasonable costs and expenses of an outside legal counsel engaged by the Lead Investors in connection with the negotiation, execution, delivery and performance of this Agreement and the other Transaction Agreements and the transactions contemplated hereby and thereby up to US$70,000. If any action at law or in equity is necessary to enforce or interpret the terms of this Agreement, the prevailing party shall be entitled to reasonable attorney's fees, costs and necessary disbursements in addition to any other relief to which such party may be entitled.

9.9 Amendments and Waivers. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and Investors designated to purchase at least a majority of the Series B Preferred Shares to be purchased under this Agreement. Any amendment or waiver effected in accordance with this Section 9.9 shall be binding on all parties, including all their permitted assigns and transferees, even if they do not execute such consent.

9.10 Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, such provision shall be excluded from this Agreement and the balance of the Agreement shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms.

9.11 Entire Agreement. This Agreement and the documents referred to herein, together with all schedules and exhibits hereto and thereto, constitute the entire agreement among the parties and no party shall be liable or bound to any other party in any manner by any warranties, representations, or covenants except as specifically set forth herein or therein; provided, however, that nothing in this Agreement or any Ancillary Document shall be deemed to terminate or supersede the provisions of any confidentiality and nondisclosure agreements executed by the parties hereto prior to the date of this Agreement, all of which agreements shall continue in full force and effect until terminated in accordance with their respective terms.

9.12 Dispute Resolution.

(i) Any dispute, controversy or claim (each, a **"Dispute")** arising out of or relating to this Agreement, or the interpretation, breach, termination or validity hereof, shall be resolved at the first instance through consultation between the parties to such Dispute. Such consultation shall begin immediately after any party has delivered written notice to any other party to the Dispute requesting such consultation.

(ii) If the Dispute is not resolved within sixty (30) days following the date on which such notice is given, the Dispute shall be submitted to arbitration upon the request of any party to the Dispute with notice to each other party to the Dispute (the **"Arbitration Notice"**).

(iii) The arbitration shall be conducted in Hong Kong and shall be administered by the Hong Kong International Arbitration Centre **("HKIAC")** in accordance with the HKIAC Procedures for the Administration of International Arbitration in force at the time of the commencement of the arbitration. There shall be three (3) arbitrators. The claimants in the Dispute shall collectively choose one arbitrator, and the respondents shall collectively choose one arbitrator. The Secretary General of the Centre shall select the third arbitrator, who shall be qualified to practice law in Hong Kong. If any of the members of the arbitral tribunal have not been appointed within thirty (30) days after the Arbitration Notice is given, the relevant appointment shall be made by the Secretary General of the Centre.

(iv) The arbitration proceedings shall be conducted in English. The arbitration tribunal shall apply the Arbitration Rules of the United Nations Commission on International Trade Law, as in effect at the time of the commencement of the arbitration. However, if such rules are in conflict with the provisions of this Section 9.12, including the provisions concerning the appointment of arbitrators, the provisions of this Section 9.12 shall prevail.

(v) Each party to the arbitration shall cooperate with each other party to the arbitration in making full disclosure of and providing complete access to all information and documents requested by such other party in connection with such arbitration proceedings, subject only to any confidentiality obligations binding on such party.

(vi) The arbitrators shall decide any dispute submitted by the parties to the arbitration tribunal strictly in accordance with the substantive law of Hong Kong and shall not apply any other substantive law.

(vii) Any party to the Dispute shall be entitled to seek preliminary injunctive relief, if possible, from any court of competent jurisdiction pending the constitution of the arbitral tribunal.

(viii) The Parties to this Agreement agree to the consolidation of arbitrations under the Transaction Documents in accordance with the provisions of this Section 9.12.

(a) In the event of two or more arbitrations having been commenced under any of the Transaction Documents, the tribunal in the arbitration first filed (the **"Principal Tribunal")** may in its sole discretion, upon the application of any party to the arbitrations, order that the proceedings be consolidated before the Principal Tribunal if (1) there are issues of fact and/or law common to the arbitrations, (2) the interests of justice and efficiency would be served by such a consolidation, and (3) no prejudice would be caused to any party in any material respect as a result of such consolidation, whether through undue delay or otherwise. Such application shall be made as soon as practicable and the party making such application shall give notice to the other parties to the arbitrations.

(b) The Principal Tribunal shall be empowered to (but shall not be obliged to) order at its discretion, after inviting written (and where desired

oral) representations from the parties that all or any of such arbitrations shall be consolidated or heard together and/or that the arbitrations be heard immediately after another and shall establish a procedure accordingly. All parties shall take such steps as are necessary to give effect and force to any orders of the Principal Tribunal.

(c) If the Principal Tribunal makes an order for consolidation, it: (1) shall thereafter, to the exclusion of other arbitral tribunals, have jurisdiction to resolve all disputes forming part of the consolidation order; (2) shall order that notice of the consolidation order and its effect be given immediately to any arbitrators already appointed in relation to the disputes that were consolidated under the consolidation order; and (3) may also give such directions as it considers appropriate (i) to give effect to the consolidation and make provision for any costs which may result from it (including costs in any arbitration rendered functus officio under Section 9.12); and (ii) to ensure the proper organisation of the arbitration proceedings and that all the issues between the parties are properly formulated and resolved.

(d) Upon the making of the consolidation order, any appointment of arbitrators relating to arbitrations that have been consolidated by the Principal Tribunal (except for the appointment of the arbitrators of the Principal Tribunal itself) shall for all purposes cease to have effect and such arbitrators are deemed to be functus officio, on and from the date of the consolidation order. Such cessation is without prejudice to (1) the validity of any acts done or orders made by such arbitrators before termination, (2) such arbitrators' entitlement to be paid their proper fees and disbursements and (3) the date when any claim or defence was raised for the purpose of applying any limitation period or any like rule or provision.

(e) The Parties hereby waive any objections they may have as to the validity and/or enforcement of any arbitral awards made by the Principal Tribunal following the consolidation of disputes or arbitral proceedings in accordance with this Section 9.12 where such objections are based solely on the fact that consolidation of the same has occurred.

(ix) During the course of the arbitration tribunal's adjudication of the dispute, this Agreement shall continue to be performed except with respect to the part in dispute and under adjudication.

(x) The award of the arbitration tribunal shall be final and binding upon the parties, and the prevailing party may apply to a court of competent jurisdiction for enforcement of such award.

9.13 Further Assurances. Each party shall do and perform, or cause to be done and performed, all such further acts and things and shall execute and deliver all such other agreements, certificates, instruments and documents as any other party may reasonably request to give effect to the terms and intent of this Agreement.

9.14 Remedies Cumulative. The rights and remedies available under this Agreement or otherwise available shall be cumulative of all other rights and remedies and may be exercised successively.

9.15 Language. The governing version of this Agreement is the English language version. Any translation of this Agreement into any other language is for the convenience of the parties only.

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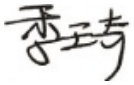
IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

COMPANY

SIGNED BY )

for and on behalf of)
CHINA LODGING GROUP, LIMITED)


in the presence of :)

Address:
Floor 5, Building 57
No. 461 Hongcao Road
Shanghai 200233
The People's Republic of China

WFOES

SIGNED BY)
for and on behalf of)
HANTING XINGKONG HOTEL)
MANAGEMENT (SHANGHAI) CO., LTD.)
(汉庭星空(上海)酒店管理有限公司))
)
in the presence of :)

Address:
Floor 5, Building 57
No. 461 Hongcao Road
Shanghai 200233
The People's Republic of China

SIGNED BY)
for and on behalf of)
LISHAN SENBAO INVESTMENT)
MANAGEMENT (SHANGHAI) CO., LTD.)
(力山森堡 (上海)投资管理有限公司))
)
in the presence of :)

Address:
Floor 5, Building 57
No. 461 Hongcao Road
Shanghai 200233
The People's Republic of China

SIGNED BY)
for and on behalf of)
YIJU HOTEL MANAGEMENT)
(SHANGHAI) CO., LTD.)
(亿居(上海)酒店管理有限公司))
)
in the presence of :)

Address:
Floor 5, Building 57
No. 461 Hongcao Road
Shanghai 200233
The People's Republic of China

FOUNDERS

SIGNED BY )

for and on behalf of)
WINNER CROWN HOLDINGS LIMITED)

in the presence of : )

Address:
Floor 5, Building 57
No. 461 Hongcao Road
Shanghai 200233
The People's Republic of China

SIGNED BY )

MR. QI JI)

in the presence of : )

Address:
Floor 5, Building 57
No. 461 Hongcao Road
Shanghai 200233
The People's Republic of China

INVESTORS

SIGNED BY)

for and on behalf of)
CHENGWEI PARTNERS, L.P.)

in the presence of :)

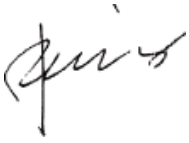
Address:
c/o Chengwei Ventures
Suite 33C, Lane 672 Changle Road
Shanghai 200040, China
Fax: +86 21 5404 8766
Attention: Ping Ping

SIGNED BY)

for and on behalf of)
CHENGWEI VENTURES)
EVERGREEN FUND, L. P.)

in the presence of :)

Address:
c/o Chengwei Ventures
Suite 33C, Lane 672 Changle Road
Shanghai 200040, China
Fax: +86 21 5404 8766
Attention: Ping Ping

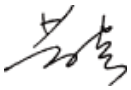


SIGNED BY)

for and on behalf of)
CHENGWEI VENTURES)
EVERGREEN ADVISORS FUND, LLC)

in the presence of :)

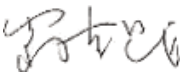
Address:
c/o Chengwei Ventures
Suite 33C, Lane 672 Changle Road
Shanghai 200040, China
Fax: +86 21 5404 8766
Attention: Ping Ping

SIGNED BY )

for and on behalf of)
CDH COURTYARD LIMITED)

in the presence of :)

Address:
c/o CDH Investments
2601, 26th Floor, Lippo Centre Tower 2,
89, Queensway, Admiralty,
Hong Kong
Tel: +852 2810 7003
Fax: +852 2801 7083
Attention: Chief Financial Officer

SIGNED BY )

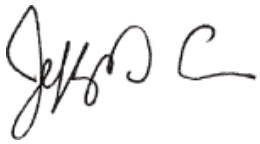
for and on behalf of)
PINPOINT CAPITAL 2006 A LIMITED)

in the presence of :)

Address:
299 Bisheng Road, Suite 13-101
Zhangjiang, Shanghai 201204
People's Republic of China
Tel: +86 21 5080 7651
Fax: +86 21 5080 1333

SIGNED BY)

for and on behalf of)
NORTHERN LIGHT VENTURE)
FUND, L.P.)

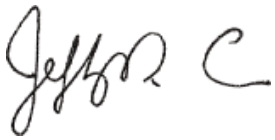


in the presence of :)

Address:
c/o Northern Light Venture Capital
2440 Sand Hill Road Suite 201
Menlo Park CA 94025 USA
Tel: +1 650-585-5460
Fax: +1 650-585-5451

SIGNED BY)

for and on behalf of)
NORTHERN LIGHT PARTNERS)
FUND, L.P.)



in the presence of :)

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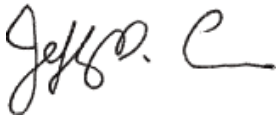
c/o Northern Light Venture Capital
2440 Sand Hill Road Suite 201
Menlo Park CA 94025 USA
Tel: +1 650-585-5460
Fax: +1 650-585-5451

SIGNED BY)

for and on behalf of)
NORTHERN LIGHT STRATEGIC)
FUND, L.P.)



in the presence of :)

Address:
c/o Northern Light Venture Capital
2440 Sand Hill Road Suite 201
Menlo Park CA 94025 USA
Tel: +1 650-585-5460
Fax: +l 650-585-5451

SIGNED BY)

for and on behalf of)
IDG-ACCEL CHINA GROWTH FUND)
GP ASSOCIATES LTD.)

for and on behalf of)
IDG-ACCEL CHINA GROWTH FUND)
ASSOCIATES L.P.)

for and on behalf of)
IDG-ACCEL CHINA GROWTH FUND L.P.)

)

in the presence of :

Address:
c/o IDG VC Management Ltd.
10/F Effectual Building
16 Hennessy Road
Wanchai, Hong Kong
Fax: (852) 25291619

SIGNED BY)

for and on behalf of)
IDG-ACCEL CHINA GROWTH FUND)
GP ASSOCIATES LTD.)

for and on behalf of)
IDG-ACCEL CHINA GROWTH FUND)
ASSOCIATES L.P.)

for and on behalf of)
IDG-ACCEL CHINA GROWTH FUND-A L.P.)

)

in the presence of :

Address:
c/o IDG VC Management Ltd.
10/F Effectual Building
16 Hennessy Road
Wanchai, Hong Kong
Fax: (852) 25291619

SIGNED BY)

for and on behalf of)
IDG-ACCEL CHINA INVESTORS)
ASSOCIATES LTD.)
)
for and on behalf of)
IDG-ACCEL CHINA INVESTORS L.P.

in the presence of :)

Address:
c/o IDG VC Management Ltd.
10/F Effectual Building
16 Hennessy Road
Wanchai, Hong Kong
Fax: (852) 25291619

SCHEDULE 1

FOUNDERS

WINNER CROWN HOLDINGS LIMITED, a company incorporated in British Virgin Islands under company No. 618532 having its registered office at Akara Bldg., 24 De Castro Street, Wickhams Cay I, Road Town, Tortola, British Virgin Islands

MR. QI JI, (PRC ID card no. 31010419661010057x), Room 401 No. 5 Lane 99, Gui Lin Street East, Shanghai, China.

SCHEDULE 2

WFOES

HANTING XINGKONG HOTEL MANAGEMENT (SHANGHAI) CO., LTD. (汉庭星空(上海)酒店管理有限公司), a wholly foreign-owned enterprise registered in Shanghai, PRC

LISHAN SENBAO INVESTMENT MANAGEMENT (SHANGHAI) CO., LTD. (力山森堡 (上海)投资管理有限公司), a wholly foreign-owned enterprise registered in Shanghai, PRC

YIJU HOTEL MANAGEMENT (SHANGHAI) CO., LTD. (亿居(上海)酒店管理有限公司), a wholly foreign-owned enterprise registered in Shanghai, PRC

SCHEDULE 3

INVESTORS AND SUBSCRIBED SHARES

Investors	Series B Preferred Shares Subscribed	Consideration for Series B Shares (US$)
Chengwei Partners, L.P.	466,480	$ 594,999.90
Chengwei Ventures Evergreen Fund, L.P.	11,446,755	$14,600,450.47
Chengwei Ventures Evergreen Advisors Fund, LLC	1,414,768	$ 1,804,550.73
CDH Courtyard Limited	13,328,003	$17,000,001.11
Pinpoint Capital 2006 A Limited	1,568,001	$ 2,000,000.96
Northern Light Venture Fund, L.P.	1,179,450	$ 1,504,400.27
Northern Light Partners Fund, L.P.	129,517	$ 165,200.23
Northern Light Strategic Fund, L.P.	259,034	$ 330,400.45
IDG-Accel China Growth Fund L.P.	1,812,687.03	$ 2,312,100.43
IDG-Accel China Growth Fund-A L.P.	370,439.60	$ 472,499.41
IDG-Accel China Investors L.P.	168,874.01	$ 215,400.48
Investors as Noteholders		
IDG-Accel China Growth Fund L.P.	2,874,345.97	$ 3,116,308.42
IDG-Accel China Growth Fund-A L.P.	587,400.40	$ 636,847.77
IDG-Accel China Investors L.P.	267,779.99	$ 290,321.71
Total:	35,873,535.00	$45,043,482.34

SCHEDULE 4

INVESTOR WARRANTS — SECTION 5.15(I)

Investors	Warrant Shares	Purchase Price per Share (US$)	Aggregate Purchase Price (US$)
Chengwei Partners, L.P.	169,912	$ 1.530612	$ 260,069.35
Chengwei Ventures Evergreen Fund, L.P.	4,169,396	$ 1.530612	$ 6,381,727.55
Chengwei Ventures Evergreen Advisors Fund, LLC	515,319	$ 1.530612	$ 788,753.45
CDH Courtyard Limited	4,854,626	$ 1.530612	$ 7,430,548.81
Pinpoint Capital 2006 A Limited	571,133	$ 1.530612	$ 874,183.02
Northern Light Venture Fund, L.P.	429,606	$ 1.530612	$ 657,560.10
Northern Light Partners Fund, L.P.	47,176	$ 1.530612	$ 72,208.15
Northern Light Strategic Fund, L.P.	94,351	$ 1.530612	$ 144,414.77
IDG-Accel China Growth Fund L.P.	1,707,217	$ 1.530612	$ 2,613,086.83
IDG-Accel China Growth Fund-A L.P.	348,886	$ 1.530612	$ 534,009.10
IDG-Accel China Investors L.P.	159,048	$ 1.530612	$ 243,440.78
Total:	13,066,670	—	$ 20,000,001.91

SCHEDULE 5

INVESTOR WARRANTS — SECTION 5.15(II)

Investors	Warrant Shares	Purchase Price per Share (US$)	Aggregate Purchase Price (US$)
Chengwei Partners, L.P.	50,430	$ 1.27551	$ 64,323.97
Chengwei Ventures Evergreen Fund, L.P.	1,237,487	$ 1.27551	$ 1,578,427.04
Chengwei Ventures Evergreen Advisors Fund, LLC	152,948	$ 1.27551	$ 195,086.70
CDH Courtyard Limited	1,440,865	$ 1.27551	$ 1,837,837.72
IDG-Accel China Growth Fund L.P.	195,966	$ 1.27551	$ 249,956.59
IDG-Accel China Growth Fund-A L.P.	40,048	$ 1.27551	$ 51,081.62
IDG-Accel China Investors L.P.	18,257	$ 1.27551	$ 23,286.99
Total:	3,136,001	—	$ 4,000,000.63

EXHIBIT A

MEMORANDUM AND ARTICLES

Exhibit-A

EXHIBIT B

SHAREHOLDERS AGREEMENT

Exhibit-B

EXHIBIT C

DISCLOSURE SCHEDULE

Exhibit-C

EXHIBIT D

KEY MANAGEMENT PERSONNEL

No. 编号	Name 姓名	Position 职位
1.	Ji Qi 季琦	Chief Executive Officer 首席运营官
2.	Lee A. Wang 王烈	Chief Financial Officer 首席财务官
3.	Zhiyong Yuan 袁智勇	Executive Vice President of Management Department 管理部高级副总裁
4.	Cheng Jun 成军	Executive Vice President of Marketing and Business Development 市场开发高级副总裁
5.	Haijun Wang 王海军	Executive Vice President of Management Department 管理部高级副总裁
6.	Jiamin Shi 施嘉敏	Executive Vice President of Human Resource Department 人力资源部高级副总裁
7.	Zhiping Li 李志平	Executive Vice President; President of Hanting College 高级副总裁；汉庭学院院长
8.	Ling Wang 王玲	Director of Sales Department 销售部总监
9.	Hui Jin 金辉	Senior Manager of Business Development Department 开发部高级经理
10.	Juan Cao 曹娟	Director of Operation 管理部总监
11.	Xining Rui 芮习宁	General Manager of Shanghai Hanting Decoration Engineering Co., Ltd. 翰庭装饰公司总经理
12.	Jun Chen 陈军	General Manager of Shanghai Hanting Decoration Engineering Co., Ltd. 翰庭装饰公司总经理
13.	Peigen Zhang 张培根	General Manager of Shanghai Hanting Decoration Engineering Co., Ltd. 翰庭装饰公司总经理

EXHIBIT E

UNAUDITED PRO FORMA FINANCIALS

Exhibit-E

EXHIBIT F

SELECTED FINANCIAL INFORMATION

Exhibit-F

EXHIBIT G

FORM OF INDEMNIFICATION AGREEMENT

EXHIBIT H

FORM OF FOUNDER WARRANT

EXHIBIT I

FORM OF MANAGEMENT RIGHTS LETTER

[COMPANY LETTERHEAD]

[DATE]

[INVESTORS]

Re: Management Rights

Gentlemen:

We refer to the Series B Preferred Shares Purchase Agreement, dated June 20, 2007, by and among China Lodging Group Limited (the "**Company**"), [INVESTORS] (the "**Investors**") and certain other parties thereto (the "**Purchase Agreement**"). This letter sets forth our agreement with respect to the Investors' access to information and other rights as holders of the Series B Preferred Shares (as defined in the Purchase Agreement).

Information and Access

The Company will provide to the Investors within one hundred and twenty (120) days after the end of each fiscal year, copies of the consolidated financial statements of the Company. Upon reasonable notice, at such reasonable time during normal business hours as the Investors may request, the Company will permit the Investors or their representatives to examine the books and records of the Company, provided that access to highly confidential proprietary information need not be provided by the Company.

If the Investors are not represented on the Company's Board of Directors, the Company will give a representative of the Investors access to minutes of the Board of Directors of the Company, except that the representative may be excluded from access to any minutes or materials or portion thereof if the Company believes that such exclusion is reasonably necessary or appropriate to preserve the attorney-client privilege or to protect highly confidential proprietary information or for other similar reasons.

Consultation with Management

The Investors shall be entitled to consult with management of the Company with respect to the Company's business plans, and to meet with senior management at mutually agreeable times for such consultation and to review the progress of the Company in achieving those plans. In addition, upon reasonable notice, at such reasonable time as the Board may determine in its sole discretion, such representative may seek an invitation to address the Board of Directors with respect to the Company's business plans and other significant business issues facing the Company and affecting the holders of the Series B Preferred Shares.

Confidentiality

The Investors will keep confidential and will cause their respective representatives to keep confidential of all information and documents obtained pursuant to this letter agreement. Upon termination of this letter, the Investors will collect and deliver to the Company all documents obtained by them or their representatives then in their possession and any copies thereof, provided that, the Investors and such representatives may continue to possess such documents in their capacity as shareholders of the Company subject to confidentiality and other obligations set forth in any shareholders or similar agreement with respect to such shares.

Termination

This letter agreement and the rights and obligations hereunder will terminate upon the earlier of (a) the consummation of the sale of the Company's securities pursuant to a registration statement filed by the Company under the Securities Act of 1933, as amended, or similar law, in connection with a public offering of its securities, (b) the consummation of a merger or consolidation of the Company that is effected (i) for independent business reasons unrelated to extinguishing such rights and (ii) for purposes other than (A) the reincorporation of the Company in a different jurisdiction or (B) the formation of a holding company that will be owned exclusively by the Company's stockholders and will hold all of the outstanding shares of capital stock of the Company's successor, or (c) the date the Investors are no longer shareholders of the Company. The confidentiality provisions hereof will survive any such termination.

* * *

This letter agreement shall be governed by and construed in accordance with the laws of Hong Kong S.A.R.

Please acknowledge your agreement with the foregoing by signing two copies of this letter. Please return one signed copy to us and keep the other copy for your records.

Very truly yours,

China Lodging Group, Limited

By: _____
Name: Ji Qi
Title: Chief Executive Officer

AGREED AND ACCEPTED:

[INVESTOR SIGNATURE BLOCK]

EXHIBIT J-1

FORM OF INVESTOR WARRANT — SECTION 5.15(I)

EXHIBIT J-2

FORM OF INVESTOR WARRANT — SECTION 5.15(II)

EXHIBIT K

SHAREHOLDER LOAN AGREEMENT

Exhibit-K

Exhibit 4.8

Dated June 20, 2007

CHINA LODGING GROUP, LIMITED
("Company")
and

PARTIES LISTED ON EXHIBIT A HERETO

AMENDED AND RESTATED SHAREHOLDERS AGREEMENT
Relating to
CHINA LODGING GROUP, LIMITED

TABLE OF CONTENT

AMENDED AND RESTATED SHAREHOLDERS AGREEMENT

This **AMENDED AND RESTATED SHAREHOLDERS AGREEMENT** (this "**Agreement**") is made and entered into as of June 20, 2007 by and among China Lodging Group, Limited, a company incorporated in the Cayman Islands, having its registered office at the office of Offshore Incorporations (Cayman) Limited, Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands ("the **Company**"), and the parties listed in Exhibit A hereto.

RECITALS

A. The Company is a private limited company incorporated under the laws of the Cayman Islands. Corporate information of the Company is set out in Exhibit B.

B. The Company, the Ordinary Holders (as defined below) and the Series A Holders (as defined below) were parties to that certain Shareholders Agreement dated February 4, 2007 (the "**Prior Agreement**").

C. The Investors listed in Exhibit A hereto (the "**Investors**") are parties to that certain Series B Preferred Shares Purchase Agreement, of even date herewith, between the Company and the Investors (the "**Series B Purchase Agreement**"), under which certain of the Company's and such Investors' obligations are conditioned upon the execution and delivery of this Agreement by the parties hereto.

D. The Company, the Ordinary Holders and the Series A Holders desire to amend and restate the Prior Agreement in its entirety as set forth in this Agreement.

E. The Founder and Co-Founders desire to make certain covenants as set forth in this Agreement.

NOW, THEREFORE, in consideration of the foregoing recitals, the mutual promises hereinafter set forth, and other good and valuable considerations, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

CERTAIN DEFINITIONS

For purposes of this Agreement:

"**2007 Global Share Plan**" means the global share plan adopted by the Company's Board of Directors on February 4th, 2007 and approved by the then Shareholders on February 4th, 2007, under which 10,000,000 Ordinary Shares are reserved for issuance as of the date hereof.

"**2008 Global Share Plan**" means the global share plan adopted by the Company's Board of Directors on June 15, 2007 and approved by the then Shareholders on June 15, 2007, under which 3,000,000 Ordinary Shares are reserved for issuance as of the date hereof.

"**Affiliates**" means, with respect to any given Person, any other Person directly or indirectly Controlling, Controlled by, or under common Control with such Person and,

where the given Person is an individual, the spouse, parent, sibling, or child thereof.

"**Applicable Securities Law**" means (i) with respect to any offering of securities in the United States of America, or any other act or omission within that jurisdiction, the securities law of the United States, including the Exchange Act and the Securities Act, and any applicable law of any State of the United States, and (ii) with respect to any offering of securities in any jurisdiction other than the United States of America, or any related act or omission in that jurisdiction, the applicable laws of that jurisdiction.

"**Approval**" means, when used with respect to the Series B Holders, the approval in writing of such matter by (i) the holders of a majority of the Series B Preferred Shares then outstanding, including at least one of Chengwei and CDH (for so long as Chengwei or CDH remains a Series B Holder), or (ii) both of Chengwei and CDH (for so long as each of Chengwei and CDH remains a Series B Holder) and the term "**Approved**" has meanings correlative to the foregoing.

"**Articles**" means the Amended and Restated Articles of Association of the Company adopted by the Shareholders as of the date hereof.

"**Auditor**" means any Person appointed to serve as the auditor for the Group pursuant to the Articles.

"**Board**" means the Board of Directors of the Company.

"**Business Day**" means any day of the week other than Saturday or Sunday that banks are generally open for business in the PRC, Hong Kong and New York.

"**Buyback Notice**" has the meaning ascribed thereto in Section 10.2.

"**CDH**" means CDH Courtyard Limited, a company incorporated under the laws of the British Virgin Islands.

"**CEO**" has the meaning ascribed thereto in Section 1.1(a)(ii).

"**CFO**" has the meaning ascribed thereto in Section 1.1(a)(ii).

"**Chengwei**" means, collectively, Chengwei Partners, L.P., an exempted limited partnership organized and existing under the laws of the Cayman Islands, Chengwei Ventures Evergreen Fund, L.P., an exempted limited partnership organized and existing under the laws of the Cayman Islands, and Chengwei Ventures Evergreen Advisors Fund, LLC, an exempted limited liability company organized and existing under the laws of the Cayman Islands.

"**Co-Founders**" means the persons listed as "Co-Founders" on Exhibit A.

"**Company Securities**" means any shares in the share capital of the Company and any Share Equivalents.

"**Compensation Committee**" has the meaning ascribed thereto in Section 1.3.

"**Constitutional Documents**" means, with respect to any Person, the Certificate of Incorporation, Memorandum of Association, Articles of Association, Joint Venture Agreement, or similar constitutive documents for such Person.

"**Control**" means, when used with respect to any Person, the power to direct 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.

"**Deemed Liquidation Event**" means (i) any consolidation or merger of the Company with or into any other person, or any other corporate reorganization, in which the Shareholders immediately prior to such consolidation, merger or reorganization, own less than fifty percent of the Company's voting power immediately after such consolidation, merger or reorganization, or any transaction or series of related transactions involving the Company pursuant to which in excess of fifty percent of the Company's voting power is transferred; or (ii) a sale, transfer, lease, exclusive licensing or other disposition of all or substantially all of the property, assets or revenues of the Company; unless holders representing at least a majority in voting power of the Series A Preferred Shares have approved in writing, and the Series B Shareholders have Approved, a waiver waiving the treatment of such event as a Deemed Liquidation Event.

"**Exchange Act**" shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"**Founder Warrant**" means the warrant to purchase Series B Preferred Shares issued by the Company to Winner Crown Holdings Limited pursuant to the Series B Purchase Agreement.

"**Founder**" means the person listed as "Founder" on Exhibit A.

"**Form F-3**" means such respective form under the Securities Act or any successor registration form under the Securities Act subsequently adopted by the SEC which permits inclusion or incorporation of substantial information by reference to other documents filed by the Company with the SEC.

"**GAAP**" means generally accepted accounting principles of the United States, consistently applied.

"**Group**" means the Company and all other Group Companies, including but not limited to Hanting Xingkong Hotel Management (Shanghai) Co., Ltd. (汉庭星空(上海)酒店管理有限公司), a wholly foreign-owned enterprise registered in Shanghai, PRC, Lishan Senbao Investment Management (Shanghai) Co., Ltd. (力山森堡(上海)投资管理有限公司), a wholly foreign-owned enterprise registered in Shanghai, PRC, Yiju Hotel Management (Shanghai) Co., Ltd. (亿居(上海)酒店管理有限公司), a wholly foreign-owned enterprise registered in Shanghai, PRC; "**Group Company**" means the Company or any Person (other than a natural Person) Controlled by the Company.

"**Holder**" means each of the Series A Holders and the Investors, and the permitted

transferees and assigns of any Holder.

"**Hong Kong**" means the Hong Kong Special Administrative Region.

"**IPO**" means an initial public offering of the Company's Ordinary Shares on the New York Stock Exchange, the NASDAQ Global Market, the Main Board of the Hong Kong Stock Exchange or any other exchange of recognized international reputation and standing duly approved by the Board.

"**Investor Warrants**" means the warrants to purchase Series B Preferred Shares issued by the Company to the Investors pursuant to the Series B Purchase Agreement.

"**Investors**" means the Shareholders listed as "Investors" on Exhibit A.

"**Key Management Personnel**" means each of the following positions in any Group Company: (i) the Chief Executive Officer (responsible for general strategic direction with emphasis on sales, marketing and business development), (ii) the Chief Financial Officer (responsible for fund raising, financial control and management), (iii) the Chief Operating Officer or Head of Operations (responsible for operations, public relations and corporate marketing), and (iv) the Executive Vice President of any functional department.

"**Management Holders**" means the Founder, Persons who become a party hereto in accordance with Section 4.8 and any Person Controlled by any of the foregoing.

"**Material Adverse Effect**" has the meaning ascribed thereto in the Series B Purchase Agreement.

"**Memorandum**" means the Amended and Restated Memorandum of Association of the Company adopted by the Shareholders as of the date hereof.

"**New Securities**" means any Company Securities; provided that the term "New Securities" shall not include: (a) any Series B Preferred Shares issued pursuant to the terms of the Series B Purchase Agreement, the Note Agreement, the Founder Warrant or the Investor Warrants, (b) securities issued upon conversion of the Series A Preferred Shares; (c) securities issued upon conversion of the Series B Preferred Shares; (d) not more than 13,000,000 Ordinary Shares issued or issuable pursuant to any Share Option Plan and/or in connection with the exercise of any Share Equivalents issued or issuable in any Share Option Plan; (e) Reserved Shares the issuance of which was approved by the Board, including at least a majority of the Preferred Directors, if any; (f) any securities issued in connection with any share split, share dividend or other similar event in which all Participation Rights Holders are entitled to participate on a pro rata basis; (g) any securities issued pursuant to a Qualified Public Offering; or (h) as may otherwise be consented to in writing by Participation Rights Holders representing not less than 80% in voting power of the Company Securities held by Participation Rights Holders.

"**Noteholders**" shall mean IDG-Accel China Growth Fund L.P., IDG-Accel China Growth Fund-A L.P. and IDG-Accel China Investors L.P., each an exempted limited partnership organized and existing under the laws of the Cayman Islands.

"**Note Agreement**" means the Convertible Note Purchase Agreement entered into by and between the Company and the Noteholders on March 28, 2007 and the Convertible Promissory Note, dated March 30, 2007, issued by the Company thereunder.

"**Ordinary Holders**" means the holders of Ordinary Shares.

"**Ordinary Shares**" means the Ordinary Shares, par value US$0.0001 per share, of the Company.

"**Participation Rights Holder**" means each of the Series B Holders party to this Agreement as of the date hereof, together with any Person to whom the rights of any Participation Rights Holder under Section 3 have been duly assigned in accordance with Section 6.

"**Permitted Transferee**" has the meaning ascribed thereto in Section 4.9.

"**Person**" means any individual, partnership, corporation, trust or other entity (including, without limitation, any unincorporated joint venture and whether or not having separate legal personality).

"**PRC**" means the People's Republic of China, solely for purposes of this definition, excluding the Hong Kong, the Macau Special Administrative Region and Taiwan.

"**Preferred Directors**" means the Series A Directors and the Series B Directors.

"**Preferred Holders**" means the Series A Holders and Series B Holders.

"**Preferred Shares**" means the Series A Preferred Shares and Series B Preferred Shares.

"**Put Option Shares**" has the meaning ascribed thereto in Section 10.2.

"**Qualified IPO**" means a firm commitment, underwritten IPO by the Company of its Ordinary Shares with (i) a market capitalization of the Company equal to no less than US$495 million (or the equivalent thereof in other currencies) immediately prior to the IPO, and (ii) total offering proceeds to the Company, before deduction of Selling Expenses, of not less than US$50 million (or the equivalent thereof in other currencies).

"**RE Company**" means a real estate company that may be established in the PRC by the Founder, the Company or any Affiliate of the Founder or the Company (i) for the purpose of acquiring, owning, enhancing, managing, operating or maintaining assets, real property or other facilities for use in lodging-related business activities, including but not limited to limited service, deluxe, luxury, upscale, and midscale with food and beverage service, and (ii) deriving no less than 50% of its gross revenue from leasing and other transactions with the Group.

"**register**," "**registered**," and "**registration**" when used in Section 2, refer to a registration effected by filing a registration statement which is in a form which complies with, and is declared effective by the SEC in accordance with the Securities Act.

"**Registrable Securities**" means (i) the Preferred Shares, (ii) any Ordinary Shares issuable or issued upon conversion of the Preferred Shares, (iii) all Equity Securities which may be from time to time acquired by a Holder of Preferred Shares after the date hereof, and (iv) any Company Securities issued as (or issuable upon the conversion, exchange or exercise of any Share Equivalent) a dividend or other distribution with respect to, or in exchange for, or in replacement of the Company Securities referenced in clauses (i), (ii), and (iii), excluding in all cases any Registrable Securities sold by a Person in a transaction in which rights under Section 2 are not assigned in accordance with this Agreement.

"**Registration Expenses**" shall mean all expenses incurred by the Company in complying with Sections 2.3, 2.4 and 2.5, including, without limitation, all registration and filing fees, printing expenses, fees, and disbursements of counsel for the Company, reasonable fees and disbursements of counsel for the Holders, "blue sky" fees and expenses and the expense of any special audits incident to or required by any such registration (but excluding the compensation of regular employees of the Company which shall be paid in any event by the Company).

"**Related Party**" shall mean, with respect to any specified Person, the holder of any equity interest in such Person, or any director, officer or employee of such Person, or any Affiliate of any of the foregoing; notwithstanding the foregoing, Related Parties of any Group Company or the Founder shall also include any real estate investment fund or similar business that is a Related Party of any Group Company or the Founder, any RE Company, or any Affiliate thereof.

"**Reserved Shares**" means not more than 7,000,000 Ordinary Shares or options, warrants, rights (including conversion or preemptive rights and rights of first refusal) for the purchase of such Ordinary Shares issuable for such purposes and in such amounts and at such prices and upon such other terms that shall be determined from time to time by the Board (including at least a majority of the Preferred Directors, if any) in accordance with this Agreement.

"**Restricted Shareholder**" means any of the SPV Entities, Founder, Co-Founders or Key Management Personnel, or their respective Permitted Transferees.

"**Sale of the Company**" means either a Stock Sale or a Deemed Liquidation Event.

"**SEC**" or "**Commission**" means the U.S. Securities and Exchange Commission.

"**Securities Act**" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"**Selling Expenses**" shall mean all underwriting discounts and selling commissions applicable to the sale of Registrable Securities pursuant to Sections 2.3, 2.4 or 2.5.

"**Series A Director**" means any individual nominated to serve on the Board as of right pursuant to Section 1.2 by Shareholders representing a majority in voting power of the Series A Preferred Shares.

"**Series A Holders**" means the holders of Series A Preferred Shares.

"**Series A Preferred Shares**" means the Series A Preferred Shares, par value of US$0.0001 per share, of the Company.

"**Series B Director**" means any individual nominated to serve on the Board as of right pursuant to Section 1.2.

"**Series B Holders**" means the holders of Series B Preferred Shares.

"**Series B Preferred Shares**" means the Series B Preferred Shares, par value of US$0.0001 per share, of the Company.

"**Series B Purchase Agreement**" means that certain Series B Preferred Shares Purchase Agreement, of even date herewith, among the Company and certain subscribers to the Series B Preferred Shares of the Company.

"**Share Equivalents**" means warrants, options and rights exercisable for shares in the share capital of the Company and instruments convertible or exchangeable for shares in the share capital of the Company.

"**Share Option Plan**" means the Company's 2007 Global Share Plan, 2008 Global Share Plan and any other share option, share appreciation, share purchase, phantom share or other equity-based plan, arrangement, agreement, policy or understanding, whether written or unwritten, duly authorized by the Board pursuant to the Articles and this Agreement.

"**Shares**" means the Ordinary Shares and Preferred Shares.

"**Shareholder Loan Agreement**" means the Loan Repayment and Share Purchase Agreement of even date herewith entered into by and among the Company, the Founder and the Co-Founders.

"**Shareholders**" means the Ordinary Holders and Preferred Holders.

"**SPV Holders**" means the Founder and Co-Founders.

"**SPV Entities**" means any Person (other than a natural Person) though which any of the SPV Holders may hold indirect ownership interest in the Company, including without limitation the Ordinary Holders and Series A Holders as listed on Exhibit A hereto.

"**Stock Sale**" means a transaction or series of related transactions in which a Person, or a group of related Persons, acquires from Shareholders Shares representing more than fifty percent (50%) of the outstanding voting power of the Company.

"**Transaction Documents**" has the meaning ascribed thereto in the Series B Purchase Agreement.

1. INFORMATION RIGHTS; BOARD REPRESENTATION

1.1 Information Rights and Inspection Rights.

(a) For so long as a Preferred Holder holds no less than 1,500,000 Preferred Shares (adjusted for share splits, reverse share splits, share dividends, recapitalizations and the like), the Company shall make available and deliver to such Preferred Holder:

(i) as soon as practicable, but in any event within 120 days after the end of each fiscal year of the Company, (i) consolidated and consolidating balance sheets for the Group, as of the end of such fiscal year, (ii) consolidated and consolidating statements of income and of cash flows for the Group for such fiscal year, (iii) consolidated and consolidating statements of shareholders' equity for the Group as of the end of such fiscal year, all such financial statements audited and certified by the Auditor in accordance with GAAP;

(ii) as soon as practicable, but in any event within forty five (45) days after the end of each quarter of any fiscal year of the Company, consolidated and consolidating unaudited statements of income and of cash flows for the Group for such fiscal quarter, consolidated and consolidating unaudited balance sheets for the Group as of the end of such fiscal quarter and consolidated and consolidating statements of shareholders' equity for the Group as of the end of such fiscal quarter, all certified by the Chief Executive Officer of the Company (the "**CEO**") and Chief Financial Officer of the Company (the "**CFO**") as having been prepared in accordance with GAAP and as fairly presenting the financial condition of the Company and its results of operation;

(iii) as soon as practicable, but in any event within ten (10) business days after the end of each month, a monthly report substantially in the form attached hereto as Exhibit E or any other form mutually agreed by the Company and the Investors, which shall be certified by the Chief Financial Officer of the Company;

(iv) as soon as practicable, but in any event within forty-five (45) days after the end of each quarter of any fiscal year, a comparison of the actual financials for the Group for such quarter against the financials projected for the Group for such quarter in the applicable Budget;

(v) as soon as practicable, but in any event thirty (30) days before the end of each fiscal year, a budget and business plan for the Group for the next fiscal year (collectively, the "**Budget**"), which shall include projected consolidated income statements and statements of cash flow for the Group for each month in the next fiscal year and projected consolidated balance sheets for the Group as of the end of each month in the next fiscal year; and

(vi) as soon as practicable, but within fifteen (15) days after duly being

approved by the Board, any amendment, revision, supplement or other change to the then-existing Budget for the Group.

(b) For so long as a Preferred Holder holds no less than 1,500,000 Preferred Shares (adjusted for share splits, reverse share splits, share dividends, recapitalizations and the like), the Company shall permit such Preferred Holder to visit and inspect any of the properties and examine the books of account and records of the Company and the Group Companies and discuss the affairs, finances and accounts of the Company and the Group Companies with the directors, officers, employees, accountants, legal counsel and investment bankers of the Company and the Group Companies, all at such reasonable times as may be requested by the Preferred Holder. If any Group Company intends to dispose of any of its books of account or corporate records, it shall, prior to such disposition, give such Preferred Holder reasonable notice and opportunity to segregate, remove or retain such books and records as the Preferred Holder may select.

1.2 Board Representation.

(a) The composition of the Board shall be determined as follows:

(i) the Company shall maintain a five (5) member Board of Directors;

(ii) Shareholders representing a majority in voting power of the Ordinary Shares shall have the right to nominate, from time to time, individuals to occupy two (2) of the five positions on the Board.

(iii) For so long as any Series A Preferred Shares remain outstanding, Shareholders representing a majority in voting power of the Series A Preferred Shares shall have the right to nominate, from time to time, an individual to occupy one (1) of the five positions on the Board; and

(iv) For so long as any Series B Preferred Shares remain outstanding, Shareholders representing a majority in voting power of the Series B Preferred Shares shall have the right to nominate, from time to time, individuals to occupy two (2) of the five positions on the Board; provided that:

(x) For so long as Chengwei holds no less than 25% of the total number of issued and outstanding Series B Preferred Shares, Chengwei shall have the right to nominate, from time to time, an individual to occupy one (1) of the two positions as a Series B Director; and

(y) For so long as CDH holds no less than 25% of the total number of issued and outstanding Series B Preferred Shares, CDH shall have the right to nominate, from time to time, an individual to occupy one (1) of the two positions as a Series B Director.

(v) For so long as the Noteholders hold any Series B Preferred Shares, the Noteholders shall be entitled, by notice in writing to the Company, to

jointly appoint one (1) person, as observer to attend and speak at, either in person or by teleconference, any and all meetings of the Board. The Company shall provide to such observer the same information concerning the Company, and access thereto, provided to members of the Board.

(vi) Each of Chengwei and CDH, respectively, for so long as it holds any Series B Preferred Shares, shall be entitled by notice in writing to the Company, to appoint one (1) person, as observer to attend and speak at, either in person or by teleconference, any and all meetings of the Board. The Company shall provide to such observer the same information concerning the Company, and access thereto, provided to members of the Board.

(b) Upon the death, resignation, removal or incapacity of any director nominated as of right hereunder to the Board by any party hereto, such party shall be entitled to nominate such director's replacement to the Board. Upon the death, resignation, removal or incapacity of any director nominated as of right hereunder to the Board by Shareholders representing a majority in voting power of the Series A Preferred Shares or the Series B Preferred Shares, then Shareholders representing a majority in voting power of the Series A Preferred Shares or the Series B Preferred Shares, respectively, shall be entitled to nominate such director's replacement to the Board. Any director nominated as of right hereunder by any party hereto to the Board shall be removed from office upon motion by such party. Any director nominated as of right hereunder by Shareholders representing a majority in voting power of the Series A Preferred Shares or the Series B Preferred Shares to the Board of Directors of any of the Companies shall be removed from office upon motion by Shareholders representing a majority in voting power of the Series A Preferred Shares or the Series B Preferred Shares, respectively.

(c) Except as provided in paragraph (e) below, (i) no director appointed by any party as of right hereunder shall be removed from the Board unless the appointing party consents to the removal and (ii) no director appointed by Shareholders representing a majority in voting power of the Series A Preferred Shares or the Series B Preferred Shares shall be removed from the Board unless Shareholders representing a majority in voting power of the Series A Preferred Shares or the Series B Preferred Shares, respectively, consents to the removal. If any of Chengwei, CDH, the Series A Holders or Series B Holders, as the case may be, fail to nominate a sufficient number of individuals to fill all positions on the Board in respect of which they are entitled to nominate directors pursuant to this Section 1.2, then any such position not so filled shall remain vacant until an individual shall be duly nominated to fill such position in accordance with the terms of this Agreement.

(d) Each party agrees to vote all Equity Securities owned by it in favor of the election of any director nominated to the Board pursuant to this Section 1.2. Upon a motion to remove any director from the Board in accordance with this Section 1.2, each party agrees to vote all Equity Securities owned thereby to effect removal of such director from the Board.

(e) Any director nominated by a party hereto as of right hereunder to a position on the Board, following such time as the party shall cease to hold the right hereunder to nominate individuals to occupy such position, shall be promptly removed therefrom as if a motion had been duly made for such removal under this Section 1.2. Any director nominated as of right hereunder to a position on the Board by Shareholders representing a majority in voting power of the Series A Preferred Shares or the Series B Preferred Shares, following such time as the Series A Holders or the Series B Holders, respectively, shall cease to hold the right hereunder to nominate individuals to occupy such position, shall be promptly removed therefrom as if a motion had been duly made for such removal under this Section 1.2.

(f) Ms. Ping PING, with Mr. Eric LI as her alternate, and Mr. Yan HUANG, with Mr. Gongquan WANG as his alternate, shall hereby be deemed nominated to the Board by the Series B Holders. Mr. Qi JI shall hereby be deemed nominated to the Board by Shareholders representing a majority in voting power of the Series A Preferred Shares. Mr. Eric LI and Mr. Gongquan WANG shall hereby be deemed nominated as Board observers by Chengwei and CDH, respectively.

(g) Notice of any appointment or removal under this clause shall be given to the other Shareholders and to the Company at their addresses given in this Agreement and within seven (7) days after receipt of such notice the parties hereto shall join in procuring (so far as that lies within their respective powers) that such action is taken as is necessary under the Articles to effect the appointment or removal concerned.

(h) Meetings of the Board shall (unless the Shareholders shall otherwise agree) take place either in Shanghai or in a place to be agreed by all the Directors but not in any event less frequently than once every fiscal quarter. Notice of any such meeting of the Board shall be of not less than seven (7) days and shall be in writing and the quorum for Board meetings shall be three (3) Directors, including at least one (1) Series B Director for so long as any Series B Preferred Shares remain outstanding and one(1) Series A Director of so long as any Series A Preferred Shares remain outstanding.

(i) A quorum must be present at the beginning of and throughout each meeting of the Board. If within thirty (30) minutes of the time appointed for a meeting, a quorum is not present, the meeting shall stand adjourned until the same time and place on the same day in the next week and if at such adjourned meeting a quorum is not present within thirty (30) minutes from the time appointed for such adjourned meeting (or such longer interval as the chairman of the meeting may think fit to allow) the Director(s) present in person or by his/their alternates shall constitute a quorum.

(j) The Company shall procure that a notice of each meeting, agenda of the business to be transacted at the meeting and all documents and materials to be circulated at or presented to the meeting are sent to all directors entitled to receive notice of the meeting at least seven (7) days before the meeting and a copy of the minutes of the meeting is sent to such persons within thirty (30)

days following the meeting.

(k) The Board of Directors of each Group Company other than the Company shall consist of one (1) executive director, who shall be the Founder.

(l) Notwithstanding any other provisions hereof, upon presentation to the Board for a vote any proposed resolutions in connection with the entry into any transaction or series of transactions (or the termination, extension, continuation after expiry, renewal, amendment, variation or waiver of any term under agreement with respect to any transaction or series of transactions) between any Group Company, on the one hand, and any Person (other than another Group Company), on the other hand, any member of the Board who is a Related Party of such Person shall not participate in such vote and, to the extent such member's vote is required hereunder or under the Memorandum and Articles, shall be deemed to have voted along with the majority of the members of the Board who have participated in such vote.

1.3 Compensation Committee and Audit Committee. A Compensation Committee (the "**Compensation Committee**") and an Audit Committee (the "**Audit Committee**") shall be set up under the Board. The Compensation Committee and the Audit Committee shall each consist of no less than one Series B Director and one Series A Director.

The Compensation Committee shall be responsible for:

(i) Reviewing, and making recommendations for approval by the Board regarding, corporate goals and objectives relevant to the compensation of the Group Companies' executive officers;

(ii) Reviewing, and making recommendations for approval by the Board regarding, compensation of Key Management Personnel, including, as applicable, (a) base salary, (b) bonus, (c) long-term incentive and equity compensation, and (d) any other compensation, perquisites, and special or supplemental benefits; and

(iii) Recommending the terms and conditions for employment of Key Management Personnel for approval by the Board.

The Audit Committee shall be responsible for:

(i) overseeing the financial reporting process of the Group Companies;

(ii) monitoring the choice of accounting standards and practices of the Group Companies;

(iii) monitoring the internal accounting control process of the Group Companies;

(iv) ensuring open communication among the Key Management Personnel, internal auditors, external auditors, and the Audit Committee of the

Group Companies; and

(v) overseeing the hiring and performance of the external auditors.

1.4 Board Indemnification. The Company shall enter into an indemnification agreement with each director serving on the Board of Directors of the Company, in form and substance as attached as Exhibit G of the Series B Purchase Agreement or as otherwise Approved by the Series B Holders, providing for the indemnification of such director by the Company to the fullest extent allowed under applicable law (as it presently exists or may hereafter be amended) with respect to all liability and loss suffered and expenses (including attorneys' fees) incurred by such director by reason of the fact that he or she is a director of the Group Company.

1.5 Protective Provisions.

(a) Notwithstanding anything to the contrary in the Constitutional Documents of any Group Company, the parties hereto shall ensure that none of the Group Companies shall, whether directly or indirectly, take any of the actions described below unless Approved by the Series B Holders:

(i) any amendment to, cancellation, waiver or other change in respect of, the rights, preferences, privileges, powers, obligations or liabilities arising in connection with the Series B Preferred Shares or otherwise adversely affecting the holders thereof;

(ii) any increase or decrease in the authorized number of Series B Preferred Shares;

(iii) the creation, or authorization of shares, securities or instruments convertible, exchangeable or exercisable for or into shares (including convertible debt), having rights, privileges or preferences superior to or on parity with the Series B Preferred Shares with respect to voting, dividends, redemption, conversion or liquidation or any other rights (including and without limitation, registration rights);

(iv) the purchase or redemption of, payment or declaration of any dividend on, or making of any distribution on, any equity interest therein, other than (i) redemption of the Series B Preferred Shares as expressly authorized herein, (ii) dividends or other distributions payable on the Ordinary Shares solely in the form of additional Ordinary Shares, (iii) upon termination of such services, repurchases of shares at below cost from former employees, officers, directors, consultants or other persons who performed services for any Group Company as permitted by the terms of their engagement by such Group Company approved by the Board, and (iv) repurchases of equity securities by the Company pursuant to Section 9;

(v) amendment, alteration or repeal of any provision of the Constitutional Documents of the Company;

(vi) liquidation, dissolution or winding up of the business and affairs thereof;

(vii) any Deemed Liquidation Event;

(viii) the issuance or agreement to issue shares or other securities or instruments exchangeable, convertible or exercisable for any equity interest therein other than the Reserved Shares and shares issuable under the Transaction Documents and the Share Option Plan;

(ix) raising or authorization of any indebtedness or debt financing by the Company, and the raising or authorization of any indebtedness or debt financing by any other member of the Group if after such indebtedness or debt financing the aggregate amount of indebtedness and debt financing by all members of the Group would exceed US$20 million, provided that this clause (ix) shall not apply to any loan extended to a Group Company by a shareholder of the Company if (i) such loan is made on terms no less favorable to the Group Company than the terms that would be customary in an arms-length loan extended by a commercial bank, (ii) such loan is subordinate to any amounts that are or may become payable to any Investor by the Group Company, whether by virtue of the Investor's ownership of securities of the Company or pursuant to any of the Transaction Documents, including without limitation any indemnification by the Company pursuant to the Series B Purchase Agreement, and (iii) after receipt of such loan, the aggregate amount of all such loans from shareholders of the Company to the Group Companies does not exceed US$15 million;

(x) any increase or decrease in the number of positions on the Board;

(xi) the adoption or termination of any Share Option Plan or amendment to any provision of any Share Option Plan or increase in the amount of Ordinary Shares reserved for future issuance pursuant to any Share Option Plan;

(xii) any action that effects a reclassification or recapitalization of the issued and outstanding shares of the Company;

(xiii) except as specifically contemplated in the Series B Purchase Agreement, the entry into any transaction or series of transactions (or the termination, extension, continuation after expiry, renewal, amendment, variation or waiver of any term under agreement with respect to any transaction or series of transactions) between any Group Company, on the one hand, and any Related Party of any Group Company (other than another Group Company), on the other hand;

(xiv) the sale, transfer, lease, assignment, parting with or disposal by the Company or any Group Company, whether directly or indirectly, of all or substantially all of the property, assets or revenues of the Company or such Group Company;

(xv) the merger, consolidation, reorganization, or amalgamation of any Group Company with or into any other Person or any scheme of arrangement or other business combination with or into any other Person;

(xvi) the purchase or other acquisition by any of the Company or the Group Companies, or any combination of the foregoing, of another Person or all (or substantially all) of the business and/or assets of another Person through a single transaction or series of related transactions (i) with aggregate value of at least US$2,500,000, (ii) for which any required Consent has not been obtained, or (iii) if the target company of such transaction has not obtained any Consent required in connection with the conduct of its business;

(xvii) the re-domestication, continuance or removal thereof to any other jurisdiction; and

(xviii) any prepayment or early retirement of all or any portion of any indebtedness of any Group Company whether incurred before or after the date hereof, other than scheduled interest and principal payments and any payments made in accordance with Section 7.1 of the Series B Purchase Agreement.

(b) Notwithstanding anything to the contrary in the Constitutional Documents of the Company or any Group Company, the parties hereto shall ensure that none of the Company or the Group Companies shall take any of the actions described below unless approved in a resolution adopted by a majority of the Board, including at least two (2) Series B Directors:

(i) approval of any annual operating plan, budgets or any changes thereto;

(ii) the guarantee, directly or indirectly, of any indebtedness, or the indemnification to any Person regarding or in connection with any indebtedness, except for trade accounts of any Group Company arising in the ordinary course of business;

(iii) alteration or amendment of the accounting principles thereof except as required by applicable law;

(iv) appointment, dismissal or change in the appointment of independent public accountants, Auditor or counsels thereof;

(v) the making of any loan or advance to any Person or granting any credit to any Person, except accounts receivable arising in the ordinary course of business;

(vi) the sale, transfer, lease, assignment or disposal of any assets (whether by a single transaction or a series of related transactions) the aggregate fair market value of which exceeds US$3,000,000;

(vii) the purchase or acquisition of any assets thereof (whether by a single transaction or a series of related transactions) the aggregate purchase price or cost to acquire of which exceeds US$3,000,000;

(viii) the commencement or settlement of any litigation the amount in controversy with respect to which exceeds US$3,000,000;

(ix) any change to the principal business thereof, entry into new lines of business thereby, or exiting a line of business thereby;

(x) hiring or termination of the CEO, CFO, chief operating officer or any other officer with the position of executive vice president or higher of any Group Company or any change to the compensation of any such officer of any Group Company, including the award of any option grants or share awards;

(xi) amendment, alteration or repeal of any provision of the Constitutional Documents of any Group Company (other than the Company);

(xii) the creation of any mortgage, charge, pledge, lien or other encumbrance with respect to assets thereof other than in the ordinary course of business or as imposed by operation of law;

(xiii) the formation of any committee of the Board of Directors of any Group Company and any changes to the powers granted to any such committee;

(xiv) any increase or decrease in the size or any change in the member(s) of the Board of Directors of any Group Company other than the Company; and

(xv) the prescription of any regulation in general meeting that would limit the powers of the Board of Directors of any of the Group Companies.

2. REGISTRATION RIGHTS

2.1 Applicability of Rights. The Preferred Holders shall be entitled to the following rights with respect to any potential public offering of the Preferred Shares or the Ordinary Shares in the United States and shall be entitled to reasonably analogous or equivalent rights with respect to any other offering of any Company Securities in any other jurisdiction in which the Company undertakes to publicly offer or list Company Securities for trading on a recognized securities exchange. The Company shall not grant registration rights superior to or in parity with those granted to the Preferred Holders to any other holder of the Company Securities without the prior Approval of the Series B Holders.

2.2 [Reserved]

2.3. Demand Registration.

(a) Request by Holders.

If the Company shall, at any time after the earlier of (i) the third anniversary of the date of this Agreement or (ii) the closing of the Qualified IPO, receive a written request from the Holders of at least 50% of the Registrable Securities then held by all Holders of Series B Preferred Shares that the Company file a registration statement under the Securities Act covering the registration of at least 50% of the Registrable Securities then held by such requesting Holders pursuant to this Section 2.3, then the Company shall, within ten (10) Business Days of the receipt of such written request, give written notice of such request to all Holders, and use its best efforts to effect, as soon as practicable, the registration under the Securities Act of all Registrable Securities that the Holders request to be registered and included in such registration by written notice given by such Holders to the Company within twenty (20) days after the Company's delivery of written notice thereto, subject only to the limitations of this Section 2.3; provided that the Company shall not be obligated to effect any such registration if the Company has, within the six (6) month period preceding the date of such request, already effected a registration under the Securities Act pursuant to this Section 2.3 or Section 2.5 or in which the Holders had an opportunity to participate pursuant to the provisions of Section 2.4, other than a registration from which the Registrable Securities of the Holders have been excluded (with respect to all or any portion of the Registrable Securities the Holders requested be included in such registration) pursuant to the provisions of Section 2.4(a). The Company shall not be obligated to effect more than three (3) such demand registrations pursuant to this Section 2.3(a).

(b) Underwriting. If the Holders initiating the registration request under this Section 2.3 (the "**Initiating Holders**") intend to distribute the Registrable Securities covered by their request by means of an underwriting, then they shall so advise the Company as a part of their request made pursuant to this Section 2.3 and the Company shall include such information in the Request Notice. In such event, the right of any Holder to include its Registrable Securities in such registration shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting (unless otherwise mutually agreed by a majority in voting power of the Initiating Holders and such Holder) to the extent provided herein. All Holders proposing to distribute their securities through such underwriting shall enter into an underwriting agreement in customary form with the managing underwriter or underwriters selected for such underwriting by the Holders representing a majority in voting power of the Registrable Securities held by the Initiating Holders. Notwithstanding any other provision of this Section 2.3, if the underwriter(s) advise(s) the Company in writing that marketing factors require a limitation of the number of securities to be underwritten, then the Company shall so advise all Holders of Registrable Securities which would otherwise be registered and underwritten pursuant hereto, and the number of Registrable Securities that may be included in the underwriting shall be reduced as required by the underwriter(s) and allocated among the Holders of Registrable Securities on a pro rata basis according to the number of Registrable Securities then outstanding held by each Holder

requesting registration (including the Initiating Holders); provided, however, that the number of Registrable Securities held by Holders of Series B Preferred Shares to be included in such underwriting and registration shall not be reduced unless all other securities are first excluded from the underwriting and registration (including, without limitation, any Company Securities which the Company may seek to include in the underwriting for its own account) and that the number of Registrable Securities held by Holders of Series A Preferred Shares to be included in such underwriting and registration shall not be reduced unless all other securities (other than Registrable Securities held by Holders of Series B Preferred Shares) are first excluded from the underwriting and registration (including, without limitation, any Company Securities which the Company may seek to include in the underwriting for its own account); provided further, that at least 25% of any Registrable Securities requested by the Holders of Series B Preferred Shares to be included in such underwriting and registration shall be so included. If any Holder disapproves of the terms of any such underwriting, such Holder may elect to withdraw therefrom by written notice to the Company and the underwriter(s), delivered at least ten (10) Business Days prior to the effective date of the registration statement. Any Registrable Securities excluded or withdrawn from such underwriting shall be excluded and withdrawn from the registration.

(c) Deferral. Notwithstanding the foregoing, if the Company shall furnish to Holders requesting registration pursuant to this Section 2.3, a certificate signed by the CEO stating that in the good faith judgment of the Board, it would be materially detrimental to the Company and its Shareholders for such registration statement to be filed at such time, then the Company shall have the right to defer such filing for a period of not more than ninety (90) days after receipt of the request of the Initiating Holders; provided, however, that the Company may not utilize this right more than once in any twelve (12) month period; provided further, that the Company shall not register any other of its Shares during such twelve (12) month period. A demand right shall not be deemed to have been exercised until such deferred registration shall have been effected.

2.4 Piggyback Registrations.

(a) The Company shall notify all Holders of Registrable Securities in writing at least thirty (30) days prior to filing any registration statement under the Securities Act for purposes of effecting a public offering of Company Securities (including, but not limited to, registration statements relating to secondary offerings of securities of the Company, but excluding registration statements relating to any registration under Section 2.5 of this Agreement or to any employee benefit plan or a corporate reorganization), and shall afford each such Holder an opportunity to include in such registration statement all or any part of the Registrable Securities then held by such Holder. Each Holder desiring to include in any such registration statement all or any part of the Registrable Securities held by it shall within twenty (20) days after receipt of the above-described notice from the Company, so notify the Company in writing, and in such notice shall inform the Company of the number of Registrable Securities such Holder wishes to include in such registration statement. If a

Holder decides not to include all of its Registrable Securities in any registration statement thereafter filed by the Company, such Holder shall nevertheless continue to have the right to include any Registrable Securities in any subsequent registration statement or registration statements as may be filed by the Company with respect to offerings of its securities, all upon the terms and conditions set forth herein.

(b) Underwriting. If a registration statement under which the Company gives notice under this Section 2.4 is for an underwritten offering, then the Company shall so advise the Holders of Registrable Securities. In such event, the right of any such Holder's Registrable Securities to be included in a registration pursuant to this Section 2.4 shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting to the extent provided herein. All Holders proposing to distribute their Registrable Securities through such underwriting shall enter into an underwriting agreement in customary form with the managing underwriter or underwriters selected for such underwriting. Notwithstanding any other provision of this Agreement but subject to Section 2.12, if the managing underwriter(s) determine(s) in good faith that marketing factors require a limitation of the number of Shares to be underwritten, then the managing underwriter(s) may exclude Shares from the registration and the underwriting, and the number of Shares that may be included in the registration and the underwriting shall be allocated, first, to the Company, second, to each of the Holders of Series B Preferred Shares requesting inclusion of their Registrable Securities in such registration statement on a pro rata basis based on the total number of shares of Registrable Securities then held by each such Holder, third, to each of the Holders of Series A Preferred Shares requesting inclusion of their Registrable Securities in such registration statement on a pro rata basis based on the total number of shares of Registrable Securities then held by each such Holder and fourth, to holders of other securities of the Company; provided, however, that the right of the underwriter(s) to exclude Shares (including Registrable Securities) from the registration and underwriting as described above shall be restricted so that the number of Registrable Securities held by Holders of Series B Preferred Shares included in any such registration is not reduced below twenty-five percent (25%) of the aggregate number of Company Securities included in such registration statement. If any Holder disapproves of the terms of any such underwriting, such Holder may elect to withdraw therefrom by written notice in the Company and the underwriter(s), delivered at least ten (10) Business Days prior to the effective date of the registration statement. Any Registrable Securities excluded or withdrawn from such underwriting shall be excluded and withdrawn from the registration.

(c) Not Demand Registration. Registration pursuant to this Section 2.4 shall not be deemed to be a demand registration as described in Section 2.3 above. There shall be no limit on the number of times the Holders may request registration of Registrable Securities under this Section 2.4.

2.5 Form F-3 Registration.

(a) In case the Company shall receive from Holders of the Series B Preferred

Shares a written request or requests that the Company effect a registration on Form F-3 (and any related qualification or compliance) with respect to all or a part of the Registrable Securities owned by such Holders, then the Company shall promptly give written notice of the proposed registration and the Holders' request therefor, and any related qualification or compliance, to all other Holders of Registrable Securities; and as soon as practicable, effect such registration and all such qualifications and compliances as may be so requested and as would permit or facilitate the sale and distribution of such Registrable Securities of such Holder as are specified in such request, together with all or such portion of the Registrable Securities of any other Holders joining in such request as are specified in a written request given within twenty (20) days after the Company provides the notice contemplated above

(b) Notwithstanding anything to the contrary provided above, the Company shall not be obligated to effect any such registration, qualification or compliance pursuant to this Section 2.5:

(1) if Form F-3 is not available for such offering by the Holders;

(2) if the aggregate anticipated price to the public of any Registrable Securities which such Holders propose to sell pursuant to such registration, together with the aggregate anticipated price to the public of any other securities of the Company entitled to inclusion in such registration, is less than US$500,000 (or the equivalent thereof in other currencies);

(3) if the Company shall furnish to the Holders a certificate signed by the CEO stating that in the good faith judgment of the Board of Directors of the Company, it would be materially detrimental to the Company and its Shareholders for such Form F-3 Registration to be effected at such time, in which event the Company shall have the right to defer the filing of the Form F-3 registration statement no more than once during any twelve (12) month period for a period of not more than ninety (90) days after receipt of the request of the Holder or Holders under this Section 2.5; provided that the Company shall not register any of its other Shares during such ninety (90) day period; or

(4) if the Company has, within the six (6) month period preceding the date of such request, already effected a registration under the Securities Act other than a registration from which the Registrable Securities of Holders have been excluded (with respect to all or any portion of the Registrable Securities the Holders requested be included in such registration) pursuant to the provisions of Sections 2.3(b) and 2.4(a).

(d) Not Demand Registration. Form F-3 registrations shall not be deemed to be demand registrations as described in Section 2.3 above. Except as otherwise provided herein, there shall be no limit on the number of times the Holders may request registration of Registrable Securities under this Section 2.5.

2.6 Expenses. All Registration Expenses incurred in connection with any registration

pursuant to Sections 2.3, 2.4 or 2.5 (but excluding Selling Expenses) shall be borne by the Company. Each Holder participating in a registration pursuant to Sections 2.3, 2.4 or 2.5 shall bear such Holder's proportionate share (based on the total number of Shares sold in such registration) of all Selling Expenses in connection with such registration. Notwithstanding the foregoing, the Company shall not be required to pay for any expenses of any registration proceeding begun pursuant to Section 2.3 if the registration request is subsequently withdrawn at the request of the Holders of a majority in voting power of the Registrable Securities held by the Holders that requested the registration, unless the Holders of a majority in voting power of the Registrable Securities held by the Holders that requested the Registration agree that such registration constitutes the use by the Holders of one (1) demand registration available to the Holders of Registrable Securities, as the case may be, pursuant to Section 2.3; provided further, however, that if at the time of such withdrawal, the Holders have learned of a material adverse change in the condition, business, or prospects of the Company not known to the Holders at the time of their request for such registration and have withdrawn their request for registration with reasonable promptness after learning of such material adverse change, then the Holders shall not be required to pay any of such expenses and such registration shall not constitute the use of a demand registration by the Holders of Registrable Securities, as the case may be, pursuant to Section 2.3.

2.7 Obligations of the Company. Whenever required to effect the registration of any Registrable Securities under this Agreement the Company shall, as expeditiously as reasonably possible:

(a) Registration Statement. Prepare and file with the SEC a registration statement with respect to such Registrable Securities, use its best efforts to cause such registration statement to become effective and keep such registration statement effective for a period of up to 120 days or, in the case of Registrable Securities registered under Form F-3 in accordance with Rule 415 under the Securities Act or a successor rule, until the distribution contemplated in the registration statement has been completed; provided, however, that (i) such 120 day period shall be extended for a period of time equal to the period any Holder refrains from selling any securities included in such registration at the request of the underwriter(s), and (ii) in the case of any registration of Registrable Securities on Form F-3 which are intended to be offered on a continuous or delayed basis, such 120 day period shall be extended, if necessary, to keep the registration statement effective until all such Registrable Securities are sold.

(b) Amendments and Supplements. Prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement.

(c) Prospectuses. Furnish to the Holders such number of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as they may reasonably request in order to facilitate the disposition of the Registrable Securities owned by them that are included in such registration.

(d) Blue Sky. Use its best efforts to register and qualify the securities covered by such registration statement under such other securities or "blue sky" laws of such jurisdictions as shall be reasonably requested by the Holders, provided that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions, unless the Company is already subject to service in such jurisdiction and except as may be required by the Securities Act.

(e) Underwriting. In the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement in usual and customary form, with the managing underwriter(s) of such offering. Each Holder participating in such underwriting shall also enter into and perform its obligations under such an agreement.

(f) Notification. Notify each Holder of Registrable Securities covered by such registration statement at any time when a prospectus relating thereto is required to be delivered under the Securities Act of (i) the issuance of any stop order by the SEC in respect of such registration statement, or (ii) the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing, and at the request of any such Holder, prepare and furnish to such Holder a reasonable number of copies of a supplement or amendment of such prospectus as may be necessary so that, as thereafter delivered to the purchasers of such Shares, such prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading or incomplete in light of the circumstances then existing.

(g) Opinion and Comfort Letter. Furnish, at the request of any Holder requesting registration of Registrable Securities, on the date that such Registrable Securities are delivered to the underwriter(s) for sale, if such securities are being sold through underwriters, or, if such securities are not being sold through underwriters, on the date that the registration statement with respect to such securities becomes effective, (i) an opinion, dated as of such date, of the counsel representing the Company for the purposes of such registration, in form and substance as is customarily given to underwriters in an underwritten public offering and reasonably satisfactory to Holders representing a majority in voting power of the Registrable Securities held by the Holders requesting registration, addressed to the underwriters, if any, and to the Holders requesting registration of Registrable Securities and (ii) a "comfort" letter, dated as of such date, from the independent certified public accountants of the Company, in form and substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering and reasonably satisfactory to Holders representing a majority in voting power of the Registrable Securities held by the Holders requesting registration, addressed to the underwriters, if any, and to the Holders requesting registration of Registrable Securities.

(h) Transfer Agent and CUSIP. Provide a transfer agent and registrar for all Registrable Securities covered by such registration statement and, where applicable, a CUSIP number for all those Registrable Securities, in each case not later than the effective date of the Registration.

(i) Further Actions. Take all reasonable action necessary to list the Registrable Securities on the primary exchange upon which the Company's securities are traded or, in connection with any IPO, the primary exchange upon which the Company's securities will be traded.

2.8 Furnish Information. It shall be a condition precedent to the obligations of the Company to take any action pursuant to Sections 2.3, 2.4 or 2.5 that the selling Holders shall furnish to the Company such information regarding themselves, the Registrable Securities held by them and the intended method of disposition of such securities as shall be required to timely effect the Registration of their Registrable Securities.

2.9 Indemnification. In the event any Registrable Securities are included in a registration statement under Sections 2.3, 2.4 or 2.5:

(a) By the Company. To the extent permitted by law, the Company shall indemnify and hold harmless each Holder, its partners, officers, directors, legal counsel, any underwriter (as defined in the Securities Act) for such Holder and each Person, if any, who controls such Holder or underwriter within the meaning of the Securities Act or the Exchange Act, against all losses, claims, damages, and liabilities (joint or several; or actions, proceedings or settlements in respect thereof) to which they may become subject under laws which are applicable to the company and relate to action or inaction required of the Company in connection with any registration, qualification, or compliance, insofar as such losses, claims, damages, or liabilities (or actions, proceedings or settlements in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (collectively a "**Violation**"):

(i) any untrue statement or alleged untrue statement of a material fact contained in such registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto;

(ii) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading; or

(iii) any violation or alleged violation by the Company of the Applicable Securities Law, or any rule or regulation promulgated under the Applicable Securities Law;

and the Company shall reimburse each such Holder, and its respective partners, officers, directors, legal counsel, underwriter and controlling Person for any legal or other expenses reasonably incurred by them, as such expenses are incurred, in connection with investigating or defending any such loss, claim,

damage, liability or action; provided, however, that the indemnity agreement contained in this Section 2.9(a) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Company (which consent shall not be unreasonably withheld), nor shall the Company be liable in any such case for any such loss, claim, damage, liability or action to the extent that it arises out of or is based upon a Violation which occurs in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by such Holder, partner, officer, director, legal counsel, underwriter or controlling Person of such Holder.

(b) By Selling Holders. To the extent permitted by law, each selling Holder shall, if Registrable Securities held by Holder are included in the securities as to which such registration, qualifications or compliance is being effected, indemnify and hold harmless the Company, each of its directors, each of its officers who has signed the registration statement, each Person, if any, who controls the Company within the meaning of the Securities Act, any underwriter and any other Holder selling securities under such registration statement or any of such other Holder's partners, directors, officers, legal counsel or any Person who controls such Holder within the meaning of the Securities Act or the Exchange Act, against any losses, claims, damages or liabilities (joint or several) to which the Company or any such director, officer, legal counsel, controlling Person, underwriter or other such Holder, partner or director, officer or controlling Person of such other Holder may become subject under the Securities Act, the Exchange Act or other United States federal or state law, insofar as such losses, claims, damages or liabilities (or actions in respect thereto) arise out of or are based upon any of the following statements, omissions or violations, in each case to the extent (and only to the extent) that such statement, omission or violation occurs in sole reliance upon and in conformity with written information furnished by such Holder expressly for use in connection with such registration:

(i) untrue statement or alleged untrue statement of a material fact contained in such registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, or

(ii) omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading,

and each such Holder shall reimburse any legal or other expenses reasonably incurred by the Company or any such director, officer, controlling Person, underwriter or other Holder, partner, officer, director or controlling Person of such other Holder in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the indemnity agreement contained in this Section 2.9(b) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of such Holder, which consent shall not be unreasonably withheld; and provided, further, that except for liability for willful

fraud or misrepresentation, in no event shall any indemnity under this Section 2.9(b) exceed the net proceeds received by such Holder in such registration.

(c) Notice. Promptly after receipt by an indemnified Party under this Section 2.9 of notice of the commencement of any action (including any governmental action), such indemnified Party shall, if a claim in respect thereof is to be made against any indemnifying Party under this Section 2.9, deliver to the indemnifying Party a written notice of the commencement thereof and the indemnifying Party shall have the right to participate in, and, to the extent the indemnifying Party so desires, jointly with any other indemnifying Party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnified Party shall have the right to retain its own counsel, with the fees and expenses to be paid by the indemnifying Party, as incurred, if representation of such indemnified Party by the counsel retained by the indemnifying Party would be inappropriate due to actual or potential conflict of interests between such indemnified Party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying Party within a reasonable time of the commencement of any such action shall relieve such indemnifying Party of liability to the indemnified Party under this Section 2.9 to the extent the indemnifying Party is prejudiced as a result thereof, but the omission to so deliver written notice to the indemnifying Party shall not relieve it of any liability that it may have to any indemnified Party otherwise than under this Section 2.9.

(d) Contribution. In order to provide for just and equitable contribution to joint liability under the Securities Act in any case in which either (i) any indemnified Party makes a claim for indemnification pursuant to this Section 2.9 but it is judicially determined (by the entry of a final judgment or decree by a court of competent jurisdiction and the expiration of time to appeal or the denial of the last right of appeal) that such indemnification may not be enforced in such case notwithstanding the fact that this Section 2.9 provides for indemnification in such case, or (ii) contribution under the Securities Act may be required on the part of any indemnified Party in circumstances for which indemnification is provided under this Section 2.9; then, and in each such case, the indemnified Party and the indemnifying Party shall contribute to the aggregate losses, claims, damages or liabilities to which they may be subject (after contribution from others) in such proportion so that a Holder (together with its Affiliated Persons) is responsible for the portion represented by the percentage that the public offering price of its Registrable Securities offered by and sold under the registration statement bears to the public offering price of all securities offered by and sold under such registration statement, and the Company and other selling Holders are responsible for the remaining portion. The relative fault of the indemnifying Party and of the indemnified Party shall be determined by a court of law by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission to state a material fact relates to information supplied by the indemnifying Party or by the indemnified Party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission; provided, however, that, except for liability for willful fraud or misrepresentation, (A) no Holder shall be required to contribute any amount in excess of the net proceeds

to such Holder from the sale of all such Registrable Securities offered and sold by such Holder pursuant to such registration statement; and (B) no Person guilty of willful fraud or misrepresentation (within the meaning of Section 12(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such willful fraud or misrepresentation.

(e) Survival; Consents to Judgments and Settlements. The obligations of the Company and Holders under this Section 2.9 shall survive the completion of any offering of Registrable Securities in a registration statement, regardless of the expiration of any statutes of limitation or extensions of such statutes. No indemnifying Party, in the defense of any such claim or litigation, shall, except with the consent of each indemnified Party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified Party of a release from all liability in respect to such claim or litigation.

2.10 No Registration Rights to Third Parties. Without the prior written consent of Holders holding a majority in voting power of the Registrable Securities then outstanding, the Company covenants and agrees that it shall not grant, or cause or permit to be created, for the benefit of any Person any registration rights of any kind (whether similar to the demand, "piggyback" or Form F-3 registration rights described in this Section 2, or otherwise) relating to any Company Securities.

2.12 Market Stand-Off. The Founder, each of the Co-Founders and each Holder agrees that, and the Founder and the Co-Founders shall cause each Key Management Personnel to agree that, so long as it holds any voting Company Securities, whether directly or indirectly, upon request by the Company or the underwriters managing a Qualified IPO of the Company Securities, it shall not sell or otherwise transfer or dispose of any Company Securities (other than those permitted to be included in the registration and other transfers to affiliates permitted by law), whether directly or indirectly, without the prior written consent of the Company or such underwriters, as the case may be, for a period of time specified by the representative of the underwriters not to exceed 180 days from the effective date of the registration statement covering such initial public offering or the pricing date of such offering as may be requested by the underwriters. Notwithstanding anything to the contrary herein, the foregoing provision of this Section 2.12 shall not apply to the sale of any Company Securities to an underwriter pursuant to any underwriting agreement and shall not be applicable to the Holders unless all officers and directors of the Group Companies and holders of one percent (1%) or more of the Company's outstanding share capital enter into similar agreements. If the Company or any underwriter releases any such officer, director or holder of one percent (1%) or more of the Company's outstanding share capital from such sale restrictions once undertaken, then each Holder shall be notified prior to such release and shall itself be simultaneously released. The Company shall require all future acquirers of Company Securities holding at least one percent (1%) of the then outstanding share capital of the Company to execute prior to a Qualified IPO a market stand-off agreement containing provisions substantially similar to those contained in this Section 2.12.

2.12 Listing in Hong Kong. Without limiting the generality of the foregoing provisions in this Section 2, in the event of a listing of the Company's Ordinary Shares in Hong Kong

(the "**Listing**"):

(a) The selection of Hong Kong as the jurisdiction, and the relevant exchange as the exchange for the Listing shall be subject to the prior written approval of Holders of a majority in voting power of the Registrable Securities then outstanding;

(b) The selection of the sponsor and/or lead manager (and any co-managers) for the Listing shall be subject to the prior written approval of Holders of a majority in voting power of the Registrable Securities then outstanding;

(c) Each Holder of Registrable Securities shall have the right to include and sell all of the Registrable Securities held by it in such Listing;

(d) Each Holder of Registrable Securities shall have the right to attend all meetings in connection with the Listing where the Company is present;

(e) The determination of the price at which the Ordinary Shares are to be listed in such Listing shall be subject to the prior written approval of Holders of a majority in voting power of the Registrable Securities then outstanding;

(f) All expenses incurred in connection with the inclusion and sale of any Ordinary Shares held by any Holder (including all reasonable fees and disbursements of counsel for the Holder) shall be borne by the Company;

(g) At any time after the second anniversary of the date of this Agreement, at the written request from Holders of a majority in voting power of the Registrable Securities then outstanding, the Company shall use its best efforts to effect such Listing on terms and subject to conditions as agreed upon between the Company and such Holders; and

(h) The Company shall not require any Holder to hold, or refrain from transferring, any of its Shares in the Company beyond the specific period(s) as set forth in the listing rules applicable to such Listing.

2.13 Rule 144 Reporting. With a view to making available to the Holders the benefits of certain rules and regulations of the SEC which may at any time permit the sale of the Registrable Securities to the public without registration or pursuant to a registration on Form F-3, after such time as a public market exists for the Ordinary Shares, the Company agrees to:

(a) Make and keep public information available, as those terms are understood and defined in Rule 144 under the Securities Act, at all times after the effective date of the first registration under the Securities Act filed by the Company for an offering of its securities to the general public;

(b) File with the SEC in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act (at any time after it has become subject to such reporting requirements); and

(c) So long as a Holder owns any Registrable Securities, to furnish to such Holder

forthwith upon request (i) a written statement by the Company as to its compliance with the reporting requirements of Rule 144 (at any time after ninety (90) days after the effective date of the Company's initial public offering), the Securities Act and the Exchange Act (at any time after it has become subject to such reporting requirements), or its qualification as a registrant whose securities may be resold pursuant to Form F-3 (at any time after it so qualifies), (ii) a copy of the most recent annual or quarterly report of the Company, and (iii) such other reports and documents of the Company as a Holder may reasonably request in availing itself of any rule or regulation of the SEC that permits the selling of any such securities without registration or pursuant to
Form F-3.

2.14 Termination. The Company shall have no obligations pursuant to Sections 2.3, 2.4 and 2.5 with respect to any Registrable Securities proposed to be sold by a Holder in a registration or listing pursuant to Section 2.3, 2.4 or 2.5 if, in the opinion of counsel to the Company, all such Registrable Securities proposed to be sold by a Holder may then be sold without registration in any ninety (90) day period pursuant to Rule 144 promulgated under the Securities Act.

3. RIGHT OF PARTICIPATION.

3.1 General. Each Participation Rights Holder shall have a right of first offer to purchase its pro rata share of any New Securities the Company may from time to time issue after the date of this Agreement (the "**Right of Participation**") as provided below:

(a) If the then outstanding Series B Preferred Shares (calculated on a fully-diluted and as-if converted basis) represent more than 49% of the total number of Shares then outstanding (calculated on a fully-diluted and as-if converted basis), then each Participation Rights Holder's "pro rata share" of any New Securities for purposes of determining its Right of Participation shall be a portion of the aggregate number of New Securities equal to the number of Series B Preferred Shares (calculated on a fully-diluted and as-if converted basis) held by such Participation Rights Holder in relation to the total number of Shares outstanding (calculated on a fully-diluted and as-if converted basis) immediately prior to the issuance of such New Securities.

(b) If the then outstanding Series B Preferred Shares (calculated on a fully-diluted and as-if converted basis) represent 49% or less of the total number of Shares then outstanding (calculated on a fully-diluted and as-if converted basis), then each Participation Rights Holder's "pro rata share" of any New Securities for purposes of determining its Right of Participation shall be a portion of 49% of the aggregate number of New Securities equal to the number of Series B Preferred Shares (calculated on a fully-diluted and as-if converted basis) held by such Participation Rights Holder in relation to the total number of Series B Preferred Shares outstanding (calculated on a fully-diluted and as-if converted basis) immediately prior to the issuance of such New Securities.

3.2 Procedures.

(a) First Participate Notice. In the event that the Company proposes to undertake

an issuance of New Securities, it shall give written notice thereof (the "**First Participation Notice**") to each Participation Rights Holder describing the amount and type of such New Securities, the price and general terms upon which the Company proposes to issue the New Securities, and each Participation Rights Holder's pro rata share of such New Securities. Each Participation Rights Holder shall have ten (10) Business Days from the date of receipt of such First Participation Notice to elect in writing to purchase up to such Participation Rights Holder's pro rata share of such New Securities for the price and upon the terms and conditions specified in the First Participation Notice by giving written notice to the Company and stating therein the quantity of New Securities to be purchased.

(b) Second Participation Notice; Oversubscription. If any Participating Rights Holder fails to timely exercise its Right of Participation in respect of any New Securities in accordance with Section 3.2(a), the Company shall promptly give notice (the "**Second Participation Notice**") to each Participating Rights Holder who exercised its Right of Participation to purchase its full pro rata share of such New Securities in accordance with Section 3.2(a) (the "**Rights Participants**"), which notice shall describe the remaining New Securities with respect to which any Participating Rights Holder failed to exercise its Right of Participation. Each Rights Participant shall have five (5) Business Days from the date of the Second Participation Notice (the "**Second Participation Period**") within which it may elect to purchase any or all of the remaining New Securities by giving notice of such election to the Company stating the maximum number of remaining New Securities which such Rights Participant is willing to purchase. Such notice may be made in writing or by telephone (if confirmed in writing within two (2) Business Days thereafter). If the sum of the remaining New Securities which the Rights Participants elect to purchase exceed the actual number of remaining New Securities, then the number of remaining New Securities that any Rights Participant shall purchase shall be reduced to such number as is necessary to eliminate such excess; provided that there shall be no reduction in the number of remaining New Securities that any Rights Participant shall purchase to the extent that, after giving effect to such reduction, the number of remaining New Securities which such Rights Participant is entitled to purchase, in relation to the number of remaining New Securities to be purchased by any other Rights Participant, would be less than the proportion that the number of Ordinary Shares held such Rights Participant (determined on a fully-diluted, as-if converted basis) prior to acquiring any of the New Securities bears to the number of Ordinary Shares held by such other Rights Participant (determined on a fully-diluted, as-if converted basis) prior to acquiring any of the New Securities.

3.3 Failure to Exercise. Upon the expiration of the Second Participation Period, or in the event no Participation Rights Holder timely exercises its Right of Participation within ten (10) Business Days following the issuance of the First Participation Notice, the Company shall have 120 days thereafter to sell the New Securities described in the First Participation Notice at the same or higher price and upon non-price terms not materially more favorable to the purchasers thereof than specified in the First Participation Notice. In the event that the Company has not issued and sold such New Securities within such 120-day period, then the Company shall not thereafter issue or

sell any New Securities without again first offering such New Securities to the Participation Rights Holders pursuant to this Section 3.

4. TRANSFER RESTRICTIONS.

4.1 Prohibition on Transfers of Interest in the Company.

(a) Except as otherwise provided in Section 4.1(b), Section 4.8 and Section 4.9, no Restricted Shareholder shall sell, assign, transfer, pledge, hypothecate, or otherwise encumber or dispose of in any way (a "**Transfer**"), all or any part of any interest in any Company Securities now or hereafter owned or held thereby. Any Transfer of Company Securities by any Restricted Shareholder not made in conformance with this Agreement shall be null and void, shall not be recorded on the books of the Company, and shall not be recognized by the Company.

(b) The SPV Holders shall not Transfer all or any part of their ownership interests in any SPV Entity now or hereafter owned or held thereby. In the event of any Transfer of all or any part of any SPV Holder's ownership interest in any SPV Entity, the Company shall be entitled to repurchase all and any of the Company Securities directly or indirectly held by such SPV Entity at the par value thereof. Notwithstanding the foregoing, the following transfers shall not be subject to any restriction contained in this Agreement except as specifically set forth below: (i) any transfer of all or any part of the ownership interests in any SPV Entity from time to time from a Co-Founder to the Founder, (ii) any transfer of all or any part of the ownership interests in any SPV Entity from time to time from the Founder to another SPV Entity Controlled by the Founder and (iii) any transfer approved by the Board in good faith of all or any part of the ownership interests in any SPV Entity from time to time from the Founder to the parents, children or spouse of the Founder, or to trusts for the benefit of such Persons for bona fide estate planning purposes. In the case of any transfer pursuant to the clause (ii) or (iii) of the preceding sentence, (A) the transferee shall execute a Deed of Adherence, in the form of Exhibit C hereto, agreeing to be bound by this Agreement in place of the transferring SPV Holder, and (B) the Restricted Shareholder shall remain liable for any breach by such transferee of any provision hereunder.

4.2 Right of First Refusal. Subject to Section 4.9 of this Agreement, if a Restricted Shareholder proposes to sell or transfer any Company Securities held by it (a "**Selling Shareholder**"), then it shall promptly give written notice (an "**Offer Notice**") to the Company and each Preferred Holder prior to such sale or transfer. The Offer Notice shall state the Selling Shareholder's bona fide intention to transfer the number of Restricted Shares to be sold or transferred (the "**Offered Shares**"), the total number of Ordinary Shares owned by the Selling Shareholder (determined on a fully-diluted, as-if converted basis), the terms and conditions of the proposed sale or transfer (including, without limitation, the sale price), the nature of such proposed sale or transfer, the name and address of the prospective purchaser or transferee (the "**Prospective Transferee**"), and any other material facts relating to such proposed sale or transfer. The Offer Notice shall certify that the Selling Shareholder has received a firm offer from the Prospective Transferee and in good faith believes a binding agreement for the Transfer is obtainable on the terms set forth in the Offer Notice. The Offer Notice shall also include a copy of

any written proposal, term sheet or letter of intent or other agreement relating to the proposed Transfer.

4.3 Company's Option. The Company shall have an option for a period of thirty (30) days from receipt of the Offer Notice to elect to purchase the Offered Shares at the same price and subject to the same material economic terms and conditions as are described in the Offer Notice. The Company may exercise such purchase option and, thereby, purchase all or a portion of the Offered Shares by notifying the Selling Shareholder in writing before expiration of the thirty-day period as to the number of such shares which it wishes to purchase. If the Company gives the Selling Shareholder notice that it desires to purchase such shares, then payment for the Offered Shares shall be by check or wire transfer, against delivery of the Offered Shares to be purchased, at a place agreed upon between the parties and at the time of the scheduled closing therefor, which shall be no later than sixty (60) days after the Company's receipt of the Offer Notice, unless the Offer Notice contemplated a later closing with any prospective third party transferee or unless the value of the purchase price has not yet been established pursuant to Section 4.6.

4.4 Series B Holders' Option.

(a) Additional Offer Notice. If the Company has declined to purchase all, or a portion of, the Offered Shares in connection with a proposed Transfer, then the Selling Shareholder shall give each Series B Holder a written "**Additional Offer Notice**", which shall include all of the information and certifications required in an Offer Notice, and shall additionally identify the Offered Shares which the Company has declined to purchase (the "**Remaining Shares**") and briefly describe the Series B Holders' rights of first refusal with respect to the proposed Transfer.

(b) Option.

(i) Each Series B Holder shall have an option for a period of thirty (30) days from the Series B Holder's receipt of the Additional Offer Notice to elect to purchase its respective pro rata share of the Remaining Shares at the same price and subject to the same material terms and conditions as described in the Additional Offer Notice.

(ii) Each Series B Holder may exercise such purchase option and, thereby, purchase all or any portion of its pro rata share of the Remaining Shares, by notifying the Selling Shareholder and the Company in writing, before expiration of the thirty-day period as to the number of such shares which it wishes to purchase. For purposes of this clause (ii), each Series B Holder's pro rata share of the Remaining Shares shall be a fraction of the Remaining Shares, of which the number of Ordinary Shares (determined on a fully-diluted, as-if converted basis) owned by such Series B Holder on the date of the Offer Notice shall be the numerator and the total number of Ordinary Shares (determined on a fully-diluted, as-if converted basis) held by all Series B Holders on the date of the Offer Notice shall be the denominator.

(iii) If any Series B Holder fails to exercise its option to purchase its full pro rata share of the Remaining Shares, the Selling Shareholder shall give written notice (a "**Series B Reallotment Notice**") to each Series B Holder who has fully exercised its option to purchase a pro rata portion of the Remaining Shares. The Series B Reallotment Notice shall include all of the information and certifications required in an Offer Notice and briefly describe the Series B Holders' rights of reallotment. The Series B Reallotment Notice shall further identify the Remaining Shares in respect of which any Series B Holder has failed to exercise its right of first refusal (or in the case where there has been a prior Series B Reallotment Period, in respect of which any Series B Holder has failed to exercise its right of reallotment) (the "**Series B Reallotment Shares**").

(iv) Each Series B Holder entitled to receive a Series B Reallotment Notice (a "**Participating Series B Holder**") shall have an option to purchase, at the same price and subject to the same material terms and conditions as described in any Series B Reallotment Notice, all or part of its pro rata share of the Series B Reallotment Shares described in such Series B Reallotment Notice. Such option shall be exercisable by each Participating Series B Holder by notifying the Company and the Selling Shareholder in writing, within thirty (30) days after delivery to the Participating Series B Holder of the Series B Reallotment Notice (a "**Series B Reallotment Period**"). For purposes of this clause (iv), each Participating Series B Holder's pro rata share of the Series B Reallotment Shares shall be a fraction of the Series B Reallotment Shares, of which the number of Ordinary Shares (determined on a fully-diluted, as-if converted basis) owned by such Participating Series B Holder on the date of the Offer Notice shall be the numerator and the total number of Ordinary Shares (determined on a fully-diluted, as-if converted basis) held by all Participating Series B Holders on the date of the Offer Notice shall be the denominator.

(v) On expiration of any Series B Reallotment Period, the Company shall issue a new Series B Reallotment Notice to each of the Series B Holders that have exercised their right of reallotment in such period, and such Series B Holders shall be given an additional right of reallotment under clause (iv) above, unless either (x) the Series B Holders have exercised any rights of first refusal and rights of reallotment with respect to all the Remaining Shares or (y) no Series B Holder shall have exercised its right of reallotment during such Series B Reallotment Period.

(vi) Each Series B Holder shall be entitled to apportion Remaining Shares to be purchased among its partners and Affiliates, provided that such Series B Holder notifies the Selling Shareholder of such allocation.

(vii) If any Series B Holder exercises its option under this paragraph (b) to purchase any Remaining Shares, then payment for the Remaining Shares shall be by check or wire transfer, against delivery of the Remaining Shares to be purchased at a place agreed by the parties and at

the time of the scheduled closing therefor, which shall be no later than thirty (30) days after the expiration of any period for exercise by such Series B Holders of their right of first refusal with respect to the Remaining Shares and all periods for exercise by the Series B Holders of any right of reallotment, unless the Additional Offer Notice contemplated a later closing with any prospective third party transferee or unless the value of the purchase price has not yet been established pursuant to Section 4.6.

4.5 Series A Holders' Option.

(a) Further Offer Notice. If the Company and the Series B Holders have declined to purchase all, or a portion of, the Offered Shares in connection with a proposed Transfer, then the Selling Shareholder shall give each Series A Holder a written "**Further Offer Notice**", which shall include all of the information and certifications required in an Offer Notice, and shall additionally identify the Offered Shares which the Company and the Series B Holders have declined to purchase (the "**Balance Shares**") and briefly describe the Series A Holders' rights of first refusal with respect to the proposed Transfer.

(b) Option.

(i) Each Series A Holder shall have an option for a period of thirty (30) days from the Series A Holder's receipt of the Further Offer Notice to elect to purchase its respective pro rata share of the Balance Shares at the same price and subject to the same material terms and conditions as described in the Further Offer Notice.

(ii) Each Series A Holder may exercise such purchase option and, thereby, purchase all or any portion of its pro rata share of the Balance Shares, by notifying the Selling Shareholder and the Company in writing, before expiration of the thirty-day period as to the number of such shares which it wishes to purchase. For purposes of this clause (ii), each Series A Holder's pro rata share of the Balance Shares shall be a fraction of the Balance Shares, of which the number of Ordinary Shares (determined on a fully-diluted, as-if converted basis) owned by such Series A Holder on the date of the Offer Notice shall be the numerator and the total number of Ordinary Shares (determined on a fully-diluted, as-if converted basis) held by all Series A Holders on the date of the Offer Notice shall be the denominator.

(iii) If any Series A Holder fails to exercise its option to purchase its full pro rata share of the Balance Shares, the Selling Shareholder shall give written notice (a "**Series A Reallotment Notice**") to each Series A Holder who has fully exercised its option to purchase a pro rata portion of the Balance Shares. The Series A Reallotment Notice shall include all of the information and certifications required in an Offer Notice and briefly describe the Series A Holders' rights of reallotment. The Series A Reallotment Notice shall further identify the Balance Shares in respect of which any Series A Holder has failed to exercise its right of

first refusal (or in the case where there has been a prior Series A Reallotment Period, in respect of which any Series A Holder has failed to exercise its right of reallotment) (the "**Series A Reallotment Shares**").

(iv) Each Series A Holder entitled to receive a Series A Reallotment Notice (a "**Participating Series A Holder**") shall have an option to purchase, at the same price and subject to the same material terms and conditions as described in any Series A Reallotment Notice, all or part of its pro rata share of the Series A Reallotment Shares described in such Series A Reallotment Notice. Such option shall be exercisable by each Participating Series A Holder by notifying the Company and the Selling Shareholder in writing, within thirty (30) days after delivery to the Participating Series A Holder of the Series A Reallotment Notice (a "**Series A Reallotment Period**"). For purposes of this clause (iv), each Participating Series A Holder's pro rata share of the Series A Reallotment Shares shall be a fraction of the Series A Reallotment Shares, of which the number of Ordinary Shares (determined on a fully-diluted, as-if converted basis) owned by such Participating Series A Holder on the date of the Offer Notice shall be the numerator and the total number of Ordinary Shares (determined on a fully-diluted, as-if converted basis) held by all Participating Series A Holders on the date of the Offer Notice shall be the denominator.

(v) On expiration of any Series A Reallotment Period, the Company shall issue a new Series A Reallotment Notice to each of the Series A Holders that have exercised their right of reallotment in such period, and such Series A Holders shall be given an additional right of reallotment under clause (iv) above, unless either (x) the Series A Holders have exercised any rights of first refusal and rights of reallotment with respect to all the Series B Balance Shares or (y) no Series A Holder shall have exercised its right of reallotment during such Series A Reallotment Period.

(vi) If any Series A Holder exercises its option under this paragraph (c) to purchase any Balance Shares, then payment for the Balance Shares shall be by check or wire transfer, against delivery of the Balance Shares to be purchased at a place agreed by the parties and at the time of the scheduled closing therefor, which shall be no later than thirty (30) days after the expiration of any period for exercise by such Series A Holders of their right of first refusal with respect to the Balance Shares and all periods for exercise by the Series A Holders of any right of reallotment, unless the Further Offer Notice contemplated a later closing with any prospective third party transferee or unless the value of the purchase price has not yet been established pursuant to Section 4.6.

4.6 Valuation of Property.

(a) Right to Pay Cash Value of Consideration. Should the purchase price specified in the Offer Notice, Additional Offer Notice or Further Offer Notice be payable in property other than cash or evidences of indebtedness, the Company, the

Series A Holders and/or the Series B Holders, as applicable, shall have the right to pay the purchase price in connection with the exercise of their right of first refusal hereunder in the form of cash equal in amount to the fair market value of such property.

(b) Valuation of Non-Cash Consideration. Such fair market cash value shall be determined in the first instance by the Board acting in good faith, and the Company shall notify the Selling Shareholder, Series A Holders and Series B Holders in writing of such determination within three (3) Business Days thereafter. If any of the Selling Shareholder, Series A Holders representing a majority in voting power of the Series A Preferred Shares or Series B Holders representing a majority in voting power of the Series B Preferred Shares disagrees with such determination, then within ten (10) Business Days after receiving the Company's notification thereof, it may apply to the Hong Kong International Arbitration Centre to appoint an appraiser of recognized international reputation and standing, who shall determine such cash value. The cost of such appraisal (and the appointment of an appraiser) shall be borne by the Selling Shareholder.

(c) Adjustment to Time for Closing. If the time for the closing of the Company's, Series A Holders' or Series B Holders' purchase has expired but for the determination of the value of the purchase price offered by the Prospective Transferee, such closing shall be held on or prior to the fifth (5th) Business Day after such valuation shall have been made pursuant to this Section 4.6.

4.7 Co-Sale Rights. To the extent that the Company, Series A Holders and/or Series B Holders have not exercised their respective rights of first refusal to purchase all the Offered Shares under this Section 4, then subject to this Section 4.7, the Selling Shareholder may sell the remaining Offered Shares in respect of which such rights were not exercised (the "**Co-Sale Shares**").

(a) Co-Sale Notice. Within ten (10) days after expiration of the time for exercise by the Company and the Preferred Holders of any rights of first refusal hereunder (and any right of reallotment) in respect of the Offered Shares, the Selling Shareholder shall give written notice to each Series B Holder who has not exercised its right under Section 4.4 (an "**Eligible Preferred Holder**"), which notice shall indicate the number of Co-Sale Shares and advise such Series B Holder of its co-sale rights with respect to such Co-Sale Shares.

(b) Exercise. Each such Series B Holder that notifies the Selling Shareholder in writing within twenty (20) Business Days after the receipt of such co-sale notice (a "**Co-Sale Participant**") shall have a right to participate in any sale by the Selling Shareholder of the Co-Sale Shares and sell a pro rata number of its Company Securities on the same economic terms and conditions as specified in the Offer Notice. Such Co-Sale Participant's notice to the Selling Shareholder shall indicate the number of Company Securities the Co-Sale Participant wishes to sell pursuant to such right to participate. For purposes of this paragraph (b), the pro rata number of Company Securities each Co-Sale Participant may elect to sell pursuant to its right of participation shall equal (on a fully-diluted, as-if converted basis) (i) the aggregate number of Ordinary Shares covered by the

Offer Notice (determined on a fully-diluted, as-if converted basis) by (ii) a fraction, the numerator of which is the number of Ordinary Shares (determined on a fully-diluted, as-if converted basis) owned by the Co-Sale Participant on the date of the Offer Notice, and the denominator of which is the total number of Ordinary Shares (determined on a fully-diluted, as-if converted basis) owned by the Selling Shareholder and all of the Eligible Preferred Holders.

If any Eligible Preferred Holder fails to exercise its option to sell its full pro rata share of its Company Securities pursuant to its co-sale right under this Section, the Selling Shareholder shall give written notice (a "**Co-Sale Reallotment Notice**") to each Eligible Preferred Holder who has fully exercised its option to sell a pro rata portion of its Company Securities. The Co-Sale Reallotment Notice shall state the sum (determined on a fully-diluted, as-if converted basis) of all Company Securities that any Eligible Preferred Holder was entitled to sell in the exercise of its co-sale right under this Section where such Eligible Preferred Holder failed to exercise such right (or in the case where there has been a prior Co-Sale Reallotment Period, in respect of which any Co-Sale Participating Holder has failed to exercise its right of reallotment) (the "**Co-Sale Reallotment Shares**").

(i) Each Eligible Preferred Holder entitled to receive a Co-Sale Reallotment Notice (a "**Re-Allotment Participant**") shall have a right to include such additional number of its Company Securities in any sale by the Selling Shareholder of the Co-Sale Shares, and sell such additional Company Securities on the same economic terms and conditions as specified in the Offer Notice, as is equal (on a fully-diluted, as-if converted basis) to the number of Co-Sale Reallotment Shares (determined on a fully-diluted, as-if converted basis) multiplied by a fraction, the numerator of which is which is the number of Ordinary Shares (determined on a fully-diluted, as-if converted basis) owned by the Re-Allotment Participant on the date of the Offer Notice, and the denominator of which is the total number of Ordinary Shares (determined on a fully-diluted, as-if converted basis) owned by all Re- Allotment Participants. Such right shall be exercisable by any Re-Allotment Participant notifying the Company and the Selling Shareholder in writing within thirty (30) days after delivery to the Re-Allotment Participant of the Co-Sale Re-Allotment Notice (the "**Co-Sale Re-Allotment Period**").

(ii) On expiration of any Co-Sale Reallotment Period, the Company shall issue a new Co-Sale Reallotment Notice to each Re-Allotment Participant that has exercised its full right of reallotment in such period, and such Re-Allotment Participant shall be given an additional right of reallotment under clause (i) above, unless either (x) there are no remaining Co-Sale Re-Allotment Shares or (y) no Re-Allotment Participant shall have exercised its right of reallotment during such Co-Sale Reallotment Period.

(c) Reduction of Co-Sale Shares. To the extent one or more of the Series B Holders exercises its right of participation in accordance with the terms and conditions

set forth above, the number of Restricted Shares that the Selling Shareholder may sell in the transaction shall be correspondingly reduced.

(d) Transferred Shares. Each Co-Sale Participant shall effect its participation in the sale by promptly delivering to the Selling Shareholder for transfer to the prospective purchaser one or more certificates, properly endorsed for transfer, which represent the type and number of Company Securities which such Co-Sale Participant elects to sell; provided that, if the Prospective Transferee objects to the delivery of Share Equivalents in lieu of Ordinary Shares, such Co-Sale Participant shall convert such Share Equivalents into Ordinary Shares and deliver certificates corresponding to such Ordinary Shares. The Company agrees to make any such conversion concurrent with the actual transfer of such shares to the purchaser and contingent on such transfer. The share certificate or certificates that a Co-Sale Participant delivers to the Selling Shareholder pursuant to this paragraph shall be transferred to the Prospective Transferee in consummation of the sale of the Company Securities evidenced thereby pursuant to the terms and conditions specified in the Offer Notice, and the Selling Shareholder shall concurrently therewith remit to such Co-Sale Participant that portion of the sale proceeds to which the Co-Sale Participant is entitled by reason of its participation in such sale.

(e) Special Terms of Sale. Notwithstanding anything to the contrary provided in this Agreement, the only representations, warranties or covenants that any Co-Sale Participant shall be required to make in connection with a sale pursuant to its co-sale rights under this Section are representations and warranties with respect to its ownership of the Company Securities to be sold by it pursuant to the exercise of such rights and its ability to convey title thereto free and clear of liens, encumbrances or adverse claims and reasonable covenants regarding confidentiality, publicity and similar matters.

(f) Refusal by Prospective Transferee to Take Co-Sale Shares. To the extent that any Prospective Transferee prohibits the participation of a Co-Sale Participant exercising its co-sale rights hereunder in a proposed Transfer or otherwise refuses to purchase shares or other securities from a Co-Sale Participant exercising its co-sale rights hereunder, the Selling Shareholder shall not sell to such prospective purchaser any Company Securities unless and until, simultaneously with such sale, the Selling Shareholder shall purchase such shares or other securities from such Co-Sale Participant for the same consideration and on the same terms and conditions as the proposed transfer described in the Offer Notice.

4.8 Non-Exercise of Rights. To the extent that the Company and the Preferred Holders have not exercised their rights to purchase the Offered Shares within the time periods specified in Section 4.2 through Section 4.5 and any Eligible Preferred Holders have not exercised their rights to participate in the sale of the Offered Shares within the time periods specified in Section 4.7, the Selling Shareholder shall have a period of ninety (90) days from the expiration of such rights in which to sell the Offered Shares to any third-party transferee identified in the Offer Notice so long as (i) the terms and conditions (including the purchase price) of such sale are no more favorable than those specified in the Offer Notice and (ii) such third-party transferee shall have executed a

binding instrument, in form and substance acceptable to Preferred Holders representing a majority in voting power of the Preferred Shares agreeing to be bound by all the terms of this Agreement as if it were originally a party hereto at the date hereof. Within fifteen (15) days of entering into any agreement to sell Offered Shares to a third-party transferee under this Section 4.8, the Transferor shall furnish each Holder with a copy of all agreements relating to such sale.

(a) In the event the Selling Shareholder does not consummate the sale or disposition of the Offered Shares within ninety (90) days from the expiration of such rights, the Company's first refusal rights and the Preferred Holders' first refusal rights and co-sale rights shall continue to be applicable to any subsequent disposition of the Offered Shares by the Selling Shareholder until such rights lapse in accordance with the terms of this Agreement.

(b) The exercise or non-exercise of the rights of the Company and the Preferred Holders under this Section 4 to purchase Company Securities from a Selling Shareholder or participate in the sale of Company Securities by a Selling Shareholder shall not adversely affect their rights to make subsequent purchases from the Restricted Shareholders of Company Securities or subsequently participate in sales of Company Securities by the Restricted Shareholders.

4.9 Exempt Transfers. Notwithstanding anything to the contrary in Section 4.1, a Restricted Shareholder may Transfer its Company Securities (and the rights of the Company and the Preferred Holders contained in Sections 4.2, 4.3, 4.4, 4.5 and 4.7 shall not apply) in any of the following circumstances (the transferee in each such circumstance, a "**Permitted Transferee**"): (a) any repurchases by the Company of Company Securities at below cost from former employees, officers, directors, consultants or other persons who performed services for any Group Company, upon termination of such services, as permitted by the terms of their engagement by such Group Company approved by the Board; (b) any purchase by the Founder of Company Securities owned either directly or indirectly by a
Co-Founder; or (c) any transfer approved by the Board in good faith to the parents, children or spouse of a Restricted Shareholder, or to trusts for the benefit of such Persons, for bona fide estate planning purposes. In the case of any transfer by a Restricted Shareholder of Company Securities to a Permitted Transferee, (i) the Restricted Shareholder shall provide documentation reasonably satisfactory to the Company and Series B Holders representing at least a majority in voting power of the Series B Preferred Shares evidencing the bona fide nature of such transaction, (ii) the Permitted Transferee shall execute a Deed of Adherence, in the form of Exhibit C hereto, agreeing to be bound by this Agreement in place of the Restricted Shareholder, and (iii) with respect to any transfer pursuant to clause (c) of the preceding sentence, the Restricted Shareholder shall remain liable for any breach by such Permitted Transferee of any provision hereunder.

4.10 Legend. Each certificate representing any Company Securities now or hereafter owned by Restricted Shareholder shall be endorsed with the following legend:

"THE SALE, PLEDGE, HYPOTHECATION OR TRANSFER OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE IS SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER SET FORTH IN AN AMENDED AND

RESTATED SHAREHOLDERS AGREEMENT, A COPY OF WHICH MAY BE OBTAINED UPON WRITTEN REQUEST TO THE SECRETARY OF THE COMPANY."

The above restrictions on share transfer shall also be recorded in a notation to the entry for such Company Securities on the Company's share register.

5. DRAG-ALONG RIGHTS

5.1 Drag-Along Right. Shareholders representing at least ninety percent (90%) in voting power of the Company (a "**Holder Supermajority**") may cause the sale (a "**Compulsory Sale**") of the Company to a third party (a "**Compulsory Sale Purchaser**") in a bona-fide, arms-length transaction. Without limiting the generality of the foregoing, in furtherance of a Compulsory Sale, a Holder Supermajority (i) may require the sale of all or a material part of the business, assets and undertaking as of any of the Group Companies, (ii) may require the continuation of the Company to another jurisdiction, (iii) may require the merger, amalgamation or consolidation of the Company with or into another Person, (iv) may require all Shareholders to sell all the Company Securities held thereby or (v) may require the Company and/or all Shareholders to take all such other actions as may as may be deemed appropriate by a Holder Supermajority to effect a Compulsory Sale. In connection with any Compulsory Sale, all Shareholders shall refrain from exercising, and each Shareholder hereby waives, any dissenters' rights or rights of appraisal it may have under applicable law in relation to such transaction.

5.2 Further Assurances. Each Shareholder shall do and perform, or cause to be done and performed, all such further acts and things and shall execute and deliver all such other agreements, certificates, instruments and documents as a Holder Supermajority may request in furtherance of any proposed Compulsory Sale, including, without limitation,

(a) Voting all Company Securities held by the Shareholder to approve any resolution which may be required to consummate such Compulsory Sale; and

(b) Delivering to any representative appointed by a Shareholder Supermajority all certificates evidencing any Company Securities held by such Shareholder, together with (x) an instrument of transfer, duly executed in blank and in proper form to permit the disposition of such securities to a Compulsory Sale Purchaser and (y) a limited power-of-attorney, in form and substance reasonably satisfactory to a Holder Supermajority, authorizing a representative appointed by such Shareholders Supermajority to effect the disposition of such securities to the Compulsory Sale Purchaser on such terms and conditions as shall be agreed between the Holder Supermajority and the Compulsory Sale Purchaser for the Compulsory Sale. If any Shareholder shall fail to deliver such certificates, instrument of transfer and limited power-of-attorney to the representative of a Holder Supermajority as required under this clause, the disposition of any Company Securities held by such Shareholder may be effected without the Shareholder's consent or surrender of the certificate(s) for such Company Securities.

5.3 Distribution of Proceeds. Upon a Compulsory Sale, any proceeds therefrom payable to

the Shareholders shall be distributed as required under the Articles in relation to a Deemed Liquidation.

6. ASSIGNMENT AND AMENDMENT.

6.1 Assignment. This Agreement and the rights and obligations of the parties hereunder shall inure to the benefit of, and be binding upon, their respective successors, assigns and legal representatives. Notwithstanding anything herein to the contrary:

(a) Information Rights and Registration Rights. The registration rights of the Holders under Section 2 may be assigned to any other Holder, to the Affiliates of any Holder or to any Person acquiring Registrable Securities equivalent (on a fully-diluted, as-if converted basis) to 400,000 Ordinary Shares (adjusted for any share splits, reverse share splits, share dividends, recapitalizations and the like) in a Transfer permitted hereunder; provided, however, that in either case no party may be assigned any of the foregoing rights unless the Company is given written notice by the assigning party stating the name and address of the assignee and identifying the Company Securities as to which the rights in question are being assigned; and provided further, that any such assignee shall receive such assigned rights subject to all the terms and conditions of this Agreement, including without limitation the provisions of this Section 6.

(b) Rights of Participation; Right of First Refusal; Co-Sale Rights. A Series B Holder may assign its rights under Sections 3 and 4 in connection with a Transfer of Company Securities thereby; provided, however, that no Person may be assigned any of the foregoing rights unless the Company is given written notice by such Series B Holder at the time of such assignment, stating the name and address of the assignee and identifying the Company Securities as to which the rights in question are being assigned; and provided further, that any such assignee shall receive such assigned rights subject to all the terms and conditions of this Agreement. A Series A Holder may assign its rights under Section 4 in connection with a permitted Transfer of Company Securities thereby; provided, however, that no Person (other than the Founder or an SPV Entity Controlled by the Founder) may be assigned any of the foregoing rights unless Approved by the Series B Holders and the Company is given written notice by such Series A Holder at the time of such assignment, stating the name and address of the assignee and identifying the Company Securities as to which the rights in question are being assigned; and provided further, that any such assignee shall receive such assigned rights subject to all the terms and conditions of this Agreement.

(c) Other Rights and Obligations. None of the parties hereto shall Transfer all or any part of any interest in any Company Securities now or hereafter owned or held thereby unless the Person to whom such Equity Securities are Transferred shall have entered into a Deed of Adherence in the form of Exhibit C hereto to become bound by this Agreement as if it was originally party hereto as of the date hereof. Any attempted transfer in violation of this paragraph shall be void *ab initio* and of no force or effect.

Except as provided above or as otherwise explicitly contemplated in this Agreement,

no party hereto shall assign its rights or obligations hereunder without the mutual written consent of the other parties hereto.

6.2 Amendment of Rights. Any provision in this Agreement may be amended and the observance thereof may be waived (either generally or in a particular instance and either retroactively or prospectively), only by (i) the written consent of the Company; (ii) the Approval of the Series B Holders and (iii) the written consent of Shareholders representing a majority in voting power of the Ordinary Shares and Series A Preferred Shares (voting together as a single class); provided, however, that any party (other than the Company) may waive any of its rights hereunder without obtaining the consent of any other party. Any amendment or waiver effected in accordance with this Section 6.2 shall be binding upon all the parties hereto.

7. CONFIDENTIALITY AND NON-DISCLOSURE.

7.1 Disclosure of Terms. The terms and conditions of this Agreement and the Series B Purchase Agreement, and all exhibits and schedules attached to such agreements (collectively, the "**Financing Terms**"), including their existence, shall be considered confidential information and shall not be disclosed by any party hereto to any third party except in accordance with the provisions set forth below; provided that such confidential information shall not include any information that is in the public domain other than caused by the breach of the confidentiality obligations hereunder.

7.2 Press Releases, Etc. Any press release issued by the Company shall not disclose any of the Financing Terms and the final form of such press release shall be approved in advance in writing by the Board, including at least a majority of the Preferred Directors, if any. No other announcement regarding any of the Financing Terms in a press release, conference, advertisement, announcement, professional or trade publication, mass marketing materials or otherwise to the general public may be made without the Investors' prior written consent.

7.3 Permitted Disclosures. Notwithstanding the foregoing, any party may disclose any of the Financing Terms to its current or bona fide prospective purchasers of its interest in the Company, to bona fide prospective investors in such party and to such party's employees, investment bankers, lenders, partners, accountants and attorneys, in each case only where such Persons are under appropriate nondisclosure obligations. Without limiting the generality of the foregoing, each Preferred Holder shall, without disclosing the identities of the other Preferred Holders or the Financial Terms of their respective investments in the Company without their consent, be entitled to disclose the Financing Terms for the purposes of fund reporting or inter-fund reporting or to its fund manager, other funds managed by its fund manager and their respective auditors, counsel, directors, officers, employees, shareholders or investors.

7.4 Legally Compelled Disclosure. In the event that any party is requested or becomes required by law or by the rules of any securities exchange (including without limitation, pursuant to securities laws and regulations) to disclose the existence of this Agreement and the Series B Purchase Agreement, any of the exhibits and schedules attached to such agreements, or any of the Financing Terms hereof in contravention of the provisions of this Section 6, such party (the "**Disclosing Party**") shall provide the other parties (the "**Non-Disclosing Parties**") with prompt written notice of that fact and use

all reasonable efforts to seek (with the cooperation and reasonable efforts of the other parties) a protective order, confidential treatment or other appropriate remedy. In such event, the Disclosing Party shall furnish only that portion of the information which is legally required to be disclosed and shall exercise reasonable efforts to keep confidential such information to the extent reasonably requested by any Non-Disclosing Party.

7.5 Other Information. The provisions of this Section 7 shall be in addition to, and not in substitution for, the provisions of any separate nondisclosure agreement executed by any of the parties with respect to the transactions contemplated hereby.

8. OTHER COVENANTS

8.1 Exclusivity. Each of the Company and the Founder covenants to the Investors that the Company shall be the exclusive vehicle through which all business related to hotel management shall be conducted by the Company and the Founder.

8.2 Founder Full Devotion and Non-Competition. The Founder shall devote his full business time and attention to the business of the Company for at least five (5) years from the date hereof, and shall not compete with the Company for at least three (3) years following the termination of his employment with the Company for any reason.

8.3 Non-Competition. The Company shall cause its current and future officers, directors and employees (other than the Founder) to enter into (i) a proprietary information and assignment of invention and patent agreement and (ii) a non-competition agreement with the Company, substantially in the forms approved by a majority of the Board, which majority shall include at least one Series B Director.

8.4 Future Management Holders. The Company shall give written notice to each Series B Holder of the issuance by the Company of any Company Securities to any Key Management Personnel and, as a condition precedent to such issuance, the Company shall require that such Key Management Personnel execute a Deed of Adherence in the form of Exhibit C hereto to become bound by this Agreement as if it was originally party hereto as of the date hereof. Each Key Management Personnel who shall become a party to this Agreement in accordance with the terms hereof shall be deemed to be a "Management Holder" hereunder for all purposes hereof.

8.5 Indebtedness. The parties hereto acknowledge and each of the Company and the Founder shall ensure that all indebtedness of the Company, whether incurred before or after the date hereof, shall at all times be junior in priority and subordinate to any amounts owed to the Investors by virtue of their ownership of securities of the Company or pursuant to any of the Transaction Documents, including without limitation any indemnification by the Company pursuant to the Series B Purchase Agreement.

8.6 Financing. The Company shall, before any proposed issuance of equity securities of the Company or instruments exchangeable, convertible or exercisable for any equity securities of the Company, except any issuance of Ordinary Shares and/or Series B Preferred Shares pursuant to the Transaction Documents or the Share Option Plan, seek the approval of the Board of such issuance and shall notify the Investors in writing of

such proposed issuance immediately after the Board's approval of such issuance.

8.7 Material Contracts. The Company shall inform each Investor promptly upon learning of any breach or default, alleged breach or default, or event which could reasonably be expected to (with the passage of time, notice or both) constitute a material breach or default under any of the Material Contracts (as defined in the Series B Purchase Agreement) by any party thereto.

9. REPURCHASE RIGHTS

9.1 Repurchase Right. Upon the occurrence of any of the following Repurchase Events with respect to the Founder, the Company shall have the right, but not the obligation, to purchase and the Founder shall, if requested by the Company, sell, in accordance with this Section 9, all, but not less than all, of the non-vested Ordinary Shares then beneficially owned by the Founder (the "**Repurchase Right**") at (i) the par value of such non-vested Ordinary Shares in case of sub-clauses (a) or (b) below and (ii) the original subscription price for such non-vested Ordinary Shares in case of sub-clause (c) below (the "**Repurchase Price**"). For purposes hereof, each of the following shall be a "**Repurchase Event**":

(a) the filing by the Founder of a petition for relief under the bankruptcy laws in any jurisdiction; or

(b) the termination of full-time employment of the Founder with the Company unless such termination is made by the Company without cause; or

(c) the termination of full-time employment of the Founder with the Company by the Company without cause.

9.2 Vesting.

(a) For purposes of this Section 9, the term "**vest**" shall mean, with respect to any Ordinary Shares beneficially owned by the Founder as of the date of this Agreement, together with any Company Securities issued as a dividend or other distribution with respect to, or in exchange for, or in replacement of such Ordinary Shares (the "**Founder's Shares**"), that such Founder's Shares are no longer subject to the Repurchase Right. If the Founder would become vested in any fraction of a Founder's Share on any date, such fractional Share shall not vest and shall remain a Non-Vested Ordinary Share until the Founder becomes vested in the entire Share.

(b) The Founder's Shares shall vest based on the terms and conditions as specified in the Founder's employment agreement with the Company entered into in accordance with the Series B Purchase Agreement.

(c) The Founder shall have full voting rights for both vested and non-vested Ordinary Shares of the Company.

9.3 Manner of Exercise of Repurchase Right. The Repurchase Right shall be exercised by

the Company by delivery of a written notice (the "**Repurchase Notice**") of exercise to the Founder (or his estate or legal representative) subject to the Repurchase Right following a Repurchase Event.

9.4 Repurchase Procedure. After the Company's Repurchase Notice, the Founder shall promptly endorse and deliver to the Company the certificates representing the Ordinary Shares being repurchased, free and clear of any liens, claims or encumbrances (other than any such lien, claim or encumbrance held by or guaranteed to the Company), and the Company shall then pay promptly to the Founder (but in no event later than thirty (30) days after the date the notice of the Company's election to exercise the Right of Repurchase was delivered to the Founder), the total repurchase price. The Founder hereby authorizes any director of the Company to execute a transfer in his name to effect the transfer of Ordinary Shares pursuant to the Repurchase Right granted hereunder.

9.5 Binding Effect. The Company's Repurchase Right shall inure to the benefit of the successors and assigns of the Company and shall be binding upon any representative, executor, administrator, heir, or legatee of the Founder.

10. COMPLIANCE WITH PRC LAW; PUT OPION

10.1 Compliance with PRC Law. Prior to the twelve (12) month anniversary of this Agreement, the Founder and Co-Founders shall complete all required registrations, obtain all required approvals and otherwise comply with all rules and regulations of the PRC government or any agency, bureau, board, commission, court, department, official, political subdivision, tribunal or other instrumentality of the PRC government with respect to any Founder's or Co-Founder's shareholding interests in the Company and each of the transactions contemplated by the Series B Purchase Agreement, including without limitation, (i) the obligations as set forth in Sections 7.9, 7.12 and 7.13 of the Series B Purchase Agreement and (ii) all reporting obligations imposed by, and all consents, approvals and permits required by the PRC State Administration of Foreign Exchange ("**SAFE**") pursuant to Circular on Issues Relating to the Administration of Foreign Exchange of Company Financing through Offshore Special Purpose Vehicles and Round-Trip Investment by PRC Resident (《关于境内居民通过境外特殊目的公司融资及返程投资外汇管理相关问题的通知》[汇发〔2005〕75号]) issued by SAFE effective November 1, 2005 (the "**SAFE Circular**") and any applicable laws of the PRC in force from time to time which operate to restate, amend or repeal the aforesaid SAFE Circular or any part thereof.

10.2 Investor Put Option. In the event any Triggering Condition (as defined below) occurs, then from the date such Triggering Condition occurs (a "**Triggering Date**"), each Investor shall have the right at any time after any Triggering Date and before the date of a Qualified IPO (the "**Expiration Date**"), to require the Founder to purchase all or any portion of the Series B Preferred Shares held by such Investor at a per share purchase price equal to 105% of the per share purchase price paid by such Investor pursuant to the Series B Purchase Agreement. In the event that any Investor desires to exercise its right pursuant to this Section 10.2, it shall, no later than the Expiration Date, give written notice (a "**Put Notice**") thereof to the Founder and the Company describing the number of Series B Preferred Shares to be sold to the Founder by such Investor (the "**Put Option Shares**").

For purposes of this Section 10.2, a "**Triggering Condition**" includes any of the following:

(i) the obligations of the Founder and Co-Founders pursuant to Section 10.1 have not been met on or prior to the twelve (12) month anniversary of the date hereof,

(ii) the WFOEs are not wholly owned by the Company as of October 1, 2007,

(iii) the Audited Financials (as defined in the Series B Purchase Agreement) provided by the Company to the Investors have not been provided as of the six (6) month anniversary of the date hereof, or the Audited Financials differ materially and adversely from the Unaudited Pro Forma Financials (as defined in the Series B Purchase Agreement, and including any notes included therein) covering the same period,

(iv) any claim or demand of a third party with respect to any non-competition obligation of the Founder arises and has or may reasonably be expected to have, a Material Adverse Effect with respect to the Company,

(v) the Founder's full-time employment with the Company is terminated at any time prior to the five (5) year anniversary of the date hereof, unless such termination is made by the Company without cause, or

(vi) there is any inaccuracy in or breach or nonperformance of any of the representations, warranties, covenants or agreements made by the Company under (a) Section 3.10 or Section 3.12 of the Series B Purchase Agreement regarding Leases (as defined in the Series B Purchase Agreement) or (b) Section 3.4 of the Series B Purchase Agreement, which, individually or in the aggregate, results in, or which may reasonably be expected to result in, a Material Adverse Effect with respect to the Company.

Notwithstanding the foregoing, in case an Investor exercises his Put Option under this Section 10.2 and the Put Option has been consummated in accordance with the terms hereof, such Investor shall have no right to any indemnification pursuant to Section 9.1 of the Series B Purchase Agreement. In case an Investor seeks and receives indemnification from the Company pursuant to Section 9.1 of the Series B Purchase Agreement with respect to any Triggering Condition, such Investor shall have no right to exercise its Put Option in accordance with this Section 10.2 with respect to such Triggering Condition.

10.3 Closing. The closing of the sale and purchase of the Put Option Shares specified in any Put Notice shall take place at the office of the Company (or at such other place as mutually agreed to by the Founder and the Investor) on a date to be mutually agreed to by the Founder and the Investor, which date shall in no case be later than thirty (30) days after delivery of the Put Notice unless the Investor, in its sole discretion, agrees otherwise in writing. At such closing:

(i) the Founder shall pay the aggregate consideration for the Put Option Shares

pursuant to Section 10.2 by wire transfer in immediately available funds to an account designated by the Investor or by other payment method(s) mutually agreed to by the Founder and the Investor,

(ii) the Investor shall deliver to the Company share certificate(s) representing such Series B Preferred Shares,

(iii) each of the Founder and the Investor shall deliver to the Company a duly executed instrument of transfer with respect to the sale of the Put Option Shares to the Founder,

(iv) the Company shall deliver to the Founder and the Investor a copy of the Company's Register of Members certified by a director of the Company which reflects the Put Option Shares purchased by the Founder, and

(v) if at such closing, the Investor does not exercise its right pursuant to Section 10 with respect to all Series B Preferred Shares held by such Investor, the Founder shall deliver an irrevocable proxy in the form attached hereto as Exhibit D to such Investor, granting to the designee of such Investor the power to vote the Put Option Shares the Founder purchased from such Investor.

The Founder acknowledges and agrees that no agreement, instrument or other document, other than those specified in this Section 10.3, shall be necessary to consummate the sale and purchase of the Put Option Shares.

11. ADMINISTRATION

11.1 The accounts of the Company shall be kept in accordance with US GAAP and shall be audited annually by an international "Big 4" accounting firm approved by the Board. The audited accounts and report of the auditors shall be made available to the Preferred Holders within fifteen (15) days after the issue thereof by the auditors. Periodic management accounts shall be prepared by the Company and these shall be forwarded to each Director.

11.2 The financial year of the Company shall end on 31st December in each year.

11.3 Bank accounts of the Company shall be operated by the CEO of the Company. Any withdrawal or transfer of fund from such bank accounts shall require the signature by the CEO.

12. TAX MATTERS

12.1 The Company will not take any action inconsistent with the treatment of the Company as a corporation for U.S. federal income tax purposes and will not elect to be treated as an entity other than a corporation for U.S. federal income tax purposes.

12.2 The Company will use, and will cause each Group Company to use, best efforts to avoid classification as a passive foreign investment company ("**PFIC**") as defined in the Internal Revenue Code of 1986, as amended (the "**Code**") for the current year or any subsequent year.

12.3 The Company shall promptly provide each Series B Holder with written notice if it (or any Group Company) becomes a PFIC or a "controlled foreign corporation" ("**CFC**") as defined under the Code. Such notice shall include a reasonably detailed analysis of the determination that the Company (or the applicable Group Company) has become a PFIC or CFC.

12.4 The Company shall make due inquiry with its tax advisors on at least an annual basis regarding its or any Group Company's status as a PFIC, and if Company is informed by its tax advisors that any such entity has become a PFIC, or that there is a likelihood of any such entity being classified as a PFIC for any taxable year, the Company shall promptly notify each Series B Holder of such status or risk, as the case may be. The Company agrees to make available to each Series B Holder upon request, the books and records of the Company and each Group Company, and to provide information to such Series B Holder pertinent to the Company's or any Group Company's status or potential status as a PFIC. Upon a determination by the Company, any Series B Holder or any taxing authority that the Company or any Group Company has been or is likely to become a PFIC, the Company will provide such Series B Holder with all information reasonably available to the Company or any Group Company to permit such Series B Holder to (i) accurately prepare all tax returns and comply with any reporting requirements as a result of such determination and (ii) make any election (including, without limitation, a "qualified electing fund" election under Section 1295 of the Code), with respect to the Company or any Group Company, and comply with any reporting or other requirements incident to such election. If a determination is made by the Company, any Series B Holder or any taxing authority that the Company or any Group Company is a PFIC for a particular year, then for such year and for each year thereafter, the Company will also provide such Series B Holder with a completed "PFIC Annual Information Statement" as required by Treasury Regulation Section 1.1295-1(g) and otherwise comply with applicable Treasury Regulation requirements. In the event that a Series B Holder who has made a "Qualified Electing Fund" election must include in its gross income for a particular taxable year its pro rata share of the Company's earnings and profits pursuant to Section 1293 of the Code, the Company agrees to make a dividend distribution to such Series B Holder (no later than 90 days following the end of the such Series B Holder's taxable year) in an amount equal to 50% of the amount so included by such Series B Holder.

12.5 The Company shall provide each Series B Holder with information relating to the transfer of any equity interests of the Company (or any Group Company) and the issuance or redemption by the Company (or any Group Company) of any equity interests. No later than two (2) months following the end of the Company's taxable year, the Company shall provide the following information to each Series B Holder: (i) the Company's capitalization table as of the end of the last day of such taxable year and (ii) a report regarding the Company and each Group Company's status as a CFC, if any. The Company shall: (A) furnish to each Series B Holder upon its reasonable request, on a timely basis, all information necessary to satisfy the U.S. income tax return filing requirements of such Series B Holder (and each "United States shareholder" of the Company as defined by Section 951(b) of the Code that owns a direct or indirect interest in such Series B Holder (a "**U.S. Shareholder**")) arising from its investment in the Company and relating to the Company or any Group Company's classification as a CFC; and (B) use commercially reasonable efforts to avoid generating for any taxable

year in which the Company or any Group Company is a CFC, amounts includible in the income of any Series B Holder or U.S. Shareholder pursuant to Section 951 of the Code (a "**Section 951 Inclusion**"). If the Company or any Group Company ceases to be a CFC at any time, the Company will provide prompt written notice to each Series B Holder if at any time thereafter the Company becomes aware that it or any Group Company has become a CFC. Upon written request of a U.S. Series B Holder from time to time, subject to obtaining the consent of its shareholders to release such information, the Company will promptly provide in writing such information in its possession concerning its shareholders and, to the Company's actual knowledge, the direct and indirect interest holders in each shareholder sufficient for such U.S. Series B Holder to determine whether the Company is a CFC. If any Series B Holder or U.S. Shareholder has a Section 951 Inclusion for any taxable year (such Series B Holder or U.S. Shareholder, a "**Taxable CFC Shareholder**"), the Company shall distribute cash pro rata with respect to each Share so that the aggregate amount distributed to each Taxable CFC Shareholder equals fifty percent (50%) of the Section 951 Inclusion of such Taxable CFC Shareholder for such taxable year.

12.6 The Company will comply and will cause the Group Companies to comply with all record-keeping, reporting, and other requests necessary for the Company and the Group Companies to allow each Series B Holder to comply with any applicable U.S. federal income tax law.

12.7 The cost incurred by the Company in providing the information that it is required to provide, or is required to cause to be provided, and the cost incurred by the Company in taking the action, or causing the action to be taken, as described in this Section 12 shall be borne by the Company.

13. GENERAL PROVISIONS

13.1 Notices. Except as may be otherwise provided herein, all notices, requests, waivers and other communications made pursuant to this Agreement shall be in writing and shall be conclusively deemed to have been duly given (a) when hand delivered to the other party, upon delivery; (b) when sent by facsimile at the number as the parties have been given, upon receipt of confirmation of error-free transmission; (c) seven (7) Business Days after deposit in the mail as air mail or certified mail, receipt requested, postage prepaid and addressed to the other party as the parties have been given; or (d) three (3) Business Days after deposit with an international overnight delivery service, postage prepaid, addressed to the parties with next Business Day delivery guaranteed, provided that the sending party receives a confirmation of delivery from the delivery service provider.

Each Person making a communication hereunder by facsimile shall promptly confirm by telephone to the Person to whom such communication was addressed each communication made by it by facsimile pursuant hereto but the absence of such confirmation shall not affect the validity of any such communication. A party may change or supplement the addresses given above, or designate additional addresses, for purposes of this Section 13.1 by giving the other party written notice of the new address in the manner set forth above.

13.2 Entire Agreement. This Agreement, together with all the exhibits and schedules hereto, constitute and contain the entire agreement and understanding of the parties with

respect to the subject matter hereof and supersedes any and all prior negotiations, correspondence, agreements, understandings, duties or obligations between the parties respecting the subject matter hereof; provided, however, that nothing in this Agreement or related agreements shall be deemed to supersede the provisions of any confidentiality and nondisclosure agreements executed between any party hereto prior to the date of this Agreement, all of which agreements shall continue in full force and effect until terminated in accordance with their respective terms. Upon the effectiveness of this Agreement, the Prior Agreement shall be deemed amended and restated and superseded and replaced in its entirety by this Agreement, and shall be of no further force or effect.

13.3 Governing Law and Dispute Resolution This Agreement shall be construed and governed by the laws of Hong Kong, without regard to principles of conflicts of law thereunder.

(a) Any dispute, controversy or claim (each, a "**Dispute**") arising out of or relating to this Agreement, or the interpretation, breach, termination or validity hereof, shall be resolved at the first instance through consultation between the parties to such Dispute. Such consultation shall begin immediately after any party has delivered written notice to any other party to the Dispute requesting such consultation.

(b) If the Dispute is not resolved within sixty (60) days following the date on which such notice is given, the Dispute shall be submitted to arbitration upon the request of any party to the Dispute with notice to each other party to the Dispute (the "**Arbitration Notice**").

(c) The arbitration shall be conducted in Hong Kong and shall be administered by the Hong Kong International Arbitration Centre ("**HKIAC**") in accordance with the HKIAC Procedures for the Administration of International Arbitration in force at the time of the commencement of the arbitration. There shall be three (3) arbitrators. The claimants in the Dispute shall collectively choose one arbitrator, and the respondents shall collectively choose one arbitrator. The Secretary General of the Centre shall select the third arbitrator, who shall be qualified to practice law in Hong Kong. If any of the members of the arbitral tribunal have not been appointed within thirty (30) days after the Arbitration Notice is given, the relevant appointment shall be made by the Secretary General of the Centre.

(d) The arbitration proceedings shall be conducted in English. The arbitration tribunal shall apply the Arbitration Rules of the United Nations Commission on International Trade Law, as in effect at the time of the commencement of the arbitration. However, if such rules are in conflict with the provisions of this Section 13.3, including the provisions concerning the appointment of arbitrators, the provisions of this Section 13.3 shall prevail.

(e) Each party to the arbitration shall cooperate with each other party to the arbitration in making full disclosure of and providing complete access to all information and documents requested by such other party in connection with such arbitration proceedings, subject only to any confidentiality obligations

binding on such party.

(f) The arbitrators shall decide any dispute submitted by the parties to the arbitration tribunal strictly in accordance with the substantive law of Hong Kong and shall not apply any other substantive law.

(g) Any party to the Dispute shall be entitled to seek preliminary injunctive relief, if possible, from any court of competent jurisdiction pending the constitution of the arbitral tribunal.

(h) The parties to this Agreement agree to the consolidation of arbitrations under the Transaction Documents in accordance with the Section 9.12(viii) of the Series B Purchase Agreement.

(i) During the course of the arbitration tribunal's adjudication of the dispute, this Agreement shall continue to be performed except with respect to the part in dispute and under adjudication.

(j) The award of the arbitration tribunal shall be final and binding upon the parties, and the prevailing party may apply to a court of competent jurisdiction for enforcement of such award.

13.4 Severability. If any provision of this Agreement is found to be invalid or unenforceable, then such provision shall be construed, to the extent feasible, so as to render the provision enforceable and to provide for the consummation of the transactions contemplated hereby on substantially the same terms as originally set forth herein, and if no feasible interpretation would save such provision, it shall be severed from the remainder of this Agreement, which shall remain in full force and effect unless the severed provision is essential to the rights or benefits intended by the parties. In such event, the parties shall use best efforts to negotiate, in good faith, a substitute, valid and enforceable provision or agreement which most nearly effects the parties' intent in entering into this Agreement.

13.5 Third Parties. Nothing in this Agreement, express or implied, is intended to confer upon any Person other than the parties hereto any rights or remedies under or by reason of this Agreement.

13.6 Successors and Assigns. Subject to the provisions of Section 5.1, the provisions of this Agreement shall inure to the benefit of, and shall be binding upon, the successors and permitted assigns of the parties hereto.

13.7 Interpretation; Captions. This Agreement shall be construed according to its fair language. The rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not be employed in interpreting this Agreement. The captions to sections of this Agreement have been inserted for identification and reference purposes only and shall not be used to construe or interpret this Agreement. Unless otherwise expressly provided herein, all references to Sections and Exhibits herein are to Sections and Exhibits of this Agreement.

13.8 Counterparts. This Agreement may be executed by facsimile and in counterparts, each

of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

13.9 Aggregation of Shares. All Shares held or acquired by Affiliates of a Shareholder shall be aggregated together for the purpose of determining the availability of any rights of such Shareholder under this Agreement.

13.10 Waiver of Reliance among Investors. Each Investor stipulates that it is not relying upon any Person or entity other than the Company and its officers and directors and the Founder in entering into this Agreement or investing in the Company, and, specifically and without limitation, is not relying on any other Investor or any other Investor's Controlling Persons, members, shareholders, officers, directors, employees, agents, or professional advisers, or on any advice, representations, or work product of any of them. Each Investor hereby waives any claim against, and covenants not to sue, any other Investor or the respective Controlling Persons, members, shareholders, officers, directors, employees, agents, or professional advisers of any Investor on account of any action heretofore or hereafter taken or omitted to be taken in connection with this Agreement or any transaction contemplated hereby.

13.11 Termination. This Agreement shall terminate upon a Qualified IPO; provided that the provisions of Section 2, Section 7 and this Section 13 shall survive any termination of this Agreement.

— remainder of this page left intentionally blank —

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

SIGNED BY )

for and on behalf of)
CHINA LODGING GROUP, LIMITED)

)
in the presence of :

Address:

Floor 5, Building 57
No. 461 Hongcao Road
Shanghai 200233
The People's Republic of China

SIGNED BY 李玮)

for and on behalf of)
WINNER CROWN HOLDINGS LIMITED)

)

in the presence of :

Address:

Floor 5, Building 57
No. 461 Hongcao Road
Shanghai 200233
The People's Republic of China

)

SIGNED BY

MS. TONGTONG ZHAO)

)

in the presence of :

Address:

Floor 5, Building 57
No. 461 Hongcao Road
Shanghai 200233
The People's Republic of China

)

SIGNED BY
MR. JOHN JIONG WU)

)

in the presence of :

Address:

Floor 5, Building 57
No. 461 Hongcao Road
Shanghai 200233
The People's Republic of China

SIGNED BY
MR. QI JI)

)

in the presence of :

Address:

Floor 5, Building 57
No. 461 Hongcao Road
Shanghai 200233
The People's Republic of China

)

SIGNED BY

for and on behalf of)

POWERHILL HOLDING LIMITED)

)

in the presence of :

Address:

Floor 5, Building 57
No. 461 Hongcao Road
Shanghai 200233
The People's Republic of China

SIGNED BY)

for and on behalf of)
CHENGWEI PARTNERS, L.P.)

in the presence of :)

Address:

c/o Chengwei Ventures
Suite 33C, Lane 672 Changle Road
Shanghai 200040, China
Fax: +86 21 5404 8766
Attention: Ping Ping

SIGNED BY)

for and on behalf of)
CHENGWEI VENTURES)
EVERGREEN FUND, L. P.)

in the presence of :)

Address:

c/o Chengwei Ventures
Suite 33C, Lane 672 Changle Road
Shanghai 200040, China
Fax: +86 21 5404 8766
Attention: Ping Ping

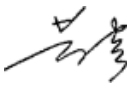
SIGNED BY)

for and on behalf of)
CHENGWEI VENTURES)
EVERGREEN ADVISORS FUND, LLC)

in the presence of :)

Address:

c/o Chengwei Ventures
Suite 33C, Lane 672 Changle Road
Shanghai 200040, China
Fax: +86 21 5404 8766
Attention: Ping Ping

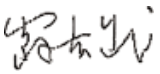
SIGNED BY )

for and on behalf of)
CDH COURTYARD LIMITED)

in the presence of :)

Address:

c/o CDH Investments
2601, 26th Floor, Lippo Centre Tower 2,
89, Queensway, Admiralty,
Hong Kong
Tel: +852 2810 7003
Fax: +852 2801 7083
Attention: Chief Financial Officer

SIGNED BY )

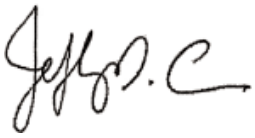
for and on behalf of)
PINPOINT CAPITAL 2006 A LIMITED)

in the presence of :)

Address:

299 Bisheng Road, Suite 13-101
Zhangjiang, Shanghai 201204
People's Republic of China
Tel: +86 21 5080 7651
Fax: +86 21 5080 1333

SIGNED BY)



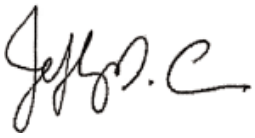
for and on behalf of) Jeffery Lee CFO
NORTHERN LIGHT VENTURE)
FUND, L.P.)

in the presence of :)

Address:

c/o Northern Light Venture Capital
2440 Sand Hill Road Suite 201
Menlo Park CA 94025 USA
Tel: +1 650-585-5460
Fax: +1 650-585-5451

SIGNED BY



)

for and on behalf of) Jeffery Lee CFO
NORTHERN LIGHT PARTNERS)
FUND, L.P.)

in the presence of :)

Address:

c/o Northern Light Venture Capital
2440 Sand Hill Road Suite 201
Menlo Park CA 94025 USA
Tel: +1 650-585-5460
Fax: +1 650-585-5451

SIGNED BY

)

for and on behalf of) Jeffery Lee CFO
NORTHERN LIGHT STRATEGIC)
FUND, L.P.)

in the presence of :)

Address:

c/o Northern Light Venture Capital
2440 Sand Hill Road Suite 201
Menlo Park CA 94025 USA
Tel: +1 650-585-5460

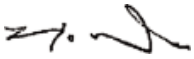
Fax: +1 650-585-5451

SIGNED BY)

for and on behalf of)
IDG-ACCEL CHINA GROWTH FUND)
GP ASSOCIATES LTD.)

for and on behalf of)
IDG-ACCEL CHINA GROWTH FUND)
ASSOCIATES L.P.)

for and on behalf of)
IDG-ACCEL CHINA GROWTH FUND L.P.)

)
in the presence of : 

Address:

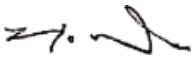
c/o IDG VC Management Ltd.
10/F Effectual Building
16 Hennessy Road
Wanchai, Hong Kong
Fax: (852) 25291619

SIGNED BY)

for and on behalf of)
IDG-ACCEL CHINA GROWTH FUND)
GP ASSOCIATES LTD.)

for and on behalf of)
IDG-ACCEL CHINA GROWTH FUND)
ASSOCIATES L.P.)

for and on behalf of)
IDG-ACCEL CHINA GROWTH FUND-A L.P.)

)
in the presence of : 

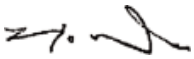
Address:
c/o IDG VC Management Ltd.
10/F Effectual Building
16 Hennessy Road
Wanchai, Hong Kong
Fax: (852) 25291619

SIGNED BY)

for and on behalf of)
IDG-ACCEL CHINA INVESTORS)
ASSOCIATES LTD.)

for and on behalf of)
IDG-ACCEL CHINA INVESTORS L.P.)

)

in the presence of : 

Address:
c/o IDG VC Management Ltd.
10/F Effectual Building
16 Hennessy Road
Wanchai, Hong Kong
Fax: (852) 25291619

LIST OF EXHIBITS

Exhibit A	Parties to the Agreement
Exhibit B	Corporate Information of the Company
Exhibit C	Deed of Adherence
Exhibit D	Irrevocable Proxy
Exhibit E	Form of Monthly Report

EXHIBIT A

PARTIES TO THE AGREEMENT

ORDINARY HOLDERS:

WINNER CROWN HOLDINGS LIMITED, a company incorporated in British Virgin Islands under company No. 618532 having its registered office at Akara Bldg., 24 De Castro Street, Wickhams Cay I, Road Town, Tortola, British Virgin Islands

MR. JOHN JIONG WU, (United States passport number: 302014663), 774 Mays Blvd. #Ste 10 — 337, Incline Village, NV 89452, USA

SERIES A HOLDERS:

POWERHILL HOLDING LIMITED, a company incorporated in British Virgin Islands under company No. 571975 having its registered office at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands

MR. JOHN JIONG WU, (United States passport number: 302014663), 774 Mays Blvd. #Ste 10 — 337, Incline Village, NV 89452, USA

INVESTORS AND SERIES B HOLDERS:

CHENGWEI PARTNERS, L.P., an exempted limited partnership organized and existing under the laws of the Cayman Islands.

CHENGWEI VENTURES EVERGREEN FUND, L.P., an exempted limited partnership organized and existing under the laws of the Cayman Islands.

CHENGWEI VENTURES EVERGREEN ADVISORS FUND, LLC, an exempted limited liability company organized and existing under the laws of the Cayman Islands.

CDH COURTYARD LIMITED, a company incorporated under the laws of the British Virgin Islands.

PINPOINT CAPITAL 2006 A LIMITED, a company incorporated in the Territory of the British Virgin Islands.

NORTHERN LIGHT VENTURE FUND, L.P., an exempted limited partnership organized and existing under the laws of the Cayman Islands.

NORTHERN LIGHT PARTNERS FUND, L.P., an exempted limited partnership organized and existing under the laws of the Cayman Islands.

NORTHERN LIGHT STRATEGIC FUND, L.P., an exempted limited partnership organized and existing under the laws of the Cayman Islands.

IDG-ACCEL CHINA GROWTH FUND L.P., an exempted limited partnership organized and existing under the laws of the Cayman Islands.

IDG-ACCEL CHINA GROWTH FUND-A L.P., an exempted limited partnership organized and existing under the laws of the Cayman Islands.

IDG-ACCEL CHINA INVESTORS L.P., an exempted limited partnership organized and existing under the laws of the Cayman Islands.

FOUNDER:

MR. QI JI, (PRC ID card no. 31010419661010057x), Room 401 No. 5 Lane 99, Gui Lin Street East, Shanghai, China.

CO-FOUNDERS:

MS. TONG TONG ZHAO, (Canadian passport number: JW698597), 5-22C, 128 Ziyun Road, Shanghai, 200051, P.R.China

MR. JOHN JIONG WU, (United States passport number: 302014663), 774 Mays Blvd. #Ste 10 — 337, Incline Village, NV 89452, USA

EXHIBIT B

Corporate Information of the Company

Company No.: 179930

COMPANY'S PROFILE

1.1	**Name of Company**	**:**	China Lodging Group, Limited
1.2	**Date of Incorporation**	**:**	4th January 2007
1.3	**Registered Address**	**:**	the office of Offshore Incorporations (Cayman) Limited, Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands
1.4	**Directors**	**:**	Mr. John Jiong WU Mr. Qi JI Ms. Tong Tong ZHAO Ms. Ping PING Mr. Yan HUANG
1.5	**Shareholdings**	**:**	

Share Capital: US$ 20,000 divided into 200,000,000 Shares at a par value of US$0.0001 each.

Issued Share Capital

CLGL Capital Structure

Please see the attached.

EXHIBIT C

DEED OF ADHERENCE

THIS DEED is made the {*} day of {*}

BETWEEN

(1) The Person whose name and address appears in Part 1 of Schedule 1 ("**New Shareholder**");

*(2) [The Person whose name and address appears in Part 2 of Schedule 1 ("**Transferor**");]*

(3) China Lodging Group, Limited, a company incorporated in and existing under the laws of the Cayman Islands and whose registered office is situate at the office of Offshore Incorporations (Cayman) Limited, Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands (the "**Company**").

WHEREAS

(A) This Deed is supplemental to an amended and restated shareholders' agreement date June 20, 2007 relating to the holding of Shares in the Company and made between the Company and certain parties listed on Exhibit A thereto (the "**Other Parties**") (the "**Principal Agreement**").

(B) The New Shareholder has agreed to *[purchase from the Transferor / subscribe from the Company]* Shares in the Company as more particularly set out in Schedule 3.

(C) The New Shareholder has agreed to execute this Deed as required pursuant to the terms of the Principal Agreement.

NOW THIS DEED WITNESSETH as follows :-

1. **Adherence**

1.1 The New Shareholder hereby acknowledges undertakes and covenants with the Company and the Other Parties that, with effect on and from the date of this Deed, the New Shareholder shall be bound by and shall observe and perform all the terms and conditions and obligations of the Principal Agreement to be observed and performed as if the New Shareholder had at all times been a party thereto and named therein as a Shareholder (including, where applicable, in place of or on a joint and several basis with the Transferor).

[The New Shareholder further agrees and undertakes with the Company and the Other Parties that, if the Transferor remains a Shareholder following the transfer of Shares described in recital (B) above, then the New Shareholder shall, with effect on and from the date of this Deed, assume all obligations and liabilities expressed to be assumed on the part of the Transferor under the Principal Agreement on a joint and several basis with the Transferor.]

[The New Shareholder further agrees and undertakes with the Company and the Other Parties that the New Shareholder shall be deemed a Management Holder under the Principal Agreement for all purposes.]

1.2 The Company acknowledge that, as from the Effective Date, the provisions of the Principal Agreement shall enure for the benefit of and shall be enforceable by the New Shareholder as if he had at all times been a party thereto and named as a Shareholder therein.

2. **Interpretation**

2.1 In this Deed where the context so admits :

(A) terms and expressions defined in the Principal Agreement shall bear the same meanings in this Deed unless the context requires otherwise; and

(B) references to clause(s) and schedule(s) are references to clause(s) and schedule(s) of this Deed and references to this Deed shall include the schedule.

3. **Notices**

3.1 Any notice to be served on the New Shareholder shall be served on the New Shareholder at the address, facsimile number or telex number of the New Shareholder set out in Part 1 of Schedule 1 in accordance with the terms of this Deed.

4. **Miscellaneous**

4.1 The provisions of clauses 13.1 (Notices) and 13.3 (Governing Law) of the Principal Agreement shall apply *mutates mutandis* to this Deed as if set out herein and as if references therein to "this Agreement" were references to this Deed.

IN WITNESS WHEREOF this Deed has been executed the day and year first above written.

Schedule 1

Part 1:

(Particulars of New Shareholder)

Name of New Shareholder :

Address :

Facsimile No. :

Part 2:

(Particulars of Transferor)

Name of Transferor :

Address :

Facsimile No. :

Schedule 2

(Particulars of the Shares to be [transferred / issued and allotted])

Number of Shares _____ Class _____

EXECUTION PAGE

Executed as a Deed : if by an individual then to be SIGNED, SEALED and DELIVERED by the individual / if by a corporation then SEAL with the COMMON SEAL and executed in accordance with its articles and resolution of the board

EXHIBIT D

IRREVOCABLE PROXY

The undersigned shareholder of China Lodging Group, Limited, a company incorporated in the Cayman Islands as company No. 179930 having its registered office at the office of Offshore Incorporations (Cayman) Limited, Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands (the "**Company**"), hereby irrevocably (to the fullest extent permitted by the applicable law) appoints and constitutes [Insert name of Investor] (the "**Proxy Holder**"), the attorney and proxy of the undersigned with full power of substitution and re-substitution, to the full extent of the undersigned's rights with respect to (i) [Insert number of shares] "Put Option Shares," as such term is defined in the Amended and Restated Shareholders Agreement dated as of June 20, 2007 by and among the Company, the undersigned, the Proxy Holder and certain other parties thereto (the "**Shareholders Agreement**"), acquired by the undersigned pursuant to Section 10 of the Shareholders Agreement, and (ii) any other shares in the capital stock of the Company with respect to which such Put Option Shares shall be converted or exchanged thereto or distributed thereon (the shares referred to in clauses (i) and (ii), collectively, the "**Shares**"). Upon the execution hereof, all prior proxies given by the undersigned with respect to any of the Shares are hereby revoked, and no subsequent proxies will be given with respect to any of the Shares. This proxy is irrevocable.

Until the Expiration Date (as defined herein below) and with respect to any vote, written resolution, consent or other instrument, whether at any meeting or adjournment thereof, however called, or in any other context, in which the holders of Series B Preferred Shares, par value US$0.0001 per share, of the Company (the "**Series B Preferred Shares**") make any determination as a separate class of equity securities of the Company (each, a "**Vote**"), the Proxy Holder will be empowered, and may exercise this proxy, to vote the Shares in such Vote on all matters to be decided in such Vote.

Any obligation of the undersigned hereunder shall be binding upon the heirs, successors and assigns of the undersigned (including any transferee of any of the Shares).

This proxy shall terminate upon the termination of the Shareholders Agreement (the "**Expiration Date**").

Dated: [_____]

[Insert Founder's name and signature block]

EXHIBIT E

FORM OF MONTHLY REPORT

See attached.

Exhibit 4.9

FORM OF CERTIFICATE OF WARRANT

THE WARRANT EVIDENCED OR CONSTITUTED HEREBY, AND ALL SECURITIES ISSUABLE HEREUNDER, HAVE BEEN AND WILL BE ISSUED WITHOUT REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED ("THE 1933 ACT") OR ANY OTHER SECURITIES LAW AND MAY NOT BE SOLD, OFFERED FOR SALE, TRANSFERRED, PLEDGED OR HYPOTHECATED WITHOUT REGISTRATION UNDER THE 1933 ACT UNLESS EITHER (i) THE COMPANY HAS RECEIVED AN OPINION OF COUNSEL, IN FORM AND SUBSTANCE REASONABLY SATISFACTORY TO THE COMPANY, TO THE EFFECT THAT REGISTRATION IS NOT REQUIRED IN CONNECTION WITH SUCH DISPOSITION OR (ii) THE SALE OF SUCH SECURITIES IS MADE PURSUANT TO RULE 144 PROMULGATED UNDER THE 1933 ACT.

WARRANT TO PURCHASE SERIES B PREFERRED STOCK

OF

CHINA LODGING GROUP, LIMITED

(Subject to Adjustment)

NO. _____ [DATE]

THIS CERTIFIES THAT, for value received, _____ (the "Investor"), or any permitted registered assigns thereof (the "Holder"), is entitled, subject to the terms and conditions of this Warrant, to exercise this Warrant once to purchase from China Lodging Group, Limited (the "Company") Warrant Stock (as defined in Section 1 below) of the Company, at any time after the date on which the Board of Directors of the Company or any committee thereof makes a determination to seek a Company Financing (as defined in Section 1 below) (the "Effective Date"), and before the later of (i) the twelve (12) month anniversary of the date hereof, and (ii) the closing date of, or the termination date of all efforts to consummate, a Company Financing which the Board of Directors of the Company or any committee thereof made a determination to seek prior to such twelve (12) month anniversary (the "Expiration Date"), at a price per share equal to US$_____ (the "Purchase Price"). Subject to adjustment and change as provided herein, the number of shares of Warrant Stock purchasable upon exercise of this Warrant shall be equal to the result of dividing US$_____ by the Purchase Price, rounded up to the nearest whole number. This Warrant is issued pursuant to the Series B Preferred Shares Purchase Agreement dated June 20, 2007 by and among the Company and certain other parties thereto (the "Purchase Agreement").

1. CERTAIN DEFINITIONS. As used in this Warrant the following terms shall have the following respective meanings:

"Company Financing" shall mean any issuance of equity securities of the Company or instruments exchangeable, convertible or exercisable for any equity securities of the Company, except any issuance of Ordinary Shares and/or Series B Preferred Shares pursuant

to the Transaction Documents (as defined in the Purchase Agreement) or the Share Option Plan (as defined in the Purchase Agreement).

"Lead Investors" shall have the meaning ascribed to such term in the Purchase Agreement.

"Ordinary Shares" shall mean the Company's Ordinary Shares, par value US$0.0001 per share.

"Qualified IPO" shall have the meaning ascribed to such term in the Shareholders Agreement.

"Registered Holder" shall mean any Holder in whose name this Warrant is registered upon the books and records maintained by the Company.

"SEC" shall mean the United States Securities and Exchange Commission.

"Series B Preferred Shares" shall have the meaning ascribed to such term in the Shareholders Agreement.

"Shareholders Agreement" shall mean that certain Shareholder Agreement dated June 20, 2007, between the Company and the parties listed in Exhibit A thereto.

"Warrant" as used herein, shall include this Warrant and any warrant delivered in substitution or exchange therefor as provided herein.

"Warrant Stock" shall mean the Series B Preferred Shares of the Company or any other securities at any time receivable or issuable upon exercise of this Warrant.

2. EXERCISE OF WARRANT

2.1. Exercise Period. The Holder shall have the right to exercise this Warrant one time in whole or in part on or before the Expiration Date.

2.2 Payment. Subject to compliance with the terms and conditions of this Warrant and applicable securities laws, this Warrant may be exercised by the delivery (including, without limitation, delivery by facsimile) of the form of Notice of Exercise attached hereto as *Exhibit 1* (the "Notice of Exercise"), duly executed by the Holder, to the registered office of the Company, and as soon as practicable after such date,

(a) surrendering this Warrant at the registered office of the Company, and

(b) paying in cash (by check) or by wire transfer of an amount equal to the product obtained by multiplying the number of shares of Warrant Stock being purchased upon such exercise by the then effective Purchase Price (the "Exercise Amount").

2.3. Stock Certificates; Fractional Shares. As soon as practicable on or after the date of exercise, the Company shall issue and deliver to the person or persons entitled to receive the same a certificate or certificates for the number of whole shares of Warrant Stock issuable upon such exercise, together with cash in lieu of any fraction of a share equal to such fraction of the current fair market value of one whole share of Warrant Stock as of the date of

exercise of this Warrant. No fractional shares or scrip representing fractional shares shall be issued upon an exercise of this Warrant.

2.4. Effective Date of Exercise. This Warrant shall be deemed to have been exercised immediately prior to the close of business on the date of its surrender for exercise as provided above. The person entitled to receive the shares of Warrant Stock issuable upon exercise of this Warrant shall be treated for all purposes as the holder of record of such shares as of the close of business on the date the Holder is deemed to have exercised this Warrant.

3. VALID ISSUANCE; TAXES. All shares of Warrant Stock (or such stock or other securities at the time issuable upon exercise of this Warrant) issued upon the exercise of this Warrant shall be validly issued, fully paid and non-assessable and the Company shall pay all taxes and other governmental charges that may be imposed in respect of the issue or delivery thereof. The Company shall not be required to pay any tax or other charge imposed in connection with any transfer involved in the issuance of any certificate for shares of Warrant Stock in any name other than that of the Registered Holder of this Warrant, and in such case the Company shall not be required to issue or deliver any stock certificate or security until such tax or other charge has been paid, or it has been established to the Company's reasonable satisfaction that no tax or other charge is due.

4. ADJUSTMENT OF PURCHASE PRICE AND NUMBER OF SHARES. The number of shares of Warrant Stock issuable upon exercise of this Warrant (or any shares of stock or other securities or property receivable or issuable upon exercise of this Warrant) and the Purchase Price are subject to adjustment upon occurrence of the following events:

4.1. Adjustment for Stock Splits, Stock Subdivisions or Combinations of Shares. The Purchase Price of this Warrant shall be proportionally decreased and the number of shares of Warrant Stock issuable upon exercise of this Warrant (or any shares of stock or other securities at the time issuable upon exercise of this Warrant) shall be proportionally increased to reflect any stock split or subdivision of the Company's Warrant Stock. The Purchase Price of this Warrant shall be proportionally increased and the number of shares of Warrant Stock issuable upon exercise of this Warrant (or any shares of stock or other securities at the time issuable upon exercise of this Warrant) shall be proportionally decreased to reflect any combination of the Company's Warrant Stock.

4.2. Adjustment for Dividends or Distributions of Stock or Other Securities or Property. In case the Company shall make or issue, or shall fix a record date for the determination of eligible holders entitled to receive, a dividend or other distribution with respect to the Warrant Stock (or any shares of stock or other securities at the time issuable upon exercise of the Warrant) payable in (a) securities of the Company or (b) assets (excluding cash dividends paid or payable solely out of retained earnings), then, in each such case, the Holder of this Warrant on exercise hereof at any time after the consummation, effective date or record date of such dividend or other distribution, shall receive, in addition to the shares of Warrant Stock (or such other stock or securities) issuable on such exercise prior to such date, and without the payment of additional consideration therefor, the securities or such other assets of the Company to which such Holder would have been entitled upon such date if such Holder had exercised this Warrant on the date hereof and had thereafter, during the period from the date hereof to and including the date of such exercise, retained such shares and/or all other additional stock available by it as aforesaid during such period giving effect to all adjustments called for by this Section 4.

4.3. Reclassification. If the Company, by reclassification of securities or otherwise, shall change any of the securities as to which purchase rights under this Warrant exist into the same or a different number of securities of any other class or classes, this Warrant shall thereafter represent the right to acquire such number and kind of securities as would have been issuable as the result of such change with respect to the securities that were subject to the purchase rights under this Warrant immediately prior to such reclassification or other change and the Purchase Price therefore shall be appropriately adjusted, all subject to further adjustment as provided in this Section 4. No adjustment shall be made pursuant to this Section 4.3 upon any conversion or redemption of the Warrant Stock which is the subject of Section 4.5.

4.4. Adjustment for Capital Reorganization, Merger or Consolidation. In case of any reorganization of the share capital of the Company (other than a combination, reclassification, exchange or subdivision of shares otherwise provided for herein), or any merger or consolidation of the Company with or into another corporation, or conveyance of all or substantially all the assets of the Company then, and in each such case, as a part of such reorganization, merger, consolidation, or conveyance, lawful provision shall be made so that the Holder of this Warrant shall thereafter be entitled to receive upon exercise of this Warrant, during the period specified herein and upon payment of the Purchase Price then in effect, the number of shares of stock or other securities or property of the successor corporation resulting from such reorganization, merger, consolidation, or conveyance that a holder of the shares deliverable upon exercise of this Warrant would have been entitled to receive in such reorganization, consolidation, merger, or conveyance if this Warrant had been exercised immediately before such reorganization, merger, consolidation, or conveyance, all subject to further adjustment as provided in this Section 4 and the successor or purchasing or successor corporation or other entity in such consolidation, merger or conveyance (if not the Company) shall duly execute and deliver to the Holder a supplement hereto acknowledging such corporation's or entity's obligations under the Warrant; and in such case the terms of the Warrant (including exercisability, transfer and adjustment provision of the Warrant) shall be applicable to the shares or other securities or property receivable upon the exercise of this Warrant after the consummation of such consolidation, merger, or conveyance. If the per-share consideration payable to the Holder hereof for shares in connection with any such transaction is in a form other than cash or marketable securities, then the value of such consideration shall be determined in good faith by the Holder and the Company's Board of Directors. In all events, appropriate adjustment (as determined in good faith by the Company's Board of Directors) shall be made in the application of the provisions of this Warrant with respect to the rights and interests of the Holder after the transaction, to the end that the provisions of this Warrant shall be applicable after that event, as near as reasonably may be, in relation to any shares or other property deliverable after that event upon exercise of this Warrant.

4.5. Conversion of Warrant Stock. In case all or any portion of the authorized and issued shares of the Company are redeemed or converted or reclassified into other securities or property pursuant to the Company's Memorandum and Articles of Association or otherwise, or the Warrant Stock otherwise ceases to exist, then, in such case, the Holder of this Warrant, upon exercise hereof at any time after the date on which the Warrant Stock is so redeemed or converted, reclassified or ceases to exist (the "Termination Date"), shall receive, in lieu of the number of shares of Warrant Stock that would have been issuable upon such exercise immediately prior to the Termination Date, the securities or property that would have been received if this Warrant had been exercised in full and the Warrant Stock received

thereupon had been simultaneously converted immediately prior to the Termination Date, all subject to further adjustment as provided in this Warrant. Additionally, the Purchase Price shall be immediately adjusted to equal the quotient obtained by dividing (x) the aggregate Purchase Price of the maximum number of shares of Warrant Stock for which this Warrant was exercisable immediately prior to the Termination Date by (y) the number of shares of Ordinary Shares or other securities or property (as the case may be) of the Company for which this Warrant is exercisable immediately after the Termination Date, all subject to further adjustment as provided herein.

5. CERTIFICATE AS TO ADJUSTMENTS. In each case of any adjustment in the Purchase Price, or number or type of shares issuable upon exercise of this Warrant, the Chief Financial Officer of the Company shall compute such adjustment in accordance with the terms of this Warrant and prepare a certificate setting forth such adjustment and showing in detail the facts upon which such adjustment is based, including a statement of the adjusted Purchase Price. The Company shall promptly send (by facsimile and by either first class mail, postage prepaid or overnight delivery) a copy of each such certificate to the Holder after such certificate is reviewed and confirmed by the Board of Directors of the Company, including at least one (1) Series B Director (as defined in the Company's Amended and Restated Memorandum and Articles of Association effective as of the date hereof). For avoidance of doubt, no adjustment to the Purchase Price or to the number or type of shares issuable upon exercise of this Warrant shall be effective prior to confirmation of such adjustment by the Board of Directors of the Company, including at least one (1) Series B Director.

6. LOSS OR MUTILATION. Upon receipt of evidence reasonably satisfactory to the Company of the ownership of and the loss, theft, destruction or mutilation of this Warrant, and of indemnity reasonably satisfactory to it, and (in the case of mutilation) upon surrender and cancellation of this Warrant, the Company will execute and deliver in lieu thereof a new Warrant of like tenor as the lost, stolen, destroyed or mutilated Warrant.

7. RESERVATION OF ORDINARY SHARES. The Company hereby covenants that at all times there shall be reserved such number of shares of Warrant Stock (or such other stock or securities of the Company as are from time to time issuable upon exercise of this Warrant) for issuance and delivery upon exercise of this Warrant and such number of Ordinary Shares for issuance and delivery upon conversion of such Warrant Stock and, from time to time, will take all steps necessary to amend its Memorandum and Articles of Association to provide sufficient reserves of shares of Warrant Stock issuable upon exercise of this Warrant (and Ordinary Shares for issuance on conversion of such Warrant Stock). All such shares shall be duly authorized, and when issued upon such exercise or conversion, shall be validly issued, fully paid against payment of the corresponding Exercise Amount and free and clear of all liens, security interests, charges and other encumbrances or restrictions on sale and free and clear of all preemptive rights, except encumbrances or restrictions arising under applicable securities laws. Issuance of this Warrant shall constitute full authority to the Company's officers who are charged with the duty of executing share certificates to execute and issue the necessary certificates for shares of Warrant Stock and Ordinary Shares on conversion of the Warrant Stock upon the exercise of this Warrant.

8. TRANSFER AND EXCHANGE. Subject to the terms and conditions of this Warrant and compliance with all applicable securities laws, this Warrant and all rights hereunder may be transferred by the Holder to any other person, in whole or in part, on the books of the Company maintained for such purpose at the registered office of the Company,

in person, or by duly authorized attorney, upon surrender of this Warrant properly endorsed and upon payment of any necessary transfer tax or other governmental charge imposed upon such transfer. Upon any permitted partial transfer, the Company will issue and deliver to the Registered Holder a new Warrant or Warrants with respect to the shares of Warrant Stock not so transferred. Each taker and holder of this Warrant, by taking or holding the same, consents and agrees that when this Warrant shall have been so endorsed, the person in possession of this Warrant may be treated by the Company, and all other persons dealing with this Warrant, as the absolute owner hereof for any purpose and as the person entitled to exercise the rights represented hereby, any notice to the contrary notwithstanding; provided, however that until a transfer of this Warrant is duly registered on the books of the Company, the Company may treat the Registered Holder hereof as the owner for all purposes.

9. RESTRICTIONS ON TRANSFER. To the extent applicable to the Holder, the Holder, by acceptance hereof, agrees that, absent an effective registration statement filed with the SEC under the 1933 Act, covering the disposition or sale of this Warrant or the Warrant Stock issued or issuable upon exercise hereof or the Ordinary Shares issuable upon conversion thereof, as the case may be, and registration or qualification under applicable state securities laws, such Holder will not sell, transfer, pledge, or hypothecate any or all such Warrants, Warrant Stock, or Ordinary Shares, as the case may be, unless either (i) the Company has received an opinion of counsel, in form and substance reasonably satisfactory to the Company, to the effect that such registration is not required in connection with such disposition or (ii) the sale of such securities is made pursuant to SEC Rule 144. The certificate representing the Warrant Stock issuable upon exercise hereof shall be endorsed with the following legend:

"THE SALE, PLEDGE, HYPOTHECATION OR TRANSFER OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE IS SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER SET FORTH IN AN AMENDED AND RESTATED SHAREHOLDERS AGREEMENT, A COPY OF WHICH MAY BE OBTAINED UPON WRITTEN REQUEST TO THE SECRETARY OF THE COMPANY."

10. COMPLIANCE WITH SECURITIES LAWS. By acceptance of this Warrant, the Holder hereby represents, warrants and covenants that any shares purchased upon exercise of this Warrant or acquired upon conversion thereof shall be acquired for investment only and not with a view to, or for sale in connection with, any distribution thereof; that the Holder has had such opportunity as such Holder has deemed adequate to obtain from representatives of the Company such information as is necessary to permit the Holder to evaluate the merits and risks of its investment in the company; that the Holder is able to bear the economic risk of holding such shares as may be acquired pursuant to the exercise of this Warrant for an indefinite period; that the Holder understands that the shares acquired pursuant to the exercise of this Warrant or acquired upon conversion thereof will not be registered under the 1933 Act (unless otherwise required pursuant to exercise by the Holder of the registration rights, if any, previously granted to the registered Holder) and may be "restricted securities" within the meaning of Rule 144 under the 1933 Act and further that such shares shall not be disposed of by the Holder before the expiration of any compulsory lock up period in a Qualified IPO by which the Holder is (or, if applicable, agrees to be) bound.

11. NO RIGHTS OR LIABILITIES AS SHAREHOLDERS. This Warrant shall not entitle the Holder to any voting rights or other rights as a shareholder of the Company. In the absence of affirmative action by such Holder to purchase Warrant Stock by exercise of this Warrant or Ordinary Shares upon conversion thereof, no provisions of this Warrant, and no

enumeration herein of the rights or privileges of the Holder hereof shall cause such Holder hereof to be a shareholder of the Company for any purpose.

12. SHAREHOLDER AGREEMENT. The Warrant Stock issuable upon exercise of this Warrant shall be subject to, and have the benefit of, the provisions of the Shareholders Agreement. The Company acknowledges and agrees that the Warrant Stock, and the Ordinary Shares issuable upon conversion thereof, are "Registrable Securities" entitling the Holder to registration rights under the Shareholders Agreement.

13. NOTICES. All notices and other communications from the Company to the Holder shall be given in accordance with the Share Purchase Agreement.

14. HEADINGS. The headings in this Warrant are for purposes of convenience in reference only, and shall not be deemed to constitute a part hereof.

15. AMENDMENT. This Warrant or any terms and conditions hereof (including without limitation the number of Warrant Stock and the Exercise Price) may not be amended or waived without the written consent of the Holder, the Company and the Lead Investors.

16. LAW GOVERNING AND PROCESS AGENT. This Warrant shall be construed and enforced in accordance with, and governed by, the laws of Hong Kong, without regard to principles of conflicts of law thereunder.

17. NO IMPAIRMENT. The Company will not, by amendment of its Memorandum and Articles of Association or bylaws, or through reorganization, consolidation, merger, dissolution, issue or sale of securities, sale of assets or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such action as may be necessary or appropriate in order to protect the rights of the Registered Holder of this Warrant against impairment. Without limiting the generality of the foregoing, the Company (a) will not increase the par value of any shares of stock issuable upon the exercise of this Warrant above the amount payable therefor upon such exercise, and (b) will take all such action as may be necessary or appropriate in order that the Company may validly and legally issue fully paid shares of Warrant Stock upon exercise of this Warrant and fully non-assessable shares of Ordinary Shares upon conversion of such Warrant Stock.

18. NOTICES OF RECORD DATE. In case:

17.1. the Company shall take a record of the holders of its Warrant Stock, Ordinary Shares (or other stock or securities at the time receivable upon the exercise of this Warrant), for the purpose of entitling them to receive any dividend or other distribution, or any right to subscribe for or purchase any shares of stock of any class or any other securities or to receive any other right; or

17.2. of any consolidation or merger of the Company with or into another corporation, any capital reorganization of the Company, any reclassification of the Capital Stock of the Company, or any conveyance of all or substantially all of the assets of the Company to another corporation in which holders of the Company's stock are to receive stock, securities or property of another corporation; or

17.3. of any voluntary dissolution, liquidation or winding-up of the Company; or

17.4. of any redemption or conversion of all outstanding Ordinary Shares or Warrant Stock;

then, and in each such case, the Company will mail or cause to be mailed to the Registered Holder of this Warrant a notice specifying, as the case may be, (i) the date on which a record is to be taken for the purpose of such dividend, distribution or right, or (ii) the date on which such reorganization, reclassification, consolidation, merger, conveyance, dissolution, liquidation, winding-up, redemption or conversion is to take place, and the time, if any is to be fixed, as of which the holders of record of Warrant Stock, Ordinary Shares or (such stock or securities as at the time are receivable upon the exercise of this Warrant), shall be entitled to exchange their shares of Warrant Stock, Ordinary Shares (or such other stock or securities), for securities or other property deliverable upon such reorganization, reclassification, consolidation, merger, conveyance, dissolution, liquidation or winding-up. Such notice shall be delivered at least thirty (30) days prior to the date therein specified.

19. SEVERABILITY. If any term, provision, covenant or restriction of this Warrant is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Warrant shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

20. COUNTERPARTS. For the convenience of the parties, any number of counterparts of this Warrant may be executed by the parties hereto and each such executed counterpart shall be, and shall be deemed to be, an original instrument.

21. NO INCONSISTENT AGREEMENTS. The Company will not on or after the date of this Warrant enter into any agreement with respect to its securities which is inconsistent with the rights granted to the Holders of this Warrant or otherwise conflicts with the provisions hereof. The rights granted to the Holders hereunder do not in any way conflict with and are not inconsistent with the rights granted to holders of the Company's securities under any other agreements, except rights that have been waived.

22. SATURDAYS, SUNDAYS AND HOLIDAYS. If the Expiration Date falls on a Saturday, Sunday or legal holiday in the People's Republic of China or the Hong Kong Special Administrative Region, the Expiration Date shall automatically be extended until 5:00 p.m. the next business day.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the parties hereto have executed this Warrant as of the date first written above.

	CHINA LODGING GROUP, LIMITED
By: _____	By: _____
Printed Name	Printed Name
Title	Title

EXHIBIT 1
NOTICE OF EXERCISE

(To be executed upon exercise of Warrant)

China Lodging Group, Limited WARRANT NO. _____

The undersigned hereby irrevocably elects to exercise the right of purchase represented by the Warrant Certificate for, and to purchase thereunder, the securities of Series B Preferred Stock, as provided for therein, and (tick the applicable box):

☐ Tenders herewith payment of the exercise price in full in the form of cash or a certified or official bank check in same-day funds in the amount of $_____ for _____ such securities.

Please issue a certificate or certificates for such securities in the name of, and pay any cash for any fractional share to (please print name, address and social security number):

Name: _____

Address: _____

Signature: _____

Note: The above signature should correspond exactly with the name on the first page of this Warrant Certificate or with the name of the assignee appearing in the assignment form below.

EXHIBIT 2
ASSIGNMENT

(To be executed only upon assignment of Warrant Certificate)

WARRANT NO. _____

For value received, _____ hereby sells, assigns and transfers unto _____ the within Warrant Certificate, together with all right, title and interest therein, and does hereby irrevocably constitute and appoint _____ as its attorney, to transfer said Warrant Certificate on the books of the within-named Company with respect to the number of Warrants set forth below, with full power of substitution in the premises:

Name(s) of Assignee(s)	**Address**	**# of Warrants**

And if said number of Warrants shall not be all the Warrants represented by the Warrant Certificate, a new Warrant Certificate is to be issued in the name of said undersigned for the balance remaining of the Warrants registered by said Warrant Certificate.

Dated: _____

Signature: _____

Notice: The signature to the foregoing Assignment must correspond to the name as written upon the face of this security in every particular, without alteration or any change whatsoever; signature(s) must be verified in an appropriate manner if required by the Company.

Exhibit 4.10

FORM OF SERIES B CONVERTIBLE PREFERRED SHARES SUBSCRIPTION AGREEMENT

CHINA LODGING GROUP, LIMITED

Gentlemen:

This Series B Convertible Preferred Shares Subscription Agreement (this **"Agreement"**) certifies that, the undersigned, _____ (**"_____"**) understands that CHINA LODGING GROUP, LIMITED, a company incorporated in Cayman Islands under company No. 179930 (the **"Company"**), is offering certain additional Series B Convertible Preferred Shares (the **"Series B Preferred Shares"**) to certain investors.

1. _____ hereby agrees to subscribe for _____ Series B Preferred Shares (**"Shares"**) of the Company at the subscription price of US$1.530612 per Share and for a total subscription price of US$ _____. _____ hereby agrees to pay such subscription price to the Company by wire transfer on or prior to [DATE], to the Company's bank account as follows:

Bank:
SWIFT Code:
Account No.:
Beneficiary:

_____ understands that _____ will not be deemed a shareholder of the Shares of the Company until such time as the Company has accepted this subscription in writing and received _____'s subscription price in full.

2. _____ understands, acknowledges and agrees that:

(a) The subscription for the Shares contained herein may be accepted or rejected, in whole or in part, by the Company in its sole and absolute discretion. No subscription shall be deemed accepted until this Agreement is agreed to and accepted by the Company.

(b) This subscription is and shall be irrevocable, except that _____ shall have no obligations hereunder if this subscription is for any reason rejected or the offering of Shares is for any reason canceled.

(c) No governmental authority has made any finding or determination as to the fairness of the purchase of the Shares and no such authority has recommended or endorsed or will recommend or endorse the offering of the Shares.

(d) _____ is acquiring the Shares for its own account for investment purposes only and not with a view to the resale or distribution of all or any part of such Shares, and _____ has no present intention, agreement or arrangement to divide our participation with others or to sell, assign, transfer or otherwise dispose of all or any part of such Shares.

3. _____ understands that the Shares, and the Ordinary Shares of the Company that the Shares are convertible into (the **"Conversion Shares"**), will not be registered under the Securities Act of 1933, on the ground that the sale provided for in this Agreement is exempt from registration under the Securities Act of 1933, and that the reliance of the Company on such exemption is predicated in part on _____'s representations set forth in this Agreement. _____ understands that the Shares, and the Conversion Shares are "restricted securities" within the meaning of Rule 144 under the Securities Act of 1933, are not registered and must be held indefinitely unless they are subsequently registered or an exemption from such registration is available. _____ understands that each certificate representing the Shares, the Conversion Shares and any other securities issued in respect of any securities upon any share split, share dividend, recapitalization, merger or similar event of the Company shall be stamped or otherwise imprinted with a legend substantially in the following form (and the Company may reasonably place a stop-transfer order against transfer of such certificate):

> THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT") OF THE UNITED STATES OF AMERICA OR UNDER THE SECURITIES LAWS OR REGULATIONS OF ANY OTHER JURISDICTION, AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE ACT AND THE APPLICABLE SECURITIES LAWS AND REGULATIONS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM.

The legend set forth above shall be removed by the Company from any certificate upon delivery to the Company of an opinion of counsel, a certification or other evidence reasonably satisfactory to the Company that a registration statement under the Act is at that time in effect with respect to the legended security or that such security can be freely transferred in a public sale without such a registration statement being in effect and that such transfer will not jeopardize the exemption or exemptions from registration upon which the Company is relying hereunder.

4. The Shares shall be subject to, and have the benefit of, the provisions of the Shareholders Agreement (as defined in the Series B Convertible Preferred Shares Purchase Agreement dated June 20, 2007 (**"Previous Purchase Agreement"**) by and among the Company and certain other parties thereto). The Company acknowledges and agrees that the Shares, and the Conversion Shares, are "Registrable Securities" entitling _____ to registration rights under the Shareholders Agreement.

5. Upon execution of this Agreement, _____ shall also execute and deliver an irrevocable proxy (**"Proxy"**), which shall be executed by _____, in the form attached hereto as Exhibit 1, to each Lead Investors (as defined in the Previous Purchase Agreement) granting to each Lead Investor or its designee, as the case may be, the power for each Lead Investor to vote 50% of the Shares being purchased. For avoidance of doubt, pursuant to such Proxy, each Lead Investor shall be entitled to vote one-half of the number of Shares purchased hereunder and the Lead Investors shall collectively vote 100% of the Shares purchased hereunder.

6. This Agreement: (a) shall be binding upon the Company, _____ and Lead Investors and their respective successors and permitted assignees; (b) governed by and construed under the laws of the Hong Kong Special Administrative Region of the People's Republic of China, without regard to principles of conflicts of law thereunder; and (c) shall survive the acceptance of _____'s subscription for and purchase of Shares.

7. Dispute Resolution:

(a) Any dispute, controversy or claim (each, a **"Dispute"**) arising out of or relating to this Agreement, or the interpretation, breach, termination or validity hereof, shall be resolved at the first instance through consultation between the parties to such Dispute. Such consultation shall begin immediately after any party has delivered written notice to any other

party to the Dispute requesting such consultation.

(b) If the Dispute is not resolved within sixty (30) days following the date on which such notice is given, the Dispute shall be submitted to arbitration upon the request of any party to the Dispute with notice to each other party to the Dispute (the **"Arbitration Notice"**).

(c) The arbitration shall be conducted in Hong Kong and shall be administered by the Hong Kong International Arbitration Centre (**"HKIAC"**) in accordance with the HKIAC Procedures for the Administration of International Arbitration in force at the time of the commencement of the arbitration. There shall be three (3) arbitrators. The claimants in the Dispute shall collectively choose one arbitrator, and the respondents shall collectively choose one arbitrator. The Secretary General of the Centre shall select the third arbitrator, who shall be qualified to practice law in Hong Kong. If any of the members of the arbitral tribunal have not been appointed within thirty (30) days after the Arbitration Notice is given, the relevant appointment shall be made by the Secretary General of the Centre.

(d) The arbitration proceedings shall be conducted in English. The arbitration tribunal shall apply the Arbitration Rules of the United Nations Commission on International Trade Law, as in effect at the time of the commencement of the arbitration. However, if such rules are in conflict with the provisions of this Section 7, including the provisions concerning the appointment of arbitrators, the provisions of this Section 7 shall prevail.

(e) Each party to the arbitration shall cooperate with each other party to the arbitration in making full disclosure of and providing complete access to all information and documents requested by such other party in connection with such arbitration proceedings, subject only to any confidentiality obligations binding on such party.

(f) The arbitrators shall decide any dispute submitted by the parties to the arbitration tribunal strictly in accordance with the substantive law of Hong Kong and shall not apply any other substantive law.

(g) Any party to the Dispute shall be entitled to seek preliminary injunctive relief, if possible, from any court of competent jurisdiction pending the constitution of the arbitral tribunal.

(h) During the course of the arbitration tribunal's adjudication of the dispute, this Agreement shall continue to be performed except with respect to the part in dispute and under adjudication.

(i) The award of the arbitration tribunal shall be final and binding upon the parties, and the prevailing party may apply to a court of competent jurisdiction for enforcement of such award.

[The remainder of this page is intentionally left blank]

IN WITNESS WHEREOF, _____ HAS CAUSED THIS SUBSCRIPTION AGREEMENT TO BE EXECUTED AS OF THE DATE HEREOF.

Date of Execution: [DATE]

By: _____
Name:
Title:
Address:

Agreed and Accepted as of [DATE] by

CHINA LODGING GROUP, LIMITED

By: _____
Name:
Title:

_____
By:
Its:

_____
By:
Its:

_____
By:
Its:

_____
By:
Its:

AMENDMENT TO SERIES B CONVERTIBLE PREFERRED SHARES SUBSCRIPTION AGREEMENT

THIS AMENDMENT (this **"Amendment"),** effective as of this day of April 21, 2008 (the **"Amendment Effective Date")** to that certain Series B Convertible Preferred Shares Subscription Agreement (the **"Agreement")** dated January 18, 2008 is entered into by and among the following parties (hereinafter referred to individually as a "Party" or collectively as the "Parties"):

CHINA LODGING GROUP, LIMITED (the "Company"), a company incorporated in Cayman islands under company No. 179930;

WINNER CROWN HOLDINGS LIMITED ("Winner Crown"), a company incorporated in British Virgin Islands under company No. 618532 having its registered office at Akara Bldg., 24 De Castro Street, Wickhams Cay I, Road Town, Tortola, British Virgin Islands;

CHENGWEI PARTNERS, L.P., CHENGWEI VENTURES EVERGREEN FUND, L.P., CHENGWEI VENTURES EVERGREEN ADVISORS FUND, L.P., CDH COURTYARD LIMITED (collectively referred to herein as the **"Lead Investors"** or individually as a **"Lead Investor").**

RECITALS

WHEREAS, the Parties entered the Agreement and deem it advisable and in the best interests of each Party and their respective stockholders that the Parties execute this Amendment in order to advance their respective long-term business interests;

NOW, THEREFORE, for value received, the sufficiency of which is hereby acknowledged, and in consideration of the foregoing and the respective agreements set forth below, the Parties hereby agree as follows:

SECTION I. AMENDMENT OF AGREEMENT

1.1 Section 4 of the Agreement, shall be, and hereby is, amended to read as follows:

"In connection with the subscription of Shares pursuant to this Agreement but subject to other definitive agreements to be entered into by and among the Company, Winner Crown, **POWERHILL HOLDING LIMITED** ("Powerhill"), a company incorporated in British Virgin Islands under company No. 571975 having its registered office at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands, and other parties thereto, Winner Crown, Powerhill and Company hereby acknowledge and agree that Winner Crown and Powerhill will subscribe additional Series B Preferred Shares (the **"Additional Shares")** of the Company at the price of US$1.530612 per share, and for a total subscription price up to US$22,000,000 at any time on or before May 31, 2008 (the **"Expiration Date").** Winner Crown, Powerhill and Company hereby further

acknowledge and agree that subscription of the Additional Shares can be in the form of cash or an assignment of loan. The Lead Investors shall have the right to call, and Winner Crown and Powerhill are obligated to purchase any or all of such further issuance of Additional Shares of the Company (the **"Call Option").** The Lead Investors may exercise their Call Option in whole or in part by delivering to Winner Crown and Powerhill (including, without limitation, delivery by facsimile) of a Notice of Exercise attached hereto as *Exhibit 1* (the **"Notice of Exercise")**, duly executed by its authorized representatives of the Lead Investors, to the registered office of Winner Crown and Powerhill, with a copy to Ms. Zhang Min, CFO of the Company, at least five (5) days prior to the Expiration Date, provided that in the event the Call Option is exercised in part, the amount of capital called shall be no less than US$5,000,000 unless agreed to by Winner Crown and Powerhill in writing. Upon receiving the Notice of Exercise, Winner Crown and Powerhill shall either pay in cash (by check or by wire transfer of funds) or execute a loan assignment in an amount equivalent to the amount specified in the Notice of Exercise and shall execute an irrevocable proxy attached hereto as *Exhibit 2* (the **"Proxy")** in the same form and manner as set forth in Section 1 of this Agreement. As soon as practicable on or after the date of exercise, the Company shall issue and deliver to Winner Crown and Powerhill, as applicable, a certificate or certificates for the number of Additional Shares issuable upon such exercise."

1.2 Section 5 of the Agreement, shall be, and hereby is, amended to read as follows:

"The Shares and the Additional Shares issuable upon exercise of the Call Option shall be subject to, and have the benefit of, the provisions of the Shareholders Agreement (as defined in the Series B Convertible Preferred Shares Purchase Agreement dated June 20, 2007 **("Previous Purchase Agreement")** by and among the Company and certain other parties thereto). The Company acknowledges and agrees that the Shares, Additional Shares and the Conversion Shares, are "Registrable Securities" entitling Winner Crown and Powerhill, as applicable, to registration rights under the Shareholders Agreement."

1.3 Section 6 of the Agreement, shall be, and hereby is, amended to read as follows:

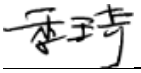
"Upon execution of this Agreement and excise of the Call Option, Winner Crown and Powerhill, as applicable, shall also execute and deliver a Proxy, which shall be executed by Mr. Qi Ji and Ms. Tongtong Zhao, to each Lead Investors (as defined in the Previous Purchase Agreement) granting to each Lead Investor or its designee, as the case may be, the power for each Lead Investor to vote 50% of the Shares and Additional Shares being purchased. For avoidance of doubt, pursuant to such Proxy, each Lead Investor shall be entitled to vote one-half of the number of Shares and Additional Shares purchased hereunder and the Lead Investors shall collectively vote 100% of the Shares and Additional Shares purchased hereunder."

1.4 Each Party hereby re-affirms that to the extent that the terms and conditions contained in the Agreement and its attached schedules and exhibits conflict in any way with this Amendment, the terms and conditions of this Amendment shall prevail.

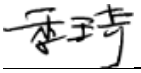
1.5 Except as otherwise provided in this Amendment, all other provisions of the Agreement shall continue to be in full force and effect and continue to be valid and binding upon the Parties. All references to "the Agreement" in the Agreement and its attached schedules and exhibits shall be deemed to be references to the Agreement as modified by this Amendment.

IN WITNESS WHEREOF, each of the Parties hereto has caused this Amendment to be signed by their respective officers thereunto duly authorized.

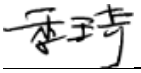
WINNER CROWN HOLDINGS LIMITED

By: 
Name: Qi Ji
Title:
Address:

POWERHILL HOLDING LIMITED

By: 
Name: Qi Ji
Title:
Address:

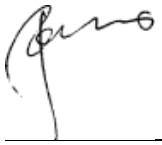
CHINA LODGING GROUP, LIMITED

By: 
Name: Qi Ji
Title:
Address:

CHENGWEI PARTNERS, L.P.

By: 
Name:
Title:
Address:

CHENGWEI VENTURES EVERGREEN FUND, L.P.

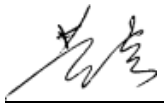


By: _____
Name:
Title:
Address:

CHENGWEI VENTURES EVERGREEN ADVISORS FUND, L.P.

By: _____
Name:
Title:
Address:

CDH COURTYARD LIMITED



By: _____
Name:
Title:
Address:

WARRANT EXERCISE NOTICE

(To be delivered prior to exercise of the Warrant
by execution of the Warrant Exercise Subscription Form)

To: China Lodging Group, Limited

The undersigned hereby notifies you of its intention to exercise the Warrant to purchase shares of Common Stock, par value US$0.0001 per share, of China Lodging Group, Limited. The undersigned intends to exercise the Warrant to purchase 1,500,000 shares (the "**Warrant Shares**") at US$1.54 per Share (the Exercise Price currently in effect pursuant to the Warrant). As indicated below, the undersigned intends to pay the aggregate Exercise Price for the Warrant Shares in by wire transfer of immediately available funds or by certified or official bank or bank cashier's check.

Date: _____

_____
(Signature of Owner)

_____
(Street Address)

_____
(City) (State) (Zip Code)

Payment: ☐ US$_____ wire transfer of immediately available funds

☐ US$_____ certified or official bank or bank cashier's check

WARRANT EXERCISE SUBSCRIPTION FORM

(To be executed only upon exercise of the Warrant
after deliver of Warrant Exercise Notice)

To: China Lodging Group, Limited

The undersigned irrevocably exercises the Warrant for the purchase of 1,500,000 shares (the "**Warrant Shares**") of Common Stock, par value US$0.0001 per share, of China Lodging Group, Limited (the "**Company**") at US$1.54 per Share (the Exercise Price currently in effect pursuant to the Warrant) and herewith makes payment of US$_____ (such payment being made as specified in the undersigned's previously-delivered Warrant Exercise Notice), all on the terms and conditions specified in the within Warrant, surrenders this Warrant and all right, title and interest therein to the Company and directs that the Warrant Shares deliverable upon the exercise of this Warrant be registered or placed in the name and at the address specified below and delivered thereto.

Date: _____

_____
(Signature of Owner)

_____
(Street Address)

_____
(City) (State) (Zip Code)

Securities and/or check to be issued to: _____

Please insert social security or identifying number: _____

Name: _____

Street Address: _____

City, State and Zip Code: _____

Any unexercised portion of the Warrant evidenced by the within Warrant to be issued to:

Please insert social security or identifying number: _____

Name: _____

Street Address: _____

City, State and Zip Code: _____

WARRANT ASSIGNMENT FORM

Dated _____, ___

FOR VALUE RECEIVED, _____ hereby sells, assigns and transfers unto _____
(please type or print in block letters)

(the "**Assignee**"),

_____
(insert address)

its right to purchase up to shares of Common Stock represented by this Warrant and does hereby irrevocably constitute and appoint _____ Attorney, to transfer the same on the books of the Company, with full power of substitution in the premises.

Signature: _____

Exhibit 4.11

CHINA LODGING GROUP, LIMITED

WARRANT FOR THE PURCHASE OF SHARES OF COMMON STOCK OF CHINA LODGING GROUP, LIMITED

No. 1 **Warrant to Purchase 1,500,000 Shares**

THIS SECURITY AND ALL SECURITIES ISSUABLE HEREUNDER HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAWS AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHOUT REGISTRATION UNDER THE 1933 ACT UNLESS EITHER (i)THE COMPANY HAS RECEIVED AN OPINION OF COUNSEL, IN FORM AND SUBSTANCE REASONABLY SATISFACTORY TO THE COMPANY, TO THE EFFECT THAT REGISTRATION IS NOT REQUIRED IN CONNECTION WITH SUCH DISPOSITION OR (ii) THE SALE OF SUCH SECURITIES IS MADE PURSUANT TO RULE 144 PROMULGATED UNDER THE 1933 ACT.

FOR VALUE RECEIVED, CHINA LODGING GROUP, LIMITED, a company incorporated in the Cayman Islands with limited liability (the "**Company**"), hereby certifies that Everlasting Investment Management Co., Ltd., its successor or permitted assigns (the "**Holder**"), is entitled, subject to the provisions of this Warrant, to purchase from the Company, at the times specified herein, 1,500,000 fully paid and non-assessable shares of ordinary shares of the Company, par value US$0.0001 per share (the "**Common Stock**"), at a purchase price per share equal to the Exercise Price (as hereinafter defined). The number of shares of Common Stock to be received upon the exercise of this Warrant and the price to be paid for a share of Common Stock are subject to adjustment from time to time as hereinafter set forth.

1. *Definitions.* The following terms, as used herein, have the following meanings:

"**Board of Directors**" means the board of directors of the Company.

"**Business Day**" means any day except a Saturday, Sunday or other day on which commercial banks in the City of New York are authorized by law to close.

"**Exercise Price**" means US$1.54 per Warrant Share, as the same may be adjusted from time to time as provided in this Warrant.

"**Expiration Time**" means 5:00 p.m. New York City on February 10, 2010.

"**Person**" means an individual, corporation, partnership, limited liability company, association, trust or other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"**Warrant Shares**" means the shares of Common Stock deliverable upon exercise of this Warrant, as the same may be adjusted from time to time as provided in this Warrant.

2. *Exercise of Warrant.*

(a) The Holder is entitled to exercise this Warrant one time in whole on or before the Expiration Time. To exercise this Warrant, the Holder shall deliver to the Company (i) an executed Warrant Exercise Notice substantially in the form annexed to this Warrant and (ii) this Warrant.

(b) The Exercise Price may be paid either by wire transfer of immediately available funds to an account designated by the Company or by certified or official bank check or bank cashier's check payable to the order of the Company. The Company shall pay any and all documentary, stamp or similar issue or transfer taxes payable in respect of the issue or delivery of the Warrant Shares; *provided* that the Company shall not be required to pay any taxes that may be payable in respect of any transfer involved in the issuance and delivery of the Warrant Shares in a name other than that of the Holder. Upon such payment, the Holder shall be deemed to be the holder of record of the Warrant Shares subject to such exercise.

(c) Upon surrender of this Warrant in conformity with the foregoing provisions, the Company shall issue and deliver to the Holder or Persons entitled to receive the same a certificate or certificates of Common Stock for the number of whole shares of Warrant Shares issuable upon such exercise, together with an amount in cash in lieu of any fraction of a share as provided in paragraph 5 below.

3. *Restrictive Legend*. Certificates representing shares of Common Stock issued pursuant to this Warrant shall bear a legend substantially in the form of the legend set forth on the first page of this Warrant to the extent that and for so long as such legend is required pursuant to applicable securities laws.

4. *Reservation of Shares*. The Company hereby agrees that at all times there shall be reserved for issuance and delivery upon exercise of this Warrant such number of its authorized but unissued shares of Common Stock of the Company from time to time issuable upon exercise of this Warrant as will be sufficient to permit the exercise in full of this Warrant. All such shares shall be

duly authorized and, when issued upon such exercise, shall be validly issued, fully paid and non-assessable, free and clear of all liens, security interests, charges and other encumbrances or restrictions on sale and free and clear of all preemptive rights, in each case except restrictions on transfer contemplated by paragraph 3, to the extent created by the Holder.

5. *Fractional Shares.* No fractional shares or scrip representing fractional shares shall be issued upon the exercise of this Warrant, and in lieu of delivery of any such fractional share to which the Holder may be entitled upon any exercise of this Warrant, the Company shall pay to the Holder an amount in cash equal to such fraction multiplied by the current fair market value per share as of the Business Day immediately preceding the date on which the Holder delivers the Warrant Exercise Notice pursuant to paragraph 2(a), as determined in good faith by the Board of Directors.

6. *Exchange, Transfer or Assignment of Warrant*.

(a) Each taker and holder of this Warrant, by taking or holding the same, consents and agrees that the registered holder hereof may be treated by the Company and all other Persons dealing with this Warrant as the absolute owner hereof for any purpose and as the Person entitled to exercise the rights represented hereby.

(b) Subject to this Warrant and compliance with applicable securities laws, the Holder shall be entitled, with prior written consent of the Company, to assign and transfer this Warrant, at any time only in whole, to any Person or Persons. Subject to the preceding sentence, upon surrender of this Warrant to the Company, together with the attached Warrant Assignment Form duly executed, the Company shall, as promptly as practicable and without charge, execute and deliver a new Warrant in the name of the assignee or assignees named in such Warrant Assignment Form and, if the Holder's entire interest is not being assigned, in the name of the Holder and this Warrant shall promptly be canceled.

7. *Restrictions on Transfer.* The Holder, by acceptance hereof, agrees that, absent an effective registration statement filed with the United States Securities and Exchange Commission under the 1933 Act, covering the disposition or sale of this Warrant or the Warrant Shares issued or issuable upon exercise hereof, as the case may be, and registration or qualification under applicable state securities laws, such Holder will not sell, transfer, pledge, or hypothecate any or all such Warrants or Warrant Shares, as the case may be, unless either (i) the Company has received an opinion of counsel, in form and substance reasonably satisfactory to the Company, to the effect that such registration is not required in connection with such disposition or (ii) the sale of such securities is made pursuant to Rule 144 under the 1933 Act.

8. *Loss or Destruction of Warrant*. Upon receipt by the Company of evidence satisfactory to it (in the exercise of its reasonable discretion) of the loss, theft, destruction or mutilation of this Warrant, and (in the case of loss, theft or destruction) of reasonably satisfactory indemnification, and upon surrender and cancellation of this Warrant, if mutilated, the Company shall execute and deliver a new Warrant of like tenor and date.

9. *Anti-dilution Provisions*.

(a) *Common Stock Dividends, Subdivisions or Combinations*. If the Company shall at any time after the date hereof (A) declare and pay a dividend or make a distribution on Common Stock payable in Common Stock, (B) subdivide or split the outstanding shares of Common Stock into a greater number of shares or (C) combine or reclassify the outstanding shares of Common Stock into a smaller number of shares, then in each such case:

(i) the number of Warrant Shares issuable upon exercise of this Warrant thereafter shall be proportionately adjusted so that the exercise of this Warrant after such event shall entitle the Holder to receive the aggregate number of shares of Common Stock that such Holder would have been entitled to receive had such Holder exercised this Warrant immediately prior to such event; and

(ii) the Exercise Price thereafter shall be adjusted to equal the product of the Exercise Price in effect immediately prior to such event multiplied by a fraction (A) the numerator of which shall be the number of Warrant Shares issuable upon the exercise of this Warrant immediately prior to such event and (B) the denominator of which shall be the number of Warrant Shares issuable upon the exercise of this Warrant immediately following such event.

Any adjustment made pursuant to this paragraph 9(a) shall become effective immediately after the applicable record date in the case of a dividend or distribution and immediately after the applicable effective date in the case of a subdivision, split, combination or reclassification.

(b) *Certain Distributions*. If the Company shall fix a record date for the making of a distribution to holders of Common Stock of shares of securities, evidences of indebtedness, assets, cash, rights or warrants (other than dividends of shares of Common Stock for which an adjustment is made pursuant to paragraph 9(a)), then in each such case:

(i) the Exercise Price thereafter shall be adjusted to equal the product of the Exercise Price in effect immediately prior

to the record date multiplied by a fraction (A) the numerator of which shall be the current fair market value per share as of such record date, as determined in good faith by the Board of Directors, less the amount of cash and/or the portion of the fair market value of the securities, evidences of indebtedness, assets, rights or warrants to be so distributed with respect to one share of Common Stock and (B) the denominator of which shall be such current fair market value per share; and.

(ii) the number of Warrant Shares issuable upon exercise of this Warrant thereafter shall be adjusted to equal the product of the number of Warrant Shares issuable upon exercise of this Warrant immediately prior to such record date multiplied by a fraction (A) the numerator of which shall be the Exercise Price in effect immediately prior to such record date and (B) the denominator of which shall be the Exercise Price in effect immediately following such record date.

Any adjustment made pursuant to this paragraph 9(b) shall become effective immediately after the applicable record date. In the event that such distribution is not so made, the Exercise Price and the number of Warrant Shares issuable upon exercise of this Warrant shall again be adjusted to be the Exercise Price and the number of Warrant Shares issuable upon exercise of the Warrant that would be in effect if such record date had not been so fixed.

(c) *Consolidation, Merger or Sale of Assets.* In the event of any consolidation of the Company with, or merger of the Company into, any other Person, any merger of another Person into the Company (other than a merger which does not result in any reclassification, conversion, exchange or cancellation of outstanding shares of Common Stock) or any sale or transfer of all or substantially all of the assets of the Company to the Person formed by such consolidation or resulting from such merger or to the Person that acquires such assets pursuant to any such sale or transfer of all or substantially all of the assets of the Company, as the case may be, the Holder shall have the right thereafter to exercise this Warrant for the kind and amount of securities, cash and/or other property receivable upon such consolidation, merger, sale or transfer by a holder of the number of shares of Common Stock for which this Warrant may have been exercised immediately prior to such consolidation, merger, sale or transfer. In determining the kind and amount of securities, cash and/or other property receivable upon such consolidation, merger, sale or transfer, if the holders of Common Stock have the right to elect as to the consideration to be received upon the consummation of such consolidation, merger, sale or transfer, then the consideration that the Holder shall be entitled to receive upon exercise shall be deemed to be the kind and amount of consideration received by the majority of all holders of Common Stock that affirmatively make an election (or of all such holders if none make an election).

Adjustments for events subsequent to the effective date of such a consolidation, merger, sale or transfer of assets shall be as nearly equivalent as may be practicable to the adjustments provided for in this Warrant. In any such event, effective provisions shall be made in the certificate or articles of incorporation of the resulting or surviving corporation, in any contract of sale, merger, conveyance, lease, transfer or otherwise so that the provisions set forth herein for the protection of the rights of the Holder shall thereafter continue to be applicable; and any such resulting or surviving corporation shall expressly assume the obligation to deliver, upon exercise, such shares of stock, other securities, cash and property.

(d) *Certain Determinations.* For purposes of any computation of any adjustment required under this paragraph 9:

(i) adjustments shall be made successively whenever any event giving rise to such an adjustment shall occur;

(ii) if any portion of any consideration to be received by the Company in a transaction giving rise to such an adjustment shall be in a form other than cash, the fair market value of such non-cash consideration shall be utilized in such computation. Such fair market value shall be determined in good faith by the Board of Directors; *provided* that if the Holder shall object to any such determination, the Board of Directors shall retain an independent appraiser reasonably satisfactory to the Holder to determine such fair market value. The expense of such independent appraiser shall be shared equally by the Company and the Holder. The Holder shall be notified promptly of any consideration other than cash to be received by the Company and furnished with a description of the consideration and the fair market value thereof, as determined in accordance with the foregoing provisions;

(iii) such calculations shall be made to the nearest one-tenth of a cent or to the nearest hundredth of a share, as the case may be; and

(iv) no adjustment in the Exercise Price or the number of Warrant Shares issuable upon exercise of the Warrant, as the case may be, shall be required if the amount of such adjustment would be less than one-tenth of a cent or hundredth of a share, as the case may be.

(e) *Certificates as to Adjustments.* Upon the occurrence of each adjustment to the Exercise Price and/or the number of Warrant Shares issuable upon exercise of this Warrant, the Company shall promptly compute such adjustment in accordance with the terms hereof and furnish

to the Holder a certificate setting forth such adjustment and showing in reasonable detail the facts upon which such adjustment is based.

(f) *Notices*. In the event that the Company shall propose at any time to effect any of the events described in paragraphs (a) through (c) above that would result in an adjustment to the Exercise Price, the number of Warrant Shares issuable upon exercise of this Warrant or a change in the type of securities or property to be delivered upon exercise of this Warrant, the Company shall send notice to the Holder in the manner set forth in paragraph 11. In the case of a dividend or other distribution, such notice shall be sent at least 5 days prior to the applicable record date and shall specify such record date and the date on which such dividend or other distribution is to be made. In any other case, such notice shall be sent at least 5 days prior to the effective date of any such event and shall specify such effective date. In all cases, such notice shall specify such event in reasonable detail, including the effect on the Exercise Price and the number, kind or class of securities or other property issuable upon exercise of this Warrant.

10. *Notices*. Any notice, demand or delivery authorized by this Warrant shall be in writing and shall be given to the Holder or the Company, as the case may be, at its address (or facsimile number) set forth below, or such other address (or facsimile number) as shall have been furnished to the party giving or making such notice, demand or delivery:

If to the Company:

China Lodging Group, Limited
5th Floor, Block 57, No. 461 Hongcao Road, Xuhui District
Shanghai 200233, China
Facsimile: 86-21-6485-6019
Attention: Min (Jenny) Zhang

with a copy to:

Davis Polk & Wardwell LLP
26/F, Twin Towers (West)
B12 Jian Guo Men Wai Avenue, Chaoyang District
Beijing 100022, China
Facsimile: 86-10-8567-5123
Attention: Howard Zhang

If to the Holder:

Everlasting Investment Management Co., Ltd.
9th Floor, Xi'an Fukai Restaurant, 27 Nanxin Street
Xi'an, China
Facsimile: 86-29-8748-3761
Attention: Wu Xushe

Each such notice, demand or delivery shall be deemed received on the date of receipt by the recipient thereof if received prior to 5:00 p.m. in the place of receipt and such day is a Business Day. Otherwise, any such notice, demand or delivery shall be deemed not to have been received until the next succeeding Business Day.

11. *Rights of the Holder*. Prior to any exercise of this Warrant, the Holder shall not, by virtue hereof, be entitled to any rights of a shareholder of the Company, including, without limitation, the right to vote, to receive dividends or other distributions, to exercise any preemptive right or to receive any notice of meetings of shareholders or any notice of any proceedings of the Company except as may be specifically provided for herein.

12. ***GOVERNING LAW*. THIS WARRANT AND ALL RIGHTS ARISING HEREUNDER SHALL BE CONSTRUED AND DETERMINED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK, AND THE PERFORMANCE THEREOF SHALL BE GOVERNED AND ENFORCED IN ACCORDANCE WITH SUCH LAWS.**

13. *Amendments; Waivers*. Any provision of this Warrant may be amended or waived if, and only if, such amendment or waiver is in writing and signed, in the case of an amendment, by the Holder and the Company, or in the case of a waiver, by the party against whom the waiver is to be effective. No failure or delay by either party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

IN WITNESS WHEREOF, the Company has duly caused this Warrant to be signed by its duly authorized officer and to be dated as of January 8, 2010.

CHINA LODGING GROUP, LIMITED

By: /s/ Tuo (Matthew) Zhang
Name: Tuo (Matthew) Zhang
Title: Chief Executive Officer

Acknowledged and Agreed:

Everlasting Investment Management Co., Ltd.

By: /s/ Wu Xushe
Name: Wu Xushe
For and on behalf of Everlasting Investment Management Co., Ltd.

WARRANT EXERCISE NOTICE

(To be delivered prior to exercise of the Warrant
by execution of the Warrant Exercise Subscription Form)

To: China Lodging Group, Limited

The undersigned hereby notifies you of its intention to exercise the Warrant to purchase shares of Common Stock, par value US$0.0001 per share, of China Lodging Group, Limited. The undersigned intends to exercise the Warrant to purchase 1,500,000 shares (the "**Warrant Shares**") at US$1.54 per Share (the Exercise Price currently in effect pursuant to the Warrant). As indicated below, the undersigned intends to pay the aggregate Exercise Price for the Warrant Shares in by wire transfer of immediately available funds or by certified or official bank or bank cashier's check.

Date: _____

_____
(Signature of Owner)

_____
(Street Address)

_____
(City) (State) (Zip Code)

Payment: ☐ US$_____ wire transfer of immediately available funds

☐ US$_____ certified or official bank or bank cashier's check

WARRANT EXERCISE SUBSCRIPTION FORM

(To be executed only upon exercise of the Warrant
after deliver of Warrant Exercise Notice)

To: China Lodging Group, Limited

The undersigned irrevocably exercises the Warrant for the purchase of 1,500,000 shares (the "**Warrant Shares**") of Common Stock, par value US$0.0001 per share, of China Lodging Group, Limited (the "**Company**") at US$1.54 per Share (the Exercise Price currently in effect pursuant to the Warrant) and herewith makes payment of US$_____ (such payment being made as specified in the undersigned's previously-delivered Warrant Exercise Notice), all on the terms and conditions specified in the within Warrant, surrenders this Warrant and all right, title and interest therein to the Company and directs that the Warrant Shares deliverable upon the exercise of this Warrant be registered or placed in the name and at the address specified below and delivered thereto.

Date: _____

_____
(Signature of Owner)

_____
(Street Address)

_____
(City) (State) (Zip Code)

Securities and/or check to be issued to: _____

Please insert social security or identifying number: _____

Name: _____

Street Address: _____

City, State and Zip Code: _____

Any unexercised portion of the Warrant evidenced by the within Warrant to be issued to:

Please insert social security or identifying number: _____

Name: _____

Street Address: _____

City, State and Zip Code: _____

WARRANT ASSIGNMENT FORM

Dated _____, _____

FOR VALUE RECEIVED, _____ hereby sells, assigns and transfers unto _____
(please type or print in block letters)

(the "**Assignee**"),

_____
(insert address)

its right to purchase up to shares of Common Stock represented by this Warrant and does hereby irrevocably constitute and appoint _____ Attorney, to transfer the same on the books of the Company, with full power of substitution in the premises.

Signature: _____

Exhibit 4.12

CHINA LODGING GROUP, LIMITED

WARRANT FOR THE PURCHASE OF SHARES OF COMMON STOCK OF CHINA LODGING GROUP, LIMITED

No. 2 **Warrant to Purchase 200,000 Shares**

THIS SECURITY AND ALL SECURITIES ISSUABLE HEREUNDER HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAWS AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHOUT REGISTRATION UNDER THE 1933 ACT UNLESS EITHER (i)THE COMPANY HAS RECEIVED AN OPINION OF COUNSEL, IN FORM AND SUBSTANCE REASONABLY SATISFACTORY TO THE COMPANY, TO THE EFFECT THAT REGISTRATION IS NOT REQUIRED IN CONNECTION WITH SUCH DISPOSITION OR (ii) THE SALE OF SUCH SECURITIES IS MADE PURSUANT TO RULE 144 PROMULGATED UNDER THE 1933 ACT.

FOR VALUE RECEIVED, CHINA LODGING GROUP, LIMITED, a company incorporated in the Cayman Islands with limited liability (the "**Company**"), hereby certifies that Tongren Investment Holdings Limited, its successor or permitted assigns (the "**Holder**"), is entitled, subject to the provisions of this Warrant, to purchase from the Company, at the times specified herein, 200,000 fully paid and non-assessable shares of ordinary shares of the Company, par value US$0.0001 per share (the "**Common Stock**"), at a purchase price per share equal to the Exercise Price (as hereinafter defined). The number of shares of Common Stock to be received upon the exercise of this Warrant and the price to be paid for a share of Common Stock are subject to adjustment from time to time as hereinafter set forth.

1. *Definitions.* The following terms, as used herein, have the following meanings:

"**Board of Directors**" means the board of directors of the Company.

"**Business Day**" means any day except a Saturday, Sunday or other day on which commercial banks in the City of New York are authorized by law to close.

"**Exercise Price**" means US$1.54 per Warrant Share, as the same may be adjusted from time to time as provided in this Warrant.

"**Expiration Time**" means 5:00 p.m. New York City on February 10, 2010.

"**Person**" means an individual, corporation, partnership, limited liability company, association, trust or other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"**Warrant Shares**" means the shares of Common Stock deliverable upon exercise of this Warrant, as the same may be adjusted from time to time as provided in this Warrant.

2. *Exercise of Warrant.*

(a) The Holder is entitled to exercise this Warrant one time in whole on or before the Expiration Time. To exercise this Warrant, the Holder shall deliver to the Company (i) an executed Warrant Exercise Notice substantially in the form annexed to this Warrant and (ii) this Warrant.

(b) The Exercise Price may be paid either by wire transfer of immediately available funds to an account designated by the Company or by certified or official bank check or bank cashier's check payable to the order of the Company. The Company shall pay any and all documentary, stamp or similar issue or transfer taxes payable in respect of the issue or delivery of the Warrant Shares; *provided* that the Company shall not be required to pay any taxes that may be payable in respect of any transfer involved in the issuance and delivery of the Warrant Shares in a name other than that of the Holder. Upon such payment, the Holder shall be deemed to be the holder of record of the Warrant Shares subject to such exercise, notwithstanding that the stock transfer books of the Company shall then be closed or that certificates representing such Warrant Shares shall not then be actually delivered to the Holder.

(c) Upon surrender of this Warrant in conformity with the foregoing provisions, the Company shall transfer to the Holder of this Warrant appropriate evidence of ownership of the shares of Common Stock to which the Holder is entitled, registered or otherwise placed in, or payable to the order of, the name or names of the Holder or its transferee pursuant to paragraph 6 as may be directed in writing by the Holder, and shall deliver such evidence of ownership to the Person or Persons entitled to receive the same, together with an amount in cash in lieu of any fraction of a share as provided in paragraph 5 below.

3. *Restrictive Legend*. Certificates representing shares of Common Stock issued pursuant to this Warrant shall bear a legend substantially in the form of the legend set forth on the first page of this Warrant to the extent that and for so long as such legend is required pursuant to applicable securities laws.

4. *Reservation of Shares*. The Company hereby agrees that at all times there shall be reserved for issuance and delivery upon exercise of this Warrant such number of its authorized but unissued shares of Common Stock of the Company from time to time issuable upon exercise of this Warrant as will be sufficient to permit the exercise in full of this Warrant. All such shares shall be duly authorized and, when issued upon such exercise, shall be validly issued, fully paid and non-assessable, free and clear of all liens, security interests, charges and other encumbrances or restrictions on sale and free and clear of all preemptive rights, in each case except restrictions on transfer contemplated by paragraph 3, to the extent created by the Holder.

5. *Fractional Shares.* No fractional shares or scrip representing fractional shares shall be issued upon the exercise of this Warrant, and in lieu of delivery of any such fractional share to which the Holder may be entitled upon any exercise of this Warrant, the Company shall pay to the Holder an amount in cash equal to such fraction multiplied by the current fair market value per share as of the Business Day immediately preceding the date on which the Holder delivers the Warrant Exercise Notice pursuant to paragraph 2(a), as determined in good faith by the Board of Directors.

6. *Exchange, Transfer or Assignment of Warrant*.

(a) Each taker and holder of this Warrant, by taking or holding the same, consents and agrees that the registered holder hereof may be treated by the Company and all other Persons dealing with this Warrant as the absolute owner hereof for any purpose and as the Person entitled to exercise the rights represented hereby.

(b) Subject to this Warrant and compliance with applicable securities laws, the Holder shall be entitled, with prior written consent of the Company, to assign and transfer this Warrant, at any time only in whole, to any Person or Persons. Subject to the preceding sentence, upon surrender of this Warrant to the Company, together with the attached Warrant Assignment Form duly executed, the Company shall, as promptly as practicable and without charge, execute and deliver a new Warrant in the name of the assignee or assignees named in such Warrant Assignment Form and, if the Holder's entire interest is not being assigned, in the name of the Holder and this Warrant shall promptly be canceled.

7. *Restrictions on Transfer.* The Holder, by acceptance hereof, agrees that, absent an effective registration statement filed with the United States Securities and Exchange Commission under the 1933 Act, covering the disposition or sale of this Warrant or the Warrant Shares issued or issuable upon exercise hereof, as the case may be, and registration or qualification under applicable state securities laws, such Holder will not sell, transfer, pledge, or hypothecate any or all such Warrants or Warrant Shares, as the case may be, unless either (i) the Company has received an opinion of counsel, in form and

substance reasonably satisfactory to the Company, to the effect that such registration is not required in connection with such disposition or (ii) the sale of such securities is made pursuant to Rule 144 under the 1933 Act.

8. *Loss or Destruction of Warrant*. Upon receipt by the Company of evidence satisfactory to it (in the exercise of its reasonable discretion) of the loss, theft, destruction or mutilation of this Warrant, and (in the case of loss, theft or destruction) of reasonably satisfactory indemnification, and upon surrender and cancellation of this Warrant, if mutilated, the Company shall execute and deliver a new Warrant of like tenor and date.

9. *Anti-dilution Provisions*.

(a) *Common Stock Dividends, Subdivisions or Combinations*. If the Company shall at any time after the date hereof (A) declare and pay a dividend or make a distribution on Common Stock payable in Common Stock, (B) subdivide or split the outstanding shares of Common Stock into a greater number of shares or (C) combine or reclassify the outstanding shares of Common Stock into a smaller number of shares, then in each such case:

(i) the number of Warrant Shares issuable upon exercise of this Warrant thereafter shall be proportionately adjusted so that the exercise of this Warrant after such event shall entitle the Holder to receive the aggregate number of shares of Common Stock that such Holder would have been entitled to receive had such Holder exercised this Warrant immediately prior to such event; and

(ii) the Exercise Price thereafter shall be adjusted to equal the product of the Exercise Price in effect immediately prior to such event multiplied by a fraction (A) the numerator of which shall be the number of Warrant Shares issuable upon the exercise of this Warrant immediately prior to such event and (B) the denominator of which shall be the number of Warrant Shares issuable upon the exercise of this Warrant immediately following such event.

Any adjustment made pursuant to this paragraph 9(a) shall become effective immediately after the applicable record date in the case of a dividend or distribution and immediately after the applicable effective date in the case of a subdivision, split, combination or reclassification.

(b) *Certain Distributions*. If the Company shall fix a record date for the making of a distribution to holders of Common Stock of shares of securities, evidences of indebtedness, assets, cash, rights or warrants

(other than dividends of shares of Common Stock for which an adjustment is made pursuant to paragraph 9(a)), then in each such case:

(i) the Exercise Price thereafter shall be adjusted to equal the product of the Exercise Price in effect immediately prior to the record date multiplied by a fraction (A) the numerator of which shall be the current fair market value per share as of such record date, as determined in good faith by the Board of Directors, less the amount of cash and/or the portion of the fair market value of the securities, evidences of indebtedness, assets, rights or warrants to be so distributed with respect to one share of Common Stock and (B) the denominator of which shall be such current fair market value per share; and.

(ii) the number of Warrant Shares issuable upon exercise of this Warrant thereafter shall be adjusted to equal the product of the number of Warrant Shares issuable upon exercise of this Warrant immediately prior to such record date multiplied by a fraction (A) the numerator of which shall be the Exercise Price in effect immediately prior to such record date and (B) the denominator of which shall be the Exercise Price in effect immediately following such record date.

Any adjustment made pursuant to this paragraph 9(b) shall become effective immediately after the applicable record date. In the event that such distribution is not so made, the Exercise Price and the number of Warrant Shares issuable upon exercise of this Warrant shall again be adjusted to be the Exercise Price and the number of Warrant Shares issuable upon exercise of the Warrant that would be in effect if such record date had not been so fixed.

(c) *Consolidation, Merger or Sale of Assets.* In the event of any consolidation of the Company with, or merger of the Company into, any other Person, any merger of another Person into the Company (other than a merger which does not result in any reclassification, conversion, exchange or cancellation of outstanding shares of Common Stock) or any sale or transfer of all or substantially all of the assets of the Company to the Person formed by such consolidation or resulting from such merger or to the Person that acquires such assets pursuant to any such sale or transfer of all or substantially all of the assets of the Company, as the case may be, the Holder shall have the right thereafter to exercise this Warrant for the kind and amount of securities, cash and/or other property receivable upon such consolidation, merger, sale or transfer by a holder of the number of shares of Common Stock for which this Warrant may have been exercised immediately prior to such consolidation, merger, sale or transfer. In determining the kind and amount of securities, cash and/or other property receivable upon such consolidation, merger, sale or transfer, if the holders of Common Stock have the right to elect as to the consideration to be

received upon the consummation of such consolidation, merger, sale or transfer, then the consideration that the Holder shall be entitled to receive upon exercise shall be deemed to be the kind and amount of consideration received by the majority of all holders of Common Stock that affirmatively make an election (or of all such holders if none make an election). Adjustments for events subsequent to the effective date of such a consolidation, merger, sale or transfer of assets shall be as nearly equivalent as may be practicable to the adjustments provided for in this Warrant. In any such event, effective provisions shall be made in the certificate or articles of incorporation of the resulting or surviving corporation, in any contract of sale, merger, conveyance, lease, transfer or otherwise so that the provisions set forth herein for the protection of the rights of the Holder shall thereafter continue to be applicable; and any such resulting or surviving corporation shall expressly assume the obligation to deliver, upon exercise, such shares of stock, other securities, cash and property.

(d) *Certain Determinations.* For purposes of any computation of any adjustment required under this paragraph 9:

(i) adjustments shall be made successively whenever any event giving rise to such an adjustment shall occur;

(ii) if any portion of any consideration to be received by the Company in a transaction giving rise to such an adjustment shall be in a form other than cash, the fair market value of such non-cash consideration shall be utilized in such computation. Such fair market value shall be determined in good faith by the Board of Directors; *provided* that if the Holder shall object to any such determination, the Board of Directors shall retain an independent appraiser reasonably satisfactory to the Holder to determine such fair market value. The expense of such independent appraiser shall be shared equally by the Company and the Holder. The Holder shall be notified promptly of any consideration other than cash to be received by the Company and furnished with a description of the consideration and the fair market value thereof, as determined in accordance with the foregoing provisions;

(iii) such calculations shall be made to the nearest one-tenth of a cent or to the nearest hundredth of a share, as the case may be; and

(iv) no adjustment in the Exercise Price or the number of Warrant Shares issuable upon exercise of the Warrant, as the case may be, shall be required if the amount of such adjustment would be less than one-tenth of a cent or hundredth of a share, as the case may be.

(e) *Certificates as to Adjustments*. Upon the occurrence of each adjustment to the Exercise Price and/or the number of Warrant Shares issuable upon exercise of this Warrant, the Company shall promptly compute such adjustment in accordance with the terms hereof and furnish to the Holder a certificate setting forth such adjustment and showing in reasonable detail the facts upon which such adjustment is based.

(f) *Notices*. In the event that the Company shall propose at any time to effect any of the events described in paragraphs (a) through (c) above that would result in an adjustment to the Exercise Price, the number of Warrant Shares issuable upon exercise of this Warrant or a change in the type of securities or property to be delivered upon exercise of this Warrant, the Company shall send notice to the Holder in the manner set forth in paragraph 10. In the case of a dividend or other distribution, such notice shall be sent at least 5 days prior to the applicable record date and shall specify such record date and the date on which such dividend or other distribution is to be made. In any other case, such notice shall be sent at least 5 days prior to the effective date of any such event and shall specify such effective date. In all cases, such notice shall specify such event in reasonable detail, including the effect on the Exercise Price and the number, kind or class of securities or other property issuable upon exercise of this Warrant.

10. *Services Provided by Tongren Investment Holdings Limited*. In consideration for the warrant issued hereunder, Tongren Investment Holdings Limited agrees to provide the Company with an annual hotel marketing research report relating to the Hangzhou area for six (6) years from 2010 to 2015 (inclusive). The report shall be researched-based and include RevPAR and occupancy for hotels by segments of budget, economy, mid-scale without food and beverage and 4-5 star hotels. Such annual report, in form and substance reasonably satisfactory to the Company, shall be delivered to the Company prior to May 31 of each of such six (6) years. In avoidance of any doubt, the services provided hereby are solely out of China and to and for the benefit of the Company.

11. *Notices*. Any notice, demand or delivery authorized by this Warrant shall be in writing and shall be given to the Holder or the Company, as the case may be, at its address (or facsimile number) set forth below, or such other address (or facsimile number) as shall have been furnished to the party giving or making such notice, demand or delivery:

If to the Company:

China Lodging Group, Limited
5th Floor, Block 57, No. 461 Hongcao Road, Xuhui District
Shanghai 200233, China
Facsimile: 86-21-6485-6019
Attention: Min (Jenny) Zhang

with a copy to:

Davis Polk & Wardwell LLP
26/F, Twin Towers (West)
B12 Jian Guo Men Wai Avenue, Chaoyang District
Beijing 100022, China
Facsimile: 86-10-8567-5123
Attention: Howard Zhang

If to the Holder:

Tongren Investment Holdings Limited
6 Huntang Bridge, Stadium Road
Hangzhou, China
Facsimile: 86-571-2899-3322
Attention: Chen Xiangdong

Each such notice, demand or delivery shall be deemed received on the date of receipt by the recipient thereof if received prior to 5:00 p.m. in the place of receipt and such day is a Business Day. Otherwise, any such notice, demand or delivery shall be deemed not to have been received until the next succeeding Business Day.

12. *Rights of the Holder*. Prior to any exercise of this Warrant, the Holder shall not, by virtue hereof, be entitled to any rights of a shareholder of the Company, including, without limitation, the right to vote, to receive dividends or other distributions, to exercise any preemptive right or to receive any notice of meetings of shareholders or any notice of any proceedings of the Company except as may be specifically provided for herein.

13. *Liability for breach*. If the holder fails to provide the Company with the annual report on time, the holder shall pay the Company 3000 dollars as liquidated damages.

14. ***GOVERNING LAW*. THIS WARRANT AND ALL RIGHTS ARISING HEREUNDER SHALL BE CONSTRUED AND DETERMINED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK, AND THE PERFORMANCE THEREOF SHALL BE GOVERNED AND ENFORCED IN ACCORDANCE WITH SUCH LAWS.**

15. *Amendments; Waivers*. Any provision of this Warrant may be amended or waived if, and only if, such amendment or waiver is in writing and signed, in the case of an amendment, by the Holder and the Company, or in the case of a waiver, by the party against whom the waiver is to be effective. No failure or delay by either party in exercising any right, power or privilege

hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

IN WITNESS WHEREOF, the Company has duly caused this Warrant to be signed by its duly authorized officer and to be dated as of January 15, 2010.

CHINA LODGING GROUP, LIMITED

By: /s/ Tuo (Matthew) Zhang
Name: Tuo (Matthew) Zhang
Title: Chief Executive Officer

Acknowledged and Agreed:

Tongren Investment Holdings Limited

By: /s/ Chen Xiangdong
Name: Chen Xiangdong
For and on behalf of Tongren
Investment Holdings Limited

WARRANT EXERCISE NOTICE

(To be delivered prior to exercise of the Warrant
by execution of the Warrant Exercise Subscription Form)

To: China Lodging Group, Limited

The undersigned hereby notifies you of its intention to exercise the Warrant to purchase shares of Common Stock, par value US$0.0001 per share, of China Lodging Group, Limited. The undersigned intends to exercise the Warrant to purchase 200,000 shares (the "**Warrant Shares**") at US$1.54 per Share (the Exercise Price currently in effect pursuant to the Warrant). As indicated below, the undersigned intends to pay the aggregate Exercise Price for the Warrant Shares in by wire transfer of immediately available funds or by certified or official bank or bank cashier's check.

Date: _____

_____
(Signature of Owner)

_____
(Street Address)

_____
(City) (State) (Zip Code)

Payment: ☐ US$_____ wire transfer of immediately available funds

☐ US$_____ certified or official bank or bank cashier's check

WARRANT EXERCISE SUBSCRIPTION FORM

(To be executed only upon exercise of the Warrant
after deliver of Warrant Exercise Notice)

To: China Lodging Group, Limited

The undersigned irrevocably exercises the Warrant for the purchase of 200,000 shares (the "**Warrant Shares**") of Common Stock, par value US$0.0001 per share, of China Lodging Group, Limited (the "**Company**") at US$1.54 per Share (the Exercise Price currently in effect pursuant to the Warrant) and herewith makes payment of US$_____ (such payment being made as specified in the undersigned's previously-delivered Warrant Exercise Notice), all on the terms and conditions specified in the within Warrant, surrenders this Warrant and all right, title and interest therein to the Company and directs that the Warrant Shares deliverable upon the exercise of this Warrant be registered or placed in the name and at the address specified below and delivered thereto.

Date: _____

_____
(Signature of Owner)

_____
(Street Address)

_____
(City) (State) (Zip Code)

Securities and/or check to be issued to: _____

Please insert social security or identifying number: _____

Name: _____

Street Address: _____

City, State and Zip Code: _____

Any unexercised portion of the Warrant evidenced by the within Warrant to be issued to:

Please insert social security or identifying number: _____

Name: _____

Street Address: _____

City, State and Zip Code: _____

WARRANT ASSIGNMENT FORM

Dated _____, _____

FOR VALUE RECEIVED, _____ hereby sells, assigns and transfers unto _____
(please type or print in block letters)

(the "**Assignee**"),

_____
(insert address)

its right to purchase up to shares of Common Stock represented by this Warrant and does hereby irrevocably constitute and appoint _____ Attorney, to transfer the same on the books of the Company, with full power of substitution in the premises.

Signature: _____

Exhibit 8.2

[DAVIS POLK & WARDWELL LLP LETTERHEAD]

March 5, 2010

5th Floor, Block 57, No. 461 Hongcao Road
Xuhui District
Shanghai 200233
People's Republic of China

Ladies and Gentlemen:

We have acted as counsel to China Lodging Group, Limited, a company incorporated under the laws of the Cayman Islands (the "Company"), in connection with the registration statement on Form F-1 dated March 5, 2010 (the "Registration Statement") to be filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, with respect to the initial public offering of the Company's American depositary shares representing the Company's ordinary shares.

We are of the opinion that the section entitled "Taxation —U.S. Federal Income Tax Considerations" in the Registration Statement, insofar as it relates to U.S. federal income tax matters currently applicable to U.S. holders of the Company's ordinary shares or American depositary shares representing ordinary shares (the "Securities"), and subject to the conditions and limitations set forth therein, accurately reflects the material U.S. federal income tax consequences of owning and disposing of the Securities.

We are members of the Bar of the State of New York. We express no opinion as to any laws other than the federal income tax laws of the United States.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement.

Very truly yours,

/s/ Davis Polk & Wardwell LLP
Davis Polk & Wardwell LLP

Exhibit 10.1

CHINA LODGING GROUP, LIMITED

AMENDED AND RESTATED 2007 GLOBAL SHARE PLAN

(adopted by the Company's Board of Directors on February 4th, 2007;
approved by the Company's members on February 4th, 2007;
amended and restated by the Company's members on December 12, 2007)

1. Purposes of the Plan. The purposes of this Plan are 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 the Company's business by offering these individuals an opportunity to acquire a proprietary interest in the success of the Company or to increase this interest, by permitting them to purchase Shares of the Company. The Plan provides both for the direct award or sale of Shares and for the grant of Options to purchase Shares. Options granted under the Plan may be Incentive Stock Options or Nonstatutory Stock Options, as determined by the Administrator at the time of grant.

2. Definitions. For the purposes of this Plan, the following terms shall have the following meanings:

(a) "Acquisition Date" means, with respect to Shares, the respective dates on which the Shares are sold under the Plan or the Shares are issued upon exercise of an Option.

(b) "Administrator" means the Board or any of its Committees as shall be administering the Plan in accordance with Section 4 hereof.

(c) "Applicable Law" means any applicable legal requirements relating to the administration of and the issuance of securities under equity securities-based compensation plans, including, without limitation, the laws of the People's Republic of China, the requirements of U.S. state corporate laws, U.S. federal and state securities laws, U.S. federal law, the Code, the laws of the British Virgin Islands, and the requirements of any stock exchange or quotation system upon which the Shares may then be listed or quoted and the applicable laws of any other country or jurisdiction where Awards are granted under the Plan. For all purposes of this Plan, references to statutes and regulations shall be deemed to include any successor statutes or regulations, to the extent reasonably appropriate as determined by the Administrator.

(d) "Award" means an Option or a Share Purchase Right.

(e) "Board" means the Board of Directors of the Company.

(f) "Change in Control" means the occurrence of any of the following events:

(i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becomes the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities; or

(ii) the consummation of the sale, lease, or disposition by the Company of all or substantially all of the Company's assets; or

(iii) the consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation that would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

Anything in the foregoing to the contrary notwithstanding, a transaction shall not constitute a Change in Control if its sole purpose is to change the legal jurisdiction of the Company's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction. In addition, a sale by the Company of its securities in a transaction, the primary purpose of which is to raise capital for the Company's operations and business activities including, without limitation, an initial public offering of Shares under the Securities Act or other Applicable Law, shall not constitute a Change in Control.

(g) "Code" means the U.S. Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

(h) "Committee" means a committee of Directors appointed by the Board in accordance with Section 4 hereof.

(i) "Company" means China Lodging Group, Limited, a company organized under the laws of the Cayman Islands, or any successor corporation thereto.

(j) "Consultant" means, for purposes of a Reg S Option, any person who is engaged by the Company or any Parent or Subsidiary to render consulting or advisory services to such entity, and, for purposes of an Option other than a Reg S Option, any natural person, including an advisor, who is engaged by the Company, or any Parent or Subsidiary to render bona fide consulting or advisory services to such entity and who is compensated for the services; provided that the term "Consultant," for purposes of an Option other than a Reg S Option, does not include (i) Employees, (ii) Directors who are paid only a director's fee by the Company or who are not compensated by the Company for their services as Directors, (iii) securities promoters, (iv) independent agents, franchisees and salespersons who do not have employment relationships with the Company from which they derive at least fifty percent of their annual income, or (v) any other person who would not be "consultants" or "advisors" as defined pursuant to Rule 701 of the Securities Act, and any applicable rulings or regulations interpreting Rule 701.

(k) "Date of Grant" means the date an Award is granted to a Participant in accordance with Section 13 hereof.

(l) "Director" means a member of the Board.

(m) "Disability" means total and permanent disability as defined in Section 22(e)(3) of the Code.

(n) "Employee" means any person, including officers and Directors, employed by the Company or any Parent or Subsidiary. A Service Provider shall not cease to be an Employee in the case of (i) any leave of absence approved by the Company or any Parent or Subsidiary, including sick leave, military leave, or any other personal leave, or (ii) transfers between locations of the Company or between the Company or any Parent or Subsidiary, or any successor. For purposes of Incentive Stock Options, no such leave may exceed ninety (90) days, unless reemployment upon expiration of such leave is guaranteed by statute or contract. If reemployment upon expiration of a leave of absence approved by the Company is not so guaranteed, then three (3) months following the 91st day of such leave, any Incentive Stock Option held by the Optionee shall cease to be treated as an Incentive Stock Option and shall be treated for tax purposes as a Nonstatutory Stock Option. Neither service as a Director nor payment of a director's fee by the Company or any Parent or Subsidiary shall be sufficient to constitute "employment" by the Company or any Parent or Subsidiary.

(o) "Exercise Price" means the amount for which one Share may be purchased upon exercise of an Option, as specified by the Administrator in the applicable Option Agreement in accordance with Section 6(d) hereof.

(p) "Exchange Act" means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

(q) "Fair Market Value" means, as of any date, the value of the Shares determined as follows:

(i) if the Shares are listed on any established stock exchange or a national market system, including, without limitation, The Nasdaq Global Market or The Nasdaq SmallCap Market of The Nasdaq Stock Market, the Fair Market Value shall be the closing sales price for the Shares (or the closing bid, if no sales were reported) as quoted on such exchange or system on the day of determination, as reported in The Wall Street Journal or such other source as the Administrator deems reliable;

(ii) if the Shares are regularly quoted by a recognized securities dealer but selling prices are not reported, the Fair Market Value shall be the mean of the high bid and low asked prices for the Shares on the day of determination, as reported in The Wall Street Journal or any other source as the Administrator deems reliable; or

(iii) in the absence of an established market for the Shares, the Fair Market Value thereof shall be determined in good faith by the Administrator in accordance with Applicable Law.

(r) "Incentive Stock Option" means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code, as designated in the applicable Option Agreement.

(s) "Nonstatutory Stock Option" means an Option not intended to qualify as an Incentive Stock Option, as designated in the applicable Option Agreement, or an Incentive Stock Option that does not so qualify.

(t) "Option" means an option to purchase Shares that is granted pursuant to the Plan in accordance with Section 6 hereof. An Option that is not designated as a Reg S Option is intended to comply with and qualify under Rule 701 promulgated under the Securities Act.

(u) "Option Agreement" means a written or electronic agreement between the Company and an Optionee, the form(s) of which shall be approved from time to time by the Administrator, evidencing the terms and conditions of an individual Option granted under the Plan, and includes any documents attached to or incorporated into the Option Agreement, including, but not limited to, a notice of option grant and a form of exercise notice. The Option Agreement shall be subject to the terms and conditions of the Plan.

(v) "Optioned Shares" means the Shares subject to an Option.

(w) "Optionee" means the holder of an outstanding Option granted under the Plan.

(x) "Parent" means a "parent corporation" with respect to the Company, whether now or hereafter existing, as defined in Section 424(e) of the Code.

(y) "Participant" means an Optionee or Purchaser, as applicable given the context, or the holder of Shares issuable or issued pursuant to the exercise of an Option or Share Purchase Right.

(z) "Plan" means this Amended and Restated 2007 Global Share Plan, as amended from time to time.

(aa) "Purchase Price" means the amount of consideration for which one Share may be acquired pursuant to a Share Purchase Right, as specified by the Administrator in the applicable Restricted Share Purchase Agreement in accordance with Section 7(d) hereof.

(bb) "Purchaser" means the holder of Shares purchased pursuant to the exercise of a Share Purchase Right.

(cc) "Reg S Option" means an Option that (i) is granted to a Service Provider who is not a U.S. Person, and (ii) is not intended to qualify under Rule 701 promulgated under the Securities Act.

(dd) "Reg S Share Purchase Right" means a Share Purchase Right that (i) is granted to a Service Provider who is not a U.S. Person, and (ii) is not intended to qualify under Rule 701 promulgated under the Securities Act.

(ee) "Restricted Share Purchase Agreement" means a written or electronic agreement between the Company and a Purchaser, the form(s) of which shall be approved from

time to time by the Administrator, evidencing the terms and conditions of an individual Share Purchase Right, and includes any documents attached to or incorporated into the Restricted Share Purchase Agreement. The Restricted Share Purchase Agreement shall be subject to the terms and conditions of the Plan.

(ff) "Restricted Shares" means Shares acquired pursuant to a Share Purchase Right.

(gg) "Securities Act" means the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

(hh) "Service Provider" means an Employee, Director, or Consultant.

(ii) "Share" means an ordinary share of the Company, as adjusted in accordance with Section 12 hereof.

(jj) "Shareholders Agreement" means any agreement between a Participant and the Company or members of the Company or both.

(kk) "Share Purchase Right" means a right to purchase Restricted Shares pursuant to Section 7 hereof. A Share Purchase Right that is not designated as a Reg S Share Purchase Right is intended to comply with and qualify under Rule 701 promulgated under the Securities Act.

(ll) "Subsidiary" means a "subsidiary corporation" with respect to the Company, whether now or hereafter existing, as defined in Section 424(f) of the Code.

(mm) "Ten Percent Owner" means a Service Provider who owns more than 10% of the total combined voting power of all classes of outstanding securities of the Company or any Parent or Subsidiary.

(nn) "United States" means the United States of America, its territories and possessions, any State of the United States, and the District of Columbia.

(oo) "U.S. Person" has the meaning accorded to it in Rule 902(k) of the Securities Act, and currently includes:

(i) any natural person resident in the United States;

(ii) any partnership or corporation organized or incorporated under the laws of the United States;

(iii) any estate of which any executor or administrator is a U.S. Person;

(iv) any trust of which any trustee is a U.S. Person;

(v) any agency or branch of a foreign entity located in the United States;

(vi) any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a U.S. Person;

(vii) any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organized, incorporated, or (if an individual) resident in the United States; and

(viii) any partnership or corporation if:

(A) organized or incorporated under the laws of any foreign jurisdiction; and

(B) formed by a U.S. Person principally for the purpose of investing in securities not registered under the Securities Act, unless it is organized or incorporated, and owned, by accredited investors (as defined in Rule 501(a) promulgated under the Securities Act) who are not natural persons, estates or trusts.

3. Shares Subject to the Plan.

(a) Basic Limitation. Subject to the provisions of Section 12 hereof, the maximum aggregate number of Shares that may be issued under the Plan shall not exceed 10,000,000 Shares; provided, however, that, if required by applicable Law, at no time while the Shares are not registered pursuant to the Securities Act or the Company is not otherwise subject to the public reporting requirements of the Exchange Act, shall the maximum aggregate number of Shares that may be issued upon the exercise of all outstanding Awards and the aggregate number of Shares provided for under any other share bonus or similar plan of the Company exceed the number of Shares that the Company is permitted to issue pursuant to the exemption from registration under the Securities Act provided by Rule 701 of the Securities Act plus the aggregate number of Shares issued pursuant to Regulation S of the Securities Act or other exemption available under the Securities Act. The aggregate number of Shares that may be issued upon exercise of Incentive Stock Options granted under the Plan shall in no event exceed 10,000,000 Shares. The Shares may, in whole or in part, be authorized but unissued shares or shares that shall have been or may be reacquired by the Company in the open market, in private transactions or otherwise. The Company, during the term of the Plan, shall at all times reserve and keep available sufficient Shares to satisfy the requirements of outstanding Awards granted under the Plan.

(b) Additional Shares. If an Award expires, becomes unexercisable, or is cancelled, forfeited, or otherwise terminated without having been exercised or settled in full, as the case may be, the Shares allocable to the unexercised portion of the Award shall again become available for future grant or sale under the Plan (unless the Plan has terminated). Shares that actually have been issued under the Plan, upon exercise of an Option or delivery under a Share Purchase Right, shall not be returned to the Plan and shall not become available for future distribution under the Plan, except that in the event that Shares issued under the Plan are reacquired by the Company pursuant to any forfeiture provision, right of repurchase or redemption, or are retained by the Company upon the exercise of or purchase of Shares under an Award in order to satisfy the Exercise Price or Purchase Price for the Award or any withholding

taxes due with respect to the exercise or purchase, such Shares shall again become available for future grant under the Plan.

4. Administration of the Plan.

(a) Administrator. The Plan shall be administered by the Board or a Committee appointed by the Board, which Committee shall be constituted to comply with Applicable Law.

(b) Powers of the Administrator. Subject to the provisions of the Plan and, in the case of a Committee, the specific duties delegated by the Board to such Committee, and subject to the approval of any relevant authorities, the Administrator shall have the authority in its discretion:

(i) to determine the Fair Market Value, in accordance with Section 2(q) hereof;

(ii) to select the Service Providers to whom Awards may from time to time be granted hereunder;

(iii) to determine the number of Shares to be covered by each Award granted hereunder;

(iv) to approve the form(s) of agreement for use under the Plan;

(v) to determine the terms and conditions of any Award granted hereunder including, but not limited to, the Exercise Price, the Purchase Price, the time or times when Options may be exercised (which may be based on performance criteria), the time or times when repurchase or redemption rights shall lapse, any vesting acceleration or waiver of forfeiture restrictions, and any restriction or limitation regarding any Award or the Shares relating thereto, based in each case on such factors as the Administrator, in its sole discretion, shall determine;

(vi) to implement a program where (A) outstanding Awards are surrendered or cancelled in exchange for Awards of the same type (which may have lower Exercise/Purchase Prices and different terms), Awards of a different type, or cash, or (B) the Exercise/Purchase Price of an outstanding Award is reduced, based in each case on terms and conditions determined by the Administrator in its sole discretion;

(vii) to prescribe, amend, and rescind rules and regulations relating to the Plan, including rules and regulations relating to sub-plans established for the purpose of satisfying applicable laws of jurisdictions other than the United States;

(viii) to allow Optionees to satisfy withholding tax obligations by electing to have the Company withhold from the Optioned Shares to be issued under an Option that number of Shares having a Fair Market Value equal to the minimum amount required to be withheld. The Fair Market Value of the Shares to be withheld shall be determined on the date that the amount of tax to be withheld is to be determined. All elections by Optionees to have

Shares withheld for this purpose shall be made in such form and under such conditions as the Administrator may deem necessary or advisable;

(ix) to modify or amend each Award (subject to Section 17 hereof and Participant consent if the modification or amendment is to the Participant's detriment), including, without limitation, the discretionary authority to extend the post-termination exercisability of an Option longer than is otherwise provided for in an Option Agreement or accelerate the vesting or exercisability of an Option or lapsing of a repurchase or redemption right to which Restricted Shares may be subject;

(x) to construe and interpret the terms of the Plan and Awards granted pursuant to the Plan; and

(xi) to make any other determination and take any other action that the Administrator deems necessary or desirable for the administration of the Plan.

(c) Delegation of Authority to Officers. Subject to Applicable Law, the Administrator may delegate limited authority to specified officers of the Company to execute on behalf of the Company any instrument required to effect an Award previously granted by the Administrator.

(d) Effect of Administrator's Decision. All decisions, determinations, and interpretations of the Administrator shall be final and binding on all Participants.

5. Eligibility.

(a) General Rule. All Service Providers are eligible for Awards under the Plan; provided, however, that only Service Providers that are not U.S. Persons, or trusts established in connection with any employee benefit plan of the Company (including the Plan) for the benefit of a Service Provider, shall be eligible for the grant of Reg S Options and Reg S Share Purchase Rights. Incentive Stock Options may be granted to Employees only.

(b) Members with Ten-Percent Holdings. A Ten Percent Owner shall not be eligible for the grant of an Incentive Stock Option unless (i) the Exercise Price is at least 110% of the Fair Market Value on the Date of Grant, and (ii) the Incentive Stock Option by its terms is not exercisable after the expiration of five (5) years from the Date of Grant. For purposes of this Section 5(b), in determining ownership of securities, the attribution rules of Section 424(d) of the Code shall apply.

6. Terms and Conditions of Options.

(a) Option Agreement. Each grant of an Option under the Plan shall be evidenced by an Option Agreement between the Optionee and the Company. Each Option shall be subject to all applicable terms and conditions of the Plan and may be subject to any other terms and conditions that are not inconsistent with the Plan and that the Administrator deems appropriate for inclusion in an Option Agreement. The provisions of the various Option Agreements entered into under the Plan need not be identical.

(b) Type of Option. Each Option shall be designated in the Option Agreement as either an Incentive Stock Option or a Nonstatutory Stock Option. However, notwithstanding a designation of an Option as an Incentive Stock Option, to the extent that the aggregate Fair Market Value of the Shares with respect to which Incentive Stock Options are exercisable for the first time by an Optionee during any calendar year (under all plans of the Company and any Parent or Subsidiary) exceeds US$100,000, such Options shall be treated as Nonstatutory Stock Options. For purposes of this Section 6(b), Incentive Stock Options shall be taken into account in the order in which they were granted. The Fair Market Value of the Shares shall be determined as of the Date of Grant. Each Option also may be designated as a Reg S Option or as an Option other than a Reg S Option. An Option that is not designated as a Reg S Option is intended to qualify under Rule 701 promulgated under the Securities Act.

(c) Number of Shares. Each Option Agreement shall specify the number of Shares that are subject to the Option and shall provide for the adjustment of such number in accordance with Section 12 hereof.

(d) Exercise Price. Each Option Agreement shall specify the Exercise Price. The Exercise Price of an Option shall not be less than 100% of the Fair Market Value on the Date of Grant, and a higher percentage may be required by Section 5(b) hereof. Subject to the preceding sentence, the Exercise Price under any Option shall be determined by the Administrator in its sole discretion. The Exercise Price shall be payable in accordance with Section 9 hereof and the applicable Option Agreement. Notwithstanding anything to the contrary in the foregoing or in Section 5(b), in the event of a transaction described in Section 424(a) of the Code, then, consistent with Section 424(a) of the Code, Incentive Stock Options may be issued at an Exercise Price other than as required by the foregoing and Section 5(b).

(e) Term of Option. The Option Agreement shall specify the term of the Option; provided, however, that the term shall not exceed ten (10) years from the Date of Grant, and a shorter term may be required by Section 5(b) hereof. Subject to the preceding sentence, the Administrator in its sole discretion shall determine when an Option is to expire.

(f) Exercisability. Each Option Agreement shall specify the date when all or any installment of the Option is to become exercisable. The exercisability provisions of any Option Agreement shall be determined by the Administrator in its sole discretion.

(g) Exercise Procedure. Any Option granted hereunder shall be exercisable according to the terms hereof at such times and under such conditions as may be determined by the Administrator and as set forth in the Option Agreement; provided, however, that an Option shall not be exercised for a fraction of a Share.

(i) An Option shall be deemed exercised when the Company receives (A) written or electronic notice of exercise (in accordance with the Option Agreement) from the person entitled to exercise the Option, (B) full payment for the Shares with respect to which the Option is exercised, and (C) all representations, indemnifications, and documents reasonably requested by the Administrator including, without limitation, any Shareholders Agreement. Full payment may consist of any consideration and method of payment authorized by the Administrator in accordance with Section 9 hereof and permitted by the Option Agreement.

(ii) Shares issued upon exercise of an Option shall be issued in the name of the Optionee or, if requested by the Optionee, in the name of the Optionee and his or her spouse. Subject to the provisions of Sections 8, 9, 14, and 15, the Company shall issue (or cause to be issued) certificates evidencing the issued Shares promptly after the Option is exercised. Notwithstanding the foregoing, the Administrator in its discretion may require the Company to retain possession of any certificate evidencing Shares acquired upon the exercise of an Option, if those Shares remain subject to repurchase or redemption under the provisions of the Option Agreement, the Shareholders Agreement, or any other agreement between the Company and the Participant, or if those Shares are collateral for a loan or obligation due to the Company.

(iii) Exercise of an Option in any manner shall result in a decrease in the number of Shares thereafter available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

(h) Termination of Service (other than by death).

(i) If an Optionee ceases to be a Service Provider for any reason other than because of death, then the Optionee's Options, to the extent vested, shall expire on the earliest of the following occasions. Unless determined otherwise by the Administrator, all unvested Options shall be cancelled on the date of the Optionee's termination of employment (other than due to death):

(A) The expiration date determined by Section 6(e) hereof;

(B) The 30th day following the termination of the Optionee's relationship as a Service Provider for any reason other than Disability, or such later date as the Administrator may determine and specify in the Option Agreement, provided that no Option that is exercised after the expiration of the three-month period next following the termination of the Optionee's relationship as an Employee shall be treated as an Incentive Stock Option; or

(C) The last day of the six-month period following the termination of the Optionee's relationship as a Service Provider by reason of Disability, or such later date as the Administrator may determine and specify in the Option Agreement; provided that no Option that is exercised after the expiration of the twelve-month period next following the termination of the Optionee's relationship as an Employee shall be treated as an Incentive Stock Option.

(ii) Following the termination of the Optionee's relationship as a Service Provider, the Optionee may exercise all or part of the Optionee's Option at any time before the expiration of the Option as set forth in Section 6(h)(i) hereof, but only to the extent that the Option was vested and exercisable as of the date of termination of the Optionee's relationship as a Service Provider (or became vested and exercisable as a result of the termination). The balance of the Shares subject to the Option shall be forfeited on the date of termination of the Optionee's relationship as a Service Provider. In the event that the Optionee dies after the termination of the Optionee's relationship as a Service Provider but before the expiration of the Optionee's Option as set forth in Section 6(h)(i) hereof, all or part of the Option may be exercised (prior to expiration) by the executors or administrators of the Optionee's estate

or by any person who has acquired the Option directly from the Optionee by beneficiary designation, bequest, or inheritance, but only to the extent that the Option was vested and exercisable as of the termination date of the Optionee's relationship as a Service Provider (or became vested and exercisable as a result of the termination). Any Optioned Shares subject to the portion of the Option that are vested as of the termination date of the Optionee's relationship as a Service Provider but that are not purchased prior to the expiration of the Option pursuant to this Section 6(h) shall be forfeited immediately following the Option's expiration.

(i) Leaves of Absence. Unless otherwise determined by the Administrator, for purposes of Section 6 hereof, the service of an Optionee as a Service Provider shall be deemed to continue while the Optionee is on a bona fide leave of absence, if such leave was approved by the Company in writing. **Unless otherwise determined by the Administrator and subject to Applicable Law, vesting of an Option shall be suspended during any unpaid leave of absence.**

(j) Death of Optionee.

(i) If an Optionee dies while a Service Provider, then the Optionee's vested Option shall expire on the earlier of the following dates. Unless determined otherwise by the Administrator, all unvested Options shall be cancelled on the date of the Optionee's death:

(A) The expiration date determined by Section 6(e) hereof;

(B) The last day of the six-month period following the Optionee's death, or such later date as the Administrator may determine and specify in the Option Agreement.

(ii) All or part of the Optionee's Option may be exercised at any time before the expiration of the Option as set forth in Section 6(j)(i) hereof by the executors or administrators of the Optionee's estate or by any person who has acquired the Option directly from the Optionee by beneficiary designation, bequest, or inheritance, but only to the extent that the Option was vested and exercisable as of the date of the Optionee's death or had became vested and exercisable as a result of the death. The balance of the Shares subject to the Option shall be forfeited upon the Optionee's death. Any Optioned Shares subject to the portion of the Option that are vested as of the Optionee's death but that are not purchased prior to the expiration of the Option pursuant to this Section 6(j) shall be forfeited immediately following the Option's expiration.

(k) Restrictions on Transfer of Shares. Any Shares issued upon exercise of an Option shall be subject to such special forfeiture conditions, rights of repurchase or redemption, rights of first refusal, and other transfer restrictions as the Administrator may determine. The restrictions described in the preceding sentence shall be set forth in the applicable Option Agreement and shall apply in addition to any restrictions that may apply to holders of Shares generally.

7. Terms and Conditions of Share Purchase Rights.

(a) Restricted Share Purchase Agreement. Each Share Purchase Right under the Plan shall be evidenced by a Restricted Share Purchase Agreement between the Purchaser and the Company. Each Share Purchase Right shall be subject to all applicable terms and conditions of the Plan and may be subject to any other terms and conditions that are not inconsistent with the Plan and that the Administrator deems appropriate for inclusion in a Restricted Share Purchase Agreement. The provisions of the various Restricted Share Purchase Agreements entered into under the Plan need not be identical.

(b) Type of Share Purchase Right. Each Share Purchase Right may be designated as a Reg S Share Purchase Right or as a Share Purchase Right other than a Reg S Share Purchase Right. If the Restricted Share Purchase Agreement does not specify the type of Share Purchase Right, the Share Purchase Right will not be treated as a Reg S Share Purchase Right.

(c) Duration of Offers and Nontransferability of Share Purchase Rights. Any Share Purchase Rights granted under the Plan shall automatically expire if not exercised by the Purchaser within 30 days (or such longer time as is specified in the Restricted Share Purchase Agreement) after the Date of Grant. Share Purchase Rights shall not be transferable and shall be exercisable only by the Purchaser to whom the Share Purchase Right was granted.

(d) Purchase Price. The Purchase Price shall be determined by the Administrator in its sole discretion. The Purchase Price shall be payable in a form described in Section 9 hereof.

(e) Restrictions on Transfer of Shares. Any Shares awarded or sold pursuant to Share Purchase Rights shall be subject to such special forfeiture conditions, rights of repurchase or redemption, rights of first refusal, and other transfer restrictions as the Administrator may determine. The restrictions described in the preceding sentence shall be set forth in the applicable Restricted Share Purchase Agreement and shall apply in addition to any restrictions that may apply to holders of Shares generally. Any repurchase or redemption right may be exercised only within 90 days after the termination of the Purchaser's relationship as a Service Provider for cash or for cancellation of indebtedness incurred in purchasing the Shares.

8. Withholding Taxes. As a condition to the exercise of an Option or purchase of Restricted Shares, the Participant (or in the case of the Participant's death or in the event of a permissible transfer of Awards hereunder, the person exercising the Option or purchasing Restricted Shares) shall make such arrangements as the Administrator may require for the satisfaction of any applicable withholding taxes arising in connection with the exercise of an Option or purchase of Restricted Shares under the laws of U.S. federal, state, local, or non-U.S. jurisdictions. The Participant (or in the case of the Participant's death or in the event of a permissible transfer of Awards hereunder, the person exercising the Option or purchasing Restricted Shares) also shall make such arrangements as the Administrator may require for the satisfaction of any applicable U.S. federal, state, local, or non-U.S. withholding tax obligations that may arise in connection with the disposition of Shares acquired by exercising an Option or purchasing Restricted Shares. The Company shall not be required to issue any Shares under the

Plan until the foregoing obligations are satisfied. Without limiting the generality of the foregoing, upon the exercise of the Option or delivery of Restricted Shares, the Company shall have the right to withhold taxes from any compensation or other amounts that the Company may owe to the Participant, or to require the Participant to pay to the Company the amount of any taxes that the Company may be required to withhold with respect to the Shares issued to the Participant. Without limiting the generality of the foregoing, the Administrator in its discretion may authorize the Participant to satisfy all or part of any withholding tax liability by (i) having the Company withhold from the Shares that would otherwise be issued upon the exercise of an Option or purchase of Restricted Shares that number of Shares having a Fair Market Value, as of the date the withholding tax liability arises, equal to the portion of the Company's withholding tax liability to be so satisfied or (ii) by delivering to the Company previously owned and unencumbered Shares having a Fair Market Value, as of the date the withholding tax liability arises, equal to the amount of the Company's withholding tax liability to be so satisfied. Subject to the preceding sentence, the exercisability provisions of any Option Agreement and rights to acquire Restricted Shares shall be determined by the Administrator in its sole discretion.

9. Payment for Shares. The consideration to be paid for the Shares to be issued under the Plan, including the method of payment, shall be determined by the Administrator (and, in the case of an Incentive Stock Option, shall be determined on the Date of Grant), subject to the provisions in this Section 9.

(a) General Rule. The entire Purchase Price or Exercise Price (as the case may be) for Shares issued under the Plan shall be payable in cash or cash equivalents at the time when the Shares are purchased, except as otherwise provided in this Section 9.

(b) Surrender of Shares. To the extent that an Option Agreement so provides, all or any part of the Exercise Price may be paid by surrendering, or attesting to the ownership of, Shares that are already owned by the Optionee. These Shares shall be surrendered to the Company in good form for transfer and shall be valued at their Fair Market Value on the date the Option is exercised. The Optionee shall not surrender, or attest to the ownership of, Shares in payment of the Exercise Price if this action would subject the Company to adverse accounting consequences, as determined by the Administrator.

(c) Services Rendered. At the discretion of the Administrator and to the extent so provided in the agreements evidencing Awards of Shares under the Plan, Shares may be awarded under the Plan in consideration of services rendered to the Company or any Parent or Subsidiary prior to the Award.

(d) Promissory Note. Subject to Applicable Law, at the discretion of the Administrator and to the extent an Option Agreement or a Restricted Share Purchase Agreement so provides, all or a portion of the Exercise Price or Purchase Price (as the case may be) may be paid with a promissory note in favor of the Company. The Shares shall be pledged as security for payment of the principal amount of the promissory note and interest thereon. The interest rate payable under the terms of the promissory note shall not be less than the minimum rate (if any) required to avoid the imputation of additional interest under the Code. Subject to the foregoing, the Administrator (at its sole discretion) shall specify the term, interest rate, amortization requirements (if any), and other provisions of the promissory note.

(e) Exercise/Sale. At the discretion of the Administrator and to the extent an Option Agreement so provides, and if the Shares are publicly traded, payment may be made all or in part by the delivery (on a form prescribed by the Company) or an irrevocable direction to a securities broker approved by the Company to sell Shares and to deliver all or part of the sales proceeds to the Company in payment of all or part of the Exercise Price and any withholding taxes.

(f) Exercise/Pledge. At the discretion of the Administrator and to the extent an Option Agreement so provides, and if the Shares are publicly traded, payment may be made all or in part by the delivery (on a form prescribed by the Company) or an irrevocable direction to pledge Shares to a securities broker or lender approved by the Company, as security for a loan, and to deliver all or part of the loan proceeds to the Company in payment of all or part of the Exercise Price and any withholding taxes.

(g) Other Forms of Consideration. At the discretion of the Administrator and to the extent an Option Agreement or a Restricted Share Purchase Agreement so provides, all or a portion of the Exercise Price or Purchase Price may be paid by any other form of consideration and method of payment to the extent permitted by Applicable Law.

10. Nontransferability of Awards. Unless otherwise determined by the Administrator and provided in the applicable Option Agreement or Restricted Share Purchase Agreement (or be amended to provide), no Award shall be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner (whether by operation of law or otherwise) other than by will or applicable laws of descent and distribution or (except in the case of an Incentive Stock Option) pursuant to a qualified domestic relations order, and shall not be subject to execution, attachment, or similar process. In the event the Administrator in its sole discretion makes an Award transferable, only a Nonstatutory Stock Option or Share Purchase Right may be transferred provided such Award is transferred without payment of consideration to members of the Participant's immediate family (as such term is defined in Rule 16a-1(e) of the Exchange Act) or to trusts or partnerships established exclusively for the benefit of the Participant and the members of the Participant's immediate family, all as permitted by Applicable Law. Upon any attempt to pledge, assign, hypothecate, transfer, or otherwise dispose of any Award or of any right or privilege conferred by this Plan contrary to the provisions hereof, or upon the sale, levy or attachment or similar process upon the rights and privileges conferred by this Plan, such Award shall thereupon terminate and become null and void. Awards may be exercised (including the purchase of Restricted Shares thereunder in the event of a Share Purchase Right) during the lifetime of the Participant only by the Participant.

11. Rights as a Member. Subject to Applicable Law, until the Shares actually are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a member shall exist with respect to the Shares, notwithstanding the exercise of the Award. No adjustment shall be made for a dividend or other right for which the record date is prior to the date the Shares are issued, except as provided in Section 12 of the Plan.

12. Adjustment of Shares.

(a) Changes in Capitalization. Subject to any required action by the members of the Company, the class(es) and number and type of Shares that have been authorized for issuance under the Plan but as to which no Awards have yet been granted or that have been returned to the Plan upon cancellation or expiration of an Award, and the class(es), number, and type of Shares covered by each outstanding Award, as well as the price per Share covered by each outstanding Award, shall be proportionately adjusted for any increase, decrease, or change in the number or type of outstanding Shares or other securities of the Company or exchange of outstanding Shares or other securities of the Company into or for a different number or type of shares or other securities of the Company or successor entity, or for other property (including, without limitation, cash) or other change to the Shares resulting from a share split, reverse share split, share dividend, dividend in property other than cash, combination of shares, exchange of shares, combination, consolidation, recapitalization, reincorporation, reorganization, change in corporate structure, reclassification, or other distribution of the Shares effected without receipt of consideration by the Company; provided, however, that the conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." The adjustment contemplated in this Section 12(a) shall be made by the Board, whose determination shall be final, binding and conclusive. Except as expressly provided herein, no issuance by the Company of equity securities of the Company of any class, or securities convertible into equity securities of the Company of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number, type, or price of Shares subject to an Award. Where an adjustment under this Section 12(a) is made to an Incentive Stock Option, the adjustment shall be made in a manner that will not be considered a "modification" under the provisions of Section 424(h)(3) of the Code.

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, the Administrator shall notify each Participant as soon as practicable prior to the effective date of such proposed transaction. The Administrator in its discretion may provide for an Optionee to have the right to exercise his or her Option until fifteen (15) days prior to the proposed dissolution or liquidation as to all of the Optioned Shares covered thereby, including Shares as to which the Option would not otherwise be exercisable. In addition, the Administrator may provide that any Company repurchase or redemption option applicable to any Shares purchased upon exercise of an Option or Restricted Shares purchased under a Share Purchase Right shall lapse as to all such Shares, provided the proposed dissolution or liquidation takes place at the time and in the manner contemplated. To the extent it has not been previously exercised, an Award will terminate immediately prior to the consummation of such proposed action.

(c) Change in Control. In the event of a Change in Control, unless the Option Agreement or Restricted Share Purchase Agreement provides otherwise, each outstanding Option shall be assumed or an equivalent option shall be substituted by, and each right of the Company to repurchase or redeem Shares upon termination of a Purchaser's relationship as a Service Provider shall be assigned to, the successor corporation or a Parent or Subsidiary of the successor corporation. If, in the event of a Change in Control, the Option is not assumed or substituted, or the repurchase or redemption right is not assigned, in the case of an outstanding Option, the Option shall fully vest immediately and the Participant shall have the right to exercise the Option as to all of the Optioned Shares, including Shares as to which it would not otherwise be vested or exercisable, and, in the case of Restricted Shares, the Company's repurchase or redemption right shall lapse immediately and all of the Restricted Shares subject to the repurchase or redemption right shall become vested. If the Option becomes fully vested and exercisable, in lieu of assumption or substitution in the event of a Change in Control, the Administrator shall notify the Optionee in writing or electronically that the Option shall be fully exercisable for a period of fifteen (15) days from the date of such notice, and the Option shall terminate upon the expiration of such period. For purposes of this Section 12(c), an Option shall be considered assumed if, following the Change in Control, the Option confers the right to purchase or receive, for each Optioned Share immediately prior to the Change in Control, the consideration (whether shares, cash, or other securities or property) received in connection with the Change in Control by holders of Shares for each Share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if the consideration received in the Change in Control is not solely common stock or ordinary shares of the successor corporation or its Parent or Subsidiary, the Administrator may, with the consent of the successor corporation, provide for the consideration to be received upon the exercise of the Option, for each Optioned Share, to be solely common stock or ordinary shares of the successor corporation or its Parent or Subsidiary equal in Fair Market Value to the per Share consideration received by holders of Shares in the Change in Control.

(d) Reservation of Rights. Except as provided in this Section 12 and in the applicable Option Agreement or Restricted Share Purchase Agreement, a Participant shall have no rights by reason of (i) any subdivision or consolidation of Shares or other securities of any class, (ii) the payment of any dividend, or (iii) any other increase or decrease in the number of Shares or other securities of any class. Any issuance by the Company of equity securities of any class, or securities convertible into equity securities of any class, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number or Exercise Price of Optioned Shares. The grant of an Option or Share Purchase Right shall not affect in any way the right or power of the Company to make adjustments, reclassifications, reorganizations, or changes of its capital or business structure, to merge or consolidate or to dissolve, liquidate, sell, or transfer all or any part of its business or assets.

13. Date of Grant. The Date of Grant of an Award shall, for all purposes, be the date on which the Administrator makes the determination to grant the Award, or such other later date as is determined by the Administrator; provided, however, that the Date of Grant of an Incentive Stock Option shall be no earlier than the date on which the Service Provider becomes an Employee.

14. Securities Law Requirements.

(a) Legal Compliance. Notwithstanding any other provision of the Plan or any agreement entered into by the Company pursuant to the Plan, the Company shall not be obligated, and shall have no liability for failure to deliver any Shares under the Plan unless the issuance and delivery of Shares comply with (or are exempt from) all Applicable Law, including, without limitation, the Securities Act, U.S. state securities laws and regulations, and the regulations of any stock exchange or other securities market on which the Company's securities may then be traded, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

(b) Investment Representations. Shares delivered under the Plan shall be subject to transfer restrictions, and the person acquiring the Shares shall, as a condition to the exercise of an Option or the purchase of Restricted Shares if requested by the Company, provide such assurances and representations to the Company as the Company may deem necessary or desirable to assure compliance with Applicable Law, including, without limitation, the representation and warranty at the time of acquisition of the Shares that the Shares are being acquired only for investment purposes and without any present intention to sell, transfer, or distribute the Shares.

(c) Regulation S Transfer Restrictions. Any Shares issued pursuant to a Reg S Share Purchase Right or the exercise of a Reg S Option shall not be offered or sold to a U.S. Person or for the account or benefit of a U.S. Person prior to the first anniversary of the Acquisition Date. Any Shares issued pursuant to a Reg S Share Purchase Right or the exercise of a Reg S Option prior to the first anniversary of the Acquisition Date may be offered or sold only pursuant to the following conditions: (i) the purchaser of Shares issued pursuant to a Reg S Share Purchase Right or the exercise of a Reg S Option certifies that it is not a U.S. Person and is not acquiring the Shares for the account or benefit of any U.S. Person or is a U.S. Person who is purchasing the Shares in a transaction that does not require registration under the Securities Act; (ii) the purchaser of the Shares issued pursuant to a Reg S Share Purchase Right or the exercise of a Reg S Option agrees to resell such Shares only in accordance with the provisions of Regulation S promulgated under the Securities Act, pursuant to registration under the Securities Act, or pursuant to an available exemption from registration; and agrees not to engage in hedging transactions with regard to such Shares unless in compliance with the Securities Act; and (iii) the certificate evidencing the Shares shall contain restrictive legends to a similar effect as set forth in (ii). The restrictions described in this Section 14(c) shall be set forth in the applicable Restricted Share Purchase Agreement or Option Agreement and shall apply in addition to any restrictions that may apply to holders of Shares generally.

(d) Governing Law. The Plan and all grants and Awards and actions taken thereunder shall be governed by and construed in accordance with the internal substantive laws of the Cayman Islands.

15. Inability to Obtain Authority. The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

16. Approval by Members. The Plan shall be subject to approval by the members of the Company within twelve (12) months before or after the date the Plan is adopted by the Board. Such approval by members of the Company shall be obtained in the degree and manner required under Applicable Law. Awards may be granted but Options may not be exercised, and Restricted Shares may not be purchased prior to approval of the Plan by members of the Company.

17. Duration and Amendment.

(a) Term of Plan. Subject to approval by members of the Company in accordance with Section 16 hereof, the Plan shall become effective upon the earlier to occur of its adoption by the Board or its approval by the members of the Company as described in Section 16 hereof. In the event that the members of the Company fail to approve the Plan within 12 months prior to or after its adoption by the Board, any Awards that have been granted and any Shares that have been awarded or purchased under the Plan shall be rescinded, and no additional Awards shall be granted thereafter. Unless sooner terminated under Section 17(b) hereof, the Plan shall continue in effect for a term of ten (10) years from the later of (i) the effective date of the Plan, or (ii) the date of the most recent Board approval of an increase in the number of Shares reserved for issuance under the Plan.

(b) Amendment and Termination. The Board may at any time amend, alter, suspend, or terminate the Plan.

(c) Approval by Members. The Board shall obtain approval of the members of any Plan amendment to the extent necessary and desirable to comply with Applicable Law.

(d) Effect of Amendment or Termination. No amendment, alteration, suspension, or termination of the Plan 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, which agreement must be in writing and signed by the Participant and the Company. Termination of the Plan shall not affect the Administrator's ability to exercise the powers granted to it hereunder with respect to Awards granted under the Plan prior to the date of such termination. No Shares shall be issued or sold under the Plan after the termination thereof, except upon exercise of an Award granted prior to the termination of the Plan.

18. Legending Share Certificates**.** In order to enforce any restrictions imposed upon Shares issued upon the exercise of Options or the acquisition of Restricted Shares,

including, without limitations, the restrictions described in Sections 6(k) and 7(e) hereof, the Administrator may cause a legend or legends to be placed on any share certificates representing the Shares, which legend or legends shall make appropriate reference to the restrictions, including, without limitation, a restriction against sale of the Shares for any period as may be required by Applicable Law.

19. No Retention Rights. Neither the Plan nor any Award shall confer upon any Participant any right to continue his or her relationship as a Service Provider with the Company for any period of specific duration or interfere in any way with his or her right or the right of the Company (or any Parent or Subsidiary employing or retaining the Participant), which rights are hereby expressly reserved by each, to terminate this relationship at any time, with or without cause, and with or without notice.

20. No Trust or Fund Created. Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Parent or Subsidiary and a Participant or any other person. To the extent that any Participant acquires a right to receive payments from the Company or any Parent or Subsidiary pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Company, a Parent, or any Subsidiary.

21. No Rights to Awards. No Participant, eligible Service Provider, or other person shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment of a Service Provider, Participant, or holders or beneficiaries of Awards under the Plan. The terms and conditions of Awards need not be the same with respect to any Participant or with respect to different Participants.

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Exhibit 10.2

CHINA LODGING GROUP, LIMITED

AMENDED AND RESTATED 2008 GLOBAL SHARE PLAN

(adopted by the Company's Board of Directors on June 15, 2007;
approved by the Company's members on June 15, 2007;
amended and restated by the Company on October 31, 2008)

1. Purposes of the Plan. The purposes of this Plan are 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 the Company's business by offering these individuals an opportunity to acquire a proprietary interest in the success of the Company or to increase this interest, by permitting them to purchase Shares of the Company. The Plan provides both for the direct award or sale of Shares and for the grant of Options to purchase Shares. Options granted under the Plan may be Incentive Stock Options or Nonstatutory Stock Options, as determined by the Administrator at the time of grant.

2. Definitions. For the purposes of this Plan, the following terms shall have the following meanings:

(a) "Acquisition Date" means, with respect to Shares, the respective dates on which the Shares are sold under the Plan or the Shares are issued upon exercise of an Option.

(b) "Administrator" means the Board or any of its Committees as shall be administering the Plan in accordance with Section 4 hereof.

(c) "Applicable Law" means any applicable legal requirements relating to the administration of and the issuance of securities under equity securities-based compensation plans, including, without limitation, the laws of the People's Republic of China, the requirements of U.S. state corporate laws, U.S. federal and state securities laws, U.S. federal law, the Code, the laws of the British Virgin Islands, and the requirements of any stock exchange or quotation system upon which the Shares may then be listed or quoted and the applicable laws of any other country or jurisdiction where Awards are granted under the Plan. For all purposes of this Plan, references to statutes and regulations shall be deemed to include any successor statutes or regulations, to the extent reasonably appropriate as determined by the Administrator.

(d) "Award" means an Option or a Share Purchase Right.

(e) "Board" means the Board of Directors of the Company.

(f) "Change in Control" means the occurrence of any of the following events:

(i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becomes the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities; or

(ii) the consummation of the sale, lease, or disposition by the Company of all or substantially all of the Company's assets; or

(iii) the consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation that would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

Anything in the foregoing to the contrary notwithstanding, a transaction shall not constitute a Change in Control if its sole purpose is to change the legal jurisdiction of the Company's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction. In addition, a sale by the Company of its securities in a transaction, the primary purpose of which is to raise capital for the Company's operations and business activities including, without limitation, an initial public offering of Shares under the Securities Act or other Applicable Law, shall not constitute a Change in Control.

(g) "Code" means the U.S. Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

(h) "Committee" means a committee of Directors appointed by the Board in accordance with Section 4 hereof.

(i) "Company" means China Lodging Group, Limited, a company organized under the laws of the Cayman Islands, or any successor corporation thereto.

(j) "Consultant" means, for purposes of a Reg S Option, any person who is engaged by the Company or any Parent or Subsidiary to render consulting or advisory services to such entity, and, for purposes of an Option other than a Reg S Option, any natural person, including an advisor, who is engaged by the Company, or any Parent or Subsidiary to render bona fide consulting or advisory services to such entity and who is compensated for the services; provided that the term "Consultant," for purposes of an Option other than a Reg S Option, does not include (i) Employees, (ii) Directors who are paid only a director's fee by the Company or who are not compensated by the Company for their services as Directors, (iii) securities promoters, (iv) independent agents, franchisees and salespersons who do not have employment relationships with the Company from which they derive at least fifty percent of their annual income, or (v) any other person who would not be "consultants" or "advisors" as defined pursuant to Rule 701 of the Securities Act, and any applicable rulings or regulations interpreting Rule 701.

(k) "Date of Grant" means the date an Award is granted to a Participant in accordance with Section 13 hereof.

(l) "Director" means a member of the Board.

(m) "Disability" means total and permanent disability as defined in Section 22(e)(3) of the Code.

(n) "Employee" means any person, including officers and Directors, employed by the Company or any Parent or Subsidiary. A Service Provider shall not cease to be an Employee in the case of (i) any leave of absence approved by the Company or any Parent or Subsidiary, including sick leave, military leave, or any other personal leave, or (ii) transfers between locations of the Company or between the Company or any Parent or Subsidiary, or any successor. For purposes of Incentive Stock Options, no such leave may exceed ninety (90) days, unless reemployment upon expiration of such leave is guaranteed by statute or contract. If reemployment upon expiration of a leave of absence approved by the Company is not so guaranteed, then three (3) months following the 91st day of such leave, any Incentive Stock Option held by the Optionee shall cease to be treated as an Incentive Stock Option and shall be treated for tax purposes as a Nonstatutory Stock Option. Neither service as a Director nor payment of a director's fee by the Company or any Parent or Subsidiary shall be sufficient to constitute "employment" by the Company or any Parent or Subsidiary.

(o) "Exercise Price" means the amount for which one Share may be purchased upon exercise of an Option, as specified by the Administrator in the applicable Option Agreement in accordance with Section 6(d) hereof.

(p) "Exchange Act" means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

(q) "Fair Market Value" means, as of any date, the value of the Shares determined as follows:

(i) if the Shares are listed on any established stock exchange or a national market system, including, without limitation, The Nasdaq Global Market or The Nasdaq SmallCap Market of The Nasdaq Stock Market, the Fair Market Value shall be the closing sales price for the Shares (or the closing bid, if no sales were reported) as quoted on such exchange or system on the day of determination, as reported in The Wall Street Journal or such other source as the Administrator deems reliable;

(ii) if the Shares are regularly quoted by a recognized securities dealer but selling prices are not reported, the Fair Market Value shall be the mean of the high bid and low asked prices for the Shares on the day of determination, as reported in The Wall Street Journal or any other source as the Administrator deems reliable; or

(iii) in the absence of an established market for the Shares, the Fair Market Value thereof shall be determined in good faith by the Administrator in accordance with Applicable Law.

(r) "Incentive Stock Option" means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code, as designated in the applicable Option Agreement.

(s) "Nonstatutory Stock Option" means an Option not intended to qualify as an Incentive Stock Option, as designated in the applicable Option Agreement, or an Incentive Stock Option that does not so qualify.

(t) "Option" means an option to purchase Shares that is granted pursuant to the Plan in accordance with Section 6 hereof. An Option that is not designated as a Reg S Option is intended to comply with and qualify under Rule 701 promulgated under the Securities Act.

(u) "Option Agreement" means a written or electronic agreement between the Company and an Optionee, the form(s) of which shall be approved from time to time by the Administrator, evidencing the terms and conditions of an individual Option granted under the Plan, and includes any documents attached to or incorporated into the Option Agreement, including, but not limited to, a notice of option grant and a form of exercise notice. The Option Agreement shall be subject to the terms and conditions of the Plan.

(v) "Optioned Shares" means the Shares subject to an Option.

(w) "Optionee" means the holder of an outstanding Option granted under the Plan.

(x) "Parent" means a "parent corporation" with respect to the Company, whether now or hereafter existing, as defined in Section 424(e) of the Code.

(y) "Participant" means an Optionee or Purchaser, as applicable given the context, or the holder of Shares issuable or issued pursuant to the exercise of an Option or Share Purchase Right.

(z) "Plan" means this 2008 Global Share Plan, as amended from time to time.

(aa) "Purchase Price" means the amount of consideration for which one Share may be acquired pursuant to a Share Purchase Right, as specified by the Administrator in the applicable Restricted Share Purchase Agreement in accordance with Section 7(d) hereof.

(bb) "Purchaser" means the holder of Shares purchased pursuant to the exercise of a Share Purchase Right.

(cc) "Reg S Option" means an Option that (i) is granted to a Service Provider who is not a U.S. Person, and (ii) is not intended to qualify under Rule 701 promulgated under the Securities Act.

(dd) "Reg S Share Purchase Right" means a Share Purchase Right that (i) is granted to a Service Provider who is not a U.S. Person, and (ii) is not intended to qualify under Rule 701 promulgated under the Securities Act.

(ee) "Restricted Share Purchase Agreement" means a written or electronic agreement between the Company and a Purchaser, the form(s) of which shall be approved from time to time by the Administrator, evidencing the terms and conditions of an individual Share

Purchase Right, and includes any documents attached to or incorporated into the Restricted Share Purchase Agreement. The Restricted Share Purchase Agreement shall be subject to the terms and conditions of the Plan.

(ff) "Restricted Shares" means Shares acquired pursuant to a Share Purchase Right.

(gg) "Securities Act" means the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

(hh) "Service Provider" means an Employee, Director, or Consultant.

(ii) "Share" means an ordinary share of the Company, as adjusted in accordance with Section 12 hereof.

(jj) "Shareholders Agreement" means any agreement between a Participant and the Company or members of the Company or both.

(kk) "Share Purchase Right" means a right to purchase Restricted Shares pursuant to Section 7 hereof. A Share Purchase Right that is not designated as a Reg S Share Purchase Right is intended to comply with and qualify under Rule 701 promulgated under the Securities Act.

(ll) "Subsidiary" means a "subsidiary corporation" with respect to the Company, whether now or hereafter existing, as defined in Section 424(f) of the Code.

(mm) "Ten Percent Owner" means a Service Provider who owns more than 10% of the total combined voting power of all classes of outstanding securities of the Company or any Parent or Subsidiary.

(nn) "United States" means the United States of America, its territories and possessions, any State of the United States, and the District of Columbia.

(oo) "U.S. Person" has the meaning accorded to it in Rule 902(k) of the Securities Act, and currently includes:

(i) any natural person resident in the United States;

(ii) any partnership or corporation organized or incorporated under the laws of the United States;

(iii) any estate of which any executor or administrator is a U.S. Person;

(iv) any trust of which any trustee is a U.S. Person;

(v) any agency or branch of a foreign entity located in the United States;

(vi) any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a U.S. Person;

(vii) any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organized, incorporated, or (if an individual) resident in the United States; and

(viii) any partnership or corporation if:

(A) organized or incorporated under the laws of any foreign jurisdiction; and

(B) formed by a U.S. Person principally for the purpose of investing in securities not registered under the Securities Act, unless it is organized or incorporated, and owned, by accredited investors (as defined in Rule 501(a) promulgated under the Securities Act) who are not natural persons, estates or trusts.

3. Shares Subject to the PlanBasic Limitation Subject to the provisions of Section 12 hereof, the maximum aggregate number of Shares that may be issued under the Plan shall not exceed the sum of 7,000,000 Shares; plus the unused or forfeited Shares authorized for issuance under the China Lodging Group, Limited Global Share Plan, provided, however, that, if required by applicable Law, at no time while the Shares are not registered pursuant to the Securities Act or the Company is not otherwise subject to the public reporting requirements of the Exchange Act, shall the maximum aggregate number of Shares that may be issued upon the exercise of all outstanding Awards and the aggregate number of Shares provided for under any other share bonus or similar plan of the Company exceed the number of Shares that the Company is permitted to issue pursuant to the exemption from registration under the Securities Act provided by Rule 701 of the Securities Act plus the aggregate number of Shares issued pursuant to Regulation S of the Securities Act or other exemption available under the Securities Act. The aggregate number of Shares that may be issued upon exercise of Incentive Stock Options granted under the Plan shall in no event exceed 7,000,000 Shares. The Shares may, in whole or in part, be authorized but unissued shares or shares that shall have been or may be reacquired by the Company in the open market, in private transactions or otherwise. The Company, during the term of the Plan, shall at all times reserve and keep available sufficient Shares to satisfy the requirements of outstanding Awards granted under the Plan.

(b) Additional Shares. If an Award expires, becomes unexercisable, or is cancelled, forfeited, or otherwise terminated without having been exercised or settled in full, as the case may be, the Shares allocable to the unexercised portion of the Award shall again become available for future grant or sale under the Plan (unless the Plan has terminated). Shares that actually have been issued under the Plan, upon exercise of an Option or delivery under a Share Purchase Right, shall not be returned to the Plan and shall not become available for future distribution under the Plan, except that in the event that Shares issued under the Plan are reacquired by the Company pursuant to any forfeiture provision, right of repurchase or redemption, or are retained by the Company upon the exercise of or purchase of Shares under an Award in order to satisfy the Exercise Price or Purchase Price for the Award or any withholding

taxes due with respect to the exercise or purchase, such Shares shall again become available for future grant under the Plan.

4. Administration of the Plan.

(a) Administrator. The Plan shall be administered by the Board or a Committee appointed by the Board, which Committee shall be constituted to comply with Applicable Law.

(b) Powers of the Administrator. Subject to the provisions of the Plan and, in the case of a Committee, the specific duties delegated by the Board to such Committee, and subject to the approval of any relevant authorities, the Administrator shall have the authority in its discretion:

(i) to determine the Fair Market Value, in accordance with Section 2(q) hereof;

(ii) to select the Service Providers to whom Awards may from time to time be granted hereunder;

(iii) to determine the number of Shares to be covered by each Award granted hereunder;

(iv) to approve the form(s) of agreement for use under the Plan;

(v) to determine the terms and conditions of any Award granted hereunder including, but not limited to, the Exercise Price, the Purchase Price, the time or times when Options may be exercised (which may be based on performance criteria), the time or times when repurchase or redemption rights shall lapse, any vesting acceleration or waiver of forfeiture restrictions, and any restriction or limitation regarding any Award or the Shares relating thereto, based in each case on such factors as the Administrator, in its sole discretion, shall determine;

(vi) to implement a program where (A) outstanding Awards are surrendered or cancelled in exchange for Awards of the same type (which may have lower Exercise/Purchase Prices and different terms), Awards of a different type, or cash, or (B) the Exercise/Purchase Price of an outstanding Award is reduced, based in each case on terms and conditions determined by the Administrator in its sole discretion;

(vii) to prescribe, amend, and rescind rules and regulations relating to the Plan, including rules and regulations relating to sub-plans established for the purpose of satisfying applicable laws of jurisdictions other than the United States;

(viii) to allow Optionees to satisfy withholding tax obligations by electing to have the Company withhold from the Optioned Shares to be issued under an Option that number of Shares having a Fair Market Value equal to the minimum amount required to be withheld. The Fair Market Value of the Shares to be withheld shall be determined on the date that the amount of tax to be withheld is to be determined. All elections by Optionees to have

Shares withheld for this purpose shall be made in such form and under such conditions as the Administrator may deem necessary or advisable;

(ix) to modify or amend each Award (subject to Section 17 hereof and Participant consent if the modification or amendment is to the Participant's detriment), including, without limitation, the discretionary authority to extend the post-termination exercisability of an Option longer than is otherwise provided for in an Option Agreement or accelerate the vesting or exercisability of an Option or lapsing of a repurchase or redemption right to which Restricted Shares may be subject;

(x) to construe and interpret the terms of the Plan and Awards granted pursuant to the Plan; and

(xi) to make any other determination and take any other action that the Administrator deems necessary or desirable for the administration of the Plan.

(c) Delegation of Authority to Officers. Subject to Applicable Law, the Administrator may delegate limited authority to specified officers of the Company to execute on behalf of the Company any instrument required to effect an Award previously granted by the Administrator.

(d) Effect of Administrator's Decision. All decisions, determinations, and interpretations of the Administrator shall be final and binding on all Participants.

5. Eligibility.

(a) General Rule. All Service Providers are eligible for Awards under the Plan; provided, however, that only Service Providers that are not U.S. Persons, or trusts established in connection with any employee benefit plan of the Company (including the Plan) for the benefit of a Service Provider, shall be eligible for the grant of Reg S Options and Reg S Share Purchase Rights. Incentive Stock Options may be granted to Employees only.

(b) Members with Ten-Percent Holdings. A Ten Percent Owner shall not be eligible for the grant of an Incentive Stock Option unless (i) the Exercise Price is at least 110% of the Fair Market Value on the Date of Grant, and (ii) the Incentive Stock Option by its terms is not exercisable after the expiration of five (5) years from the Date of Grant. For purposes of this Section 5(b), in determining ownership of securities, the attribution rules of Section 424(d) of the Code shall apply.

6. Terms and Conditions of Options.

(a) Option Agreement. Each grant of an Option under the Plan shall be evidenced by an Option Agreement between the Optionee and the Company. Each Option shall be subject to all applicable terms and conditions of the Plan and may be subject to any other terms and conditions that are not inconsistent with the Plan and that the Administrator deems appropriate for inclusion in an Option Agreement. The provisions of the various Option Agreements entered into under the Plan need not be identical.

(b) Type of Option. Each Option shall be designated in the Option Agreement as either an Incentive Stock Option or a Nonstatutory Stock Option. However, notwithstanding a designation of an Option as an Incentive Stock Option, to the extent that the aggregate Fair Market Value of the Shares with respect to which Incentive Stock Options are exercisable for the first time by an Optionee during any calendar year (under all plans of the Company and any Parent or Subsidiary) exceeds US$100,000, such Options shall be treated as Nonstatutory Stock Options. For purposes of this Section 6(b), Incentive Stock Options shall be taken into account in the order in which they were granted. The Fair Market Value of the Shares shall be determined as of the Date of Grant. Each Option also may be designated as a Reg S Option or as an Option other than a Reg S Option. An Option that is not designated as a Reg S Option is intended to qualify under Rule 701 promulgated under the Securities Act.

(c) Number of Shares. Each Option Agreement shall specify the number of Shares that are subject to the Option and shall provide for the adjustment of such number in accordance with Section 12 hereof.

(d) Exercise Price. Each Option Agreement shall specify the Exercise Price. No option shall be granted to an individual subject to taxation in the United States at less than the Fair Market Value on the Date of Grant, and a higher percentage may be required by Section 5(b) hereof. Subject to the preceding sentence, the Exercise Price under any Option shall be determined by the Administrator in its sole discretion. The Exercise Price shall be payable in accordance with Section 9 hereof and the applicable Option Agreement. Notwithstanding anything to the contrary in the foregoing or in Section 5(b), in the event of a transaction described in Section 424(a) of the Code, then, consistent with Section 424(a) of the Code, Incentive Stock Options may be issued at an Exercise Price other than as required by the foregoing and Section 5(b).

(e) Term of Option. The Option Agreement shall specify the term of the Option; provided, however, that the term shall not exceed ten (10) years from the Date of Grant, and a shorter term may be required by Section 5(b) hereof. Subject to the preceding sentence, the Administrator in its sale discretion shall determine when an Option is to expire.

(f) Exercisability. Each Option Agreement shall specify the date when all or any installment of the Option is to become exercisable. The exercisability provisions of any Option Agreement shall be determined by the Administrator in its sole discretion.

(g) Exercise Procedure. Any Option granted hereunder shall be exercisable according to the terms hereof at such times and under such conditions as may be determined by the Administrator and as set forth in the Option Agreement; provided, however, that an Option shall not be exercised for a fraction of a Share.

(i) An Option shall be deemed exercised when the Company receives (A) written or electronic notice of exercise (in accordance with the Option Agreement) from the person entitled to exercise the Option, (B) full payment for the Shares with respect to which the Option is exercised, and (C) all representations, indemnifications, and documents reasonably requested by the Administrator including, without limitation, any Shareholders Agreement. Full

payment may consist of any consideration and method of payment authorized by the Administrator in accordance with Section 9 hereof and permitted by the Option Agreement.

(ii) Shares issued upon exercise of an Option shall be issued in the name of the Optionee or, if requested by the Optionee, in the name of the Optionee and his or her spouse. Subject to the provisions of Sections 8, 9, 14, and 15, the Company shall issue (or cause to be issued) certificates evidencing the issued Shares promptly after the Option is exercised. Notwithstanding the foregoing, the Administrator in its discretion may require the Company to retain possession of any certificate evidencing Shares acquired upon the exercise of an Option, if those Shares remain subject to repurchase or redemption under the provisions of the Option Agreement, the Shareholders Agreement, or any other agreement between the Company and the Participant, or if those Shares are collateral for a loan or obligation due to the Company.

(iii) Exercise of an Option in any manner shall result in a decrease in the number of Shares thereafter available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

(h) Termination of Service (other than by death).

(i) If an Optionee ceases to be a Service Provider for any reason other than because of death, then the Optionee's Options, to the extent vested, shall expire on the earliest of the following occasions. Unless determined otherwise by the Administrator, all unvested Options shall be cancelled on the date of the Optionee's termination of employment (other than due to death):

(A) The expiration date determined by Section 6(e) hereof;

(B) The 30th day following the termination of the Optionee's relationship as a Service Provider for any reason other than Disability, or such later date as the Administrator may determine and specify in the Option Agreement, provided that no Option that is exercised after the expiration of the three-month period next following the termination of the Optionee's relationship as an Employee shall be treated as an Incentive Stock Option; or

(C) The last day of the six-month period following the termination of the Optionee's relationship as a Service Provider by reason of Disability, or such later date as the Administrator may determine and specify in the Option Agreement; provided that no Option that is exercised after the expiration of the twelve-month period next following the termination of the Optionee's relationship as an Employee shall be treated as an Incentive Stock Option.

(ii) Following the termination of the Optionee's relationship as a Service Provider, the Optionee may exercise all or part of the Optionee's Option at any time before the expiration of the Option as set forth in Section 6(h)(i) hereof, but only to the extent that the Option was vested and exercisable as of the date of termination of the Optionee's relationship as a Service Provider (or became vested and exercisable as a result of the termination). The balance of the Shares subject to the Option shall be forfeited on the date of termination of the Optionee's relationship as a Service Provider. In the event that the Optionee dies after the termination of the Optionee's relationship as a Service Provider but before the

expiration of the Optionee's Option as set forth in Section 6(h)(i) hereof, all or part of the Option may be exercised (prior to expiration) by the executors or administrators of the Optionee's estate or by any person who has acquired the Option directly from the Optionee by beneficiary designation, bequest, or inheritance, but only to the extent that the Option was vested and exercisable as of the termination date of the Optionee's relationship as a Service Provider (or became vested and exercisable as a result of the termination). Any Optioned Shares subject to the portion of the Option that are vested as of the termination date of the Optionee's relationship as a Service Provider but that are not purchased prior to the expiration of the Option pursuant to this Section 6(h) shall be forfeited immediately following the Option's expiration.

(i) Leaves of Absence. Unless otherwise determined by the Administrator, for purposes of Section 6 hereof, the service of an Optionee as a Service Provider shall be deemed to continue while the Optionee is on a bona fide leave of absence, if such leave was approved by the Company in writing. **Unless otherwise determined by the Administrator and subject to Applicable Law, vesting of an Option shall be suspended during any unpaid leave of absence**.

(j) Death of Optionee.

(i) If an Optionee dies while a Service Provider, then the Optionee's vested Option shall expire on the earlier of the following dates. Unless determined otherwise by the Administrator, all unvested Options shall be cancelled on the date of the Optionee's death:

(A) The expiration date determined by Section 6(e) hereof;

(B) The last day of the six-month period following the Optionee's death, or such later date as the Administrator may determine and specify in the Option Agreement.

(ii) All or part of the Optionee's Option may be exercised at any time before the expiration of the Option as set forth in Section 6(j)(i) hereof by the executors or administrators of the Optionee's estate or by any person who has acquired the Option directly from the Optionee by beneficiary designation, bequest, or inheritance, but only to the extent that the Option was vested and exercisable as of the date of the Optionee's death or had became vested and exercisable as a result of the death. The balance of the Shares subject to the Option shall be forfeited upon the Optionee's death. Any Optioned Shares subject to the portion of the Option that are vested as of the Optionee's death but that are not purchased prior to the expiration of the Option pursuant to this Section 6(j) shall be forfeited immediately following the Option's expiration.

(k) Restrictions on Transfer of Shares. Any Shares issued upon exercise of an Option shall be subject to such special forfeiture conditions, rights of repurchase or redemption, rights of first refusal, and other transfer restrictions as the Administrator may determine. The restrictions described in the preceding sentence shall be set forth in the applicable Option Agreement and shall apply in addition to any restrictions that may apply to holders of Shares generally.

7. Terms and Conditions of Share Purchase Rights.

(a) Restricted Share Purchase Agreement. Each Share Purchase Right under the Plan shall be evidenced by a Restricted Share Purchase Agreement between the Purchaser and the Company. Each Share Purchase Right shall be subject to all applicable terms and conditions of the Plan and may be subject to any other terms and conditions that are not inconsistent with the Plan and that the Administrator deems appropriate for inclusion in a Restricted Share Purchase Agreement. The provisions of the various Restricted Share Purchase Agreements entered into under the Plan need not be identical.

(b) Type of Share Purchase Right. Each Share Purchase Right may be designated as a Reg S Share Purchase Right or as a Share Purchase Right other than a Reg S Share Purchase Right. If the Restricted Share Purchase Agreement does not specify the type of Share Purchase Right, the Share Purchase Right will not be treated as a Reg S Share Purchase Right.

(c) Duration of Offers and Nontransferability of Share Purchase Rights. Any Share Purchase Rights granted under the Plan shall automatically expire if not exercised by the Purchaser within 30 days (or such longer time as is specified in the Restricted Share Purchase Agreement) after the Date of Grant. Share Purchase Rights shall not be transferable and shall be exercisable only by the Purchaser to whom the Share Purchase Right was granted.

(d) Purchase Price. The Purchase Price shall be determined by the Administrator in its sole discretion. The Purchase Price shall be payable in a form described in Section 9 hereof.

(e) Restrictions on Transfer of Shares. Any Shares awarded or sold pursuant to Share Purchase Rights shall be subject to such special forfeiture conditions, rights of repurchase or redemption, rights of first refusal, and other transfer restrictions as the Administrator may determine. The restrictions described in the preceding sentence shall be set forth in the applicable Restricted Share Purchase Agreement and shall apply in addition to any restrictions that may apply to holders of Shares generally. Any repurchase or redemption right may be exercised only within 90 days after the termination of the Purchaser's relationship as a Service Provider for cash or for cancellation of indebtedness incurred in purchasing the Shares.

8. Withholding Taxes. As a condition to the exercise of an Option or purchase of Restricted Shares, the Participant (or in the case of the Participant's death or in the event of a permissible transfer of Awards hereunder, the person exercising the Option or purchasing Restricted Shares) shall make such arrangements as the Administrator may require for the satisfaction of any applicable withholding taxes arising in connection with the exercise of an Option or purchase of Restricted Shares under the laws of U.S. federal, state, local, or non-U.S. jurisdictions. The Participant (or in the case of the Participant's death or in the event of a permissible transfer of Awards hereunder, the person exercising the Option or purchasing Restricted Shares) also shall make such arrangements as the Administrator may require for the satisfaction of any applicable U.S. federal, state, local, or non-U.S. withholding tax obligations that may arise in connection with the disposition of Shares acquired by exercising an Option or purchasing Restricted Shares. The Company shall not be required to issue any Shares under the

Plan until the foregoing obligations are satisfied. Without limiting the generality of the foregoing, upon the exercise of the Option or delivery of Restricted Shares, the Company shall have the right to withhold taxes from any compensation or other amounts that the Company may owe to the Participant, or to require the Participant to pay to the Company the amount of any taxes that the Company may be required to withhold with respect to the Shares issued to the Participant. Without limiting the generality of the foregoing, the Administrator in its discretion may authorize the Participant to satisfy all or part of any withholding tax liability by (i) having the Company withhold from the Shares that would otherwise be issued upon the exercise of an Option or purchase of Restricted Shares that number of Shares having a Fair Market Value, as of the date the withholding tax liability arises, equal to the portion of the Company's withholding tax liability to be so satisfied or (ii) by delivering to the Company previously owned and unencumbered Shares having a Fair Market Value, as of the date the withholding tax liability arises, equal to the amount of the Company's withholding tax liability to be so satisfied. Subject to the preceding sentence, the exercisability provisions of any Option Agreement and rights to acquire Restricted Shares shall be determined by the Administrator in its sole discretion.

9. Payment for Shares. The consideration to be paid for the Shares to be issued under the Plan, including the method of payment, shall be determined by the Administrator (and, in the case of an Incentive Stock Option, shall be determined on the Date of Grant), subject to the provisions in this Section 9.

(a) General Rule. The entire Purchase Price or Exercise Price (as the case may be) for Shares issued under the Plan shall be payable in cash or cash equivalents at the time when the Shares are purchased, except as otherwise provided in this Section 9.

(b) Surrender of Shares. To the extent that an Option Agreement so provides, all or any part of the Exercise Price may be paid by surrendering, or attesting to the ownership of, Shares that are already owned by the Optionee. These Shares shall be surrendered to the Company in good form for transfer and shall be valued at their Fair Market Value on the date the Option is exercised. The Optionee shall not surrender, or attest to the ownership of, Shares in payment of the Exercise Price if this action would subject the Company to adverse accounting consequences, as determined by the Administrator.

(c) Services Rendered. At the discretion of the Administrator and to the extent so provided in the agreements evidencing Awards of Shares under the Plan, Shares may be awarded under the Plan in consideration of services rendered to the Company or any Parent or Subsidiary prior to the Award.

(d) Promissory Note. Subject to Applicable Law, at the discretion of the Administrator and to the extent an Option Agreement or a Restricted Share Purchase Agreement so provides, all or a portion of the Exercise Price or Purchase Price (as the case may be) may be paid with a promissory note in favor of the Company. The Shares shall be pledged as security for payment of the principal amount of the promissory note and interest thereon. The interest rate payable under the terms of the promissory note shall not be less than the minimum rate (if any) required to avoid the imputation of additional interest under the Code. Subject to the foregoing, the Administrator (at its sole discretion) shall specify the term, interest rate, amortization requirements (if any), and other provisions of the promissory note.

(e) Exercise/Sale. At the discretion of the Administrator and to the extent an Option Agreement so provides, and if the Shares are publicly traded, payment may be made all or in part by the delivery (on a form prescribed by the Company) or an irrevocable direction to a securities broker approved by the Company to sell Shares and to deliver all or part of the sales proceeds to the Company in payment of all or part of the Exercise Price and any withholding taxes.

(f) Exercise/Pledge. At the discretion of the Administrator and to the extent an Option Agreement so provides, and if the Shares are publicly traded, payment may be made all or in part by the delivery (on a form prescribed by the Company) or an irrevocable direction to pledge Shares to a securities broker or lender approved by the Company, as security for a loan, and to deliver all or part of the loan proceeds to the Company in payment of all or part of the Exercise Price and any withholding taxes.

(g) Other Forms of Consideration. At the discretion of the Administrator and to the extent an Option Agreement or a Restricted Share Purchase Agreement so provides, all or a portion of the Exercise Price or Purchase Price may be paid by any other form of consideration and method of payment to the extent permitted by Applicable Law.

10. Nontransferability of Awards. Unless otherwise determined by the Administrator and provided in the applicable Option Agreement or Restricted Share Purchase Agreement (or be amended to provide), no Award shall be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner (whether by operation of law or otherwise) other than by will or applicable laws of descent and distribution or (except in the case of an Incentive Stock Option) pursuant to a qualified domestic relations order, and shall not be subject to execution, attachment, or similar process. In the event the Administrator in its sole discretion makes an Award transferable, only a Nonstatutory Stock Option or Share Purchase Right may be transferred provided such Award is transferred without payment of consideration to members of the Participant's immediate family (as such term is defined in Rule l6a-l(e) of the Exchange Act) or to trusts or partnerships established exclusively for the benefit of the Participant and the members of the Participant's immediate family, all as permitted by Applicable Law. Upon any attempt to pledge, assign, hypothecate, transfer, or otherwise dispose of any Award or of any right or privilege conferred by this Plan contrary to the provisions hereof, or upon the sale, levy or attachment or similar process upon the rights and privileges conferred by this Plan, such Award shall thereupon terminate and become null and void. Awards may be exercised (including the purchase of Restricted Shares thereunder in the event of a Share Purchase Right) during the lifetime of the Participant only by the Participant.

11. Rights as a Member. Subject to Applicable Law, until the Shares actually are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a member shall exist with respect to the Shares, notwithstanding the exercise of the Award. No adjustment shall be made for a dividend or other right for which the record date is prior to the date the Shares are issued, except as provided in Section 12 of the Plan.

12. Adjustment of Shares.

(a) Changes in Capitalization. Subject to any required action by the members of the Company, the class(es) and number and type of Shares that have been authorized for issuance under the Plan but as to which no Awards have yet been granted or that have been returned to the Plan upon cancellation or expiration of an Award, and the class(es), number, and type of Shares covered by each outstanding Award, as well as the price per Share covered by each outstanding Award, shall be proportionately adjusted for any increase, decrease, or change in the number or type of outstanding Shares or other securities of the Company or exchange of outstanding Shares or other securities of the Company into or for a different number or type of shares or other securities of the Company or successor entity, or for other property (including, without limitation, cash) or other change to the Shares resulting from a share split, reverse share split, share dividend, dividend in property other than cash, combination of shares, exchange of shares, combination, consolidation, recapitalization, reincorporation, reorganization, change in corporate structure, reclassification, or other distribution of the Shares effected without receipt of consideration by the Company; provided, however, that the conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." The adjustment contemplated in this Section 12(a) shall be made by the Board, whose determination shall be final, binding and conclusive. Except as expressly provided herein, no issuance by the Company of equity securities of the Company of any class, or securities convertible into equity securities of the Company of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number, type, or price of Shares subject to an Award. Where an adjustment under this Section 12(a) is made to an Incentive Stock Option, the adjustment shall be made in a manner that will not be considered a "modification" under the provisions of Section 424(h)(3) of the Code.

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, the Administrator shall notify each Participant as soon as practicable prior to the effective date of such proposed transaction. The Administrator in its discretion may provide for an Optionee to have the right to exercise his or her Option until fifteen (15) days prior to the proposed dissolution or liquidation as to all of the Optioned Shares covered thereby, including Shares as to which the Option would not otherwise be exercisable. In addition, the Administrator may provide that any Company repurchase or redemption option applicable to any Shares purchased upon exercise of an Option or Restricted Shares purchased under a Share Purchase Right shall lapse as to all such Shares, provided the proposed dissolution or liquidation takes place at the time and in the manner contemplated. To the extent it has not been previously exercised, an Award will terminate immediately prior to the consummation of such proposed action.

(c) Change in Control. In the event of a Change in Control, unless the Option Agreement or Restricted Share Purchase Agreement provides otherwise, each outstanding Option shall be assumed or an equivalent option shall be substituted by, and each right of the Company to repurchase or redeem Shares upon termination of a Purchaser's relationship as a Service Provider shall be assigned to, the successor corporation or a Parent or Subsidiary of the successor corporation. If, in the event of a Change in Control, the Option is not assumed or substituted, or the repurchase or redemption right is not assigned, in the case of an outstanding Option, the Option shall fully vest immediately and the Participant shall have the right to exercise the Option as to all of the Optioned Shares, including Shares as to which it would not otherwise be vested or exercisable, and, in the case of Restricted Shares, the Company's repurchase or redemption right shall lapse immediately and all of the Restricted Shares subject to the repurchase or redemption right shall become vested. If the Option becomes fully vested and exercisable, in lieu of assumption or substitution in the event of a Change in Control, the Administrator shall notify the Optionee in writing or electronically that the Option shall be fully exercisable for a period of fifteen (15) days from the date of such notice, and the Option shall terminate upon the expiration of such period. For purposes of this Section 12(c), an Option shall be considered assumed if, following the Change in Control, the Option confers the right to purchase or receive, for each Optioned Share immediately prior to the Change in Control, the consideration (whether shares, cash, or other securities or property) received in connection with the Change in Control by holders of Shares for each Share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if the consideration received in the Change in Control is not solely common stock or ordinary shares of the successor corporation or its Parent or Subsidiary, the Administrator may, with the consent of the successor corporation, provide for the consideration to be received upon the exercise of the Option, for each Optioned Share, to be solely common stock or ordinary shares of the successor corporation or its Parent or Subsidiary equal in Fair Market Value to the per Share consideration received by holders of Shares in the Change in Control.

(d) Reservation of Rights. Except as provided in this Section 12 and in the applicable Option Agreement or Restricted Share Purchase Agreement, a Participant shall have no rights by reason of (i) any subdivision or consolidation of Shares or other securities of any class, (ii) the payment of any dividend, or (iii) any other increase or decrease in the number of Shares or other securities of any class. Any issuance by the Company of equity securities of any class, or securities convertible into equity securities of any class, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number or Exercise Price of Optioned Shares. The grant of an Option or Share Purchase Right shall not affect in any way the right or power of the Company to make adjustments, reclassifications, reorganizations, or changes of its capital or business structure, to merge or consolidate or to dissolve, liquidate, sell, or transfer all or any part of its business or assets.

13. Date of Grant. The Date of Grant of an Award shall, for all purposes, be the date on which the Administrator makes the determination to grant the Award, or such other later date as is determined by the Administrator; provided, however, that the Date of Grant of an Incentive Stock Option shall be no earlier than the date on which the Service Provider becomes an Employee.

14. Securities Law Requirements.

(a) Legal Compliance. Notwithstanding any other provision of the Plan or any agreement entered into by the Company pursuant to the Plan, the Company shall not be obligated, and shall have no liability for failure to deliver any Shares under the Plan unless the issuance and delivery of Shares comply with (or are exempt from) all Applicable Law, including, without limitation, the Securities Act, U.S. state securities laws and regulations, and the regulations of any stock exchange or other securities market on which the Company's securities may then be traded, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

(b) Investment Representations. Shares delivered under the Plan shall be subject to transfer restrictions, and the person acquiring the Shares shall, as a condition to the exercise of an Option or the purchase of Restricted Shares if requested by the Company, provide such assurances and representations to the Company as the Company may deem necessary or desirable to assure compliance with Applicable Law, including, without limitation, the representation and warranty at the time of acquisition of the Shares that the Shares are being acquired only for investment purposes and without any present intention to sell, transfer, or distribute the Shares.

(c) Regulation S Transfer Restrictions. Any Shares issued pursuant to a Reg S Share Purchase Right or the exercise of a Reg S Option shall not be offered or sold to a U.S. Person or for the account or benefit of a U.S. Person prior to the first anniversary of the Acquisition Date. Any Shares issued pursuant to a Reg S Share Purchase Right or the exercise of a Reg S Option prior to the first anniversary of the Acquisition Date may be offered or sold only pursuant to the following conditions: (i) the purchaser of Shares issued pursuant to a Reg S Share Purchase Right or the exercise of a Reg S Option certifies that it is not a U.S. Person and is not acquiring the Shares for the account or benefit of any U.S. Person or is a U.S. Person who is purchasing the Shares in a transaction that does not require registration under the Securities Act; (ii) the purchaser of the Shares issued pursuant to a Reg S Share Purchase Right or the exercise of a Reg S Option agrees to resell such Shares only in accordance with the provisions of Regulation S promulgated under the Securities Act, pursuant to registration under the Securities Act, or pursuant to an available exemption from registration; and agrees not to engage in hedging transactions with regard to such Shares unless in compliance with the Securities Act; and (iii) the certificate evidencing the Shares shall contain restrictive legends to a similar effect as set forth in (ii). The restrictions described in this Section 14(c) shall be set forth in the applicable Restricted Share Purchase Agreement or Option Agreement and shall apply in addition to any restrictions that may apply to holders of Shares generally.

(d) Governing Law

The Plan and all grants and Awards and actions taken thereunder shall be governed by and construed in accordance with the internal substantive laws of the Cayman Islands.

15. Inability to Obtain Authority. The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

16. Approval by Members. The Plan shall be subject to approval by the members of the Company within twelve (12) months before or after the date the Plan is adopted by the Board. Such approval by members of the Company shall be obtained in the degree and manner required under Applicable Law. Awards may be granted but Options may not be exercised, and Restricted Shares may not be purchased prior to approval of the Plan by members of the Company.

17. Duration and Amendment.

(a) Term of Plan. Subject to approval by members of the Company in accordance with Section 16 hereof, the Plan shall become effective upon the earlier to occur of its adoption by the Board or its approval by the members of the Company as described in Section 16 hereof. In the event that the members of the Company fail to approve the Plan within 12 months prior to or after its adoption by the Board, any Awards that have been granted and any Shares that have been awarded or purchased under the Plan shall be rescinded, and no additional Awards shall be granted thereafter. Unless sooner terminated under Section 17(b) hereof, the Plan shall continue in effect for a term of ten (10) years from the later of (i) the effective date of the Plan, or (ii) the date of the most recent Board approval of an increase in the number of Shares reserved for issuance under the Plan.

(b) Amendment and Termination. The Board may at any time amend, alter, suspend, or terminate the Plan.

(c) Approval by Members. The Board shall obtain approval of the members of any Plan amendment to the extent necessary and desirable to comply with Applicable Law.

(d) Effect of Amendment or Termination. No amendment, alteration, suspension, or termination of the Plan 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, which agreement must be in writing and signed by the Participant and the Company. Termination of the Plan shall not affect the Administrator's ability to exercise the powers granted to it hereunder with respect to Awards granted under the Plan prior to the date of such termination. No Shares shall be issued or sold under the Plan after the termination thereof, except upon exercise of an Award granted prior to the termination of the Plan.

18. Legending Share Certificates. In order to enforce any restrictions imposed upon Shares issued upon the exercise of Options or the acquisition of Restricted Shares,

including, without limitations, the restrictions described in Sections 6(k) and 7(e) hereof, the Administrator may cause a legend or legends to be placed on any share certificates representing the Shares, which legend or legends shall make appropriate reference to the restrictions, including, without limitation, a restriction against sale of the Shares for any period as may be required by Applicable Law.

19. No Retention Rights. Neither the Plan nor any Award shall confer upon any Participant any right to continue his or her relationship as a Service Provider with the Company for any period of specific duration or interfere in any way with his or her right or the right of the Company (or any Parent or Subsidiary employing or retaining the Participant), which rights are hereby expressly reserved by each, to terminate this relationship at any time, with or without cause, and with or without notice.

20. No Trust or Fund Created. Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Parent or Subsidiary and a Participant or any other person. To the extent that any Participant acquires a right to receive payments from the Company or any Parent or Subsidiary pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Company, a Parent, or any Subsidiary.

21. No Rights to Awards. No Participant, eligible Service Provider, or other person shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment of a Service Provider, Participant, or holders or beneficiaries of Awards under the Plan. The terms and conditions of Awards need not be the same with respect to any Participant or with respect to different Participants.

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Exhibit 10.3

CHINA LODGING GROUP, LIMITED
AMENDED AND RESTATED 2009 SHARE INCENTIVE PLAN

Section 1 . *Purpose.*

The purpose of this China Lodging Group, Limited 2009 Share Incentive Plan is to enhance the ability of China Lodging Group, Limited to attract and retain exceptionally qualified individuals and to encourage them to acquire a proprietary interest in the growth and performance of the Company.

Section 2 . *Definitions.*

As used in this 2009 Plan, the following terms shall have the meanings set forth below:

(a) "**2009 Plan**" shall mean this China Lodging Group, Limited 2009 Share Incentive Plan, as amended from time to time.

(b) "**Affiliate**" shall mean (i) any entity that, directly or indirectly, is controlled by the Company and (ii) any entity in which the Company has a significant equity interest, in either case as determined by the Committee.

(c) "**Applicable Laws**" shall mean all laws, statutes, regulations, ordinances, rules or governmental requirements that are applicable to this 2009 Plan or any Award granted pursuant to this 2009 Plan, including but not limited to applicable laws of the People's Republic of China, the United States and the Cayman Islands, and the rules and requirements of any applicable securities exchange.

(d) "**Award**" shall mean any Option, award of Restricted Stock, Restricted Stock Unit or Other Stock-Based Award granted under this 2009 Plan.

(e) "**Award Agreement**" shall mean any written agreement, contract or other instrument or document evidencing any Award granted under this 2009 Plan, which may, but need not, be executed or acknowledged by a Participant.

(f) "**Board**" shall mean the board of directors of the Company.

(g) "**Cause**" shall mean, with respect to a Participant, the meaning defined in any employment agreement between the Participant and the Company then in effect or, if no such employment agreement is then in effect, "**Cause**" shall mean (i) the employee's willful and continued failure substantially to perform his or her duties to the Company (other than as a result of total or partial incapacity due to physical or mental illness), (ii) dishonesty in the performance of the employee's duties to the Company, (iii) the employee's indictment for a felony

under the laws of the jurisdiction in which the participant is employed (or, if there is no such concept as "indictment" in the applicable jurisdiction, such analogous procedural event following the employee's arrest and prior to any conviction) or (iv) any other act or omission on the part of the employee which is materially injurious to the financial condition or business reputation of the Company or any of its Affiliates.

(h) "**Change of Control**" shall mean the first to occur of:

(i) an individual, corporation, partnership, group, associate or other entity or "person", as such term is defined in Section 14(d) of the Securities Exchange Act of 1934 (the "**Exchange Act**"), other than the Company or any employee benefit plan(s) sponsored by the Company, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of 30% or more of the combined voting power of the Company's outstanding securities ordinarily having the right to vote at elections of directors;

(ii) individuals who constitute the Board of Directors of the Company on the effective date of this 2009 Plan (the "**Incumbent Board**") cease for any reason to constitute at least a majority thereof; *provided* that any Approved Director, as hereinafter defined, shall be, for purposes of this subsection (ii), considered as though such person were a member of the Incumbent Board. An "**Approved Director**", for purposes of this subsection (ii), shall mean any person becoming a director subsequent to the effective date of this 2009 Plan whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least three-quarters of the directors comprising the Incumbent Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee of the Company for director), but shall not include any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of an individual, corporation, partnership, group, associate or other entity or "person" other than the Board;

(iii) the consummation of a plan or agreement providing (A) for a merger or consolidation of the Company other than with a wholly-owned subsidiary and other than a merger or consolidation that would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than

65% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or (B) for a sale, exchange or other disposition of all or substantially all of the assets of the Company; or

(iv) in addition to the events described in subsections (i), (ii) and (iii), it shall be a "Change of Control" for purposes hereof for any Participant principally employed in the business of a Designated Business Unit, as hereinafter defined, if an event described in subsections (i), (ii) or (iii) shall occur, except that for purposes of this subsection (iv), references in such subsections to the "Company" shall be deemed to refer to the Designated Business Unit in the business of which the Participant is principally employed. A Change of Control described in this subsection (iv) shall apply only to a Participant employed principally by the affected Designated Business Unit. For purposes of this subsection (iv), "**Designated Business Unit**" shall mean specified subsidiaries and any other business unit identified as a Designated Business Unit by the Committee from time to time.

(i) "**Code**" shall mean the United States Internal Revenue Code of 1986, as amended from time to time.

(j) "**Committee**" shall mean a committee of the Board designated by the Board to administer this 2009 Plan. Unless otherwise determined by the Board, the Compensation Committee designated by the Board shall be the Committee under this 2009 Plan. In the absence of any Compensation Committee or any other related designation by the Board, the Board shall assume all of the powers and responsibilities under this 2009 Plan.

(k) "**Company**" shall mean China Lodging Group, Limited, together with any successor thereto.

(l) "**Consultant**" means any individual, including an advisor, who is engaged by the Company or an Affiliate to render services and is compensated for such services, and any director of the Company or an Affiliate whether or not compensated for such services.

(m) "**Employee**" means any individual employed by the Company or an Affiliate.

(n) "**Fair Market Value**" shall mean, with respect to any property (including, without limitation, any Shares or other securities) the fair market value of such property determined by such methods or procedures as shall be established from time to time by the Committee.

(o) "**Option**" shall mean an option granted under Section 6 hereof.

(p) "**Other Stock-Based Award**" shall mean any right granted under Section 9 hereof.

(q) "**Participant**" shall mean an individual granted an Award under this 2009 Plan.

(r) "**Qualified Exchange**" shall mean the New York Stock Exchange, the NASDAQ Global Market, the Hong Kong Stock Exchange, the London Stock Exchange, and the Singapore Stock Exchange.

(s) "**Restricted Stock**" shall mean any Share granted under Section 7 hereof.

(t) "**Restricted Stock Unit**" shall mean a contractual right granted under Section 7 hereof that is denominated in Shares, each of which represents a right to receive the value of a Share (or a percentage of such value, which percentage may be higher than 100%) upon the terms and conditions set forth in this 2009 Plan and the applicable Award Agreement.

(u) "**Shares**" shall mean ordinary shares of the Company, $0.0001 par value.

(v) "**Substitute Awards**" shall mean Awards granted in assumption of, or in substitution for, outstanding awards previously granted by, or held by the employees of, a company or other entity or business acquired (directly or indirectly) by the Company or with which the Company combines.

Section 3 . *Eligibility.*

(a) Employees and Consultants are eligible to participate in this 2009 Plan. An Employee or Consultant who has been granted an Award may, if he or she is otherwise eligible, be granted additional Awards.

(b) An individual who has agreed to accept employment by, or to provide services to, the Company or an Affiliate shall be deemed to be eligible for Awards hereunder as of the date of such agreement.

Section 4 . *Administration.*

(a) The 2009 Plan shall be administered by the Committee, which may delegate its duties and powers in whole or in part to any subcommittee thereof. The Board may designate one or more directors as alternate members of the Committee who may replace any absent or disqualified member at any meeting

of the Committee. The Committee may issue rules and regulations for administration of this 2009 Plan. It shall meet at such times and places as it may determine. A majority of the members of the Committee or the subcommittee described in this Section 4(a) shall constitute a quorum.

(b) Subject to the terms of this 2009 Plan and Applicable Law, the Committee shall have full power and authority to: (i) determine eligibility and designate Participants; (ii) determine the type or types of Awards (including Substitute Awards) to be granted to each Participant under this 2009 Plan; (iii) determine the number of Shares to be covered by (or with respect to which payments, rights, or other matters are to be calculated in connection with) Awards; (iv) determine the terms and conditions of any Award; (v) determine whether, to what extent, and under what circumstances Awards may be settled or exercised in cash, Shares, other securities, other Awards, or other property, or canceled, forfeited or suspended, and the method or methods by which Awards may be settled, exercised, canceled, forfeited or suspended; (vi) determine whether, to what extent, and under what circumstances cash, Shares, other securities, other Awards, other property, and other amounts payable with respect to an Award under this 2009 Plan shall be deferred either automatically or at the election of the holder thereof or of the Committee; (vii) interpret and administer this 2009 Plan and any instrument or agreement relating to, or Award made under, this 2009 Plan; (viii) establish, amend, suspend or waive such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of this 2009 Plan; (ix) determine whether and to what extent Awards should comply or continue to comply with any requirement of statute or regulation; and (x) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of this 2009 Plan.

(c) All decisions of the Committee shall be final, conclusive and binding upon all persons, including the Company, the stockholders of the Company and the Participants.

Section 5 . *Shares Available for Awards.*

(a) Subject to adjustment as provided below, the maximum aggregate number of Shares that may be issued pursuant to all Awards shall not exceed 3,000,000.

(b) If, after the effective date of this 2009 Plan, any Shares covered by an Award, or to which such an Award relates, are forfeited, cancelled or if such an Award otherwise terminates without the delivery of Shares or of other consideration, then the Shares covered by such Award, or to which such Award relates, to the extent of any such forfeiture or termination, shall again be, or shall become, available for issuance under this 2009 Plan.

(c) In the event that any Option or other Award granted hereunder (other than a Substitute Award) is exercised through the delivery of Shares, or in the event that withholding tax liabilities arising from such Option or Award are satisfied by the withholding of Shares by the Company, the number of Shares available for Awards under this 2009 Plan shall be increased by the number of Shares so surrendered or withheld.

(d) Any Shares delivered pursuant to an Award may consist, in whole or in part, of authorized and unissued Shares or of treasury Shares.

(e) In the event that the Committee shall determine that any dividend or other distribution (whether in the form of cash, Shares, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of Shares or other securities of the Company, issuance of warrants or other rights to purchase Shares or other securities of the Company, or other similar corporate transaction or event affects the Shares such that an adjustment is determined by the Committee to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under this 2009 Plan, then the Committee shall, in such manner as it may deem equitable, adjust any or all of (i) the number and type of Shares (or other securities or property) which thereafter may be made the subject of Awards, including the aggregate and individual limits specified in Section 5(a) hereof, (ii) the number and type of Shares (or other securities or property) subject to outstanding Awards, and (iii) the grant, purchase, or exercise price with respect to any Award or, if deemed appropriate, make provision for a cash payment to the holder of an outstanding Award; *provided, however*, that the number of Shares subject to any Award denominated in Shares shall always be a whole number.

(f) Shares underlying Substitute Awards shall not reduce the number of Shares remaining available for issuance under this 2009 Plan.

Section 6 . *Options*.

The Committee is hereby authorized to grant Options to Participants with the following terms and conditions and with such additional terms and conditions, in either case not inconsistent with the provisions of this 2009 Plan, as the Committee shall determine:

(a) The purchase price per Share under an Option shall be determined by the Committee and set forth in the Award Agreement.

(b) The term of each Option shall be fixed by the Committee; *provided, however*, that the term shall be no more than ten years from the date of grant thereof.

(c) The Committee shall determine the time or times at which an Option may be exercised in whole or in part, and the method or methods by which, and the form or forms, including, without limitation, cash, Shares, other Awards, or other property, or any combination thereof, having a Fair Market Value on the exercise date equal to the relevant exercise price, in which, payment of the exercise price with respect thereto may be made or deemed to have been made.

Section 7 . *Restricted Stock and Restricted Stock Units.*

(a) The Committee is hereby authorized to grant Awards of Restricted Stock and Restricted Stock Units to Participants.

(b) Shares of Restricted Stock and Restricted Stock Units shall be subject to such restrictions as the Committee may impose (including, without limitation, any limitation on the right to vote a Share of Restricted Stock or the right to receive any dividend or other right or property), which restrictions may lapse separately or in combination at such time or times, in such installments or otherwise, as the Committee may deem appropriate.

(c) Any share of Restricted Stock granted under this 2009 Plan may be evidenced in such manner as the Committee may deem appropriate including, without limitation, book-entry registration or issuance of a stock certificate or certificates. In the event any stock certificate is issued in respect of shares of Restricted Stock granted under this 2009 Plan, such certificate shall be registered in the name of the Participant and shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Stock.

Section 8 . *Other Stock-Based Awards.*

The Committee is hereby authorized to grant to Participants such other Awards (including, without limitation, stock appreciation rights and rights to dividends and dividend equivalents) that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, Shares (including, without limitation, securities convertible into Shares) as are deemed by the Committee to be consistent with the purposes of this 2009 Plan. Subject to the terms of this 2009 Plan, the Committee shall determine the terms and conditions of such Awards. Shares or other securities delivered pursuant to a purchase right granted under this Section 8 shall be purchased for such consideration, which may be paid by such method or methods and in such form or forms, including, without limitation, cash, Shares, other securities, other Awards,

or other property, or any combination thereof, as the Committee shall determine, the value of which consideration, as established by the Committee, shall, except in the case of Substitute Awards, not be less than the Fair Market Value of such Shares or other securities as of the date such purchase right is granted.

Section 9 . *General Provisions Applicable to Awards.*

(a) All Awards shall be evidenced by an Award Agreement between the Company and the Participant.

(b) Awards shall be granted for no cash consideration or for such minimal cash consideration as may be required by Applicable Laws.

(c) Awards may, in the discretion of the Committee, be granted either alone or in addition to or in tandem with any other Award or any award granted under any other plan of the Company. Awards granted in addition to or in tandem with other Awards, or in addition to or in tandem with awards granted under any other plan of the Company, may be granted either at the same time as or at a different time from the grant of such other Awards or awards.

(d) Subject to the terms of this 2009 Plan, payments or transfers to be made by the Company upon the grant, exercise or payment of an Award may be made in such form or forms as the Committee shall determine including, without limitation, cash, Shares, other securities, other Awards, or other property, or any combination thereof, and may be made in a single payment or transfer, in installments, or on a deferred basis, in each case in accordance with rules and procedures established by the Committee. Such rules and procedures may include, without limitation, provisions for the payment or crediting of reasonable interest on installment or deferred payments or the grant or crediting of dividend equivalents in respect of installment or deferred payments.

(e) Unless the Committee shall otherwise determine, no Award and no right under any such Award, shall be assignable, alienable, saleable or transferable by a Participant otherwise than by will or by the laws of descent and distribution; *provided, however*, that, if so determined by the Committee, a Participant may, in the manner established by the Committee, designate a beneficiary or beneficiaries to exercise the rights of the Participant, and to receive any property distributable, with respect to any Award upon the death of the Participant. Each Award, and each right under any Award, shall be exercisable during the Participant's lifetime only by the Participant or, if permissible under Applicable Law, by the Participant's guardian or legal representative. No Award and no right under any such Award, may be pledged, alienated, attached, or otherwise encumbered, and any purported pledge, alienation, attachment or encumbrance thereof shall be void and unenforceable against the Company. The

provisions of this paragraph shall not apply to any Award which has been fully exercised, earned or paid, as the case may be, and shall not preclude forfeiture of an Award in accordance with the terms thereof.

(f) All certificates for Shares or other securities delivered under this 2009 Plan pursuant to any Award or the exercise thereof shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under this 2009 Plan or the rules, regulations, and other requirements of the United States Securities and Exchange Commission, any stock exchange upon which such Shares or other securities are then listed, and any Applicable Laws, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

(g) Unless specifically provided to the contrary in any Award Agreement, upon a Change in Control, all Awards shall become fully vested and exercisable, and any restrictions applicable to any Award shall automatically lapse.

Section 10 . *Amendment and Termination.*

(a) Except to the extent prohibited by Applicable Laws and unless otherwise expressly provided in an Award Agreement or in this 2009 Plan, the Board may amend, alter, suspend, discontinue or terminate this 2009 Plan or any portion thereof at any time; *provided, however*, that no such amendment, alteration, suspension, discontinuation or termination shall be made without (i) shareholder approval if such approval is necessary to comply with any tax or regulatory requirement for which or with which the Board deems it necessary or desirable to qualify or comply, (ii) shareholder approval for any amendment to this 2009 Plan that increases the total number of Shares reserved for the purposes of this 2009 Plan or changes the maximum number of Shares for which Awards may be granted to any Participant, or (iii) the consent of the affected Participant, if such action would adversely affect the rights of such Participant under any outstanding Award.

(b) The Committee may waive any conditions or rights under, amend any terms of, or amend, alter, suspend, discontinue or terminate, any Award theretofore granted, prospectively or retroactively, without the consent of any relevant Participant or holder or beneficiary of an Award; *provided, however*, that no such action shall adversely affect the rights of any affected Participant or holder or beneficiary under any Award theretofore granted under this 2009 Plan; and *provided further* that, except as provided in Section 5(e) hereof, no such action shall reduce the exercise price of any Option established at the time of grant thereof.

(c) The Committee shall be authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events (including, without limitation, the events described in Section 5(e) hereof affecting the Company, or the financial statements of the Company, or of changes in Applicable Laws or accounting principles); whenever the Committee determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under this 2009 Plan.

(d) Any provision of this 2009 Plan or any Award Agreement to the contrary notwithstanding, the Committee may cause any Award granted hereunder to be canceled in consideration of a cash payment or alternative Award made to the holder of such canceled Award equal in value to the Fair Market Value of such canceled Award.

(e) The Committee may correct any defect, supply any omission, or reconcile any inconsistency in this 2009 Plan or any Award in the manner and to the extent it shall deem desirable to carry this 2009 Plan into effect.

Section 11 . *Miscellaneous.*

(a) No employee, independent contractor, Participant or other person shall have any claim to be granted any Award under this 2009 Plan, and there is no obligation for uniformity of treatment of employees, independent contractors, Participants, or holders or beneficiaries of Awards under this 2009 Plan. The terms and conditions of Awards need not be the same with respect to each recipient.

(b) The Committee may delegate to one or more officers or managers of the Company, or a committee of such officers or managers, its authority under this 2009 Plan; *provided, however*, that any delegation to management shall conform with the requirements of the laws of the Cayman Islands, as in effect from time to time.

(c) No Shares shall be delivered under this 2009 Plan to any Participant until such Participant has made arrangements acceptable to the Committee for the satisfaction of any income and employment tax withholding obligations under all Applicable Laws. The Company shall be authorized to withhold from any Award granted or any payment due or transfer made under any Award or under this 2009 Plan or from any compensation or other amount owing to a Participant the amount (in cash, Shares, other securities, other Awards, or other property) of withholding taxes due in respect of an Award, its exercise, or any payment or transfer under such Award or under this 2009 Plan and to take such other action (including, without limitation, providing for elective payment of such amounts in cash,

Shares, other securities, other Awards or other property by the Participant) as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes.

(d) Except as otherwise expressly authorized by the Committee, a Participant shall not be entitled to any privilege of share ownership as to any Shares not actually delivered to and held of record by the Participant.

(e) Nothing contained in this 2009 Plan shall prevent the Company from adopting or continuing in effect other or additional compensation arrangements, and such arrangements may be either generally applicable or applicable only in specific cases.

(f) The grant of an Award shall not be construed as giving a Participant the right to be retained in the employ or service of the Company or any Affiliate. Further, the Company or the applicable Affiliate may at any time dismiss a Participant from employment or terminate the services of an independent contractor, free from any liability, or any claim under this 2009 Plan, unless otherwise expressly provided in this 2009 Plan or in any Award Agreement or in any other agreement binding the parties.

(g) If any provision of this 2009 Plan or any Award is or becomes or is deemed to be invalid, illegal, or unenforceable in any jurisdiction, or as to any person or Award, or would disqualify this 2009 Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to Applicable Laws, or if it cannot be so construed or deemed amended without, in the determination of the Committee, materially altering the intent of this 2009 Plan or the Award, such provision shall be stricken as to such jurisdiction, person or Award, and the remainder of this 2009 Plan and any such Award shall remain in full force and effect.

(h) Awards payable under this 2009 Plan shall be payable in Shares or from the general assets of the Company, and no special or separate reserve, fund or deposit shall be made to assure payment of such awards. No Participant, beneficiary or other person shall have any right, title or interest in any fund or in any specific asset (including Shares, except as expressly otherwise provided) of the Company or one of its Subsidiaries by reason of any award hereunder.

(i) Neither this 2009 Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company and a Participant or any other person. To the extent that any person acquires a right to receive payments from the Company pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Company.

(j) No fractional Shares shall be issued or delivered pursuant to this 2009 Plan or any Award, and the Committee shall determine whether cash, other securities or other property shall be paid or transferred in lieu of any fractional Shares, or whether such fractional Shares or any rights thereto shall be canceled, terminated or otherwise eliminated.

(k) In order to assure the viability of Awards granted to Participants employed in various jurisdictions, the Committee may, in its sole discretion, provide for such special terms as it may consider necessary or appropriate to accommodate differences in local law, tax policy, or custom applicable in the jurisdiction in which the Participant resides or is employed. Moreover, the Committee may approve such supplements to, amendments, restatements or alternative versions of this 2009 Plan as it may consider necessary or appropriate for such purposes without thereby affecting the terms of this 2009 Plan as in effect for any other purpose; *provided, however*, that no such supplements, restatements or alternative versions shall increase the share limitations contained in Section 5 hereof. Notwithstanding the foregoing, the Committee may not take any actions hereunder, and no Awards shall be granted, that would violate any Applicable Laws.

(l) The 2009 Plan and all Award Agreements shall be governed by and construed in accordance with the laws of the Cayman Islands.

Section 12 . *Effective Date of 2009 Plan.*

The 2009 Plan shall be effective as of the date of its approval by the stockholders of the Company.

Section 13 . *Term of this 2009 Plan.*

No Award shall be granted under this 2009 Plan after the tenth anniversary of the effective date as determined in Section 12 hereof. However, unless otherwise expressly provided in this 2009 Plan or in an applicable Award Agreement, any Award theretofore granted may extend beyond such date, and the authority of the Committee to amend, alter, adjust, suspend, discontinue, or terminate any such Award, or to waive any conditions or rights under any such Award, and the authority of the Board to amend this 2009 Plan, shall extend beyond such date.

Exhibit 10.4

CHINA LODGING GROUP, LIMITED

FORM OF INDEMNIFICATION AGREEMENT

This Indemnification Agreement ("Agreement") is made as of by and between China Lodging Group, Limited, a Cayman Islands company (the "Company"), and _____("Indemnitee").

WHEREAS, the Company wishes to attract and retain the services of Indemnitee, to serve as a member of the board of directors ("Director") or as an officer ("Officer") of the Company; and

WHEREAS, the Company recognizes Indemnitee's need for protection against personal liability for actions taken, or not taken, in good faith by Indemnitee in his or her capacity as a Director or Officer, as applicable, and in order to assure Indemnitee's continued service to the Company, the Company wishes to provide in this Agreement for the indemnification of and the advancing of expenses to Indemnitee;

NOW, THEREFORE, the parties hereto hereby agree as follows:

1. Indemnification. Subject to the operation of Section 2, Indemnitee will be indemnified and held harmless by the Company to the fullest extent authorized by the Companies Law of the Cayman Islands (the "Companies Law"), as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Company to provide broader indemnification rights than such law permitted the Company to provide prior to such amendment) against any and all Expenses (as defined below), judgments, penalties, fines and amounts paid in settlement, in each case to the extent actually incurred by Indemnitee or on Indemnitee's behalf in connection with any threatened, pending or completed Proceeding (as defined below) or any claim, issue or matter therein, which Indemnitee is, or is threatened to be made, a party to or participant in by reason of such Indemnitee's status as a Director or Officer of the Company, as the case may be, if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Company and, with respect to any criminal Proceeding, had no reasonable cause to believe his or her conduct was unlawful. The rights of indemnification provided by this Section 1 will exist as to Indemnitee after he or she has ceased to be a Director or Officer, as the case may be, and will inure to the benefit of his or her heirs, executors, administrators and personal representatives. Notwithstanding the foregoing, the Company will indemnify Indemnitee seeking indemnification in connection with a Proceeding initiated by Indemnitee only if such Proceeding was authorized by the Board of Directors of the Company. The Company hereby agrees to indemnify such Indemnitee's heirs, executors, administrators and personal representatives as express third-party beneficiaries hereunder to the same extent and subject to the same limitations applicable to Indemnitee hereunder for claims arising out of the status of such persons as heirs, executors, administrators and personal representatives of an Indemnitee.

2. Good Faith. No indemnification will be provided pursuant to this Agreement if a determination is made by a court of appropriate jurisdiction that Indemnitee did not act in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Company and, with respect to any criminal Proceeding, that Indemnitee had reasonable cause to believe his or her conduct was unlawful.

3. Notice/Cooperation by Indemnitee. Indemnitee will, as a condition precedent to his or her right to be indemnified pursuant to this Agreement, give the Company notice in writing as soon as practicable of any claim made against Indemnitee for which indemnification will or could be sought under this Agreement. Such notice will contain the written affirmation of Indemnitee that the standard of conduct necessary for indemnification hereunder has been satisfied. Notice to the Company will be directed to the Chief Executive Officer or Chairman of the Board of the

Company in the manner set forth below. Indemnitee will give the Company such information and cooperation as it may reasonably require and as is within Indemnitee's power. A delay in giving notice under this Section 3 will not invalidate Indemnitee's right to be indemnified under this Agreement except to the extent such delay prejudices the defense of the claim or the availability to the Company of insurance coverage for such claim. All notices, requests, demands and other communications under this Agreement will be in writing and may be given by email, facsimile or similar writing and express mail or courier delivery or in person delivery, but not by ordinary mail delivery. All such notices, requests and other communications will be deemed received: (i) if given by email or fax, when transmitted to the email address or fax number specified on the signature page of this Agreement, upon receipt; (ii) if given by express mail, air courier or in person, when delivered.

4. Advancement of Expenses to Indemnitee Prior to Final Disposition. The Company will advance all Expenses incurred by or on behalf of Indemnitee in connection with any Proceeding in which Indemnitee is involved by reason of Indemnitee's status as a Director or Officer of the Company, as the case may be, within 10 days after the receipt by the Company of a written statement from Indemnitee requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements will reasonably evidence the Expenses incurred by Indemnitee and will be preceded or accompanied by an undertaking by or on behalf of Indemnitee to repay any Expenses so advanced if it is ultimately be determined that such Indemnitee is not entitled to be indemnified against such Expenses. Indemnitee's obligation to reimburse the Company for any Expenses will be unsecured and will be accepted by the Company without reference to Indemnitee's ability to repay Expenses.

5. Nature of Rights. The failure of the Company (including its Board of Directors or any committee or subgroup thereof, independent legal counsel, or shareholders) to make a determination concerning the permissibility of such indemnification or advancement of Expenses for Indemnitee will not be a defense to the action and will not create a presumption that such indemnification or advancement is not permissible. It is the parties' intention that if the Company contests Indemnitee's right to indemnification, the question of Indemnitee's right to indemnification will be for the court of appropriate jurisdiction to decide, and neither the failure of the Company (including its Board of Directors, any committee or subgroup of the Board of Directors, independent legal counsel, or its shareholders) to have made a determination that indemnification of Indemnitee is proper in the circumstances because Indemnitee has met the applicable standard of conduct required by applicable law, nor an actual determination by the Company (including its Board of Directors, any committee or subgroup of the Board of Directors, independent legal counsel, or its shareholders) that the Indemnitee has not met such applicable standard of conduct will create a presumption that Indemnitee has or has not met the applicable standard of conduct. Accordingly, if Indemnitee has commenced or thereafter commences legal proceedings in a court of competent jurisdiction to secure a determination that Indemnitee is entitled to be indemnified hereunder under applicable law, then (x) Indemnitee will not be required to reimburse the Company for any Expenses theretofore paid in indemnifying Indemnitee and (y) Indemnitee will be entitled to receive interim payments of Expenses pursuant to Section 4, in each case until a determination is made by such court in respect of Indemnitee's claim for indemnification.

6. Non-Exclusivity of Rights. The rights to indemnification and advancement of Expenses set forth in this Agreement will not be exclusive of any other right that Indemnitee may have or may hereafter acquire under any statute, provision of the Amended and Restated Articles of Association or Memorandum of Association of the Company, vote of shareholders or Directors of the Company or otherwise.

7. Partial and Mandatory Indemnification.

(a) If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of the Expenses, judgments, fines or penalties actually or reasonably incurred by him or her in the investigation, defense, appeal or settlement of any Proceeding, but not, however, for the total amount thereof, the Company will nevertheless

indemnify Indemnitee for the portion of such Expenses, judgments, fines or penalties to which Indemnitee is entitled. Attorneys' fees and expenses will not be prorated but will be deemed to apply to the portion of indemnification to which Indemnitee is entitled.

(b) Notwithstanding any other provision of this Agreement, but subject to Section 8, to the extent that Indemnitee has been successful on the merits or otherwise, including, without limitation, the dismissal of an action without prejudice, in defense of any Proceeding, Indemnitee will be indemnified against all Expenses incurred by Indemnitee in connection therewith.

8. Mutual Acknowledgment. By accepting any potential benefits under this Agreement, Indemnitee acknowledges that in certain instances, applicable law or public policy may prohibit the Company from indemnifying Indemnitee pursuant to this Agreement or otherwise.

9. Insurance. The Company may maintain insurance, at its expense, to protect itself and Indemnitee against any liability of any character asserted against or incurred by the Company or Indemnitee, or arising out of Indemnitee's status as a Director or Officer of the Company, as the case may be, whether or not the Company would have the power to indemnify Indemnitee against such liability under the Companies Law or the provisions of this Agreement. To the extent the Company maintains liability insurance applicable to directors, officers, managers, employees, agents or fiduciaries, Indemnitee will be covered by such policies in such a manner as to provide Indemnitee the same rights and benefits as are provided to the most favorably insured of the Company's directors, officers, managers, employees, agents or fiduciaries.

10. Settlements. The Company will not be liable to Indemnitee under this Agreement for any amounts paid in settlement of any threatened or pending Proceeding effected without the Company's prior written consent. The Company will not, without the prior written consent of the Indemnitee, effect any settlement of any threatened or pending Proceeding which Indemnitee is or could have been a party unless such settlement solely involves the payment of money and includes a complete and unconditional release of the Indemnitee from all liability on any claims that are the subject matter of such Proceeding. Neither the Company nor Indemnitee will unreasonably withhold its consent to any proposed settlement; provided that Indemnitee may withhold consent to any settlement that does not provide a complete and unconditional release of Indemnitee.

11. Definitions. For purposes of this Agreement, the following terms will have the following meanings:

(a) "Expenses" means all reasonable attorneys' fees, retainers, court costs, transcript costs, fees of expert witnesses, private investigators and professional advisors (including, without limitation, accountants and investment bankers), travel expenses, duplicating costs, printing and binding costs, costs of preparation of demonstrative evidence and other courtroom presentation aids and devices, costs incurred in connection with document review, organization, imaging and computerization, telephone charges, postage, delivery service fees, and all other disbursements, costs or expenses of the type customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, being or preparing to be a witness in, settling or otherwise participating in, a Proceeding.

(b) "Proceeding" means any threatened, pending or completed action, suit, arbitration, alternate dispute resolution mechanism, inquiry, investigation, administrative hearing or other proceeding, whether civil, criminal, administrative, arbitrative or investigative.

12. Counterparts. This Agreement may be executed in one or more counterparts, each of which will constitute an original and all of which together will constitute a single agreement.

13. Successors and Assigns. This Agreement will be binding upon the Company and its respective successors and assigns, including any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger to which the Company (or any of its wholly owned subsidiaries) is a party which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, employees, agents or fiduciaries, so that if Indemnitee is or was a director, officer, employee, agent or fiduciary of such constituent

corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee, agent or fiduciary of another corporation, partnership, joint venture, employee benefit plan, trust or other enterprise, Indemnitee will stand in the same position under the provisions of this Agreement with respect to the resulting or surviving corporation as Indemnitee would have with respect to such constituent corporation if its separate existence had continued.

14. Attorneys' Fees. In the event that any action is instituted by Indemnitee under this Agreement to enforce or interpret any of the terms hereof, Indemnitee will be entitled to be paid all court costs and expenses, including reasonable attorneys' fees, incurred by Indemnitee with respect to such action, unless as a part of such action, the court of competent jurisdiction determines that each of the material assertions made by Indemnitee as a basis for such action were not made in good faith or were frivolous. In the event of an action instituted by or in the name of the Company under this Agreement or to enforce or interpret any of the terms of this Agreement, Indemnitee will be entitled to be paid all court costs and expenses, including reasonable attorneys' fees, incurred by Indemnitee in defense of such action (including with respect to Indemnitee's counterclaims and cross-claims made in such action), unless as a part of such action the court determines that each of Indemnitee's material defenses to such action were made in bad faith or were frivolous.

15. Choice of Law. This Agreement will be governed by and its provisions construed in accordance with the laws of the State of New York, without application of the conflict of law principles thereof.

16. Consent to Jurisdiction.

(a) Each party hereby irrevocably and unconditionally submits, for itself and its property, to the exclusive jurisdiction of the New York state courts located in the Borough of Manhattan, City of New York or the United States District for the Southern District of New York (as applicable, a "New York Court"), and any appellate court from any such court, in any suit, action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment resulting from any such suit, action or proceeding, and each party hereby irrevocably and unconditionally agrees that all claims in respect of any such suit, action or proceeding may be heard and determined in a New York Court.

(b) It will be a condition precedent to a party's right to bring any such suit, action or proceeding that such suit, action or proceeding, in the first instance, be brought in a New York Court (unless such suit, action or proceeding is brought solely to obtain discovery or to enforce a judgment), and if each such court refuses to accept jurisdiction with respect thereto, such suit, action or proceeding may be brought in any other court with jurisdiction.

(c) No party may move to (i) transfer any such suit, action or proceeding from a New York Court to another jurisdiction, (ii) consolidate any such suit, action or proceeding brought in a New York Court with a suit, action or proceeding in another jurisdiction unless such motion seeks solely and exclusively to consolidate such suit, action or proceeding in a New York Court, or (iii) dismiss any such suit, action or proceeding brought in a New York Court for the purpose of bringing or defending the same in another jurisdiction.

(d) Each party hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, (i) any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in a New York Court, (ii) the defense of an inconvenient forum to the maintenance of such suit, action or proceeding in a New York Court, and (iii) the right to object, with respect to such suit, action or proceeding, that such court does not have jurisdiction over such person. Each party irrevocably consents to service of process in any manner permitted by law.

17. Severability. The provisions of this Agreement will be severable in the event that any of the provisions hereof (including any provision within a single section, paragraph or sentence) are held by a court of competent jurisdiction to be invalid, void or otherwise unenforceable, and the remaining provisions will remain enforceable to the fullest extent permitted by law. Furthermore,

to the fullest extent possible, the provisions of the Agreement (including without limitation each portion of this Agreement containing any provision held to be invalid, void or otherwise unenforceable, that is not itself invalid, void or unenforceable) will be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

18. Subrogation. In the event of payment under this Agreement, the Company will be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who will execute all documents required and will do all acts that may be reasonably necessary to secure such rights and to enable the Company effectively to bring suit to enforce such rights.

19. Amendment and Termination. No amendment, waiver or termination of this Agreement will be effective unless it is in writing signed by both the parties hereto. No waiver of any of the provisions of this Agreement will be deemed to be or will constitute a waiver of any other provisions hereof (whether or not similar), nor will such waiver constitute a continuing waiver.

20. Integration and Entire Agreement. This Agreement sets forth the entire understanding between the parties hereto and supersedes and merges all previous written and oral negotiations, commitments, understandings and agreements relating to the subject matter hereof between the parties hereto.

21. No Construction as Employment Agreement. Nothing contained in this Agreement will be construed as giving Indemnitee any right to be retained in the employ of the Company or any of its subsidiaries or affiliated entities.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

CHINA LODGING GROUP, LIMITED

By: _____
Name:
Title:

Address:
5th Floor, Block 57, No. 461 Hongcao Road
Xuhui District
Shanghai 200233
People's Republic of China
Email:
Fax:

INDEMNITEE

[NAME]

Signature: _____

Title:

Address:

_____

_____

_____

Email:

Fax:

[Signature Page to Indemnification Agreement]

Exhibit 10.5

FORM OF EMPLOYMENT AGREEMENT

Between

China Lodging Group, Limited

And

an Executive Officer

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (the "Agreement") is signed on _____ in Shanghai, the People's Republic of China ("China"), between China Lodging Group, Limited, a limited liability company organized and existing under the laws of the Cayman Islands (the "Company"), and _____, an individual residing at _____ (the "Employee").

IN CONSIDERATION OF the mutual covenants herein contained, and other good and valuable consideration, the parties hereto agree as follows:

1. Employment

The Company hereby agrees to employ the Employee and the Employee hereby agrees to serve as an employee of the Company and one or more of its subsidiaries in such capacities and upon such conditions as are hereinafter set forth.

2. Employment Period

(a) Period of Employment. The Employee's employment shall commence on _____ (the "Start Date"), and shall continue for a period of four (4) years from the Start Date (the "Employment Period"), unless this Agreement is earlier terminated in accordance with its terms.

(b) Extension or Renewal. The Employment Period may be renewed or extended for an additional period upon expiration of the initial Employment Period by written agreement between the parties. Negotiation to renew or extend the Employment Period shall be held at least sixty (60) days prior to expiration of the initial Employment Period.

3. Responsibilities

(a) Appointment. The Employee shall serve as _____ of the Company and shall devote his full time, attention and best efforts to the business affairs of the Company and its subsidiaries. Unless the Board of Directors determines otherwise, during the Employment Period, the Employee also agrees to serve as _____ of the Company's wholly owned subsidiaries in China ("WFOEs") listed in Schedule A.

(b) Duties. The _____'s responsibilities shall initially include (which responsibilities may be amended by the Board of Directors from time to time if the Board of Directors determines in good faith such amendment is in the best interests of the Company):

(c) Board Supervision. The Employee shall be subject to the oversight and direction of Board of Directors, which shall retain full power and authority for overseeing the management of the business affairs of the Company.

4. Place of Employment; Devotion of Time to Business

(a) Place of Employment. The Employee's place of employment shall be in China. While discharging his/her duties and responsibilities hereunder, the Employee may be required to travel from time to time outside of China and, as a result, be temporarily absent from his/her place of employment.

(b) Devotion of Time to Business. The Employee is employed on a full-time basis, to work generally for eight (8) hours per working day. The Company may adjust the Employee's working hours at any time due to its business requirements provided that such adjustment is in compliance with any applicable laws and regulations. The Employee agrees to work such extra hours as necessary to perform his/her duties and to travel as necessary. These extra hours may, on occasion, necessitate working overtime for no additional remuneration from the Company.

5. Compensation

(a) Base Salary. The Company shall pay (or cause to be paid by the WFOEs or any of the Company's subsidiaries) to the Employee an initial monthly gross salary of RMB _____, payable as specified below and pursuant to the Company's usual payroll practices. The Company shall review the Employee's compensation within three (3) to six (6) months after

the Start Date to determine, in its sole discretion, if any adjustment to the Employee's salary is necessary.

The Employee's salary shall be paid monthly in arrears no later than the tenth (10^{th}) day of the following month and shall be paid directly to a bank account as designated by the Employee. Subject to the Company's discretion, the salary can be paid either in RMB or US Dollars. The applicable exchange rate shall be the central parity rate as issued daily by the People's Bank of China on the last day of each month. The salary is payable in monthly installments during each year, or any portion thereof, during the Employment Period.

(b) Discretionary Bonus. The Employee is eligible to participate in the Company's annual performance bonus scheme. During the Employment Period, the Board of Directors, in its sole discretion and in accordance with the Articles, may award (or cause to be awarded) to the Employee an annual bonus based on the Employee's performance and other factors.

(c) Executive Compensation Plans. In addition to the cash compensation provided for in Sections 5(a) and (b), the Employee, subject to meeting eligibility provisions, shall be entitled to participate in the Company's executive compensation plans, including management incentive plans, deferred compensation plans and stock option plans.

(d) Benefits. In addition to the cash compensation provided in Sections 5(a) and (b), subject to meeting eligibility requirements, the Employee shall be entitled to participate in all employee benefit plans of the Company, as presently in effect or as modified or supplemented from time to time including plans for retirement benefits, medical insurance, disability insurance and other benefits. The Employee shall also be entitled to ten (10) days of paid vacation in the first two years of the Employment Period and fifteen (15) days of paid vacation per year thereafter. All benefits shall begin to accrue on the Start Date.

(e) Expenses. The Company shall reimburse the Employee for travel and other business expenses reasonably incurred and properly documented by the Employee in the performance of all his duties, and provide such other facilities and services as the Company and the Employee may from time to time agree are appropriate, all in accordance with the Company's established practices.

(f) Payer of Compensation. Subject to the Company's discretion, all compensation, salary, benefits and remuneration in this Agreement can be paid by the Company, the WFOEs or its subsidiaries.

6. Representations

The Employee hereby represents and warrants that the execution of this Agreement and the performance of the Employee's obligations hereunder will not breach or be in conflict with any other agreement to which the Employee is a party or is bound and that the Employee is not now subject to any covenants against competition or similar covenants that would affect the performance of the Employee's obligations under this Agreement. The Employee will not disclose to or use on behalf of the Company any proprietary information of a third party without such party's consent.

7. Termination of Employment Period

(a) Death. The Employment Period shall terminate automatically upon the death of the Employee. The Company shall pay to the Employee's beneficiaries or estate, as appropriate, any compensation then due and owing, including payment for accrued unused vacation, if any. Thereafter, all obligations of the Company under this Agreement shall cease.

(b) Disability. If, by reason of any physical or mental incapacity, the Employee shall become permanently disabled in the Employment Period, the Company may terminate the Employment Period upon fourteen (14) days' advance written notice and the Company shall pay the Employee the severance package as provided in Section 7(b) as well as all compensation to which he is entitled pursuant to applicable law. For purposes hereof, "permanent disability" means inability to perform the services of _____ required hereunder due to physical or mental disability which continues for ninety (90) consecutive days. Nothing in this Article shall affect the Employee's rights under any applicable Company disability plan.

(c) Termination by the Employee. If at any time during the Employment Period, the Company fails, without the Employee's consent and without "just cause" (as defined below), to cause the Employee to be elected or re-elected as _____ of the Company or otherwise as a full-time employee of the Company, or removes the Employee such office (other than in connection with an amendment of the responsibilities of the

Employee if the Board of Directors determines in good faith such amendment is in the best interests of the Company), the Employee shall have the right by written notice to the Company to terminate his services hereunder, effective as of the last day of the first month after the receipt by the Company of the written notice (or such earlier day as shall be individually agreed), in which event the Employment Period shall so terminate on the last day of such month. Termination under the circumstances described in this Section 7(c) shall be deemed as a termination by the Company other than for "material breach" or "just cause" with all the consequences which flow from such termination pursuant to Section 7(d).

If the Employee exercises the Employee's right of termination under this Section 6(c), the Employee shall resign voluntarily as an employee of the Company and any of its WFOEs and other subsidiaries on the date the Employee's termination of employment becomes effective as provided for in the preceding paragraph.

(d) Termination by the Company other than for Material Breach or Just Cause. If the Company should terminate the Employment Period for other than material breach or just cause, as herein defined, or if the Employee should terminate the Employment Period pursuant to Section 7(c), the Company shall provide the Employee with thirty (30) days' advance written notice. The Company shall have the option, in its complete discretion, to terminate the Employee at any time prior to the end of such notice period, provided the Company pays the Employee all compensation due and owing through the last day actually worked, plus an amount equal to the base salary the Employee would have earned through the balance of the above notice period.

"Material breach" and "just cause" shall mean (i) the continual failure by the Employee to perform substantially his duties with the Company (other than any such failure resulting from incapacity due to physical or mental illness) after a demand for substantial performance is delivered to the Employee by the Board of Directors; (ii) conviction of a felony or any conviction in relation to his negligent or willful misconduct; (iii) habitual drunkenness; (iv) excessive absenteeism not related to illness, sick leave or vacations, but only after notice from the Board of Directors followed by a repetition of such excessive absenteeism; (v) dishonesty; (vi) continuous conflicts of interest after notice in writing from the Board of Directors, (vii) the material breach of any fiduciary duty owed to the Company, as determined in good faith by the Board of Directors; or (viii) the material breach of any of the provisions of this Agreement, which breach is not cured within thirty (30) days after the Board of Directors notifies the Employee in writing of such breach. Notwithstanding the foregoing, the Employee shall not be deemed to have been terminated for material breach or just cause unless and until there shall have been delivered to him a copy of a resolution duly adopted by the Board of Directors at a meeting of the Board of Directors called and held (after reasonable notice to the Employee and an opportunity for the Employee, together with the Employee's counsel, to be heard before the Board of Directors) for the purpose of determining whether in the good faith

opinion of the Board of Directors the Company has just cause to terminate the Employee's employment.

(e) Termination by the Company for Material Breach or Just Cause. If the Company should terminate the Employment Period for material breach or just cause, as herein defined, the Employee will be entitled to be paid the base annual salary otherwise payable to the Employee under Section 5(a) through the end of the month in which the Employment Period is terminated.

(f) Change in the Company Status. To the extent permitted by law, the Company, in its sole discretion, may terminate the Employment Period (in which case all of the Company's obligations under this Agreement shall cease after payment of all compensation due and owing) upon any formal action of the Company's management to terminate the Company's existence or otherwise wind up its affairs, to sell all or substantially all of its assets, or to merge with or into another entity.

(g) No Termination for Transfer of Work Location. Employee hereby agrees to being physically transferred at any time during the Employment Period to any one of the WFOEs or subsidiaries of the Company as well as any successor entities of the Company. Such transfer is expressly permitted and agreed to pursuant to this Agreement. In the event of such a transfer, references to the Company as the employer in this Agreement shall be deemed reference to such WFOE, subsidiary or successor of the Company.

(h) Termination Obligations. Upon termination of this Agreement, the Employee agrees that all property, including, without limitation, all equipment, tangible confidential information, documents, records, notes, contracts and computer-generated materials furnished to or prepared by the Employee incident to his employment shall be returned promptly to the Company.

(i) Due Practice. The Employee shall not, and shall not direct any other person to, pay, offer to pay, promise or give to any government official, any political party or official thereof, or to any candidate for political office (or to any other person where such person knew or was aware of a high probability that all or a portion of such money or thing of value will be paid, offered, promised or given to any of those listed above) for the purpose of influencing any action, omission or decision by such government official, political party, party official or candidate or inducing any such person to use his influence with any government entity, in order to assist the Company in obtaining or retaining business for the Company or in directing business to the Company.

(j) Non-Disclosure. The Employee shall not, at any time during or following the Employment Period, disclose, use, transfer or sell, except in the course of employment with the Company, any confidential information or proprietary data of the Company and its

subsidiaries so long as such information or proprietary data remains confidential and has not been disclosed or is not otherwise in the public domain, except as required by law or pursuant to legal process.

(k) Non-Competition Agreement. At all times during the Employee's employment with the Company, the Employee is not permitted to engage in or carry on any full-time employment other than his employment with the Company.

Without the consent in writing of the Board of Directors, at all times during the Employee's employment with the Company or any of its subsidiaries and for a period of two (2) years after the termination of the Employee's employment with the Company and all of its subsidiaries for any reason whatsoever, the Employee will not permit his name to be used by, or engage in, or carry on, directly or indirectly, either for himself or as a member of a partnership or as a stockholder, investor, officer or director of a corporation or company or as an employee, agent, associate or consultant of any person, partnership or corporation or company, any business in competition with the business carried on by the Company or any of its subsidiaries or affiliates in China, including but not limited to competing businesses with respect to acquiring, owning, enhancing, managing, operating or maintaining assets, real property or other facilities for use in lodging-related business activities, including, but not limited to limited service, deluxe, luxury, upscale, and mid-scale with food and beverage service. To the extent any court or other governmental authority with competent jurisdiction finds that compensation is required under applicable law to enforce this Section 7(k), the Company shall have the option to pay such compensation or waive its rights under this Section 7(k).

8. Taxes

The Employee shall comply with the taxation laws of the applicable jurisdiction. The Company may withhold tax for any amount payable to the Employee if so required by the applicable laws and regulations.

9. Notices

All notices under this Agreement shall be in writing and shall be deemed effective when delivered in person, addressed, in the case of:

(a) The Employee, to:

(b) The Company, to:

Floor 5, Building 57

No. 461 Hongcao Road

Shanghai 200233

The People's Republic of China

10. Successors and Assigns

Neither party may assign this Agreement or the rights and obligations hereunder to any third party; provided, however, that the Company may assign its rights and obligations under this Agreement to a successor entity to the Company as the result of a merger or other corporate reorganization and which continues the business of the Company, or to any subsidiary of the Company. This Agreement shall be binding upon and shall inure to the benefit of the Employee, the Employee's heirs, executors, administrators and beneficiaries, and the Company and its successors.

11. Governing Law; Severability

This Agreement is governed by and is to be construed and enforced in accordance with the laws of the Hong Kong Special Administrative Region. If under such laws, any portion of this Agreement at any time conflicts with any applicable law and regulation, such portion shall be deemed to be modified to conform thereto, or if that is not possible, to be omitted from this Agreement and the invalidity of any such portion shall not affect the force, effect and validity of the remaining portion hereof.

12. Entire Agreement

This Agreement constitutes the entire understanding between the Company and the Employee relating to the Employee's employment by the Company and supersedes all prior written and oral agreements and understandings with respect to the subject matter of this Agreement, provided, however, that nothing in this Agreement shall be deemed to terminate or

supersede the provisions of any confidentiality and nondisclosure agreements executed by the parties hereto prior to the date of this Agreement, all of which agreements shall continue in full force and effect until terminated in accordance with their respective terms, provided, further, that the Employee may enter into separate employment agreements with subsidiaries of the Company in China consistent with the terms hereof. In the event of a conflict between the provisions of such other employment agreements and this Agreement, subject to applicable law, the provisions of this Agreement shall prevail.

13. Amendments

This Agreement may be amended only by a written instrument duly executed by the Employee and a duly authorized representative of the Company other than the Employee.

14. The Employee's Acknowledgement

The Employee acknowledges (i) that he has consulted with or has had the opportunity to consult with independent counsel of his own choice concerning this Agreement and has been advised to do so by the Company, and (ii) that he has read and understands the Agreement, is fully aware of its legal effect, and has entered into it freely based on his own judgment.

15. Language

This Agreement is entered into in English only. Any Chinese translation of this Agreement, if any, is for reference only and shall not be legally binding document. Accordingly, the English version will prevail in the event of any inconsistency between the English and any Chinese translations thereof.

IN WITNESS WHEREOF, the Company and the Employee have caused this Agreement to be executed on the date first written above.

China Lodging Group, Limited

By: _____
Name:
Title:

By: _____
Name:

SCHEDULE A

WFOES

Exhibit 10.6

China Merchants Bank Co., Ltd.
Shanghai Branch

Facility Agreement

(For sharing facility of working capital loans without individual agreements)

January, 2008

Facility Agreement
(For sharing facility of working capital loans without other specific agreements)

Ref: 2009, Jing Zi, No. 21090619

1. Creditor: China Merchants Bank Co., Ltd. Shanghai Jingansi Branch (hereafter referred to as "Party A")

Principal: Xu Xuehong

2. Facility applicant: HanTing Xingkong (Shanghai) Hotel Management Co., Ltd.

Legal representative / Principal:
Sharing facility applicant: Lishan Senbao (Shanghai) Investment Management Co., Ltd.
Legal representative / Principal:
Sharing facility applicant: Yiju (Shanghai) Hotel Management Co., Ltd.
Legal representative / Principal:
Sharing facility applicant:
Legal representative / Principal:

The above facility applicant and sharing facility applicants are hereafter individually or collectively referred to as "Party B".

Upon Party B's application, Party A agrees to grant a loan facility to Party B for its use. According to the relevant laws and regulations and based on full consultation, the two parties agree to execute the Agreement on the following terms.

Article 1 Facility

1.1 Party A will grant Party B the facility amount of RMB 150,000,000 Yuan (including the equivalent in other currency, converting on the exchange rate issued by Party A on the date of transaction, and the same below), in the form of (chosen by "☑"):

☑ ☐ Revolving facility of RMB 150,000,000 Yuan;
☐ Bullet facility of _____ Yuan.

"Revolving facility" refers to the maximum amount of the facility's principal balance granted by Party A to Party B for continuing and revolving loans, trade finance, discounted notes, acceptance of commercial draft, letters of guaranty, legal entity account overdrafts, domestic factoring etc. during the facility term.

"Bullet facility" refers to Party B's application to Party A during the facility term for multiple facility transactions, the accumulated amount of which will not exceed the bullet facility amount provided in this Agreement. The bullet facility cannot be revolved, and the corresponding sum of the multiple facility transactions applied for by Party B accounts for the bullet facility amount provided herewith until it is fully used.

"Trade finance" refers to the business of issuing L/C, import documentary bills, cargo collection guaranty, import documentary collection, packing loan, export documentary bills, export documentary collection, import/export remittance finance, short-term guaranty finance, import factoring, and export factoring (exclusive of non-recourse dual-factoring or non-recourse dual-factoring within Party A's system, and the same below).

1.2 If Party A provides import factoring or domestic non-recourse factoring with Party B as the payer, the receivables transferred from Party B to Party A shall be accounted within the above-stated facility; if Party B applies to Party A for domestic recourse factoring or export factoring, the basic purchase fund (basic acquisition fund) provided by Party A to Party B shall be accounted within the above-stated facility.

1.3 If Party A, in keeping with its internal procedural requirements, designates CMB's other branches to re-issue the L/C to the beneficiary after its initial issuance, the import documentary bills and cargo collection guaranty shall be accounted within the above-stated facility.

1.4 The security deposit or deposit pledge provided by Party B or any third party for individual business transactions shall not be included in the above-stated facility, and the same below.

☑ 1.5 Party A and Party B have previously executed the Facility Agreement No. 21080138, and the outstanding balance thereunder shall be automatically transferred to be accounted within the facility under this Agreement. (click "☑" in ☐ if applicable.)

Article 2 Facility Term

The facility term is 12 months, from June 23, 2009 to June 23, 2010. Party B shall apply to Party A for use of the facility within the term, and application after the expiration date of the facility term will not be accepted by Party A, unless otherwise provided hereunder.

Article 3 Use of the Facility

3.1 Type and Scope of the Facility
The above facility is (choose between the two with "☑"):
☐ 3.1.1 Comprehensive facility, including (please fill in according to the facts):

_____ , _____
_____ , _____

Meanwhile, Party B _____("can" or "cannot") adjust its use of the facility, and (choose with "☑"):

☐ all transaction types can be adjusted to use the facility;

☐ some of the transaction types can be adjusted to use the facility, namely _____

☑ 3.1.2 Working capital loan single facility.

3.2 During the facility term, the revolving facility can be used on a revolving basis but the bullet facility cannot. Use of the facility shall be applied by Party B case-by-case and approved by Party A accordingly.

Party B will not execute a loan agreement with Party A case-by-case when applying for working capital loans within the facility, but shall deliver to Party A an "Application Letter to

Draw under the Facility". After Party A's approval of the loan, the detailed provisions for the drawing shall be based on corresponding loan debenture. If there is any discrepancy between the Application Letter and the loan debenture in terms of amount, term, interest rate or use, the two parties agree that the latter shall prevail.

If Party B applies for facility other than working capital loans and Party A agrees thereto, the amount, term and specific use of each loan or other facility shall be stipulated in specific transaction contracts (including loan debentures), agreements, or relevant transaction application letters delivered by Party B and accepted by Party A.

The above-mentioned specific transaction contracts, agreements or relevant transaction application letters are collectively referred to as "each specific contract". Under domestic non-recourse factoring, the "Notice to Transfer the Receivables" delivered by Party A and confirmed by Party B with Party A's acknowledgement shall be regarded as the execution of a "specific transaction contract" between the two parties.

3.3 The term of use of each loan within the facility or any other facility shall be determined according to Party B's business needs and Party A's management guidelines, and the expiration date of each specific transaction can be later than that of the facility term.

Article 4 Interest and Fees

The interest of loans and finance within the facility and other relevant fees of transaction shall be stipulated in each specific contract.

Article 5 Guaranty Clause

5.1 All the debt owed by Party B to Party A under the Agreement shall be guaranteed jointly and severally by Powerhills (Shanghai) Investment Management Co., Ltd, Yi Ju (Shanghai) Hotel Management Co., Ltd, and Ji Qi, with maximum irrevocable guaranty delivered to Party A; and / or

5.2 All the debt owed by Party B to Party A under the Agreement shall be secured by Powerhills (Shanghai) Investment Management Co., Ltd with a mortgage (pledge) of the real estate under its ownership or at its disposition subject to the mortgage contract executed between the two parties.

Party A shall be entitled to refuse to release the facility to Party B if the guarantor does not execute the mortgage document or complete the mortgage procedure under this provision.

5.3 All the debt owed by the sharing facility applicants of Party B to Party A shall be guaranteed jointly and severally by the facility applicant of Party B, with a letter of commitment, i.e. irrevocable guaranty, delivered to Party A.

Article 6 Party B's Rights and Obligations

6.1 Party B is entitled to the following rights:

6.1.1 to request Party A to provide loans within the facility or other facility under the Agreement;

6.1.2 to use the facility under the Agreement;

6.1.3 to request Party A to keep confidential information concerning production, operation, assets and accounts provided by Party B, except where the provided laws and regulations or supervising authorities require otherwise;

6.1.4 to assign the debt to a third party upon Party A's consent.

6.2 Party B shall undertake the following obligations:

6.2.1 to truthfully provide documents and materials upon Party A's request (including, but not limited to, authentic periodic financial statements and annual reports upon Party A's request, material decisions and changes in production, operation and management), as well as information on all the opening banks, accounts and balance of deposits and loans, and to cooperate with Party A's investigation, examination and review;

6.2.2 to be supervised by Party A in its use of loan funds and relevant production, operation and financial situations;

6.2.3 to use the loans and/or other facility in compliance with the stipulations and/or commitments in the Agreement and each specific contract;

6.2.4 to fully repay the principals and interests of the loans, advance payment and other facility debt in time in compliance with the stipulations in the Agreement and each specific contract;

6.2.5 to obtain Party A's written consent before assigning the whole or part of the debt to any third party;

6.2.6 to inform Party A immediately, and to actively assist Party A in taking security measures for safe repayment of the principals and interests of the loans, advance payment, other facility debt and all the relevant costs in the event of any of the following:

6.2.6.1 any significant financial losses, asset losses or other financial crises;

6.2.6.2 provision of loans or guaranty for third party, or to provide mortgage (pledge) on its owned assets (titles);

6.2.6.3 merger (acquisition), split-off, reorganization, joint-venture (cooperation), transfer of property rights (shareholders rights), reform to joint-stock company etc;

6.2.6.4 business suspension, termination or revoking of business license, application for or being applied for bankruptcy, dissolution etc;

6.2.6.5 major crisis in the operations or financial situation of Party B's controlling shareholder or other affiliated companies that negatively affect its normal operations;

6.2.6.6 major affiliated transactions with Party B's controlling shareholder and other affiliated companies that negatively affect its normal operations;

6.2.6.7 any litigation, arbitration, criminal punishment or administrative penalty that causes a significantly adverse effect on its operation or financial situation;

6.2.6.8 any other material facts that could affect its repayment capability.

6.2.7 not to fail to manage or resort to its due claims, or to dispose of its major assets with no consideration or by other improper methods.

Article 7 Party A's Rights and Obligations

7.1 Party A is entitled to the following rights:

7.1.1 to ask Party B to fully repay the principals and interests of the loans, advance payment and other facility debt in time under the Agreement and each specific contract;

7.1.2 to ask Party B to provide documents and materials relevant to its facility;

7.1.3 to know about Party B's production, operation and finance situations;

7.1.4 to oversee Party B's use of the loans and/or other facility for the purpose stipulated in the Agreement and each specific contract;

7.1.5 to, in keeping with internal procedural requirements, delegate CMB's other branch where the beneficiary is located to re-issue the Letter of Credit after accepting Party B's application for issuance of the Letter of Credit;

7.1.6 to directly deduct from Party B's account for its repayment of the debt under the Agreement and each specific contract;

7.1.7 to transfer creditor's rights on Party B to others, and to inform Party B by methods it thinks appropriate, including but not limited to fax, mail, courier, and announcement in public media etc, as well as to urge Party B to repay; and

7.1.8 other rights provided in the Agreement.

7.2 Party A shall assume the following obligations:

7.2.1 to grant loans or other facilites within the facility extent to Party B under the provisions of the Agreement and each specific contract;

7.2.2 to keep confidential information on the production, operation, assets and financial situations of Party B, except where the provided laws and regulations or supervising authorities require otherwise.

Article 8 Special Warranty of Party B

8.1 Party B is comprised of legal entities incorporated and existing under PRC laws, and possesses full civil capacity to execute and perform the Agreement;

8.2 Sufficient authorization to execute and perform the Agreement has been acquired from the board of directors or other authorities;

8.3 The documents, materials and vouchers provided by Party B regarding itself, the guarantor, the mortgagor (pledger) and the collateral are all true, correct, complete and effective, and do not contain any material mistakes inconsistent with facts or omit any material facts;

8.4 Party B will strictly comply with the stipulations in each specific contract, the commitment letter, trust receipt and other relevant documents signed with Party A;

8.5 At the time of signing the Agreement, there is no litigation, arbitration, criminal punishment or administrative penalty that may have a significantly adverse effect on Party B or its major assets, nor will such occur during the performance of the Agreement. In the case of any such occurrence, Party B shall inform Party A immediately;

8.6 Party B will strictly comply with all national laws and regulations in its business operations, conduct business strictly within the scope stipulated in its business license or duly approved, and conduct the registration of its annual inspection on time;

8.7 Party B will maintain or enhance its current management expertise, ensuring to maintain and increase the value of existing assets, and not give up any due right of credit, nor dispose of its major assets without consideration or by other inappropriate means;

8.8 Party B shall not repay other long-term debt and _____, _____ in advance without Party A’s permission;

8.9 At the time of signing, there is no other material fact existing to adversely affect Party B’s performance of its obligations under the Agreement.

Article 9 Other Expenses

The cost of credit investigations, examinations and notarizations related to the Agreement, and all expenses incurred by Party A to realize its creditor's rights to Party B if Party B fails to repay the debt, such as lawyer's fees, litigation costs, travelling expenses, announcement costs and service fees, shall all be born by Party B. Party B authorizes Party A to directly deduct from Party B's bank account with Party A, and in the event of a shortage will make up the balance following Party A's notification.

Article 10 Event of Default

10.1 It shall be regarded as an event of default if one of the following occurs to Party B such that:

10.1.1 It is in breach of its obligation stipulated in Article 6.2.1 by sending Party A false information or concealing any material facts, or not cooperating with Party A's investigation, check or review;

10.1.2 It is in breach of its obligation stipulated in Article 6.2.2 by not accepting or evading Party A's supervision of its use of credit loans as well as its production, operation and financial situations;

10.1.3 It is in breach of its obligation stipulated in Article 6.2.3 by not using the loans and/or other facilities for the purposes provided in the Agreement and each specific contract;

10.1.4 It is in breach of its obligation stipulated in Article 6.2.4 by not fully repaying the principals and interests of the loans, advance payments and other facilities in time under the Agreement and each specific contract;

10.1.5 It is in breach of its obligation stipulated in Article 6.2.5 by assigning its debt under the Agreement to a third party without authorization from Party A; or in breach of its obligation stipulated in Article 6.2.7 by failing to manage or recourse to its due creditor's rights, or to dispose of its main assets without consideration or by other inappropriate means;

10.1.6 It is in breach of its obligation stipulated in Article 6.2.6 by not timely informing Party A of the occurrence of any cases stated therein, or not cooperating with Party A upon its request to raise security measures for the repayment of the debt under the Agreement, or other cases as may adversely affect the recovery of the loans at Party A's discretion;

10.1.7 It is in breach of Article 8.1, 8.2, 8.5, or in violation of Article 8.3, 8.4, 8.6, 8.7, 8.8, or 8.9, and does not promptly correct its mistake upon Party A's request;

10.1.8 Any other issues occur that Party A believes impair its lawful rights and interests.

10.2 It shall be regarded as an event of default if one of the following situations occurs to the

guarantor which Party A believes may adversely affect the guarantor's security capability, but the guarantor is not willing to eliminate the detrimental effects upon Party A's request, or together with Party B is not willing to add to change the guaranty conditions to cooperate with Party A:

10.2.1 A situation similar to any of those stated in Article 6.2.6;

10.2.2 It conceals its actual security capability or has not received authorization from the authorities at the time of issuing the irrevocable guaranty;

10.2.3 It does not proceed with annual inspection in time;

10.2.4 It fails to manage or recourse to its due creditor's rights, or disposes of its main assets without consideration or by other inappropriate means;

10.3 It shall be regarded as an event of default if one of the following situations occurs to the mortgagor (or pledger) that Party A believes may result in the invalidity of the mortgage (or pledge) or insufficiency of the collateral, but the mortgagor (or pledger) is not willing to eliminate the detrimental effects upon Party A's request, or together with Party B is not willing to add to or change the security conditions to cooperate with Party A:

10.3.1 It has no title or right to dispose of the collateral or there are disputes to the ownership of the collateral;

10.3.2 The collateral has been leased, seized, detained, supervised or subject to legitimate priority (including but not limited to priority of construction project payment), and/or such status is concealed;

10.3.3 The collateral is transferred, leased, re-mortgaged or disposed of by any other inappropriate means without Party A's written consent, or even with Party A's written consent the income therefrom is not used to repay the debt owed to Party A upon Party A's request;

10.3.4 The mortgagor fails to properly manage, maintain and repair the collateral resulting in its substantial devaluation, or the mortgagor's behavior directly endangers the collateral resulting in its devaluation, or the mortgagor does not have the collateral insured as requested by Party A.

10.4 In the case of any event of default as stipulated in Article 10.1, 10.2, 10.3, Party A is entitled to separately or collectively take the following measures:

10.4.1 Reducing the facility under the Agreement, or stop using the balance of the facility;

10.4.2 Recovering the principals and interests of the outstanding loans within the facility and other related fees;

10.4.3 For drafts accepted by Party A or letters of credit, letters of guaranty or cargo collection guaranty issued (including re-issued upon delegation) during the term of facility, whether advancement is paid by Party A or not, Party A can ask Party B to increase the security sum, or to transfer Party B's deposit in its bank account with Party A to the security account as the security sum to repay the advancement paid by Party A in future, or to have the sum of money under escrow of third party as security to repay the advancement paid by Party A in future.

10.4.4 For outstanding receivables assigned from Party B under domestic recourse factoring or export factoring, Party A can ask Party B to repurchase immediately; and for receivables assigned from Party B under domestic non-recourse factoring or import factoring, Party A can recourse to Party B immediately;

10.4.5 Directly deducting the deposit from Party B's settlement account and/or other accounts for the repayment of all the debt of Party B under the Agreement and each specific contract;

10.4.6 To seek recovery according to Article 13 of the Agreement.

Article 11 Change and Termination of the Agreement

The Agreement can be changed or terminated upon mutual negotiation and written agreement between Party A and Party B, and shall remain valid before the execution of such an agreement. Neither Party shall change, modify or terminate the Agreement unilaterally at its own discretion.

Article 12 Miscellaneous

12.1 It shall not impair, affect or limit any of Party A's rights and interests under relevant laws and regulations and as the creditor of the Agreement, or be considered as consent to or acknowledgement of the breach of the Agreement by Party A, or be regarded as relinquishment of Party A's rights to take measures towards existing or future event of default if Party A has tolerance or lenience for any of Party B's default or delay, or postpones execution of its rights or interests under the Agreement during the term of the Agreement.

12.2 If the Agreement becomes legally invalid or partly invalid for any reason, Party B shall remain responsible for repaying all the debt hereunder. In such a case, Party A can terminate the Agreement and seek recovery from Party B hereunder.

12.3 The notices and requests related to the Agreement between the two Parties shall be sent in written form.

Contact address of Party A:

Contact address of Party B:

If they are hand-delivered, they shall be regarded as delivered when received and signed by the recipient (if refused by the recipient, they shall be regarded as delivered on the date of refusal); if sent in the mail, they shall be regarded as delivered seven days after their dispatch; if sent by fax they shall be regarded as delivered following their transmission.

The date of announcement shall be regarded as being served if Party A informs Party B of the transfer of the creditor's rights or urges collection from Party B by means of announcement in public media.

Either Party shall promptly inform the other if it changes its contact address, or shall shoulder the potential losses therefrom on its own account.

12.4 The two Parties agree that in the case of the application letter of the business under trade finance, it is satisfactory for Party B to chop with a reserved seal complying with the Authorization Letter of Reserved Seal provided to Party A, of which the effect is recognized by both parties.

12.5 The supplementary agreement in writing negotiated between and agreed upon by the two Parties on the pending issues and changes of the Agreement, as well as each specific contract under the Agreement, are appended to the Agreement and constitute an indivisible part of the Agreement.

12.6 Party B undertakes that the fund shall be used only as working capital for operation of the outlets, not as investment capital.

12.7 Party B undertakes that Powerhills (Shanghai) Investment Management Co., Ltd. and Yi Ju (Shanghai) Hotel Management Co., Ltd. may share the facility hereunder, not exceeding RMB 50M Yuan respectively. If the Party A's evaluation ratings of the sharing companies decline in the future, Party A may stop the sharing facility.

12.8 Party B undertakes that the settlement sum by Party B in Party A will not be less than the percentage of the facility.

12.9 Party B undertakes that single loans under the facility will not be longer than 8 months.

Article 13 Applicable Law and Dispute Settlement

13.1 The execution, interpretation and dispute settlement of the Agreement are all subject to PRC laws, and Party A and Party B's rights and interests are safeguarded by the same.

13.2 Disputes arising out of the performance of the Agreement shall be negotiated between the two Parties for settlement. Failing such, either Party can (choose among the three with "☑")

☑13.2.1 submit to Party A's local People's Court;

☐13.2.2 submit to _____ arbitration committee for arbitration;

☐13.2.3 submit to (if this item is chosen, please choose between the two with "☑")

☐CIETAC
☐CIETAC _____ Branch

for arbitration according to financial dispute arbitration rules.

13.3 After the Agreement and each specific contract between the two Parties is notarized as enforced, Party A can apply directly to the People's Court with jurisdiction for enforcement of the debt owed by Party B under the Agreement and each specific contract.

Article 14 Effectiveness of the Agreement

The Agreement shall become effective after being signed (or chopped) by both Parties' legal representatives/principals or their authorized agents and chopped with the common seal, until the expiration of the facility or all the debt and other relevant expenses owed by Party B hereunder are fully discharged (whichever is later).

Article 15 Supplementary Provision

The Agreement is executed in five counterparts of the same legal effect, with Party A and Party B holding one copy each.

(No text hereunder)

(This page is for signing)

Party A: China Merchants Bank Co.,Ltd. Shanghai Jingansi Branch (chop)
Principal or authorized agent
(signature/chop): /s/ Xu Xuehong

Party B: HanTing Xingkong (Shanghai) Hotel Management Co., Ltd. (chop)
Legal representative/Principal or authorized agent
(signature/chop):/s/ Zhang Tuo

Party B: Lishan Senbao (Shanghai) Investment Management Co., Ltd. (chop)
Legal representative/Principal or authorized agent
(signature/chop): /s/ Zhang Tuo

Party B: Yiju (Shanghai) Hotel Management Co., Ltd. (chop)
Legal representative/Principal or authorized agent
(signature/chop): /s/ Zhang Tuo

Party B: (chop)
Legal representative/Principal or authorized agent
(signature/chop):

Signing Date: (June 19, 2009)

Exhibit 10.7

Appendix 2:

Contract No.: 16084000557

Fixed Assets Loan Agreement

Borrower (Party A): Lishan Senbao (shanghai) Investment Management Co., Ltd.
Domicile (address): Third floor, fifth floor of No. 57 Building, No. 461, Hongcao Road
Legal representative: Zhang Tuo

Lender (Party B): Shanghai Caohejing Hi-Tech Park Branch, Industrial and Commercial Bank of China Co., Ltd.
Domicile (address): No. 900, Yishan Road
Legal representative (responsible person): Xu Guanghua

Contents

Whereas,

Party A, for the uses specified in Article 3.1 of this contract, applied for loans from Party B;

and

Party B agreed to provide the loans to Party A, in order to define the rights and obligations of the two parties, in accordance with the "Contract Law", the "Lending General Provisions" as well as other related laws and regulations, Party A and Party B signed the contract through equal negotiations and agreements.

Article I Party A's statement and suretyship

1.1 Party A is established in accordance with the law, is an entity with legal person qualifications (or is a branch legitimately authorized by a legal person institution), and has the right to perform the contract in accordance with the law.

1.2 The projects to be constructed using the loans under the terms of the contract have obtained the approval or approbation of related government agencies.

1.3 Various accountant statements and materials provided for the investigation, review, management of project loans shall be authentic, accurate and complete.

Article II Type of loans

2.1 The loans under the contract are fixed assets loans.

Article III Use of loans

3.1 The use of the loans granted under the contract is: alteration construction and decoration of the 44 stores owned by Party A.

3.2 Without Party B's written consent, Party A shall not change the use of the loans as defined in the contract.

Article IV Amount and period of loans

4.1 The amount of the loans under the contract is RMB (amount in words) one hundred and seventy-two million (amount in figure) 172,000,000 Yuan (in case the amount in figure is inconsistent with the amount in words, the amount in words shall prevail, throughout the contract).

4.2 The period of the loans under the contract is 36 months, from September 28, 2008 to September 27, 2011. In case of withdrawal through several transactions or maturity by multiple transactions, the maturity date of the last transaction shall be no later than the above mentioned deadline.

Article V Interest rate and interest-bearing of loans

5.1 The interest of the loans under the contract shall be computed by day in accordance with the actual number of lending days starting from the actual day of withdrawal (daily interest rate= annual interest rate/360). The interest shall be settled by month (month/season). The day of interest settlement is the twentieth day of each month (the twentieth day of each month/the twentieth day of the last month of each season). If the day of interest settlement is not a working day of the bank, then it shall be prolonged accordingly to the next working day of the bank. When the loans expire, the interest shall be clear with the principal.

5.2 The interest rate of the loans under the contract shall be determined by the terms specified in 5.2.2.

5.2.1 The annual interest rate is the fixed interest rate of __ %, which shall not be adjusted during the period of the contract.

5.2.2 The interest rate of the contract is defined as raise (raise/lower) 0% based on the People's Bank of China's benchmark interest rate of the same category (that is, the benchmark interest rate of loans of the same period). The contract interest rate of each withdrawal shall be computed separately, and will be adjusted once for each period, where the period is defined by year (year/half year/season/month), for each withdrawal transaction. The time to determine the interest rate of the first period is the actual withdrawal payment day. Party B shall determine the interest rate of the first period in accordance with the People's Bank of China's benchmark interest rate of the same category of the day and the floating range as agreed by the two parties. The time to determine the interest rate of the second period and all subsequent periods is the corresponding day of the actual withdrawal payment day. Party B shall determine the interest rate of that period of the withdrawal transaction in accordance with the People's Bank of China's benchmark interest rate of the same category of the corresponding day and the floating range agreed by the two parties. In case that in the month of adjustment there is no corresponding day with an actual withdrawal payment day, then the last day of that month shall be deemed the corresponding day. The corresponding day of the actual withdrawal payment day for each withdrawal transaction refers to the date one period after the actual withdrawal payment day of the withdrawal transaction. For instance, if the actual withdrawal payment day is May 9th of the year, then the corresponding day of the second period shall be June 9th of the year if a period consists of one month; August 9th of the year if a period consists of one season; November 9th of the year if a period consists of half a year; and May 9th of the following year if a period consists of a year, and so on.

5.2.3 Other terms: _____

_____

Party B shall notify Party A in writing within 30 days from the day of the change of interest rate, while whether the notice is delivered or not shall not affect its implementation.

5.3 If the People's Bank of China adjusts the interest rate or the methods to determine the interest rate, then it shall be handled in accordance with the related regulations of the People's Bank of China.

Article VI Withdrawal conditions

6.1 Before each withdrawal transaction, Party A shall satisfy the following conditions:

6.1.1 The guaranty contract has been established in accordance with the law and come into effect;

6.1.2 The capital and other funds to be duly raised for the projects constructed using the loans under the terms of the contract are in place in accordance with the specified time and proportion;

6.1.3 No excessive costs had been resolved through self-financing;

6.1.4 The progress of projects has been achieved in accordance with the plan;

6.1.5 The withdrawal formalities have been processed in Party B's premise according to the terms of the contract;

6.1.6 No breach of contract as specified by the contract has occurred; and

6.1.7 Other related materials have been provided to handle the loans in accordance with Party B's requirements.

Article VII Withdrawal arrangements

7.1 The terms of withdrawal for the loans under the contract shall be implemented in accordance with the following 7.1.3.

7.1.1 Party A withdraws the money in one time on _____Month _____Day, _____Year, and transfer all the loans to the account opened in Party B's premise;

7.1.2 Party A withdraws the money through _____ transactions, the specific amount and date of which are as follows:

7.1.2.1 _____Month _____Day, _____Year, amount (in words) _____ Yuan (in figure: _____ Yuan);

7.1.2.2 _____Month _____Day, _____Year, amount (in words) _____ Yuan (in figure: _____ Yuan);

7.1.2.3 _____Month _____Day, _____Year, amount (in words) _____ Yuan (in figure: _____ Yuan);

7.1.2.4 _____Month _____Day, _____Year, amount (in words) _____ Yuan (in figure: _____ Yuan);

7.1.2.5 _____Month _____Day, _____Year, amount (in words) _____ Yuan (in figure: _____ Yuan);

7.1.3 Other terms of withdrawal:

The company withdraws the money through several transactions according to its need., the withdrawal period is from September 28, 2008 to June 27, 2009. The amount not withdrawn within the withdrawal period shall be regarded as quota surrendered by Party A. After the withdrawal period, Party A shall not withdraw the remaining amount for any reason.

7.2 Party A shall withdraw the loans according to the agreements as Article 7.1 of the contract. In case of a special circumstance, it shall issue a written application, and, upon a written consent

of Party B, may advance or postpone the time of withdrawal by up to _____ days.

7.3 If Party B requests to cancel all or part of the amount of money not withdrawn under the contract, it shall submit a written application to Party B 30 days in advance of the withdrawal date specified by the contract, and such amount may be cancelled after receiving a written consent of Party B.

7.4 The specific withdrawal date and repayment date in the contract shall be the actual date recorded in the receipt for the borrowed money handled by Party A and Party B. The receipt for borrowed money or the loan withdrawal document comprises an indispensable part of the contract. The contract shall prevail in cases of inconsistencies, except for dates, between the receipt and the contract.

Article VIII Source of repayment fund and repayment

8.1 The capital for Party A's repayment of the principal and interest of the loans under the contract is attributed but not limited to:

8.1.1 Revenue of Party A's main business and other revenues ;

8.1.2 _____.

8.2 No agreement in which Party A is an interested party, concerning Party A's source of repayment capital, shall affect Party A's performance of its repayment obligation under this contract. Under no circumstances shall Party A cite Article 8.1 to refuse to perform its repayment obligation under the contract.

8.3 Party A shall pay the interest on time and in full in accordance with the terms of the contract, and repay the principal of the loans in accordance with the following agreement as in Article 8.3.3:

8.3.1 Repay the principal in one time, Party A shall repay all the principal of the loans on _____Month _____Day, _____Year;

8.3.2 Repay the principal by several times, the specific amount of repaid principal and date are as follows:

8.3.2.1 _____Month _____Day, _____Year, amount (in words) _____ Yuan (in figures: _____ Yuan);

8.3.2.2 _____Month _____Day, _____Year, amount (in words) _____ Yuan (in figures: _____ Yuan);

8.3.2.3 _____Month _____Day, _____Year, amount (in words) _____ Yuan (in figures: _____ Yuan);

8.3.2.4 _____Month _____Day, _____Year, amount (in words) _____ Yuan (in figures: _____ Yuan);

8.3.2.5 _____Month _____Day, _____Year, amount (in words) _____ Yuan (in figures: _____ Yuan);

(Additional pages can be attached in case of more periods)

8.3.3 Other terms of principal repayment:
Repayment through multiple transactions: repay 35 million Yuan before the expiration of the first year period beginning the first day of withdrawal by Party A; repay 57 million Yuan before the expiration of the second year period beginning the first day of withdrawal by Party A; and repay 80 million Yuan before the deadline of

the loans specified by the contract. The repayment shall be made per season.

8.4 If Party A intends to make the repayment in advance, it shall submit a written application to Party B 30 days prior to the date of the intended earlier repayment, and shall receive a written consent of Party B;

8.5 If Party A intends to make the repayment in advance, it shall receive a consent of Party B, and the repaid principal shall be no less than _____ Yuan (amount in words), and shall be the integral multiples of _____ Yuan (amount in words).

8.6 The principal that Party A repaid in advance shall offset in reverse order according to the repayment order set forth in Article 8.3.2 of the contract or according to the repayment order determined by the receipt of the loans.

8.7 The deposit balance of the settlement account that is opened by Party A in Party B's premise seven days prior to the interest settlement date or the principal repayment date specified by the contract or determined by the receipt of the loans shall be no less than the interest or/and the principal to be duly paid. Otherwise, Party B shall have the right to suspend or cancel the loans that Party A has not withdrawn or used, and shall have the right to collect part or all of the loans in advance; for the loans that cannot be collected, the liquidated damages shall be collected, computed on daily basis according to the interest rate of overdue loans. In addition, Party A authorizes Party B to collect the principal and interest of the loans to be duly paid by Party A from the account that Party A opens in Party B's system on the specified interest settlement date or the principal repayment date.

Article IX Guaranty

9.1 The terms of the guarantee for the loans under the contract are: suretyship, mortgage.

9.2 Party A is obliged to proactively assist Party B and prompt Party B and the surety to sign the guarantee contracts on the specific guarantee issues of this contract with No. 16084000557101, 16084000557102, 16084000557103 and 16084000557201.

9.3 If the guarantee under the contract changes negatively to the creditor rights of Party B, upon Party B's notice, Party A shall separately provide a guarantee that satisfies Party B according to the requirements.

Article X Rights and obligations

10.1 Rights and obligations of Party A:

10.1.1 Withdraw and use the loans according to the period and use of loans specified in the contract;

10.1.2 Do not repay the loans in advance without Party B's consent;

10.1.3 Accept Party B's investigation, understanding and supervision of the use situations of the loans under the contract in a timely manner;

10.1.4 Proactively cooperate with the investigation, understanding and supervision of its situations relating to production, operation, project construction and financial situations, and provide report materials such as the balance sheet, income statement , etc. of each period to Party B;

10.1.5 Proactively support Party B to participate in related issues such as three calculation

review (budget estimates, budget, final accounts), engineering bidding and project completion acceptance, etc.;

10.1.6 Pay off the principal and interest of the loans under the contract according to the terms of the contract;

10.1.7 Assume the expenses of related costs under the contract, including but not limited to the costs of events such as notarization, authentication, evaluation, registration, etc.;

10.1.8 Send out the return receipt within 3 days after signing the collection letter or collection file delivered through mail or other forms by Party B;

10.1.9 When carrying out actions such as contracting, renting, shareholding reform, joint operation, merger, acquisition, joint-venture, separation, equity change, major assets transfer as well as other actions that suffice to affect the exercise of Party B's rights and interests, Party A shall notify Party B at least 30 days in advance and receive a written consent of Party B, otherwise the abovementioned actions shall not be conducted before paying off all the debts;

10.1.10 In case of changes in items of business registration such as residence, correspondence address, business scope, legal representative, etc., Party A shall notify Party B in writing within 7 days after such changes;

10.1.11 In case of any other events that jeopardize its normal operations or have serious negative influence on its performance of the repayment obligations under the contract, including but limited to major economic disputes, bankruptcy, worsening financial situations, etc., Party A shall immediately notify Party B in writing;

10.1.12 Upon a business closure, dismissal, suspension and rectification, revocation or cancellation of the business license, Party A shall notify Party B in writing within 5 days after such event, and shall ensure to repay the principal and interest of the loans immediately;

10.1.13 Assume all the costs such as lawyer's cost, etc. incurred during the exercise of Party B's creditor rights under the contract;

10.1.14 Timely, completely and accurately disclose its related parties' relationship and the associated transactions to Party B, in accordance with the "Accounting Standards for Enterprises —Disclosure of related parties' relationship and their transactions", the related parties in this article refer to:

10.1.14.1 Enterprises directly or indirectly controlled by Party A, enterprises directly or indirectly control Party A, as well as enterprises the same enterprises that control Party A;

10.1.14.2 Party A's cooperative enterprises;

10.1.14.3 Party A's associated enterprises;

10.1.14.4 Party A's major individual investors, key management personnel or their closely related family members;

10.1.14.5 Enterprises directly controlled by Party A's major individual investors, key management personnel or their closely related family members.

The other words in this article have the same meaning with the identical words in the "Accounting Standards for Enterprises —Disclosure of related parties 'relationship and their transactions".

10.2 Rights and obligations of Party B:

10.2.1 Ask Party A to provide all materials related to the loans;

10.2.2 Collect the principal, interest, compound interest, penalty interest of the loans and all other costs to be paid duly by Party A under the contract from Party A's account in accordance with the terms of the contact as well as laws and regulations;

10.2.3 In cases of Party A's evasion of Party B's supervision, default of the principal and interest or other serious actions of breach, Party B shall have the right to carry out credit sanctions, shall have the right to notify related departments or units, and shall have the right to issue a collection notice through news media;

10.2.4 Provide Party A with the loans on time and in full, according to the terms of the contract (except delays caused by Party A's fault);

10.2.5 Keep confidential the materials and situations provided by Party A related to its debts, finance, production, operation, etc., except as is otherwise regulated by the contract or laws and regulations.

Article XI Default and liabilities

11.1 After the contract comes into effect, the interested parties of Party A and Party B shall both perform the obligations specified in the contract. Any party who fails to perform all the obligations specified in the contract shall assume the liabilities for breach of contract in accordance with the law.

11.2 If Party A fails to handle and withdraw the loans in accordance with Article 7.1 of the contract, Party B shall have the right to collect liquidated damages for delays computed on daily basis according to the interest rate in the contract;

11.3 If Party B fails to grant the loans in accordance with Article 7.1 of the contract, it shall pay the liquidated damages for delays computed on daily basis according to the interest rate in the contract;

11.4 If, without the written consent of Party B, Party A repays the loans under the contract in advance, Party B shall have the right to calculate and collect interests according to the loan period and interest rate as specified in the contract.

11.5 If Party A fails to repay the principal and interest of the loans under the contract upon expiration, Party B shall have the right to clear off such loans within a time limit, whereas Party A authorizes Party B to confiscate the capital in all the accounts that Party A opens in the Industrial and Commercial Bank of China and all of its branch institutions to compensate for the debts under the contract. Meanwhile, for the overdue loans, the penalty interest shall be computed and collected by an additional 40% plus the interest rate in the contract. For the overdue interests, the compound interest shall be computed and collected by an additional 40% plus the interest rate in the contract. If the amount deducted is a foreign currency, it shall be computed according to the offer price of the foreign exchange publicized by Party B on the day of deduction.

11.6 If Party B fails to use the loans as specified in the contract, Party B shall have the right to suspend granting of the loans, and shall have the right to collect part or all of the loans in advance or terminate the contract. For the loans that Party A uses in breach of the contract, Party B shall calculate and collect the penalty interest by an additional 70% plus the interest rate in the contract according to the number of days of the uses in breach, and calculate and

collect the compound interest by an additional 70% plus the interest rate in the contract for the unpaid interest.

11.7 During the loan period, the compound interest shall be computed and collected by the interest rate in the contract for the interests not paid on time. After the loans become overdue, the compound interest shall be computed and collected by the interest rate specified in 11.5.

11.8 If the circumstances listed in Articles 11.5 and 11.6 for the loans used by Party A occur simultaneously, Party B shall penalize according to the more serious measure of the two, and the two penalties shall not be imposed together.

11.9 If Party A conducts one of the following behaviors, it shall correct and take remedial measures that satisfy Party B within 7 days after receiving Party B's notice, otherwise, Party B shall have the right to suspend or cancel the loans that Party A has not withdrawn or used, and shall have the right to collect part or all of the loans in advance. For the loans that cannot be collected, the liquidated damages shall be collected by the day according to the interest rate of overdue loans;

11.9.1 Provide balance sheet, income statement and other financial materials that are false or conceal important facts;

11.9.2 Do not cooperate or refuse to accept Party B's supervision of its use of the loans and related production, operation and financial activities;

11.9.3 Transfer or dispose, or threaten to transfer or dispose a material portion of its property without the consent of Party B;

11.9.4 A material portion or all of its property is occupied by other creditors or taken over by a designated trustee, recipient or similar personnel, or its property is detained or frozen, which might incur serious loss to Party B;

11.9.5 Without Party B's consent, carry out contracting, renting, shareholding reform, joint operation, merger, acquisition, joint-venture, separation, equity change, major assets transfer as well as other actions that is material enough to affect the exercise of Party B's rights and interests and jeopardizes the safety of Party B's creditor rights;

11.9.6 Occur changes in items of business registration such as residence, correspondence address, business scope, legal representative, etc. or situations such as major external investment, etc. that seriously affect or threaten the exercise of Party B's creditor rights;

11.9.7 Involvement in major economic disputes or worsening financial situations, etc. that seriously affect or threaten the exercise of Party B's creditor rights;

11.9.8 Fail to perform the information disclosure obligations of Party A or its related parties are in one of the following situations, which might have negative influences on Party B's performance of its obligations under the contract:

11.9.8.1 Worsening financial situation of Party A's related parties;

11.9.8.2 Party A or any of its related parties is filed and punished or dealt with punishment measures in accordance with the law by the judiciary department or administrative law enforcement department of taxation, business, etc. and administrative management department;

11.9.8.3 The relationship of controlling and being controlled between Party A and its related parties changes;

11.9.8.4 Party A's related parties are involved in or might be involved in major

economic disputes, lawsuit and arbitration;

11.9.8.5 Party A's major individual investors, key management personnel undergo abnormal changes or are investigated or restricted of personal freedom by the judiciary department in accordance with the law due to suspected crime activities;

11.9.8.6 Other situations occurred to Party A's related parties that might have negative influences on Party A;

11.9.9 Failure to repay any other debts of money payment assumed by Party A after their maturity (including those announced as mature in advance), or failure to perform or breach any obliged agreement or document that might affect Party A's capacity to perform the obligations under the contact;

11.9.10 Any other situations that might threaten the exercise of Party B's creditor rights under the loan contact or lead to great loss to be suffered by Party B.

Article XII Effectiveness, change, dissolution and termination

12.1 The contract shall come into effect from the day that legal representatives (responsible persons) of Party A and Party B or their authorized agents sign or stamp the seal and stamp the official seal, and shall come into effect after the guarantee contract comes into effect if there is guarantee. The contract shall terminate on the day the principal, interest, compound interest, penalty interest, liquidated damages and all other due costs are paid off.

12.2 Under one of the following circumstances, Party B shall have the right to require Party A to repay the principal and interest of the loans in advance and compensate the loss:

12.2.1 When Party A undergoes a business closure, dismissal, business suspension and rectification, revocation or cancellation of the business license;

12.2.1 The guarantee under the contract has some negative changes on Party B's creditor rights, and Party A fails to provide the necessary guarantee according to party B's requirements;

12.2.3 Party A fails to repay the loans on time or fails to use the loans according to the use as agreed, incurs overdue interests, or commits other serious breach of contract.

12.3 If Party A requires an extension of the time limit of the loans, it shall submit a written application and the surety's written opinion of continuous suretyship to Party B 30 days prior to the termination of the contract. Upon Party B's approval after review and the signing of an extension agreement, the time limit of the loans under the contract can be extended. Before the two parties sign the extension agreement, this loan contract shall continue to be implemented.

12.4 After the contract comes into effect, other than the agreement already in the contract, neither Party A nor Party B shall unilaterally alter or terminate the contract in advance. If it is deemed necessary to alter or terminate the contract, it shall be based on a consensus between Party A and Party B through negotiations a resulting written agreement. Before the written agreement is reached, this contract shall continue to be implemented.

Article XIII Dispute resolution

13.1 For the dispute occurred in the course of performing the contract between Party A and Party B, it shall first be resolved by Party A and Party B through negotiations. If the negotiations fail, then it shall be resolved according to Article 13.1.2:

13.1.1 Arbitration by _____;

13.1.2 Resolution through lawsuit in the court with jurisdiction over Party B.

Article XIV Other issues agreed by parties

14.1 In case of overspending in Party A's projects, Party A shall solve it by self-raised funds.

14.2 Without the consent of Party B, it shall not add new external bank financing, provide guarantee and external investment in the name of the project constructed under the contract.

14.3 If Hanting Xingkong (Shanghai) Hotel Management Co., Ltd, Shanghai Yiju Hotel Management Co., Ltd or Hanting (Tianjin) Investment Consultancy Co., Ltd commits a breach of any other loan contract with Party B or with other banks, or fails to repay any other debts of money payment after maturity (including those announced as mature in advance), then it shall be regarded that Party A has breached this contract, and Party B shall have the right to suspend or cancel the loans that Party A has not withdrawn or used, and shall have the right to collect part or all of the loans in advance. For the loans that cannot be collected, the liquidated damages shall be collected by the day according to the interest rate of overdue loans.

14.4 Party A shall purchase proper property insurances for all the stores under the project (see the attachment for the specific names and locations of the stores), with Party B as the first beneficiary. The insurance period shall cover the loan period of the project.

14.5 All the stores open for business of Hanting brand economic chain hotels (including all the stores owned by Party A and its related parties, see the attachment for details) shall be brought into Party B's cash management platform (partner shop, contracting operation, joint-venture, joint-stock shops excluded), the business revenues of all the stores shall be accumulated into the cooperate account (that is, the capital accumulation account, account No. 100126631989000068) opened by Party A or its related parties through Party B's cash management platform.

14.6 Each day Party B shall monitor Hanting system's capital in-flow of the above mentioned capital accumulation account in Party B, and make necessary calculations at the end of each month. If for two consecutive months, the collected capital per day is less than 50% of the average daily amount of the operation revenue of the opened stores in that month that have been brought into the cash management platform, Party B shall have the right to suspend or cancel the loans that Party A has not withdrawn or used and shall have the right to collect part or all of the loans in advance. For the loans that cannot be collected, the liquidated damages shall be collected on daily basis according to the interest rate of overdue loans.

14.7 For the mortgage guarantee addressed in Articles 9.1 and 9.2 of the contract, the guaranteed principal creditor rights is the 27301575 Yuan in the loan contract. The loan contract system shall be respectively provided by Hanting Xingkong (Shanghai) Hotel Management Co., Ltd, Shanghai Yiju Hotel Management Co., Ltd or Hanting (Tianjin) Investment Consultancy Co., Ltd. The three parties jointly and severally provide the suretyship guarantee for the 172000000.00 Yuan in the loan contract.

Article XV Supplementary provisions

15.1 The appendixes of the contract comprise an indispensable part of the contract and shall have equal legal effects along with the text of the contract.

15.2 During the performance of the contract, if a certain withdrawal day or repayment day is not a working day of the bank, then it shall be prolonged accordingly to the next working day of the bank.

15.3 The contract is made out in twenty-four copies of one format, with Party A holding one copy, Party B holding one copy, and with the mortgagor, surety party holding one copy. All copies shall have equal legal effects.

Party A (official seal):
Lishan Senbao (shanghai) Investment Management Co., Ltd.
Legal representative (or entrusted agent): Zhang Tuo
September 22, 2008

Party B (official seal):
Shanghai Caohejing Hi-Tech Park Branch, Industrial and Commercial Bank of China Co., Ltd.
Legal representative (or entrusted agent): Xu Guanghua
September 22, 2008

Exhibit 10.8

Contract No.: 16093500519

Fixed Assets Loan Contract

(2009 Version)

Special reminder: The contract is formulated, in accordance with the law, through consultation between the borrower and the lender on an equal, voluntary basis, and all the terms of contract are the genuine expression of the two parties' intention. In order to safeguard the legitimate rights and interests of the borrower, the lender hereby proposes that the borrower pay full attention to all terms on the rights and obligations of the two parties, especially the part of the contract shown in bold.

Lender: Shanghai Caohejing Hi-Tech Park Branch, Industrial and Commercial Bank of China Co., Ltd.

Responsible person: Xu Guanghua Contact person: Cheng Jiamin

Domicile (address): No. 900 Yishan Road, Shanghai Zip code: 200233

Telephone: 54235423 Fax: 64956495

E-mail: chengjiamin_ch@sh.icbc.com.cn

Borrower: HanTing Xingkong (Shanghai) Hotel Management Co., Ltd.

Legal Representative: Zhang Tuo Contact person: Qian Lei

Domicile (address): 3rd floor of No. 57 Building, No. 461 Hongcao Road

Zip code: 200233

Telephone: 51156767 Fax: 51156767-1717 E-mail: lqian@htinns.com

Through consultation on the basis of equality, the borrower and the lender have reached an agreement on lender's granting of loans to the borrower, and hereby formulated this contract.

Part I Conditions for the Loans

Article I Purpose of the loans

The purpose of the loans under the contract is: the expenditure of altered construction and decoration of 38 stores, without the lender's written consent, the borrower shall not use the loans for other purposes, and the lender shall have the right to supervise the use of the loans.

Article II Amount and term of the loans

2.1 The currency of the loans under the contract is Renminbi, the amount is 150,000,000 (amount in words: one hundred million and five thousand) Yuan (in case the amount in figures is inconsistent with the amount in words, the amount in words shall be the norm).

2.2 The term of the loans under the contract is three years, the counting starts from the actual withdrawal date (for withdrawal by many times, the counting starts from the first withdrawal date), and the actual withdrawal date is subject to the loan note.

Article III Interest rate and interest-bearing of the loans

3.1 [Ways of determining the interest rate of Renminbi loans]

The interest rate of Renminbi loans is determined in accordance with way (2) as follows:

(1) Fixed interest rate, the annual interest rate is ___%, and the interest rate will not change within the valid period of the contract.

(2) Floating interest rate, the lending interest rate is determined by the benchmark interest rate plus the floating range, in which the benchmark interest rate is the benchmark loan interest rate of the People's Bank of China on the level corresponding to the withdrawal date (withdrawal date /effective date of the contract) and the loan term specified by Article 2.2, the floating range is to float upward (float upward/float downward/zero) 10%, and the floating range will not change within the period of the contract. After the borrower withdraws the money, each period of the lending interest rate consists of 12 (1/3/6/12) months, the lending rate will be adjusted once for each period, and the accrued interest computed by each section. The date of determining the interest rate of the second period is the corresponding day of one period after the withdrawal date; if there is no such date corresponding to the withdrawal date in the month of adjustment, then the last day of that month shall be the corresponding day, and all the other periods shall be inferred by analogy. If the borrower withdraws the money by many times, the lending interest rate shall be adjusted in accordance with way **B** as follows:

A. No matter by how many times the money is withdrawn in one period, the lending interest rate of the current period as determined on the day of determining the interest rate of the period shall be followed, and shall be simultaneously adjusted in the next period.

B. The lending interest rate of each withdrawal is separately determined and adjusted.

(3) Others: _____

3.2 [Ways of determining the interest rate of foreign currency loans]

The interest rate of foreign currency loans is determined in accordance with way ____ as follows:

(1) Fixed interest rate, the annual interest rate is ___%, and the interest rate will remain unchanged within the valid period of the contract.

(2) Floating interest rate, the lending interest rate is determined by the benchmark interest rate of ___ (LIBOR/HIBOR) of ___ months plus the interest margin of ___ basis point (that is, 0.01%). Within the period of the contract, the spread interest rate will remain unchanged. After the borrower withdraws the money, the benchmark interest rate shall be adjusted in accordance with way ____ as follows, and the accrued interest computed by each section:

A. The benchmark interest rate floats in accordance with its corresponding period. The date of adjusting the benchmark interest rate of the second period is the corresponding day of one period after the withdrawal date; if there is no such date corresponding to the withdrawal date in the month of adjustment, then the last day of that month shall be the corresponding day, and all the other periods shall be inferred by analogy.

B. Adjust the benchmark interest rate on the first day of each interest period.

(3) Others: _____

3.3 The interest of the loans under the contract shall be computed by the day starting from the actual withdrawal date, and the interest shall be settled by the month (month/season/half-year). When the loans expire, the interest shall be clear together with the principal. In which the daily interest rate= annual interest rate/360.

3.4 The interest rate of overdue penalty interest under the contract is determined by adding 40% on the basis of the original lending interest rate, the interest rate of loan embezzlement penalty interest under the contract is determined by adding 70% on the basis of the original lending interest rate.

Article IV Withdrawal

The borrower shall withdraw the loans according to the actual money demand, among which the first sum of loan must be withdrawn before January 6, 2010, the last sum of loan must be withdrawn before September 26, 2011, otherwise the lender shall have the right to cancel all or part of the loans.

Article V Repayment

5.1 The borrower shall repay the loans according to the following repayment plan (Additional pages can be attached in case of relatively many items):

Planned time of repayment	Planned amount of repayment (ten thousand Yuan)
2011-1-3	2600
2012-1-3	6000
2013-1-3	6400

5.2 If the loans under the contract is under the following circumstances, the borrower shall immediately repay the loans after the corresponding capital is in place, for advance repayment resulted hereby, the borrower does not need to make compensation payment:

_____

_____

5.3 Unless under the circumstances specified in Article 5.2, for advance repayment, the borrower shall make compensation payment to the lender by ___% of the amount of advance repayment.

Article VI Special provisions on revolving loans (Optional term, this article ☐ applicable ☑ not applicable)

The borrower can, taking ___ (half-year/one year/two years/three years/four years/five years) as one period (hereafter names as unit lending period), revolve the use of loans under the contract. After handling necessary formalities, the principal of loans not repaid in the previous unit lending period can be used continuously in the next unit lending period; however the expiration date of any withdrawal shall not exceed the loan termination date specified in Article II mentioned above.

Article VII Guarantee

7.1 The loans under the contract are guarantee (credit/guarantee) loans.

7.2 In case the loans under the contract are guarantee loans, see the separately signed guarantee contract for issues of guarantee. If the related guarantee is maximum amount guarantee, the corresponding maximum amount guarantee contract is as follows:

Name of the maximum amount guarantee contract: Maximum Amount Suretyship Contract (No. 16093500519101, 16093500519102, 16093500519103)

Guarantor: Shanghai Hanting Hotel Management Co., Ltd., Yiju (Shanghai) Hotel Management Co., Ltd., Hanting (Tianjin) Investment Consulting Co., Ltd.

Article VIII Financial arrangement (Optional term, this article ☐ applicable ☑ not applicable)

Within the valid period of the contract, the borrower shall abide by the following financial indicator arrangements:

_____

_____

Article IX Dispute resolution

The way of resolving disputes under the contract is (2):

(1) Submit the disputes to _____ Arbitration Commission; the arbitration shall be conducted at _____ (place of arbitration) according to the effective arbitration rules of the commission at the time of submitting the arbitration application. The adjudication of the arbitration is final in nature, and shall be binding on both parties.

(2) Resolution through lawsuit in the court with jurisdiction over the lender.

Article X Miscellaneous

10.1 The contract is made out in two copies of one format, with the borrower and the lender each holding one copy, and the two copies being equal in legal effects.

10.2 The following appendixes and other appendixes jointly confirmed by the two parties constitute an indispensable part of the contract, and shall have equal legal effects with the contract.

Appendix 1: Notice of withdrawal (format)

Appendix 2: Entrusted payment agreement

Appendix 3:

Article XI Other issues agreed by the two parties

11.1 In case of overspending in the borrower's projects, the borrower shall solve it by self-raised funds;

11.2 The lender takes the capital accumulation account of Hanting system in the lender's premise as the established special capital account, all revenues of this project and related construction funds shall be deposited into this account, and the lender will supervise and manage the capital accumulation account;

11.3 Without the lender's consent, the borrower shall not add new external bank financing, provide guarantee or make external investment;

11.4 If Hanting Xingkong (Shanghai) Hotel Management Co., Ltd or Yiju (Shanghai) Hotel Management Co., Ltd or Hanting (Tianjin) Investment Consulting Co., Ltd conducted breach of contract for the loans in other banks or the lender or failed to repay any other debts of money payment after maturity (including those being announced as advance expiration), or fail to perform or breach any agreement or document for which the borrower is liable, then the case shall be regarded as the borrower's breach of contract for the loans under the contact, the lender shall have the right to suspend or cancel the loans that the borrower has not withdrawn or used, and shall have the right to collect part or all of the loans in advance; for the loans that cannot be collected, the liquidated damages shall be collected by the day according to the interest rate of overdue loans;

11.5 (1) The borrower shall regularly report and send the status of external guarantee to the lender, and shall promise that the information and amount of money on the part of the external guarantee provided to the lender is integrated, authentic, and accurate;

(2) The borrower shall honestly report the use of each loan to the lender, and promise that the loans borrowed from the lender will not flow into the securities market, futures market in any form, and will not use it in equity capital investment in violation of related national regulations.

(3) Under one of the following circumstances, the lender shall have the right to announce the advance termination of the loans, stop to grant the loans not granted yet, and require the borrower to repay the granted part or all loans in advance, or require the borrower to provide legal, effective guarantee approved by the lender.

(a) Without the lender's consent in writing, the lender sets mortgage (pledge) to others or provides external suretyship with its positive operation assets, which leads to increased loan risk for the lender.

(b) The borrower's indicators such as credit rating, profit level, liability/asset ratio, net cash flow in operation activities, etc. do not conform to the lender's conditions for credit loan, or the material changes in its production & operation and financial situation have caused great adverse influence on the lender's loan safety.

11.6 In case of equity change or transfer of assets, the borrower shall notify the lender in advance and obtain the lender's consent.

11.7 Properly handle the property insurance of all the stores of the project, with the lender as the first beneficiary, the insurance period shall cover the loan period of the project;

Part II Terms of the Fixed Assets Loan Contract

Article I Interest rate and interest-bearing of the loans

1.1 In foreign currency loans, LIBOR is the inter-bank offered rate for the currency of the loans under the contract as revealed by the "LIBO=" page of REUTER's finance & telecommunications terminal two bank working days (at midday 11:00 London time) before the withdrawal date or the adjustment date of benchmark interest rate; HIBOR is the inter-bank offered rate for the currency of the loans under the contract as revealed by the "LIBO=" page of REUTER's finance & telecommunications terminal two bank working days (at midday 11:00 Hong Kong time) before the withdrawal date or the adjustment date of benchmark interest rate.

1.2 If the interest-bearing of the loans is settled by the month, the interest settlement date is the 20th day of each month; if the interest-bearing of the loans is settled by the season, the interest settlement date is the 20th day of the last month of each season; If the interest-bearing of the loans is settled each half a year, the interest settlement date is the July 20th and December 20th of each year.

1.3 The first interest period starts from the borrower's actual withdrawal date and ends on the first interest settlement date; the last interest period is from the next day of the ending of the previous interest period to the final repayment date; the other interest periods is from the next day of the ending of the previous interest period to the next interest settlement date.

1.4 If the loans under the contract adopt floating interest rate, the rules of interest rate adjustment shall still be carried out in accordance with the original method after the loans become overdue.

1.5 If the People's Bank of China adjusts the method to determine the loan interest rate that is applicable to the loans under the contract, then it shall be handled in accordance with the related regulations of the People's Bank of China, and the lender will not separately notify the borrower again.

Article II Distribution and payment of the loans

2.1 To withdraw the loans, the borrower must satisfy the preconditions for withdrawal specified by the contract; otherwise the lender is under no obligations to grant any loans to the borrower, unless the lender agrees to beforehand distribution of the loans.

2.2 Preconditions for the first withdrawal

(1) The loan project has been examined and approved, or recorded by responsible state authorities; (unless no corresponding examination, approval or record is required before the distribution of the loans according to related regulations);

(2) The project capital or other funds to be duly raised are of full amount in place in accordance with the specified time and proportion;

(3) Except credit loans, the borrower has provided corresponding guarantee following the lender's requirements and has finished handling related formalities for the guarantee;

(4) Submit the notice of withdrawal to the lender in accordance with terms of the contract.

2.3 Before each time of withdrawal, besides satisfying the preconditions for the first withdrawal, the borrower shall also satisfy the following preconditions:

(1) In case the project capital gets in place by several periods, the capital of that period is of full amount in place in accordance with the specified proportion;

(2) No overspending of the cost or the overspending of the cost had been solved through self-financing;

(3) Having accomplished the project progress according to the plan, and the actual project progress being proportionate to the invested amount of loans;

(4) No breach of contract under this contract or other contract signed with the lender;

(5) The materials provided to certify the use of the loans conform to the use as agreed.

2.4 Upon the time of withdrawal, the written documents that the borrower submits to the lender must be the original; if failing to submit the original, duplicates bearing the borrower's official seal can be submitted after obtaining the lender's consent.

2.5 To apply for withdrawal, the borrower shall submit the notice of withdrawal to the lender at lease 5 bank working days in advance. Once it is submitted, the notice of withdrawal cannot be cancelled without the lender's consent in writing.

2.6 Once the lender agrees to the borrower's withdrawal after examination and approval, the lender will transfer the loans to the designated borrower account, which is deemed as the lender has granted the loans to the borrower in accordance with terms of the contract.

2.7 In accordance with related supervision regulations and lender management requirements, loans exceeding certain amount or conforming to certain conditions shall adopt the form of lender entrusted payment, in which the lender, according to the borrower's withdrawal application and payment entrustment, makes payment of the loan capital to the target of payment that conforms to the use specified by the contract. For this purpose, the borrower shall separately sign an entrustment payment agreement with the lender as an appendix to the contract, and open or designate a special account in the lender's premise to handle the issues of entrusted payment.

Article III Repayment

3.1 The borrower shall repay the principal, interest of the loans and other accounts payable in due time and amount according to terms of the contract. On the repayment day and the bank working day before each interest settlement date, the borrower shall deposit in full amount the payable principal, interest and other accounts payable of that period into the repayment accounted opened in the lender's premise, the lender shall have the right to actively collect via transfer on the repayment date or interest settlement date, or ask the borrower to cooperate in handling related transfer formalities. If the money in the repayment account is not sufficient to pay off all of the borrower's expired, payable accounts, the lender shall have the right to decide the order of discharging.

3.2 In case of applying for the advance repayment of all or part of the loans, the borrower shall submit application in writing to the lender at least 10 bank working days in advance, obtain the lender's consent, and make the compensation payment to the lender in accordance with the standard specified by the contract.

3.3 For advance repayment upon the lender's consent, the borrower shall, on the date of advance repayment, simultaneously pay off the principal, interest of the loans and other accounts expired and payable until the date of advance repayment in accordance with terms of the contract.

3.4 As to the shortening loan term caused by the borrower's advance repayment or the lender's advance collection of the loans in accordance with terms of the contract, the corresponding level of interest rate will not be adjusted, and still implement the original lending interest rate.

Article IV Revolving loans

4.1 If the loans under the contract is subject to revolving use, the starting date of the first unit lending period is the first withdrawal date, the starting date of the second unit lending period is the corresponding day of one period after the first withdrawal date, if there is no corresponding day to the first withdrawal date in the starting month of a certain unit lending period, then the last day of that month shall be the corresponding day, and the rest shall be inferred in analogy. Once it is determined, the unit lending period shall not be adjusted without the lender's consent.

4.2 After the first unit lending period, the loan balance of each unit lending period must be less than the loan balance of the previous unit lending period, upon the expiration of each unit lending period, the borrower shall repay the loans according to the arranged repayment plan. The loans within each unit lending period cannot put into revolving use.

4.3 If the Rennminbi revolving loans adopt floating interest rate, the benchmark interest rate shall be determined in accordance with the benchmark loan interest rate of the People's Bank of China corresponding to the unit lending period.

Article V Guarantee

5.1 Except for credit loans, the borrower shall provide legal and effective guarantee approved by the lender for its performance of obligations under the contract. The guarantee contract shall be signed separately.

5.2 In case that damage, devaluation, ownership dispute, seizure, or detention occur to the guarantee under the contract get damage, or the mortgagor disposes the guarantee without authorization, or adverse changes occur or other changes not beneficial to the lender's credit occur to the financial situations of the guarantor with suretyship guarantee, the borrower shall timely notify the lender, and separately provide other guarantee approved by the lender.

5.3 If the pledge guarantee for the loans under the contract is provided with accounts receivable, within the valid period of the contract, under one of the following circumstances, the lender shall have the right to announce the advance expiration of the loans, and ask the borrower to immediately repay part or all the principal and interest of the loans, or supplement legal,

effective, sufficient guarantee approved by the lender:

(1) As for the pledgor of accounts receivable to the payer, the rate of bad account in accounts receivable rises for 2 consecutive months;

(2) As for the pledgor of accounts receivable to the payer, the expired yet uncollected accounts receivable account for more than 5% of the payer's balance of accounts receivable;

(3) The pledgor of accounts receivable and the payer or other third party have trade disputes (including but not limited to disputes in quality, technology, service, etc.) or debt disputes, which render the failure of timely payment of the accounts receivable.

Article VI Insurance

6.1 The borrower shall, in accordance with the lender's requirements, take out an insurance policy of the equipment, project construction, freight transport related to the loan project as well as the risks during the project construction and operation in the insurance company approved by the lender, the types of insurance and insurance period in the insurance policy shall conform to the lender's requirements, and the insured amount shall cover the loan risks.

6.2 Within the valid period of the contract, the borrower shall not interrupt the insurance for any reasons. If the insurance is interrupted, the lender shall have the right to handle the formalities to renew the insurance or take out an insurance policy on Party B's behalf, and the borrower shall assume all the costs. If the borrower or related party conducted substantial modification or advance termination of the insurance policy, it shall notify the lender 30 days in advance and obtain the lender's consent, otherwise, the borrower shall be held accountable for the loss suffered by the lender caused by insurance interruption or termination, and insurance policy modification.

6.3 The insurance policy shall give clear indication that, in case of loss, the lender shall be the party with priority of claim (first beneficiary), the insurer shall directly make payment of the insurance benefits to the lender. In the insurance policy there shall be no terms restricting the lender's rights and interests.

6.4 The borrower shall notify the lender in writing within 3 days from the date of knowing or ought to know the happening of insurance accident, and timely make claim for compensation to the insurance company in accordance with the related regulations of the insurance contract. The insurance compensation money or smart money shall be used in advance repayment of the loans under the contract, or be used to restore the value of the project upon the lender's consent, or deposited into the account designated by the lender, serving as the guarantee money for the borrower's performance of debts under the contract.

Article VII Statements and suretyship

The borrower makes the following statement and suretyship to the lender, which will remain valid throughout the valid period of the contract:

7.1 The loan project and its loan issues conform to the requirements of laws and regulations;

7.2 Being eligible for the subject qualifications of the lender in accordance with the law, with

qualifications and capacity for signing and performance of the contract.

7.3 Signing the contract has acquired all the necessary authorization or approval, signing and performance of the contract neither breach the articles of association of the company and the provisions of related laws and regulations, nor conflict with the obligations to be duly shouldered under other contracts.

7.4 Other debts payable have been paid off as scheduled, no malicious default act of the principal and interest of bank loans.

7.5 With sound organizations and financial management system, no serious act violating the law and discipline in the production and operation process in the past one year, no serious bad record of senior management personnel currently in office.

7.6 All the documents or materials provided to the lender are authentic, accurate, complete and effective, with no false record, major omission or misleading statement.

7.7 The financial accounting statement provided to the lender is formulated in accordance to China accounting standards, which truthfully, fairly, completely reflects the lender's operation status and debt situation, and from the latest financial accounting statement until this day, no material adverse changes happed to the lender's financial situations.

7.8 No concealment of its involved lawsuit, arbitration or claim for compensation to the lender.

Article VIII The borrower's commitment

8.1 Withdraw and use the loans according to the term and purpose specified by the contract, the borrowed money will not flow into the securities market, futures market in any form or other purposes forbidden or restricted by related laws and regulations.

8.2 Pay off the principal, interest of the loans and other accounts payable in accordance with terms of the contract.

8.3 Accept and actively cooperate the lender's inspection and supervision of the use of the loan capital including the purposes in the way of account analysis, certificate checking, on-site investigation, etc., and regularly summarize and report the situations of loan capital use in line with the lender's requirements.

8.4 Accept the lender's credit inspection, provide finance and accounting materials such as the balance sheet, breakeven statement, etc. and other materials that reflect the borrower's repayment capacity in accordance with the lender's requirements, assist and cooperate the lender in the investigation, understanding and supervision of its production & operation and financial situations.

8.5 Before paying off the principal and interest of the loans under the contract and other accounts payable, do not distribute dividend and bonus in any form.

8.6 In carrying out merger, separation, capital reduction, equity change, major asset and credit transfer, major foreign investment, substantial increase of debt financing as well as other activities that may affect the lender's rights and interests, proceed until obtaining the lender's

consent in writing in advance or making arrangements on the realization of the lender's credit right that is satisfying to the lender.

8.7 Under one of the following circumstances, the borrower shall timely notify the lender:

(1) Changes in the articles of association, scope of business, registered capital, legal representative;

(2) Business closure, dissolution, liquidation, winding-up of business for rectification, business license being revoked, being cancelled or applying (being applied) for bankruptcy;

(3) Getting involved or possibly getting involved in major economic dispute, lawsuit, arbitration, or the property being seized, detained or monitored;

(4) Shareholder, director or senior management personnel currently in office are suspected of being involved in major cases or economic disputes.

8.8 Timely, completely, accurately disclose the related party relationship and related transaction to the lender.

8.9 Timely sign for various notices sent out or delivered in other forms by the lender.

8.10 Do not dispose self-owned assets in the way of lowering the debt paying ability; without obtaining the lender's consent, do not provide guarantee to a third party with the assets formed with the loans under the contract.

8.11 If the loans under the contract are granted in the mode of credit, completely, truthfully, accurately report the external guarantee situations to the lender on a regular basis, and according to the lender's requirements, sign the account supervision agreement. If providing external guarantee may affect its performance of obligations under the contract, the lender's consent in writing is required.

8.12 Support the lender in participating in activities of the loan project such as three-calculation (budgetary estimate, budget, final accounts) review, project tender invitation, and project completion acceptance, etc.

8.13 Assume the costs occurred in the establishment and performance of the contract, as well as the expenses paid or payable by the lender to realize the credit rights under the contract, including but not limited to lawsuit or arbitration cost, property preservation cost, lawyer cost, enforcement cost, evaluation cost, auction cost, announcement cost, etc.

8.14 The order of discharging the debts under the contract prioritizes the borrower's debt to its shareholders, and shall at least get placed on an equal status with the same kind of debts to the borrower's other creditors.

Article IX The lender's commitment

9.1 Grant the loans to the borrower in accordance with terms of the contract.

9.2 Keep confidential of the non-public material and information provided by the borrower, unless it is regulated otherwise by laws and regulations and specified otherwise by the contract.

Article X Breach of contract

10.1 The occurrence of one of the following circumstances shall constitute the borrower's breach of contract:

(1) The borrower fails to repay the principal and interest of the loans under the contract and other accounts payable according to terms of the contract, or fails to perform any other obligations under the contract, or breach the statement, suretyship or commitment, etc. under the contract;

(2) The guarantee under the contract has occurred changes adverse to the lender's credit rights, the borrower fails to separately provide other guarantee approved by the lender;

(3) The borrower fails to pay off any other debts after expiration (including those being announced as advance expiration), or fail to perform or breach the obligations under other agreement, which affected or may affect its performance of obligations under the contract;

(4) The borrower's financial indicators such as the profit capability, debt paying ability, operation capacity or cash flow, etc. break through the contracted standard, or get deteriorated, which affected or may affect its performance of obligations under the contract;

(5) Material adverse changes in the lender's equity structure, production and operation, foreign investment, etc., which affected or may affect its performance of obligations under the contract;

(6) The borrower gets involved or may get involved in major economic dispute, lawsuit, arbitration, or the property is seized, detained or monitored, or is punished in cases or taken penalty measures by the judiciary or administrative organizations in accordance with the law, or get exposed by the media because of the violation of related national regulations or policies, which affected or may affect its performance of obligations under the contract;

(7) Abnormal change, disappearance or being under the legal investigation of restriction of personal freedom by the judiciary on the part of the borrower's principal investor individuals, key management personnel, which affected or may affect its performance of obligations under the contract;

(8) The borrower makes use of the false contract with the related party, makes use of transactions without practical transaction background to fraudulently obtain the lender's capital or credit granting, or intends to escape or nullify the lender's credit rights through related transactions;

(9) The lender has undergone or may under go business closure, dissolution, liquidation, winding-up of business for rectification, business license being revoked, being cancelled or applying (being applied) for bankruptcy;

(10) The borrower has responsible accident caused by the violation of related laws and regulations, supervision and management measures or trade standards on food safety, safety production, environment protection, etc., which affected or may affect its performance of obligations under the contract;

(11) The project capital is not in place according to the plan or proportion, or fails to be made up within the time limit specified by the lender;

(12) Failure to complete the project construction according to the progress, or material adverse changes in the environment, conditions for project construction and operation;

(13) If the loans under the contract is granted in the form of credit, the borrower's indicators such as credit rating, profit level, liability/asset ratio, net cash flow in operation activities, etc. do not conform to the lender's conditions for credit loan; or without the lender's consent in writing, the lender sets mortgage/pledge guarantee to others or provides external suretyship with its positive operation assets, which affected or may affect its performance of obligations under the contract;

(14) Other circumstances that may lead to adverse influence on the realization of the lender's credit rights under the contract.

10.2 In case of the borrower's breach of contract, the lender shall have the right to adopt one or several of the following measures:

(1) Ask the borrower to rectify the breach of contract within a time limit;

(2) Stop to grant the loans and other financing accounts to the borrower in accordance with the contract and under other contract between the lender and the borrower, cancel part or all of the loans and other financing accounts not withdrawn by the borrower;

(3) Announce the immediate expiration of loans not repaid under the contract and under other contract between the lender and the borrower and other financing account, and the immediate collection of accounts not repaid;

(4) Ask the borrower to compensate for the loss suffered by the lender due to its breach of contract;

(5) Other measures stipulated in laws and regulations, specified by the contract or deemed by the lender as necessary.

10.3 If the borrower fails to make repayment according to the contract when the loans expire (including being announced as immediate expiration), the lender shall have the right to compute and collect the penalty interest according to the overdue penalty interest rate specified by the contract starting from the date of overdue. For the interest that the borrower fails to pay on time, compound interest shall be computed and collected following the overdue penalty interest rate.

10.4 If the borrower fails to use the loans in accordance with the purposes specified by the contract, the lender shall have the right, from the date of loan embezzlement, for the embezzled part, to compute and collect the penalty interest according to the loan embezzlement penalty interest rate specified by the contract, for the interest that the borrower fails to pay on time during the period of embezzlement, compound interest shall be computed and collected following the loan embezzlement penalty interest rate.

10.5 If the borrower is simultaneously under the circumstances listed in Article 10.3, 10.4 as mentioned above, the penalty interest rate shall be determined by the heavier, but not the

implementation of both.

10.6 If the borrower fails to repay the principal, interest (including the penalty interest and compound interest) of the loans or other accounts payable, the lender shall have the right to carry out announcement press for payment through the media.

10.7 The relationship of controlling and being controlled between the lender's related party and the lender changes, or the lender's related party is under circumstances in Article 10.1 other than the two items (1), (2), which affected or may affect the borrower's performance of obligations under the contract, the lender shall have the right to take all measures specified by the contract.

Article XI Collection by deduction

11.1 If the borrower fails to make repayment of the expired debt (including those being announced as immediate expiration) according to the contract, the lender shall have the right to deduct and collect the corresponding money from all the RMB and foreign currency accounts that the borrower opened in the lender's premise or other branch institutions of the Industrial and Commercial Bank of China to pay off the debt, until all the borrower's debts under the contract get paid off.

11.2 If the money deducted is inconsistent with the currency of the contract, it will be converted according to the exchange rate applicable to the lender on the day of deduction. The interest and other costs occurred during the period from the day of deduction to the day of paying off (the day when the lender converts the deducted money into the contract currency and practically pays off the debt under the contract in accordance with national policies on foreign exchange management), as well as the difference derived from the fluctuation of the exchange rate during this period shall be assumed by the borrower.

11.3 If the money deducted by the lender is not sufficient to pay off all of the lender's debts, the lender shall have the right to decide the order of discharging.

Article XII Transfer of rights and obligations

12.1 The lender shall have the right to transfer part or all of its rights under the contract to a third party, the lender's act of transfer need not obtain the borrower's consent. Without the lender's consent in writing, the borrower shall not transfer any of its rights or obligations under the contract.

12.2 The lender or the Industrial and Commercial Bank of China Co., Ltd. ("Industrial and Commercial Bank") can, in accordance with the needs of operation management, authorize or entrust other branch institutions of the Industrial and Commercial Bank to performance the rights and obligations under the contract, or incorporate the loan credit rights under the contract into the succession and management of other branch institutions of the Industrial and Commercial Bank, the borrower expresses approval of such arrangements, and the lender's above-mentioned action need not obtain the borrower's consent again. Other branch institutions of the Industrial and Commercial Bank that succeed the lender's rights and obligations shall have the right to exercise all the rights under the contract, and have the right to file a lawsuit, propose arbitration or apply for compulsory enforcement of the disputes under the contract to the court in the name of that institution.

Article XIII Effectiveness, modification and termination

13.1 The contract shall come into effect from the date of signing, and shall terminate until the borrower has performed all the obligations under the contract.

13.2 Any modification of the contract shall be based on the agreement of the two parties and made in written form. The modified terms or agreement constitute a part of the contract, and shall be equal in legal effects with the contract. Except for the modified part, the remainder part of the contract remains effective; before the modified part comes into effect, the original terms remain effective.

13.3 The modification and termination of the contract shall not affect the rights of each contracting party to claim compensation for damages. The termination of the contract shall not affect the effectiveness of the terms on dispute resolution.

Article XIV Legal applicability and dispute resolution

The law of the People's Republic of China shall be applicable to the establishment, effectiveness, interpretation, performance and dispute resolution of the contact. For any disagreement and dispute derived from the contract or related to the contract, Party A and Party B shall resolve through consultation, if the negotiations fail, then the disagreement and dispute shall be resolved by the way specified by the contract.

Article XV Integrated contract

Part I "*Conditions for the Loans*" and Part II "*Terms of the Fixed Assets Loan Contract*" of the contract jointly form an integrated loan contract, the same word in the two parts shall have the same connotations. The loan of the lender is under the common binding of the two parts mentioned above.

Article XVI Notice

16.1 All notices under the contract shall be sent out in writing. Except agreed otherwise, the two parties designate the domicile clearly indicated in the contract as the correspondence and contact address. If the correspondence address or other contact information of either party has changed, the counterpart shall be timely notified in writing.

16.2 In case that either party of the contract refuses to sign for or other situations of delivery failure, the notifying party may carry out the delivery by means of notarization or declaration.

Article XVII Miscellaneous

17.1 The lender's non-exercise or partial exercise or delayed exercise of any rights under the contract shall not constitute the abandoning or changes of such rights or other rights, and shall not affect the lender's further exercise of such rights or other rights.

17.2 The invalidity or non-performance of any terms of the contract shall neither affect the validity and performance of the other terms, nor affect the effectiveness of the whole contract.

17.3 The lender shall have the right, in accordance with the provisions of related laws and

regulations or the requirements of finance regulatory organizations, to provide the information on the contract and other related information of the borrower to the credit reporting system of the People's Bank of China or other credit information database established in accordance with the law, for inquiry and use by institutions or individuals with proper qualifications. The lender shall also have the right, for the purpose of formulating and performing the contract, inquire the related information of the borrower through the credit reporting system of the People's Bank of China or other credit information database established in accordance with the law.

17.4 Words such as the "related party", "related party relationship", "related party transaction" "principal investor person", "key management personnel", etc. mentioned in the contract shall have identical connotations with the same words in the "*Accounting Standard for Business Enterprises No. 36 — Related party disclosure*" (MOF Accountant [2006] No.3) and the following amendment to the standard promulgated by the Ministry of Finance.

17.5 The invoices and certificates on the loans under the contract that is made and saved by the lender in accordance with its business rules, shall constitute the effective evidence to prove the debtor-creditor relationship of the borrower and the lender, and shall be binding on the lender.

17.6 In this contract, (1) any mentioning of the contract shall include the amendment or supplement to the contract; (2) the titles of the terms are only for reference, and shall not constitute any interpretation of the contract or any restrictions on the content or its scope under the title; (3) if the withdrawal date, repayment date is not bank working day, then it shall be postponed to the next bank working day.

The Two Parties Confirm That: the borrower and the lender have carried out full consultation on all terms of the contract. The lender has proposed that the borrower pay special attention to all terms on the rights and obligations of the two parties so as to acquire a full and accurate understanding of the terms, and has offered explanations and statements on related terms upon the borrower's request. The borrower has carefully read and fully understood all terms of the contract (including Part I "Conditions for the Loans" and Part II "Terms of the Fixed Assets Loan Contract"), the borrower and the lender have reached complete agreement on the interpretation of the contract terms, with no objections to the content of the contract.

Lender (seal): Shanghai Caohejing Hi-Tech Park Branch, Industrial and Commercial Bank of China Co., Ltd.

Responsible person/ entrusted agent: /s/ Guanghua Xu

Borrower (seal): HanTing XingKong (Shanghai) Hotel Management Co., Ltd.

Legal representative/ entrusted agent: /s/ Tuo Zhang

Date of signing: January 4, 2010

Exhibit 16.1

March 5, 2010

Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

Gentlemen:

We have read Item 4(d) of Form F-l of China Lodging Group, Limited dated March 5, 2010 and are in agreement with the statements contained in paragraph 3 in the section "Change in Accountants" included therein. We have no basis to agree or disagree with other statements of the registrant contained therein.

Ernst & Young Hua Ming

Shanghai, The People's Republic of China

Exhibit 21.1

List of Subsidiaries

Directly-Owned Subsidiaries:

Shanghai HanTing Hotel Management Group, Ltd. (PRC) (formerly known as Lishan Senbao (Shanghai) Investment Management Co., Ltd.)

HanTing Xingkong (Shanghai) Hotel Management Co., Ltd. (PRC)

Yiju (Shanghai) Hotel Management Co., Ltd. (PRC)

HanTing (Tianjin) Investment Consulting Co., Ltd. (PRC)

China Lodging Holdings (HK) Limited (Hong Kong)

Indirectly-Owned Subsidiaries:

1. 100% Owned Subsidiaries (all PRC companies)

1.1 HanTing Technology (Suzhou) Co., Ltd.
1.2 Shanghai HanTing Decoration and Engineering Co., Ltd.
1.3 Shanghai Yiju Hotel Management Co., Ltd.
1.4 Shanghai Aiting Hotel Management Co., Ltd.
1.5 Shanghai Senting Hotel Management Co., Ltd.
1.6 Shanghai Yuanting Hotel Management Co., Ltd.
1.7 Shanghai Ningting Hotel Management Co., Ltd.
1.8 Shanghai Guiting Hotel Management Co., Ltd.
1.9 Shanghai Yiting Hotel Management Co., Ltd.
1.10 Shanghai Songting Hotel Management Co., Ltd.
1.11 Shanghai Xiting Hotel Management Co., Ltd.
1.12 Shanghai Jiating Hotel Management Co., Ltd.
1.13 Shanghai Hanhao Hotel Management Co., Ltd.
1.14 Shanghai Yuanting Hotel Management Co., Ltd.
1.15 Shanghai Yangting Hotel Management Co., Ltd.
1.16 Shanghai Baoting Hotel Management Co., Ltd.
1.17 Shanghai Yaogu Shangwu Hotel Management Co., Ltd.

1.18 Shanghai Yanting Hotel Management Co., Ltd.
1.19 Shanghai Changting Hotel Management Co., Ltd.
1.20 Shanghai Changting Hotel Management Co., Ltd.
1.21 Shanghai Qinting Hotel Management Co., Ltd.
1.22 Suzhou Lishan Senbao Hotel Management Co., Ltd.
1.23 Suzhou HanTing Hotel Management Co., Ltd.
1.24 Suzhou Lishan Yatai Hotel Management Co., Ltd.
1.25 Suzhou Yiting Hotel Management Co., Ltd.
1.26 Beijing Beixie Hongyun Hotel Management Co., Ltd.
1.27 Beijing Jiating Hotel Management Co., Ltd.
1.28 Beijing Dongting Hotel Management Co., Ltd.
1.29 Beijing Anting Hotel Management Co., Ltd.
1.30 Beijing Yueting Hotel Management Co., Ltd.
1.31 Hangzhou Senting Hotel Management Co., Ltd.
1.32 Hangzhou Yishitan Investment and Management Co., Ltd.
1.33 Hangzhou Qiuting Hotel Management Co., Ltd.
1.34 Guangzhou Mengting Hotel Management Co., Ltd.
1.35 Guangzhou Meiting Hotel Management Co., Ltd.
1.36 Guangzhou Huiting Hotel Management Co., Ltd.
1.37 Tianjin Chengting Hotel Management Co., Ltd.
1.38 Tianjin Xingting Hotel Management Co., Ltd.
1.39 Tianjin HanTing Xingkong Hotel Management Co., Ltd.
1.40 Tianjin Yiting Hotel Management Co., Ltd.
1.41 Wuhu Yinting Hotel Management Co., Ltd.
1.42 Wuhu HanTing Hotel Management Co., Ltd.
1.43 Shenyang Maruika Hotel Management Co., Ltd.
1.44 Shenyang Futing Hotel Management Co., Ltd.
1.45 Wuhan HanTing Hotel Management Co., Ltd.
1.46 Wuhan Changting Hotel Management Co., Ltd.
1.47 Shenzhen HanTing Hotel Management Co., Ltd.
1.48 Shenzhen Shenting Hotel Management Co., Ltd.
1.49 Kunshan Lishan Hotel Management Co., Ltd.
1.50 Ningbo Jiangdong Meijia City Hotel Co., Ltd.
1.51 Yiwu HanTing Hotel Management Co., Ltd.

1.52 Nanning HanTing Hotel Management Co., Ltd.
1.53 Nanjing Kexiang Hotel Co., Ltd.
1.54 Nanjing Leting Hotel Management Co., Ltd.
1.55 Xiamen Xiating Hotel Management Co., Ltd.
1.56 Zibo HanTing Hotel Management Co., Ltd.
1.57 Nanjing Ningru Hotel Management Co., Ltd.
1.58 Beijing HanTing Jiamei Hotel Management Co., Ltd.
1.59 Xi'an HanTing Fukai Hotel Management Co., Ltd.
1.60 Qingdao HanTing Hotel Management Co., Ltd.
1.61 Shanghai Lanting Hotel Management Co., Ltd.
1.62 Shanghai baiting Hotel Management Co., Ltd.
1.63 Shanghai Jiangting Hotel Management Co., Ltd.
1.64 Shanghai Zhenting Hotel Management Co., Ltd.
1.65 Shanghai HanTing Guancheng Hotel Management Co., Ltd.
1.66 Chengdu HanTing Hotel Management Co., Ltd.
1.67 Shanghai Yiju Hotel Management Co., Ltd.
1.68 Wuxi Yiju Hotel Management Co., Ltd.
1.69 Hangzhou HanTing Kuaijie Hotel Management Co., Ltd.
1.70 Beijing Yaoting Hotel Management Co., Ltd.
1.71 Beijing Xiting Hotel Management Co., Ltd.
1.72 Shanghai HanTing Service Apartment Hotel Management Co., Ltd.
1.73 Shanghai Meiting Hotel Management Co., Ltd.
1.74 Beijing HanTing Hotel Management Co., Ltd.

2. Majority-Owned Subsidiaries (all PRC companies)

2.1 Beijing HanTing Ruijing Hotel Management Co., Ltd.
- 51% equity interests owned by Shanghai HanTing Hotel Management Group, Ltd.

2.2 Beijing HanTing Shengshi Hotel Management Co., Ltd.
- 80% equity interests owned by Shanghai HanTing Hotel Management Group, Ltd.

2.3 Beijing HanTing Dongfang Hotel Management Co., Ltd.
- 99% equity interests owned by Shanghai HanTing Hotel Management Group, Ltd.

2.4 Hangzhou Hemei HanTing Hotel Management Co., Ltd.
- 65% equity interests owned by Shanghai HanTing Hotel Management Group, Ltd.

2.5 Hangzhou Heju HanTing Hotel Management Co., Ltd.
- 65% equity interests owned by Shanghai HanTing Hotel Management Group, Ltd.

2.6 Hangzhou Heting Hotel Management Co., Ltd.
- 65% equity interests owned by Shanghai HanTing Hotel Management Group, Ltd.

2.7 Shanghai Kailin Hotel Management Co., Ltd.
- 65% equity interests owned by Shanghai HanTing Hotel Management Group, Ltd.

2.8 Nantong HanTing Zhongcheng Hotel Co., Ltd.
- 95% equity interests owned by Shanghai HanTing Hotel Management Group, Ltd.

2.9 Chengdu HanTing Yangchen Hotel Management Co., Ltd.
- 51% equity interests owned by Shanghai HanTing Hotel Management Group, Ltd.

2.10 Shenyang HanTing Yonglun Hotel Management Co., Ltd.
- 60% equity interests owned by Shanghai HanTing Hotel Management Group, Ltd.

2.11 Suzhou Kangjia Shangwu Hotel Management Co., Ltd.
- 51% equity interests owned by Shanghai HanTing Hotel Management Group, Ltd.

2.12 Wuxi HanTing Hotel Management Co., Ltd.
- 55% equity interests owned by Shanghai HanTing Hotel Management Group, Ltd.

2.13 Taiyuan HanTing Jiangnan Hotel Management Co., Ltd.
- 55% equity interests owned by Shanghai HanTing Hotel Management Group, Ltd.

2.14 Shenzhen HanTing Shiji Hotel Management Co., Ltd.
- 90% equity interests owned by Shanghai HanTing Hotel Management Group, Ltd.

2.15 Changsha Changting Hotel Management Co., Ltd.
- 51% equity interests owned by Shanghai HanTing Hotel Management Group, Ltd.

2.16 Guilin Lishan Huiming Hotel Management Co., Ltd.
- 60% equity interests owned by Shanghai HanTing Hotel Management Group, Ltd.

2.17 Shanghai HuiGu GangWan Hotel Management Co., Ltd.
- 65% equity interests owned by HanTing Xingkong (Shanghai) Hotel Management Co., Ltd.

Exhibit 23.1

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CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the use in this Registration Statement on Form F-1 of our report dated February 2, 2010 (March 5, 2010 as to Note 21) relating to the financial statements and financial statement schedules of China Lodging Group, Limited (which report expresses an unqualified opinion on the financial statements and financial statement schedules and includes explanatory paragraphs referring to (i) the adoption of FASB Accounting Standards Codification 810-10-65, Consolidation — Overall — Transition and Open Effective Date Information" (previously Statement of Financial Accounting Standards No. 160, "Noncontrolling Interests in Consolidated Financial Statements — an amendment of ARB No. 51"), effective January 1, 2009 and (ii) the translation of Renminbi amounts to U.S. dollar amounts for the convenience of the readers in the United States of America) appearing in the Prospectus, which is part of this Registration Statement. We also consent to the reference to us under the heading "Experts" in such Prospectus.

/s/ Deloitte Touche Tohmatsu CPA Ltd.
Deloitte Touche Tohmatsu CPA Ltd.
Shanghai, China
March 5, 2010

Exhibit 23.4

君合律師事務所
JUN HE LAW OFFICES
Shanghai Kerry Centre, 32nd Floor
1515 West Nanjing Road, Shanghai 200040, P. R. China
Tel.: (86-21) 5298-5488 Fax: (86-21) 5298-5492
E-mail: junhesh@junhe.com
Homepage: www.junhe.com

March 5, 2010

China Lodging Group, Limited

5th Floor, Block 57, No. 461 Hongcao Road
Xuhui District
Shanghai 200233
People's Republic of China

Ladies and Gentlemen,

We consent to the reference to our firm under the headings "Enforceability of Civil Liabilities," "Regulation," and "Legal Matters" in the prospectus included in China Lodging Group, Limited's registration statement on Form F-1, which is filed with the Securities and Exchange Commission on March 5, 2010 under the U.S. Securities Act of 1933, as amended.

Yours faithfully,

Jun He Law Offices
/s/ Jun He Law Offices

Beijing Head Office

China Resources Building
20th Floor
Beijing 100005
P.R. China
Tel.: (86-10) 8519-1300
Fax: (86-10) 8519-1350
E-mail: junhebj@junhe.com

Shanghai Office

Shanghai Kerry Centre
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1515 West Nanjing Road
Shanghai 200040
P.R. China
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Fax: (86-21) 5298-5492
E-mail: junhesh@junhe.com

Shenzhen Office

Shenzhen Development
Bank Tower Suite 20-C
5047 East Shennan Road
Shenzhen 518001
P.R. China
Tel.: (86-755) 2587-0765
Fax: (86-755) 2587-0780
E-mail: junhesz@junhe.com

Dalian Office

Chinabank Plaza
Room F, 16th Floor
No. 17 Renmin Road
Dalian 116001
P.R. China
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Fax: (86-411) 8250-7579
E-mail: junhedl@junhe.com

Haikou Office

Nanyang Building
Suite 1107
Haikou 570105
P.R. China
Tel.: (86-898) 6851-2544
Fax: (86-898) 6851-3514
E-mail: junhehn@junhe.com

New York Office

36W, 44th Street,
Suite 914 New York,
NY10036, U.S.A.
Tel.: (1-212) 703-8702
Fax: (1-212) 703-8720
E-mail: junheny@junhe.com

Hong Kong Office

Suite 2208,
22nd Floor, Jardine House
1 Connaught Place, Central

Hong Kong
Tel.: (852) 2167-0000
Fax: (852) 2167-0050
E-mail: junhehk@junhe.com

Exhibit 23.5

February 26, 2010
5th Floor, Block 57, No. 461 Hongcao Road
Xuhui District
Shanghai 200233
People's Republic of China
Attention: Min (Jenny) Zhang

Dear Ms. Zhang,

We hereby consent to the references to our name and the quotation by China Lodging Group, Limited in its Registration Statement (as may be amended or supplemented) on Form F-l submitted, to be submitted or to be filed with the U.S. Securities and Exchange Commission (the "Registration Statement"), of research data and information prepared by us, and in roadshow and other promotional materials in connection with the proposed offering. We also hereby consent to the filing of this letter as an exhibit to the Registration Statement.

Shanghai Inntie Hotel Management
Consultant Co., Ltd.

/s/ Hu Shengyang
Name: Hu Shengyang
Title: Chief Executive Officer

Exhibit 23.6

making sense of global markets

Feb 19, 2010

China Lodging Group, Limited
5th Floor, Block 57, No. 461 Hongcao Road
Xuhui District
Shanghai 200233
People's Republic of China
Attention: Min (Jenny) Zhang

Euromonitor International
3 Lim Teck Kim Road
#08-01 Singapore Technologies Building
Singapore 088934

tel +65 6429 0590
fax +65 6324 1855
www.euromonitor.com

Dear Ms Zhang

China Lodging Group, Limited (the "Company")

We, Euromonitor International, refer to the Registration Statement (as may be amended or supplemented) on Form F-l submitted, to be submitted or to be filed by the Company with the U.S. Securities and Exchange Commission (the **"Registration Statement")** and hereby give our written consent to the references to our name and the quotation by the Company of the data prepared or compiled by us in the Registration Statement, and in roadshow and other promotional materials in connection with the proposed offering.

We also consent to the filing of this letter as an exhibit to the Registration Statement.

Yours faithfully
For and on behalf of
Euromonitor International

/s/ George Teh
Name: George Teh
Title: Account Manager

Exhibit 23.7

February 8, 2010
5th Floor, Block 57, No. 461 Hongcao Road
Xuhui District
Shanghai 200233
People's Republic of China
Attention: Min (Jenny) Zhang

Dear Ms. Zhang,

We hereby consent to the references to our name and the quotation by China Lodging Group, Limited in its Registration Statement (as may be amended or supplemented) on Form F-1 submitted, to be submitted or to be filed with the U.S. Securities and Exchange Commission (the "Registration Statement"), of research data and information prepared by us, and in roadshow and other promotional materials in connection with the proposed offering. We also hereby consent to the filing of this letter as an exhibit to the Registration Statement.

Smith Travel Research

/s/ Brad Garner
Name: Brad Garner
Title: Vice President

Exhibit 23.8

艾瑞咨询集团公司
iResearch Consulting Group

2009.12.08
5th Floor, Block 57, No. 461 Hongcao Road
Xuhui District
Shanghai 200233
People's Republic of China
Attention: Min (Jenny) Zhang

Dear Ms. Zhang,

We hereby consent to the references to our name and the quotation by China Lodging Group, Limited in its Registration Statement (as may be amended or supplemented) on Form F-1 submitted, to be submitted or to be filed with the U.S. Securities and Exchange Commission (the "Registration Statement"), of research data and information prepared by us, and in roadshow and other promotional materials in connection with the proposed offering. We also hereby consent to the filing of this letter as an exhibit to the Registration Statement.

iResearch Consulting Group

Name:
Title:

Exhibit 99.1

CHINA LODGING GROUP, LIMITED

Code of Business Conduct and Ethics
Adopted January 27, 2010

1. Introduction

This Code of Business Conduct and Ethics (the "**Code**") has been adopted by our Board of Directors and summarizes the standards that must guide our actions. While covering a wide range of business practices and procedures, these standards cannot and do not cover every issue that may arise, or every situation where ethical decisions must be made, but rather set forth key guiding principles that represent Company policies and establish conditions for employment at the Company.

We must strive to foster a culture of honesty and accountability. Our commitment to the highest level of ethical conduct should be reflected in all of the Company's business activities including, but not limited to, relationships with employees, customers, suppliers, competitors, the government and the public, including our shareholders. All of our employees, officers and directors must conduct themselves according to the language and spirit of this Code and seek to avoid even the appearance of improper behavior. Even well intentioned actions that violate the law or this Code may result in negative consequences for the Company and for the individuals involved.

One of our Company's most valuable assets is our reputation for integrity, professionalism and fairness. We should all recognize that our actions are the foundation of our reputation and adhering to this Code and applicable law is imperative.

2. Reporting Violations of the Code

All employees have a duty to report any known or suspected violation of this Code, including any violation of the laws, rules, regulations or policies that apply to the Company. If you know of or suspect a violation of this Code, immediately report the conduct to your supervisor or the designated compliance officer (the "**Compliance Officer**"). Employees making a report need not leave their name or other personal information and reasonable efforts will be used to conduct the investigation that follows from the report in a manner that protects the confidentiality and anonymity of the employee submitting the report. All reports of known or suspected violations of the law or this Code will be handled sensitively and with discretion. Your supervisor, the Compliance Officer and the Company will protect your confidentiality to the extent possible, consistent with law and the Company's need to investigate your report.

It is Company policy that any employee who violates this Code will be subject to appropriate discipline, which may include termination of employment. This determination will be based upon the facts and circumstances of each particular situation. An employee accused of violating this Code will be given an opportunity to present his or her version of the events at issue prior to any determination of appropriate discipline. Employees who violate the law or this Code may expose themselves to substantial civil damages, criminal fines and prison terms. The Company may also face substantial fines and penalties and may incur damage to its reputation and standing in the community. Your conduct as a representative of the Company, if it does not comply with the law or with this Code, can result in serious consequences for both you and the Company.

3. Conflicts of Interest

Our employees, officers and directors have an obligation to conduct themselves in an honest and ethical manner and act in the best interest of the Company. All employees, officers and directors should endeavor to avoid situations that present a potential or actual conflict between their interest and the interest of the Company.

A "conflict of interest" occurs when a person's private interest interferes in any way, or even appears to interfere, with the interest of the Company, including its subsidiaries and affiliates. A conflict of interest can arise when an employee, officer or director takes an action or has an interest that may make it difficult for him or her to perform his or her work objectively and effectively. Conflicts of interest may also arise when an employee, officer or director (or his or her family members) receives improper personal benefits as a result of the employee's, officer's or director's position in the Company.

Although it would not be possible to describe every situation in which a conflict of interest may arise, the following are examples of situations which may constitute a conflict of interest:

- Working, in any capacity, for a competitor, customer or supplier while employed by the Company.
- Accepting gifts of more than modest value or receiving personal discounts (if such discounts are not generally offered to the public) or other benefits as a result of your position in the Company from a competitor, customer or supplier.
- Competing with the Company for the purchase or sale of property, products, services or other interests.

- Having an interest in a transaction involving the Company, a competitor, customer or supplier (other than as an employee, officer or director of the Company and not including routine investments in publicly traded companies).
- Receiving a loan or guarantee of an obligation as a result of your position with the Company.
- Directing business to a supplier owned or managed by, or which employs, a relative or friend.

Situations involving a conflict of interest may not always be obvious or easy to resolve. You should report actions that may involve a conflict of interest to the Compliance Officer.

In order to avoid conflicts of interest, senior executive officers and directors must disclose to the Board of Directors any material transaction or relationship that reasonably could be expected to give rise to such a conflict.

In the event that an actual or apparent conflict of interest arises between the personal and professional relationship or activities of an employee, officer or director, the employee, officer or director involved is required to handle such conflict of interest in an ethical manner in accordance with the provisions of this Code.

4. Quality of Public Disclosures

The Company has a responsibility to provide full and accurate information in our public disclosures, in all material respects, about the Company's financial condition and results of operations. Our reports and documents filed with or submitted to the United States Securities and Exchange Commission and our other public communications shall include full, fair, accurate, timely and understandable disclosure.

5. Compliance with Laws, Rules and Regulations

We are strongly committed to conducting our business affairs with honesty and integrity and in full compliance with all applicable laws, rules and regulations. No employee, officer or director of the Company shall commit an illegal or unethical act, or instruct others to do so, for any reason.

If you believe that any practice raises questions as to compliance with any applicable law, rule or regulation or if you otherwise have questions regarding any law, rule or regulation, please contact your supervisor/manager.

6. Compliance with This Code and Reporting of Any Illegal or Unethical Behavior

All employees, directors and officers are expected to comply with all of the provisions of this Code. The Code will be strictly enforced and violations will be dealt with immediately, including subjecting persons to corrective and/or disciplinary action such as termination of employment or removal from office. Violations of the Code that involve illegal behavior will be reported to the appropriate authorities.

Situations which may involve a violation of ethics, laws, rules, regulations or this Code may not always be clear and may require difficult judgment. Employees, officers and directors should promptly report any concerns about violations of ethics, laws, rules, regulations or this Code to their supervisors/managers or, in the case of accounting, internal accounting controls or auditing matters, the Audit Committee of the Board of Directors. Interested parties may also communicate directly with the Company's non-management directors through contact information located in the Company's annual report on Form 20-F.

Any concerns about violations of ethics, laws, rules, regulations or this Code by any senior executive officer or director should be reported promptly to the Compliance Officer and the Compliance Officer shall notify the Board of Directors of any violation. Any such concerns involving the Compliance Officer should be reported to the Board of Directors with responsibility for corporate governance. Reporting of such violations may also be done anonymously by writing to the Company at the designated email address for compliance reporting.

The Company encourages all employees, officers and directors to report any suspected violations promptly and intends to thoroughly investigate any good faith reports of violations. The Company will not tolerate any kind of retaliation for reports or complaints regarding misconduct that were made in good faith. Open communication of issues and concerns by all employees, officers and directors without fear of retribution or retaliation is vital to the successful implementation of this Code. You are required to cooperate in internal investigations of misconduct and unethical behavior.

The Company recognizes the need for this Code to be applied equally to everyone it covers. The Compliance Officer of the Company will have primary authority and responsibility for the enforcement of this Code, subject to the supervision of the Board of Directors, or, in the case of accounting, internal accounting controls or auditing matters, the Audit Committee of the Board of Directors, and the Company will devote the necessary resources to enable the Compliance Officer to establish such procedures as may be reasonably necessary to create a culture of accountability and facilitate compliance with this Code. Questions concerning this Code should be directed to the Compliance Officer.

7. Waivers and Amendments

Any waivers (including any implicit waivers) of the provisions in this Code for executive officers or directors may only be granted by the Board of Directors and will be promptly disclosed to the Company's shareholders. Any such waivers will also be disclosed in the Company's annual report on Form 20-F. Any waivers of this Code for other employees may only be granted by an executive officer of the Company.

Amendments to this Code must be approved by the Board of Directors and will also be disclosed in the Company's annual report on Form 20-F.

8. Accuracy of Company Financial Records

We maintain the highest standards in all matters relating to accounting, financial controls, internal reporting and taxation. All financial books, records and accounts must accurately reflect transactions and events, and conform both to required accounting principles and to the Company's system of internal controls. Records shall not be distorted in any way to hide, disguise or alter the Company's true financial position.

9. Retention of Records

All Company business records and communications shall be clear, truthful and accurate. Employees, officers and directors of the Company shall avoid exaggeration, guesswork, legal conclusions and derogatory remarks or characterizations of people and companies. This applies to communications of all kinds, including email and "informal" notes or memos. Records should always be handled according to the Company's record retention policies. If an employee, officer or director is unsure whether or not a document should be retained, consult a manager/supervisor before proceeding.

10. Trading on Inside Information

Using non-public Company information to trade in securities, or providing a family member, friend or any other person with a "tip", is illegal. All such non-public information should be considered inside information and should never be used for personal gain. You are required to familiarize yourself and comply with the Company's policy against insider trading, copies of which are distributed to all employees, officers and directors and are available from the Compliance Officer. You should contact the Compliance Officer with any questions about your ability to buy or sell securities.

11. Protection of Confidential Proprietary Information

Confidential proprietary information generated and gathered in our business is a valuable Company asset. Protecting this information plays a vital role in our continued growth and ability to compete, and all proprietary information should be maintained in strict confidence, except when disclosure is authorized by the Company or required by law.

Proprietary information includes all non-public information that might be useful to competitors or that could be harmful to the Company, its customers or its suppliers if disclosed. Intellectual property such as trade secrets, patents, trademarks and copyrights, as well as business, research and new product plans, objectives and strategies, records, databases, salary and benefits data, employee medical information, customer, employee and suppliers lists and any unpublished financial or pricing information must also be protected.

Unauthorized use or distribution of proprietary information violates Company policy and could be illegal. Such use or distribution could result in negative consequences for both the Company and the individuals involved, including potential legal and disciplinary actions. We respect the property rights of other companies and their proprietary information and require our employees, officers and directors to observe such rights.

Your obligation to protect the Company's proprietary and confidential information continues even after you leave the Company, and you must return all proprietary information in your possession upon leaving the Company.

12. Protection and Proper Use of Company Assets

Protecting Company assets against loss, theft or other misuse is the responsibility of every employee, officer and director. Loss, theft and misuse of Company assets directly impact our profitability. Any suspected loss, misuse or theft should be reported to a manager/supervisor.

The sole purpose of the Company's equipment, vehicles, supplies and electronic resources (including hardware, software and the data thereon) is the conduct of our business. They may only be used for Company business consistent with Company guidelines.

13. Corporate Opportunities

Employees, officers and directors are prohibited from taking for themselves business opportunities that arise through the use of corporate property, information or position. No employee, officer or director may use corporate property, information or position for personal gain, and no employee, officer or director may compete with the Company. Competing with the Company may involve engaging in the same line of business as the Company, or any situation where the employee, officer or director takes away from the Company opportunities for sales or purchases of property, products, services or interests.

14. Fair Dealing

Each employee, officer and director of the Company should endeavor to deal fairly with customers, suppliers, competitors, the public and one another at all times and in accordance with ethical business practices. No one should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts or any other unfair dealing practice. No bribes, kickbacks or other similar payments in any form shall be made directly or indirectly to or for anyone for the purpose of obtaining or retaining business or obtaining any other favorable action. The Company and the employee, officer or director involved may be subject to disciplinary action as well as potential civil or criminal liability for violation of this policy.

Occasional business gifts to and entertainment of non-government employees in connection with business discussions or the development of business relationships are generally deemed appropriate in the conduct of Company business. However, these gifts should be given infrequently and their value should be modest. Gifts or entertainment in any form that would likely result in a feeling or expectation of personal obligation should not be extended or accepted.

Practices that are acceptable in commercial business environments may be against the law or the policies governing national or local government employees. Therefore, no gifts or business entertainment of any kind may be given to any government employee without the prior approval of a manager/supervisor.

Except in certain limited circumstances, the United States Foreign Corrupt Practices Act (the "**FCPA**") prohibits giving anything of value directly or indirectly to any "foreign official" for the purpose of obtaining or retaining business. When in doubt as to whether a contemplated payment or gift may violate the FCPA, contact a manager/supervisor before taking any action.