Tuniu Corp
Form 424B4
May 09, 2014
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Filed pursuant to Rule 424(b)(4)
Registration No. 333-195075

PROSPECTUS

8,000,000 American Depositary Shares

Tuniu Corporation

REPRESENTING 24,000,000 CLASS A ORDINARY SHARES

Tuniu Corporation is offering 7,380,000 American depositary shares, or ADSs, and the selling shareholders are offering 620,000 ADSs. Each ADS represents three Class A ordinary shares, par value US$0.0001 per share. This is our initial public offering and no public market currently exists for our ADSs or Class A ordinary shares.

Upon completion of this offering, we will have a dual class ordinary share structure. Our ordinary shares will be divided into Class A ordinary shares and Class B ordinary shares. Holders of Class A ordinary shares are entitled to one vote per share, while holders of Class B ordinary shares are entitled to ten votes per share. Holders of Class A and Class B ordinary shares will vote together as one class on all matters that require a shareholders vote. Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof, while Class A ordinary shares are not convertible into Class B ordinary shares under any circumstance. Upon the completion of this offering, our existing shareholders will own an aggregate of 109,992,919 Class B ordinary shares, which will represent 96.9% of the then total voting power of our outstanding shares.

We are an emerging growth company under applicable U.S. federal securities laws and are eligible for reduced public company reporting requirements.

Our ADSs have been approved for listing on the NASDAQ Global Market under the symbol TOUR.

Investing in the ADSs involves risks. See Risk Factors beginning on page 13.

PRICE US$9.00 AN ADS

	Price to public	**Underwriting Discounts and Commissions[1]**	**Proceeds before expenses to Company**	**Proceeds before expenses to Selling Shareholders**
Per ADS	*US$ 9.00*	*US$ 0.63*	*US$ 8.37*	*US$ 8.37*
Total	*US$ 72,000,000*	*US$ 5,040,000*	*US$ 61,770,600*	*US$ 5,189,400*

(1) The underwriters will receive compensation in addition to the underwriting discount. See Underwriting.
We have granted the underwriters the right to purchase up to 1,200,000 additional ADSs to cover over-allotments within 30 days after the date of this prospectus. We will not receive any of the proceeds from the sale of the ADSs by the selling shareholders.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved of these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the ADSs to purchasers on May 14, 2014.

MORGAN STANLEY *CREDIT SUISSE* *CHINA RENAISSANCE*

OPPENHEIMER & CO.

May 8, 2014

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You should rely only on the information contained in this prospectus or in any related free-writing prospectus. We have not authorized anyone to provide you with information different from that contained in this prospectus or any free-writing prospectus. We and the selling shareholders are offering to sell, and seeking offers to buy, the ADSs only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is current only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of the 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 come into possession of this prospectus must inform themselves about and observe any restrictions relating to the offering of the ADSs and the distribution of the prospectus outside the United States.

Until June 2, 2014 (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.

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PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus and does not contain all of the information that you should consider in making your investment decision. Before investing in the ADSs, you should carefully read the entire prospectus, including our financial statements and related notes included in this prospectus and the information set forth under the headings Risk Factors and Management s Discussion and Analysis of Financial Condition and Results of Operations. In addition, we commissioned iResearch Consulting Group, or iResearch, a third-party research firm, to prepare a report for the purpose of providing various industry and other information and illustrating our position in the leisure travel industry in China. Information from the report prepared by iResearch, or the iResearch Report, appears in Prospectus Summary, Management s Discussion and Analysis of Financial Condition and Results of Operations, Industry Overview, Business and other sections of this prospectus. We have taken such care as we consider reasonable in the reproduction and extraction of information from the iResearch Report and other third-party sources.

Our Business

We are a leading online leisure travel company in China. We offer a large selection of packaged tours, including organized tours and self-guided tours, as well as travel-related services for leisure travelers. We ranked first in China s online organized tours market as measured by transaction value in 2013, according to iResearch, a third-party research firm. We believe we are well positioned to benefit from the significant growth potential of China s online leisure travel market, which is expected to grow at a compound annual growth rate, or CAGR, of 35.6% from 2013 to 2016 as measured by transaction value, according to iResearch.

We started offering packaged tours online in 2007, and are among the earliest Chinese companies that focus on the online leisure travel market. As an early mover in China s online leisure travel market, we have sold over three million packaged tours since our inception. We offer packaged tours sourced from over 3,000 travel suppliers, covering over 70 countries as well as all popular tourist attractions in China. Our product portfolio consists of over 100,000 stock-keeping units, or SKUs, of organized tours, over 100,000 SKUs of self-guided tours, and tickets for over 1,000 domestic and overseas tourist attractions. Our core strength is in overseas leisure travel products and services, which contributed over 70% of our gross bookings in 2013.

We have established Tuniu as a trusted and widely recognized brand in leisure travel in China, powered by a compelling customer experience. Our online platform, which comprises our *tuniu.com* website and mobile platform, provides comprehensive product and travel information through user-friendly interfaces to enable leisure travelers to plan their travels and search for itineraries that best suit their needs. Our online platform contains travel guides featuring photos, information and recommendations for all destinations we cover, as well as user-generated content that serves as valuable references for other travelers. We have more than 900,000 customer reviews about our products and services and over 20,000 travel stories on our online platform.

To cultivate customer loyalty and ensure customer satisfaction, we complement our online platform with an extensive nationwide service network, including our centralized call center in Nanjing and 15 regional service centers across China. We have a team of over 400 well-trained tour advisors to closely assist customers through their booking process. We believe that our high-quality customer service has contributed to the continuous growth in our customer base. The total number of trips sold by us grew from approximately 850,000 in 2012 to approximately 1,280,000 in 2013.

Our recognized brand in leisure travel and growing customer base enable us to source a broad range of products from high-quality travel suppliers at competitive prices. We rigorously select our travel suppliers to

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ensure quality and reliability. We have developed our proprietary supply chain management system N-booking system to streamline our interactions with travel suppliers, allowing them to receive booking information real-time, more efficiently manage travel products and better understand customer preferences.

We have achieved significant growth in recent years. Our net revenues increased from RMB765.5 million in 2011 to RMB1,112.9 million in 2012 and further to RMB1,949.7 million (US$322.1 million) in 2013, representing a CAGR of 59.6%, and from RMB369.3 million in the three months ended March 31, 2013 to RMB578.2 million in the three months ended March 31, 2014. We had a net loss of RMB91.9 million, RMB107.2 million and RMB79.6 million (US$13.2 million) in 2011, 2012 and 2013, respectively. Our net loss was RMB62.7 million in the three months ended March 31, 2014, compared to net loss of RMB5.4 million in the three months ended March 31, 2013. We generally collect payments from our customers upon contract confirmation before we pay our travel suppliers, which allows us to generate positive cash flow from operations. Our net cash provided by operating activities was RMB36.3 million, RMB14.7 million and RMB116.7 million (US$19.3 million) in 2011, 2012 and 2013, respectively.

Our ability to achieve and maintain profitability depends on our ability to effectively reduce our costs and expenses as a percentage of our net revenues. Our cost of revenues as a percentage of our net revenues decreased from 96.9% in 2011 to 96.5% in 2012 and further to 93.8% in 2013. Cost to suppliers of our organized tours, which were attributed solely to revenues from organized tours, accounted for 92.1%, 93.8% and 92.4% of our revenues from organized tours in 2011, 2012 and 2013, respectively. Our operating expenses as a percentage of our net revenues decreased from 16.2% in 2011 to 13.7% in 2012 and further to 11.1% in 2013. Such decreases were primarily attributable to the improved operational efficiency and decrease of our average procurement costs for travel products. However, our past results of operations should not be taken as indicative of our future performance. We plan to increase our sales and marketing efforts, including advertising campaigns, to further increase our market share. Our sales and marketing expenses increased from RMB13.0 million in the three months ended March 31, 2013 to RMB73.5 million in the three months ended March 31, 2014. We also expect our share-based compensation to increase. As a result, we expect our operating expenses to increase in absolute amount. If we fail to effectively reduce our costs and expenses as a percentage of our net revenues, we may not be able to achieve and maintain profitability.

Our Industry

Demand for vacation, recreation and other forms of leisure travel has risen rapidly in China, driven by higher levels of disposable income, favorable government policies and growing interests in leisure activities. According to iResearch, the leisure travel industry in China, which primarily includes organized tours and self-guided tours, is expected to grow at a CAGR of 13.3% from RMB394.0 billion (US$65.1 billion) in 2013 to reach RMB573.0 billion (US$94.7 billion) in 2016, as measured by transaction value.

The online leisure travel market in China enjoys a significantly higher growth rate compared to the overall leisure travel industry. China s online leisure travel market is expected to grow at a CAGR of 35.6% from 2013 to 2016 to reach RMB75.5 billion (US$12.5 billion), according to iResearch. The penetration rate of China s online leisure travel market remains low. The size of the online leisure travel market as a percentage of the overall leisure travel industry in China was only 7.7% in 2013 and is expected to reach 13.2% in 2016, according to iResearch.

The rapid growth of China s online leisure travel market is mainly driven by the migration of leisure travel bookings from offline to online and the increasing popularity of overseas travel among Chinese consumers. Inefficiencies in offline leisure travel bookings, the increasing Internet and mobile Internet penetration and a surging trend of shopping online have all contributed to the growth in online leisure travel bookings. At the same time, rising disposable income, an expanding middle class and relaxing visa requirements are leading to the growth in overseas travel demand. As such, the online leisure travel market has been, and is expected to continue to be, the fastest growing segment in the online travel industry in China.

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Our Competitive Strengths

We believe the following competitive strengths have contributed to our strong market position:

leading online leisure travel company;

trusted brand powered by compelling customer experience;

comprehensive product offerings;

extensive supplier network and strong supply chain management expertise; and

robust technology capabilities.

Our Strategies

Our goal is to become Chinese consumers destination for leisure travel products and services. We aim to further expand our online leisure travel market share by pursuing the following strategies:

expand our product selection and offering;

further grow our user base and increase our user engagement;

strengthen supply chain management;

enhance our mobile platform;

continue to invest in technology and product development capabilities; and

pursue strategic alliances and acquisitions.

Our Challenges

The successful execution of our strategies is subject to risks and uncertainties related to our business and industry, including those relating to our ability to:

adapt to declines and disruptions in the leisure travel industry in China;

continue to provide competitive travel products and services;

maintain the quality of customer services;

adequately control and ensure the quality of travel products and services sourced from our travel suppliers;

achieve and maintain profitability given our history of net losses;

adapt to the more stringent regulations on tour operators under the newly promulgated Tourism Law;

compete successfully against existing and new competitors;

enhance our brand recognition;

manage the proceedings or claims arising from travel-related accidents or customer misconducts; and

maintain the satisfactory performance of our online platform and management systems.

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In addition, we face risks and uncertainties related to our corporate structure and doing business in China, including:

- risks associated with our control over Nanjing Tuniu Technology Co., Ltd., or Nanjing Tuniu, which is based on contractual arrangements rather than equity ownership, including our ability to use and enjoy assets held by Nanjing Tuniu and its subsidiaries that are material to the operation of our business, such as the domain names and trademarks held by Nanjing Tuniu;

- risks related to the potential conflicts of interest between the shareholders of Nanjing Tuniu and our company;

- uncertainties associated with the interpretation and application of PRC regulations and policies, including those relating to the distribution of internet content in China; and

- risks related to our ability to use the proceeds of this offering to make additional capital contributions or loans to our PRC subsidiaries as a result of PRC regulations and governmental control of currency conversion.

See Risk Factors and Special Note Regarding Forward-Looking Statements for a discussion of these and other risks and uncertainties associated with our business and investing in our ADSs.

Corporate History and Structure

We began our operation in China through Nanjing Tuniu, a PRC company formed in December 2006. In June 2008, we incorporated Tuniu Corporation under the laws of the Cayman Islands as our offshore holding company in order to facilitate international financing. In May 2011, we established our wholly owned Hong Kong subsidiary, Tuniu (HK) Limited. Tuniu Corporation established a wholly owned PRC subsidiary, Beijing Tuniu Technology Co., Ltd., or Beijing Tuniu, in September 2008. Tuniu (HK) Limited established another wholly owned PRC subsidiary, Tuniu (Nanjing) Information Technology Co., Ltd., in August 2011, and acquired 100% of the equity interests in Beijing Tuniu in September 2011. Through Beijing Tuniu, we obtained control over Nanjing Tuniu by entering into a series of contractual arrangements, including purchase option agreement, equity interest pledge agreement, shareholders voting rights agreement, powers of attorney and cooperation agreement, with Nanjing Tuniu and the shareholders of Nanjing Tuniu. Nanjing Tuniu holds our Internet content provision license, or ICP license, as an Internet content provider and operates our website. Beijing Tuniu International Travel Service Co., Ltd. and Nanjing Tuniu International Travel Service Co. Ltd., both of which are Nanjing Tuniu s subsidiaries, hold our operation permits for overseas travel business.

These contractual arrangements allow us to:

- exercise effective control over Nanjing Tuniu;

- receive substantially all of the economic benefits of Nanjing Tuniu; and have an option to purchase all or part of the equity interests in Nanjing Tuniu when and to the extent permitted by PRC law.

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The following diagram illustrates our corporate structure, including our principal subsidiaries and consolidated affiliated entities, as of the date of this prospectus:

(1) Messrs. Dunde Yu, Haifeng Yan, Tong Wang, Jiping Wang, Xin Wen, Yongquan Tan and Haifeng Wang hold 28.66%, 19.11%, 7.71%, 4.82%, 0.96%, 0.96% and 37.78% equity interests in Nanjing Tuniu, respectively. Among the shareholders of Nanjing Tuniu, Messrs. Dunde Yu and Haifeng Yan are founders, directors and ultimate shareholders of Tuniu Corporation. Messrs. Tong Wang, Jiping Wang, Xin Wen and Yongquan Tan are ultimate shareholders of Tuniu Corporation. Mr. Haifeng Wang is an employee of one of our preferred shareholders.

Corporate Information

Our principal executive offices are located at Tuniu Building, No.699-32, Xuanwudadao, Xuanwu District, Nanjing, Jiangsu Province 210042, People s Republic of China. Our telephone number at this address is +86 25 8685-3969. Our registered office in the Cayman Islands is located at International Corporation Services Ltd., P.O. Box 472, 2nd Floor, Harbour Place, 103 South Church Street, George Town, Grand Cayman KY1-1106, Cayman Islands. Our agent for service of process in the United States is Law Debenture Corporate Services Inc., located at 400 Madison Avenue, 4th Floor, New York, New York 10017. Investors should contact us for any inquiries through the address and telephone number of our principal executive offices.

Our website is *www.tuniu.com*. The information contained on our website is not a part of this prospectus.

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Implications of Being an Emerging Growth Company

As a company with less than US$1.0 billion (RMB6.1 billion) in revenue for the last fiscal year, we qualify as an emerging growth company pursuant to the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. An emerging growth company may take advantage of specified reduced reporting and other requirements that are otherwise applicable generally to public companies. These provisions include exemption from the auditor attestation requirement under Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, in the assessment of the emerging growth company s internal control over financial reporting. The JOBS Act also provides that an emerging growth company does not need to comply with any new or revised financial accounting standards until such date that a private company is otherwise required to comply with such new or revised accounting standards. However, we have elected to opt out of this provision and, as a result, we will comply with new or revised accounting standards as required when they are adopted for public companies. This decision to opt out of the extended transition period under the JOBS Act is irrevocable.

We will remain an emerging growth company until the earliest of (a) the last day of our fiscal year during which we have total annual gross revenues of at least US$1.0 billion (RMB6.1 billion); (b) the last day of our fiscal year following the fifth anniversary of completion of this offering; (c) the date on which we have, during the previous three year period, issued more than US$1.0 billion (RMB6.1 billion) in non-convertible debt; or (d) the date on which we are deemed to be a large accelerated filer under the Securities Exchange Act of 1934, as amended, or the Exchange Act, which would occur if the market value of our ADSs that are held by non-affiliates exceeds US$700 million (RMB4.2 billion) as of the last business day of our most recently completed second fiscal quarter. Once we cease to be an emerging growth company, we will not be entitled to the exemptions provided in the JOBS Act discussed above.

Conventions Which Apply to this Prospectus

In this prospectus, unless otherwise indicated or the context otherwise requires,

- ADSs refer to American depositary shares, representing our Class A ordinary shares; each ADS represents three Class A ordinary shares;

- China or PRC refers to the People s Republic of China, excluding, for the purpose of this prospectus only, Taiwan, Hong Kong and Macau;

- gross bookings refer to the total amount paid by our customers for the travel products that we have delivered and the travel services that we have rendered, including the related taxes, fees and other charges borne by our customers;

- ordinary shares refer to the Class A and Class B ordinary shares of Tuniu Corporation, par value US$0.0001 (RMB0.0006) per share;

- preferred shares refer to Series A, Series B, Series C and Series D preferred shares, par value US$0.0001 (RMB0.0006) per share, of Tuniu Corporation;

RMB or Renminbi refers to the legal currency of China;

trips refers to the number of packaged tours sold by us, including organized tours and self-guided tours;

unique visitor to our online platform refers to a visitor to our website from a specific IP address or a visitor to our mobile platform using a specific mobile device; and

we, us, our, and our company refer to Tuniu Corporation, a Cayman Islands company, and its subsidiaries and, in the context of describing our operations and consolidated financial information, also include the consolidated affiliated entities, Nanjing Tuniu Technology Co., Ltd. and its subsidiaries.

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The Offering

The following information assumes that the underwriters will not exercise their option to purchase additional ADSs in the offering, unless otherwise indicated.

Offering price	US$9.00 (RMB54.48) per ADS.
ADSs offered by us	7,380,000 ADSs.
ADSs offered by the selling shareholders	620,000 ADSs.
Concurrent Private Placement	Concurrently with, and subject to, the completion of this offering, DCM Hybrid RMB Fund, L.P., our existing shareholder, Ctrip Investment Holding Ltd., or Ctrip, and Qihoo 360 Technology Co. Ltd., or Qihoo 360, have each agreed to purchase from us US$15.0 million (RMB90.8 million), US$15.0 million (RMB90.8 million) and US$5.0 million (RMB30.3 million), respectively, in Class A ordinary shares at a price per share equal to the initial public offering price adjusted to reflect the ADS-to-ordinary-share ratio (the Concurrent Private Placement), or 5,000,000 Class A ordinary shares, 5,000,000 Class A ordinary shares and 1,666,666 Class A ordinary shares, respectively, at a price of US$9.00 (RMB58.54) per ADS. Our proposed issuance and sale of Class A ordinary shares to these investors are being made through private placement pursuant to an exemption from registration with the U.S. Securities and Exchange Commission, or the SEC, under Regulation S of the Securities Act of 1933, as amended, or the Securities Act. Each of the investors has agreed with the underwriters not to, directly or indirectly, sell, transfer or dispose of any Class A ordinary shares acquired in the Concurrent Private Placement for a period of 180 days after the date of this prospectus, subject to certain exceptions. In addition, we have granted Ctrip the right to designate and appoint one person to join our board of directors as a new director immediately after the closing of this offering. See Underwriting.
Ordinary shares outstanding immediately after this offering	We will adopt a dual class ordinary share structure immediately prior to the completion of this offering. Immediately upon completion of this offering, 145,659,585 ordinary shares (or 149,259,585 ordinary shares if the underwriters exercise their over-allotment option in full) will be outstanding, comprised of (1) 35,666,666 Class A ordinary shares, par value US$0.0001 (RMB0.0006) per share (or 39,266,666 Class A ordinary shares if the underwriters exercise their over-allotment option in full), comprised of a total of 11,666,666 Class A ordinary shares we will

issue in the Concurrent Private Placement and 24,000,000 Class A ordinary shares (or 27,600,000 Class A ordinary shares if the underwriters exercise their over-allotment option in full)

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	offered by us and the selling shareholders in the offering, and (2) 109,992,919 Class B ordinary shares, par value US$0.0001 (RMB0.0006) per share. Class B ordinary shares outstanding immediately after the completion of this offering will represent 75.5% of our total outstanding shares and 96.9% of the then total voting power (or 73.7% of our total outstanding shares and 96.6% of the then total voting power if the underwriters exercise their over-allotment option in full).
ADSs outstanding immediately after this offering	8,000,000 ADSs (or 9,200,000 ADSs if the underwriters exercise their over-allotment option in full).
The ADSs	Each ADS represents three Class A ordinary shares, par value US$0.0001 (RMB0.0006) per share.
	The depositary will hold Class A ordinary shares underlying your ADSs. You will have rights as provided in the deposit agreement.
	If we declare dividends on our ordinary shares, the depositary will pay you the cash dividends and other distributions it receives on our Class A ordinary shares, after deducting its fees and expenses.
	You may turn in your ADSs to the depositary in exchange for Class A ordinary shares. The depositary will charge you fees for any exchange.
	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.
Ordinary shares	We will issue 22,140,000 Class A ordinary shares represented by ADSs and the selling shareholders will sell 1,860,000 Class A ordinary shares represented by ADSs in this offering.
	All of our existing ordinary shares will be redesignated as Class B ordinary shares and all of our outstanding preferred shares will be

redesignated or automatically converted into Class B ordinary shares basis immediately prior to the completion of this offering.

All options, regardless of grant dates, will entitle holders to the equivalent number of Class A ordinary shares once the vesting and exercising conditions on such share-based compensation awards are met.

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Holders of Class A ordinary shares will be entitled to one vote per share, while holders of Class B ordinary shares will be entitled to ten votes per share on all matters subject to shareholders vote.

Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder. Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances. Upon any transfer of Class B ordinary shares by a holder to any person or entity which is not an affiliate of such holder, such Class B ordinary shares will be automatically and immediately converted into the equivalent number of Class A ordinary shares.

See Description of Share Capital.

Over-allotment option	We have granted to the underwriters an option, which is exercisable within 30 days from the date of this prospectus, to purchase up to an additional 1,200,000 ADSs to cover over-allotments.
Use of proceeds	Our net proceeds from this offering will be about US$58.1 million (RMB351.8 million), assuming no exercise of the underwriters over-allotment option. In addition, we expect to receive net proceeds of approximately US$34.5 million (RMB208.7 million) from the Concurrent Private Placement.

We intend to use the net proceeds received by us from this offering and the Concurrent Private Placement for the following purposes:

- approximately US$30.0 million (RMB181.6 million) to expand our sales and marketing efforts;
- approximately US$20.0 million (RMB121.1 million) to expand our product selection and offerings;
- approximately US$10.0 million (RMB60.5 million) to strengthen our technology and product development capabilities; and
- the balance for general corporate purposes, including strategic investments in and acquisitions of complementary businesses, although we have not identified any near-term investment or acquisition targets.

	See Use of Proceeds for additional information.
	We will not receive any of the proceeds from the sale of ADSs by the selling shareholders.
Lock-up	We and all of our directors and officers, all of our existing shareholders, all investors in the Concurrent Private Placement and certain optionholders have agreed with the underwriters, subject to certain exceptions, not to sell, transfer or dispose of, directly or indirectly, any of our ADSs or ordinary shares or securities convertible into or exercisable or exchangeable for our ADSs or

	ordinary shares for a period of 180 days after the date of this prospectus. In addition, through a letter agreement, we will instruct JPMorgan Chase Bank, N.A., as depositary, not to accept any deposit of any ordinary shares or issue any ADSs for 180 days after the date of this prospectus unless we otherwise instruct the depositary with the prior written consent of the representatives. The foregoing does not affect the right of ADS holders to cancel their ADSs and withdraw the underlying ordinary shares. See Shares Eligible for Future Sale and Underwriting for more information.
NASDAQ Global Market symbol	Our ADSs have been approved for listing on the NASDAQ Global Market under the symbol TOUR. Our ADSs and ordinary shares will not be listed on any other stock exchange or traded on any automated quotation system.
Payment and settlement	The underwriters expect to deliver the ADSs against payment therefor through the facilities of the Depository Trust Company on May 14, 2014.
Depositary	JPMorgan Chase Bank, N.A.
Directed share program	At our request, the underwriters have reserved for sale, at the initial public offering price, up to 560,000 ADSs offered by this prospectus to our directors, officers, employees, business associates and related persons.
Risk factors	See Risk Factors and other information included in this prospectus for a discussion of risks that you should carefully consider before investing in our ADSs.

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Summary Consolidated Financial and Operating Data

The following summary consolidated statements of comprehensive loss data (other than ADS data) and summary consolidated statements of cash flow for the years ended December 31, 2011, 2012 and 2013 and the summary consolidated balance sheet data as of December 31, 2011, 2012 and 2013 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. Our consolidated financial statements are prepared and presented in accordance with accounting principles generally accepted in the United States, or U.S. GAAP. Our historical results for any period are not necessarily indicative of results to be expected for any future period. You should read the following summary financial information in conjunction with the consolidated financial statements and related notes and the information under Management s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus.

	For the Year Ended December 31,			
	2011	2012	2013	
	RMB	RMB	RMB	US$
	(in thousands, except for share, per share and per ADS data)			
Summary Consolidated Statements of Comprehensive Loss Data:				
Revenues:				
Organized tours	751,388	1,075,094	1,892,826	312,673
Self-guided tours	17,559	32,359	48,901	8,078
Others	2,667	12,875	20,744	3,426
Total revenues	771,614	1,120,328	1,962,471	324,177
Less: Business and related taxes	(6,071)	(7,447)	(12,784)	(2,112)
Net revenues	765,543	1,112,881	1,949,687	322,065
Cost of revenues	(741,716)	(1,073,732)	(1,829,665)	(302,239)
Gross profit	23,827	39,149	120,022	19,826
Operating expenses:				
Research and product development	(21,386)	(33,370)	(38,994)	(6,441)
Sales and marketing	(50,589)	(57,994)	(110,071)	(18,182)
General and administrative	(53,877)	(62,006)	(69,679)	(11,510)
Other operating income	1,651	775	1,689	278
Loss from operations	(100,374)	(113,446)	(97,033)	(16,029)
Other income/(expenses):				
Interest income	2,287	7,432	16,163	2,670
Foreign exchange related gains/(losses), net	6,529	(741)	1,286	213
Other loss, net	(392)	(357)	(48)	(8)

Loss before provision for income taxes	(91,950)	(107,112)	(79,632)	(13,154)
Provision for income taxes		(78)		
Net loss	(91,950)	(107,190)	(79,632)	(13,154)
Deemed dividends to preferred shareholders	(30,929)		(59,428)	(9,817)
Net loss attributable to ordinary shareholders	(122,879)	(107,190)	(139,060)	(22,971)
Net loss per ordinary share attributable to ordinary shareholders				
Basic	(4.73)	(4.12)	(5.35)	(0.88)
Diluted	(4.73)	(4.12)	(5.35)	(0.88)
Weighted average number of ordinary shares used in computing basic and diluted earnings per share	26,000,000	26,000,000	26,000,000	26,000,000

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	As of December 31,			
	2011	2012	2013	
	RMB	RMB	RMB	US$
	(in thousands)			
Summary Consolidated Balance Sheet Data:				
Cash and cash equivalents	332,101	299,238	419,403	69,280
Restricted cash	11,530	6,875	9,250	1,528
Short-term investments		30,000	327,000	54,017
Prepayments and other current assets	56,635	127,050	286,560	47,336
Total assets	427,766	502,838	1,075,373	177,639
Accounts payable	55,822	127,240	288,965	47,734
Advances from customers	157,919	244,214	396,738	65,536
Total liabilities	250,938	433,262	784,017	129,510
Total mezzanine equity	350,744	350,744	716,441	118,348
Total shareholders deficit	(173,915)	(281,168)	(425,086)	(70,219)

	For the Year Ended December 31,			
	2011	2012	2013	
	RMB	RMB	RMB	US$
	(in thousands)			
Summary Consolidated Statements of Cash Flow Data:				
Net cash provided by operating activities	36,270	14,663	116,736	19,283
Net cash used in investing activities	(20,686)	(46,786)	(304,218)	(50,253)
Net cash provided by financing activities	257,447		306,360	50,607

The following table presents summary operating data for the years indicated:

	For the Year Ended December 31,			
	2011	2012	2013	
	RMB	RMB	RMB	US$
Gross bookings (in thousands)				
Organized tours (excluding local tours)	613,909	910,071	1,645,030	271,740
Local tours	137,479	165,023	247,796	40,933
Self-guided tours	277,444	590,597	1,128,531	186,420
Number of trips (in thousands)				
Organized tours (excluding local tours)	174	236	367	367
Local tours	409	503	687	687
Self-guided tours	49	110	221	221
Average gross bookings per trip				
Organized tours (excluding local tours)	3,528	3,856	4,482	740
Local tours	336	328	361	60
Self-guided tours	5,662	5,369	5,106	844

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RISK FACTORS

An investment in our ADSs involves significant risks. You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in our ADSs. Any of the following risks could have a material adverse effect on our business, financial condition and results of operations. In any such case, the market price of our ADSs could decline, and you may lose all or part of your investment.

Risks Related to Our Business and Industry

Declines or disruptions in the leisure travel industry in China may materially and adversely affect our business and results of operations.

We are dependent on the leisure travel industry for substantially all of our revenues. The leisure travel industry is dependent on personal discretionary spending levels, which may be materially and adversely affected by economic downturns and recessions. Although the leisure travel industry in China has experienced rapid growth over the past decade, any severe or prolonged slowdown in the Chinese economy could reduce expenditures for leisure travel, which in turn may adversely affect our financial condition and results of operations. The Chinese economy recovered in 2010 and remained relatively stable in 2011, but the growth rate of China s GDP decreased in 2012 and 2013, and it is uncertain whether this economic slowdown will continue into 2014 and beyond. Any severe or prolonged slowdown in the Chinese economy, slowdown in the growth rate of disposable income per capita in China or the recurrence of any financial disruptions may materially and adversely affect the leisure travel industry in China and our business, financial condition and results of operations.

Our business may also be significantly affected by other factors that tend to reduce leisure travel, including increased prices in hotel, air-ticketing, fuel or other travel-related sectors, work stoppages or labor unrest at airlines, increased occurrence of travel-related accidents, outbreaks of contagious diseases, natural disasters and extreme unexpected bad weather. For example, the travel industry was negatively impacted by the outbreak of severe acute respiratory syndrome in several regions in Asia, including Hong Kong and China, in early 2003, snowstorms that severely affected southern China in early 2008, the outbreak of H1N1 influenza (swine flu) that occurred in Mexico and the United States in April 2009, which was and continues to be discovered in China and Hong Kong, the earthquake, tsunami and nuclear crisis in Japan in early 2011, and heavy haze that shrouded central and northern China and some Southeast Asian countries in 2013. As another example, the incident of the missing plane of Malaysia Airlines in March 2014 has had and may continue to have a negative impact on air travel among our target customers. In addition, overseas leisure travel products and services, which accounted for over 70% of our total gross bookings in 2013, may be restricted by any adverse change of visa policies of foreign countries that prevents Chinese nationals from obtaining tourist visas. Terrorist attacks or threats of terrorist attacks, political unrests, wars, imposition of taxes or surcharges by regulatory authorities and regional hostilities may also reduce the demand for overseas tours. For example, the political protests in early 2009 and late 2013 in Thailand negatively impacted travels to Thailand. We have little or no control over the occurrence of such declines or disruptions, which could result in a decrease in demand for our travel products and services. This decrease in demand, depending on the scope and duration, could materially and adversely affect our business and results of operations over the short and long term.

If we do not continue to provide competitive travel products and services, we may not be able to attract new customers or to retain existing customers, and our business, financial condition and results of operations could suffer.

Our success depends on our ability to attract new customers or to retain existing customers, which in turn requires our continuous provision of a wide array of competitive travel products and services. Participants in the online travel industry are continuously developing new travel products and services. We strive to stay abreast of emerging and rapidly changing customer preferences and be able to anticipate trends that will appeal to existing and potential customers. We will also continue to invest in research and development in order to continuously improve the speed, accuracy and comprehensiveness of our online platform. If we fail to continuously improve our travel products and services and platform at a competitive pace, we may lose customers to our competitors and may not attract new customers. In addition to packaged tours, we provide other travel-related services, such as sales of tourist attraction tickets and visa processing services. We intend to further broaden our product selection by extending our coverage of departing cities and travel destinations as well as offering more departure time selections. If we fail to continue to source quality travel products and services tailored to accommodate our customers changing needs and preferences, we may not be able to sell additional products and services to our current customers, retain our current customers or attract new customers, and our business, financial condition and results of operations will be materially and adversely affected.

Failure to maintain the quality of customer services could harm our reputation and our ability to retain existing customers and attract new customers, which may materially and adversely affect our business, financial condition and results of operations.

Our business is significantly affected by the overall size of our customer base, which in turn is determined by, among other factors, their experience with our customer services. As such, the quality of customer services is critical to retaining our existing customers and attracting new customers. If we fail to provide quality customer services, our customers may be less inclined to book travel products and services with us or recommend us to new customers, and may switch to our competitors. Failure to maintain the quality of customer services could harm our reputation and our ability to retain existing customers and attract new customers, which may materially and adversely affect our business, financial condition and results of operations.

We may not be able to adequately control and ensure the quality of travel products and services sourced from our travel suppliers. If there is any deterioration in the quality of their performance, our customers may seek damages from us and not continue using our online platform.

Our ability to ensure satisfactory customer experience in a large part depends on our travel suppliers to provide high-quality travel products and services. Our reputation and brand will be negatively affected if our travel suppliers fail to provide quality travel products and services.

The actions we take to monitor and enhance the performance of our travel suppliers may be inadequate in discovering quality issues timely. There have been customer complaints and litigation against us due to our travel suppliers failure to provide satisfactory travel products or services. If our customers are dissatisfied with the travel products and services provided, they may reduce their use of, or completely forgo, our online platform, and may even demand refunds of their payments to us or claim compensations from us for the damages they suffered from our travel suppliers performance or misconduct, which could materially and adversely affect our business, financial condition and results of operations.

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

We have incurred net losses historically and may incur losses in the future as we grow our business. We had a net loss of RMB91.9 million, RMB107.2 million and RMB79.6 million (US$13.2 million) in 2011, 2012 and 2013, respectively. Our historical net losses were partially attributable to our sales and marketing expenses that we incurred to build, operate and expand our online platform, grow our customer base and establish our market position, and to our research and product development expenses. We expect that we will continue to incur significant expenses to continue to grow our business, which may affect our profitability and cash flow from operations in the future.

In addition, our ability to achieve profitability is affected by various factors that are beyond our control. For example, our revenues and profitability depend on the continuous development of the online leisure travel industry in China and consumers preference to make travel bookings online. We cannot assure you that making travel bookings online will become more widely accepted in China or that consumers will increase their spending on online leisure travel booking. Factors negatively affecting our travel suppliers profitability may in turn adversely affect our financial condition and results of operations.

If we are unsuccessful in addressing any of these risks and uncertainties, our business may be materially and adversely affected and we may continue to incur net loss in the future.

The Tourism Law may reduce the demand of organized tours and materially and adversely affect our business and results of operations.

On April 25, 2013, the Standing Committee of the National People s Congress promulgated the Tourism Law, which became effective as of October 1, 2013. The Tourism Law imposes more stringent restrictions on tour operators. Pursuant to the Tourism Law, tour operators are prohibited from arranging compulsory shopping or other activities which charge additional fees on top of the contract prices that tourists have already paid, unless it is agreed upon by both parties through consultation or requested by the tourists and does not affect the itinerary of other tourists. See PRC Regulation Regulations on Travel Companies. If our travel suppliers fail to comply with these restrictions, our reputation and brand may be negatively affected. In addition, as a result of the Tourism Law, the commissions or rebates that tour operators receive from shopping places have declined and organized tour prices have risen, which may reduce the demand of organized tours in the short term and may continue to reduce the demand of organized tours in the future. If customers cannot adapt to the increased organized tour prices, our business and results of operations will be materially and adversely affected.

We face intense competition and may not be able to compete successfully against existing and new competitors.

We operate in a highly competitive travel industry in China. We compete with not only other online travel companies, but also traditional travel service providers and tour operators, airlines and hotels and large, established Internet search engines. See Business Competition. Some of our current and potential competitors may have greater financial, marketing and other resources than we do. In addition, some of our competitors may be acquired by, receive investments from or enter into strategic relationships with larger, well-established and well-financed companies or investors. Furthermore, our business model causes us to maintain a cooperative-competitive relationship with some of our competitors, especially tour operators, as they are also our travel suppliers.

Many of our competitors have launched, and may continue to launch, aggressive advertising campaigns, special promotions and other marketing activities to promote their brands, acquire new customers or increase their market shares. In response, we have started to take and may continue to take similar measures and as a result will incur significant expenses, which could increase our net loss. Sales and marketing expenses accounted for 6.6%, 5.2% and 5.6% of our net revenues in 2011, 2012 and 2013, respectively. We cannot assure you that we will be able to successfully compete against existing or new competitors. If we are not able to compete successfully, we may lose our market share and our business, financial condition and results of operations may be materially and adversely affected.

If we fail to enhance our brand recognition, we may face difficulty in retaining existing and attracting new customers and travel suppliers and our business may be harmed.

Recognition and reputation of our Tuniu brand among our targeted customers and travel suppliers have contributed significantly to our growth. We have made continuous investment in enhancing awareness of our brand among customers and travel suppliers since our inception. Our brand recognition and reputation also depend on our ability to provide high-quality customer services, address customer needs and handle customer complaints properly, maintain our relationships with travel suppliers and provide a user-friendly online platform. See Risks Related to Our Business and Industry Failure to maintain the quality of customer services could harm our reputation and our ability to retain existing customers and attract new customers, which may materially and adversely affect our business, financial condition and results of operations , Risks Related to Our Business and Industry If we are unable to maintain existing relationships with our travel suppliers, or develop relationships with new travel suppliers on favorable terms or terms similar to those we currently have, our business and results of operations may suffer and Risks Related to Our Business and Industry The proper functioning of our online platform and management systems is essential to our business. Any failure to maintain their satisfactory performance will materially and adversely affect our business, reputation, financial condition and results of operations. Failure to maintain the strength of our brand could reduce the number of customers and deteriorate our relationships with travel suppliers.

In addition, some of our competitors have well-established brands in the travel industry, and may have more financial and other resources to advertise and promote their brands. Therefore, we intend to incur more advertising and marketing expenditures and other resources to maintain and increase our brand recognition. Our marketing costs may also increase as a result of inflation in media pricing in China, including costs for purchasing search engine keywords and placing online and offline advertisements. If we fail to cost-effectively maintain and increase our brand recognition, our financial condition and results of operations may be materially and adversely affected.

We are exposed to the proceedings or claims arising from travel-related accidents or customer misconducts during their travels, the occurrence of which may be beyond our control.

Accidents are a leading cause of mortality and morbidity among tourists. We are exposed to risks of our customers claims arising from or relating to travel-related accidents. As we enter into contracts with our customers directly, our customers typically take actions against us for the damages they suffer during their travels. However, such accidents may result from the negligence or misconduct of our travel suppliers or other service providers, over which we have no or limited control. See also Risks Related to Our Business and Industry We may not be able to adequately control and ensure the quality of travel products and services sourced from our travel suppliers. If there is any deterioration in the quality of their performance, our customers may seek damages from us and not continue using our online platform. We maintain insurance coverage for our liabilities as a travel company, and are indemnified by the liable travel suppliers for the damages claimed by our customers. However, there is no assurance that such insurance or indemnification will be sufficient to cover all of our losses. In addition, some of the travel-related accidents result from adventure activities undertaken by our customers during their travels, such as scuba diving, white water rafting, wind surfing and skiing. Furthermore, we may be affected by our customer misconducts during their travels, over which we have no or limited control. However, such accidents and misconducts, even if not resulting from our or our travel suppliers negligence or misconduct, could create a public perception that we are less reliable than our competitors, which would harm our reputation, and could adversely affect our business and results of operations.

The proper functioning of our online platform and management systems is essential to our business. Any failure to maintain their satisfactory performance will materially and adversely affect our business, reputation, financial condition and results of operations.

Availability, satisfactory performance and reliability of our online platform are critical to our ability to attract and retain customers and provide quality travel products and services to our customers. Any unavailability or slowdown of our online platform would reduce the number of our customers and our customers travel bookings. Some of the telecommunications carriers have system constraints that can affect our customer experience. For example, if a large number of customers use the same telecommunications carrier at the same time for services requiring a large amount of data transmission, the customers could experience reduced speed or other technical issues due to the carrier s capacity restraints, over which we have no control. Our servers may also be vulnerable to computer viruses, physical or electronic break-ins or other potential disruptions, which could lead to interruptions, delays, loss of data or the inability to accept and process customer queries or bookings. We may also experience interruptions caused by reasons beyond our control such as power outages. Unexpected interruptions could damage our reputation and result in a material decrease in our revenues. Also, our online platform may contain undetected errors or bugs that could adversely affect their performance. Although only a small portion of our customers make bookings by using our mobile platform currently, our

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mobile platform serve as an important and integral part of their research on travel-related information. The lower functionality, speed and memory generally associated with mobile devices may make it more difficult for our customers to access our mobile platform, and we may fail to attract and retain a significant portion of the growing number of customers who search for and book travel products and services through mobile devices.

In addition, we rely significantly on our proprietary N-Booking system and other management systems to facilitate and process transactions. We may in the future experience system interruptions that prevent us from efficiently fulfilling bookings or providing services and support to our customers or travel suppliers. Any interruptions, outages or delays in our systems, or deterioration in their performance, could impair our ability to process transactions and decrease the quality of our services to our customers or travel suppliers. If we were to experience frequent or persistent system failures, our reputation and brand would be harmed.

If we are unable to maintain existing relationships with our travel suppliers, or develop relationships with new travel suppliers on favorable terms or terms similar to those we currently have, our business and results of operations may suffer.

Our business is dependent on our ability to maintain our relationships and arrangements with existing travel suppliers. Currently, we do not prohibit our travel suppliers from developing business relationships with our competitors or selling, through their direct sales, travel products that are the same as or similar to those they supply to us. If we are unable to maintain satisfactory relationships with our existing travel suppliers, or if our travel suppliers establish similar or more favorable relationships with our competitors, or if our travel suppliers increase their competition with us through their direct sales, we may not have the necessary supply to meet the needs of our customers, or we may not obtain it at satisfactory rates. However, we do not enter into any long-term agreements with our travel suppliers. We cannot assure you that our travel suppliers will renew our agreements in the future on favorable terms or terms similar to those we currently have agreed. Our travel suppliers may increase the prices that they charge us or the deposits that they require from us. As a result, the amount, pricing and breadth of travel products and services that we are able to offer may be reduced and our business and results of operations could be materially and adversely affected.

Furthermore, in order to grow our business, we will need to develop relationships with new travel suppliers of good quality. We cannot assure you that we will be able to identify appropriate travel suppliers or enter into arrangements with those travel suppliers on favorable terms or at all. Any failure to do so could harm the growth of our business and adversely affect our financial condition and results of operations.

Our financial condition and results of operations may be adversely affected if we are unable to predict the amount of travel products that we will need to purchase from our travel suppliers in advance and reserve for peak travel periods or for certain destinations.

We typically purchase certain travel products from our travel suppliers in advance to secure adequate supplies for our customers during peak travel periods or for certain destinations. For example, we reserve hotel rooms and air tickets before peak holiday seasons for certain popular destinations. If the demand for packaged tours, hotel rooms and air tickets that we need to purchase for certain peak travel periods is lower than our prediction, we might have to write-off the cost of the travel products that we are unable to sell, and our financial condition and results of operations would be adversely affected.

We may not be able to effectively manage our growth and expansion or implement our business strategies, in which case our business and results of operations may be materially and adversely affected.

We have experienced a period of rapid growth and expansion, which has placed, and will continue to place, significant strain on our management and resources. We cannot assure you that this level of significant growth and expansion will be sustainable or achieved at all in the future. We believe that our continued growth and expansion will depend on our ability to provide competitive travel products and services, attract new customers, continue developing travel products and services and innovative technologies in response to customer demand

and preferences, increase brand awareness through marketing and promotional activities, expand into new market segments, and take advantage of any growth in the relevant markets. We cannot assure you that we will achieve any of the above.

To manage our growth and expansion, and to achieve profitability, we anticipate that we will need to implement a variety of new and upgraded operational and financial systems, procedures and controls, including the improvement of our N-Booking system and other management systems. We will also need to further expand, train, manage and motivate our workforce and manage our relationships with our travel suppliers and customers. All of these objectives entail risks and will require substantial management efforts and skills and significant additional expenditures. Our further expansion may divert our management, operational or technological resources from our existing business operations. In addition, our expansion may require us to operate in new cities in China, including a number of small cities in China, where we may have difficulty in adjusting to local market demands and regulatory requirements. We cannot assure you that we will be able to effectively manage our growth and expansion or implement our future business strategies effectively, and failure to do so may materially and adversely affect our business and results of operations.

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

Our business experiences fluctuations, reflecting seasonal variations in demand for leisure travel services. Sales of leisure travel products and services will increase in respect of holiday periods and decrease in respect of off-peak times and prices of leisure travel products and services are subject to fluctuation between peak seasons and low seasons. For example, the third quarter of each year generally contributes the highest percentage of our annual revenues, because many of our customers tend to travel during summer holidays in July and August. Consequently, our results of operations may fluctuate from quarter to quarter. Our rapid growth has tended to mask the seasonality of our business. As our growth rate slows, the seasonality in our business will become more pronounced and cause our operating results to fluctuate.

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

Our future performance depends on the continued service of our senior management, in particular, Mr. Dunde Yu, our co-founder, chairman and chief executive officer, and Mr. Haifeng Yan, our co-founder, director and chief operating officer. If one or more of our key executives were unable or unwilling to continue in their present positions, we may not be able to replace them easily, our future growth may be constrained, our business may be disrupted and our financial condition and results of operations may be materially and adversely affected. There is no assurance that we can continue to retain their services and there can be no assurance that they will not compete against us.

If our business continues to expand, we will need to hire additional employees, including supplier management personnel to maintain and expand our travel supplier network, information technology and engineering personnel to maintain and expand our online platform and customer service personnel to serve an increasing number of customers. If we are unable to identify, attract, hire, train and retain sufficient employees in these areas, our customers may not have satisfactory experiences with us and may turn to our competitors, which may adversely affect our business and results of operations.

We may be subject to legal or administrative proceedings regarding our travel products and services, information provided on our online platform or other aspects of our business operations, which may be time-consuming to defend and affect our reputation.

From time to time, we have become and may in the future become a party to various legal or administrative proceedings arising in the ordinary course of our business, including breach of contract claims, anti-competition claims and other matters. Such proceedings are inherently uncertain and their results cannot be predicted with certainty. Regardless of the outcome and merit of such proceedings, any such legal action could have an adverse impact on our business because of defense costs, negative publicity, diversion of management s attention and other factors. In addition, it is possible that an unfavorable resolution of one or more legal or administrative proceedings, whether in the PRC or in another jurisdiction, could materially and adversely affect our financial position, results of operations or cash flows in a particular period or damage our reputation. In addition, our online platform contains information about our travel products and services, vacation destinations and other travel-related topics. It is possible that if any content accessible on our online platform contains errors or false or misleading information, our customers may take actions against us.

We may be subject to detrimental adverse publicity, malicious allegations or other conduct by people or entities, which could harm our reputation, adversely affect our business and the trading price of our ADSs.

We have been, and in the future may be, the target of adverse publicity, malicious allegations or other detrimental conduct by people or entities. Such allegations, directly or indirectly against us, may be posted in internet chat-rooms or on blogs or any website by anyone on an anonymous basis. We may be required to spend significant time and incur substantial costs in response to such allegations or other detrimental conduct, and there is no assurance that we will be able to conclusively refute each of them within a reasonable period of time, or at all. Our reputation may be harmed as a result of the public dissemination of malicious allegations about our personnel, business, operations, accounting, prospects or business ethics, which in turn could adversely affect our business and the trading price of our ADSs.

We have limited experience and operating history in developing and providing new products and services, which may negatively affect our business, financial condition and results of operations.

As part of our growth strategy, we intend to develop and offer new travel products and services to satisfy the evolving needs of our customers. In 2013, we launched discounted travel products that are exclusive to users of our mobile platform to enhance our mobile user engagement. We have limited experience and operating history in developing and operating these new services. These and other new products and services we may offer in the future present operating and marketing challenges that are different from those we currently encounter. In addition, the market for our new travel products and services may be highly competitive. If we fail to successfully develop and offer our new travel products and services in an increasingly competitive market, we may not be able to capture the growth opportunities associated with them or recover the development and marketing costs, and our future results of operations and growth strategies could be adversely affected.

If the fragmented travel industry in China becomes consolidated, our business, financial condition and results of operations may be adversely affected.

China s enormous size and population, imbalanced economic development and differences in consumer behavior across the country have created a highly fragmented and diverse travel industry. In recent years, customers have been shifting from highly fragmented traditional offline travel companies to travel websites for a wider product selection and greater convenience. If, however, traditional tour operators form alliances, or merge or consolidate among themselves, or if one of our travel suppliers is acquired by another company with which we do not have a relationship, we may not be able to maintain our strength in offering a wider selection of travel products and services as compared to traditional travel companies, and our business, financial condition and results of operations may be adversely affected.

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

We regard our intellectual property as critical to our success. We rely primarily on a combination of copyright, software registration, trademark, trade secret and unfair competition laws and contractual rights, such

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as confidentiality agreements with our employees and others, to protect our intellectual property rights. The protection of intellectual property rights in China may not be as effective as that in the United States. Unauthorized use or other misappropriation of our technologies would enable third parties to benefit from our technologies without paying us, or enable our competitors to offer travel products and services that are comparable to or better than ours. From time to time, we may have to enforce our intellectual property rights through litigation. Such litigation may result in substantial costs and diversion of resources and management attention. If we are not successful in protecting our intellectual property, our business, financial condition and results of operations may be materially and adversely affected.

Claims by third parties that we infringe on their intellectual property rights could lead to government administrative actions and result in significant costs and have a material adverse effect on our business, financial condition and results of operations.

We cannot be certain that our operations or any aspects of our business do not or will not infringe upon copyrights or other intellectual property rights held by third parties. We have been in the past, and may be from time to time in the future, subject to legal proceedings, claims or government administrative actions relating to alleged infringement on copyrights or other intellectual property rights held by third parties in relation to the content on our online platform or intellectual property rights otherwise used in our operation. For example, our website may be found to contain pictures that infringe on copyrights of third parties or hotel reviews that are third parties proprietary information. In addition, some of the software that we are currently using in our business may infringe on third parties copyrights. If we are found to have infringed on the intellectual property rights of others, we may be subject to liability for our infringement activities or may be prohibited from using such intellectual property, and we may incur licensing fees. Successful infringement or licensing claims made against us may result in significant monetary liabilities and may materially disrupt our business and operations by restricting or prohibiting our use of the intellectual property in question. Moreover, regardless of whether we successfully defend against such claims, we could suffer negative publicity and our reputation could be severely damaged. Any of these events could have a material and adverse effect on our business, financial condition and results of operations.

In addition, user-generated content on our online platform may contain or provide links to information that infringes on the copyrights or other intellectual property rights of third parties or violates applicable rules or regulations in relation to censorship, or we may use the user-generated content in a way that infringes on the rights of the users or third parties. Any claims, with or without merit, could be time-consuming to defend, result in litigation and divert management s attention and resources.

The successful operation of our business depends upon the performance and reliability of the Internet infrastructure and telecommunications networks in China.

Our business depends on the performance and reliability of the Internet infrastructure and telecommunications networks in China. Almost all access to the Internet is maintained through state-owned telecommunications operators under the administrative control and regulatory supervision of the Ministry of Industry and Information Technology of the PRC, or the MIIT. In addition, the national networks in China are connected to the Internet through international gateways controlled by the PRC government. These international gateways are the only channels through which a domestic user can connect to the Internet. We rely on a limited number of telecommunications service providers, primarily China Telecom and China Unicom, to provide us with data communications capacity. We, our customers or travel suppliers, may not have access to alternative networks in the event of disruptions, failures or other problems with China s Internet infrastructure. With the expansion of our business, we may be required to upgrade our technology and infrastructure to keep up with the increasing traffic on our online platform. However, we have no control over the costs of the services provided by telecommunications service providers. If the prices we pay for telecommunications and Internet services rise significantly, our results of operations may be materially and adversely affected. If Internet access fees or other charges to Internet users increase, the number of Internet users may decline and our business may be harmed.

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Moreover, if we are not able to renew services agreements with the telecommunications carriers when they expire and are not able to enter into agreements with alternative carriers on commercially reasonable terms or at all, the quality and stability of our online platform may be adversely affected.

We are subject to payment-related risks.

We enable our customers to make payments through our website by working with various third-party online payment processing service providers. As we rely on third parties to provide payment processing services, including processing payments made with credit cards and debit cards, it could disrupt our business if these companies become unwilling or unable to provide these services to us. We may be subject to human error, fraud and other illegal activities in connection with third-party online payment services. If our data security systems are breached or compromised, we may lose our ability to accept credit and debit card payments from our customers, and we may be subject to claims for damages from our customers and third parties, all of which could adversely and materially affect our reputation as well as our results of operations.

If we fail to adopt new technologies or adapt our website online platform and management systems to changing user requirements, increasing traffic or emerging industry standards, our business may be materially and adversely affected.

The online travel industry is subject to rapid technological changes. To remain competitive, we must continue to enhance and improve the responsiveness, functionality and features of our online platform. The online travel industry is also characterized by rapid technological evolution and changes in customer requirements and preferences. Our success will depend, in part, on our ability to identify, develop, acquire or license leading technologies useful in our business and respond to technological advances and emerging industry standards and practices in a cost-effective and timely manner. The development of our online platform and other proprietary technology entails significant technical and business risks. In addition, the widespread adoption of new Internet, networking or telecommunications technologies or other technological changes could require substantial expenditures to modify or adapt our infrastructure. We may not be able to use new technologies effectively or adapt our online platform, proprietary technologies and operating systems to the requirements of our customers and travel suppliers or emerging industry standards. If we are unable to adapt in a cost-effective and timely manner to changing market conditions or user requirements, whether for technical, legal, financial, or other reasons, our business may be materially and adversely affected.

Our business may be harmed if we are unable to upgrade our systems and infrastructure fast enough to accommodate increasing traffic levels, or to avoid obsolescence, or successfully integrate any newly developed or purchased technology with our existing systems. Capacity constraints could cause unanticipated system disruptions, slower response times, poor customer experience, impaired quality and speed of reservations and confirmations and delays in reporting accurate financial and operating information. These factors could cause us to lose customers. Additionally, we will continue to upgrade and improve our technology infrastructure to support our business growth. However, we cannot assure you that we will be successful in executing these system upgrades and improvement strategies. In particular, our systems may experience interruptions during upgrades, and the new technologies or infrastructures may not be fully integrated with the existing systems on a timely basis, or at all. If our existing or future technology infrastructure does not function properly, it could cause system disruptions and slow response times that affect data transmission, which in turn could materially and adversely affect our business.

We are exposed to risks associated with online security.

The secure transmission of confidential information over the Internet is essential in maintaining customer confidence in us. We conduct a significant portion of our transactions through our website. We utilize digital certificates to help us conduct secure communications and transactions. In addition, customer sensitive information, such as password and payment information, is stored with encryption, and our data servers are secured with firewalls. However, advances in technology or other developments could result in a compromise or breach of the technology that we use to protect customer and transaction data. Our security measures may not be sufficient to prevent security breaches.

Our use of open source software could adversely affect our ability to offer our products and services and subject us to possible litigation.

We use open source software in connection with our development of technology infrastructure. From time to time, companies that use open source software have faced claims challenging the use of open source software and/or compliance with open source license terms. We could be subject to suits by parties claiming ownership of what we believe to be open source software, or claiming noncompliance with open source licensing terms. Some open source licenses require users who distribute software containing open source to make available all or part of such software, which in some circumstances could include valuable proprietary code. While we monitor the use of open source software and try to ensure that none is used in a manner that would require us to disclose our proprietary source code or that would otherwise breach the terms of an open source agreement, such use could inadvertently occur, in part because open source license terms are often ambiguous. Any requirement to disclose our proprietary source code or pay damages for breach of contract could be harmful to our business, results of operations or financial condition, and could help our competitors develop travel products and services that are similar to or better than ours.

We may not be successful in pursuing strategic alliances and acquisitions, and future alliances and acquisitions may not bring us anticipated benefits.

Part of our growth strategy is the pursuit of strategic alliances and acquisitions. There can be no assurance that we will succeed in implementing this strategy as it is subject to many factors which are beyond our control, including our ability to identify and successfully execute suitable acquisition opportunities and alliances. This strategy may also subject us to uncertainties and risks, including acquisition and financing costs, potential ongoing and unforeseen or hidden liabilities, diversion of management resources and cost of integrating acquired businesses. We could face difficulties integrating the technology of acquired businesses with our existing technology, and employees of the acquired business into various departments and ranks in our company, and it could take substantial time and effort to integrate the business processes being used in the acquired businesses with our existing business processes. Moreover, there is no assurance that such alliances or acquisitions will achieve our intended objectives or benefits.

If we fail to implement and maintain an effective system of internal controls, we may be unable to accurately report our results of operations or prevent fraud or fail to meet our reporting obligations, and investor confidence and the market price of our ADSs may be materially and adversely affected.

Prior to this offering, we were a private company with limited accounting personnel and other resources with which to address our internal controls and procedures. Our independent registered public accounting firm has not conducted an audit of our internal control over financial reporting. However, in preparing our consolidated financial statements as of and for the years ended December 31, 2011, 2012 and 2013, we and our independent registered public accounting firm identified one material weakness in our internal control over financial reporting, as defined in the standards established by the Public Company Accounting Oversight Board of the United States, or PCAOB. The material weakness identified related to the lack of sufficient financial reporting and accounting personnel with appropriate knowledge of US GAAP and the SEC, reporting requirements to formalize key controls over financial reporting and to prepare consolidated financial statements and related disclosures. Following the identification of the material weakness, we have taken measures and plan to continue to take measures to remedy the material weakness. For details of these remedies, see Management s Discussion and Analysis of Financial Condition and Results of Operations Internal Control over Financial Reporting. However, the implementation of these measures may not fully address the material weakness in our internal control over financial reporting, and we cannot conclude that they have been fully remedied. Our failure

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to correct the material weakness or our failure to discover and address any other material weakness or deficiencies could result in inaccuracies in our financial statements and could also impair our ability to comply with applicable financial reporting requirements and related regulatory filings on a timely basis. As a result, our business, financial condition, results of operations and prospects, as well as the trading price of our ADSs, may be materially and adversely affected. Moreover, ineffective internal control over financial reporting significantly hinders our ability to prevent fraud.

Furthermore, it is possible that, had our independent registered public accounting firm conducted an audit of our internal control over financial reporting, such firm might have identified additional material weaknesses and deficiencies. Upon completion of this offering, we will become a public company in the United States subject to the Sarbanes-Oxley Act of 2002. Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, will require that we include a report of 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, 2015. In addition, once we cease to be an emerging growth company as such term is defined in the JOBS Act, our independent registered public accounting firm must attest to and report on the effectiveness of our internal control over financial reporting. Our management may conclude that our internal control over financial reporting is not effective. Moreover, even if our management concludes that our internal control over financial reporting is effective, our independent registered public accounting firm, after conducting its own independent testing, 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. In addition, after we become a public company, our reporting obligations may place a significant strain on our management, operational and financial resources and systems for the foreseeable future. We may be unable to timely complete our evaluation testing and any required remediation.

During the course of documenting and testing our internal control procedures, in order to satisfy the requirements of Section 404, we may identify other weaknesses and deficiencies in our internal control over financial reporting. In addition, if we fail to maintain the adequacy of our internal control over financial reporting, as these standards are modified, supplemented or amended from time to time, we may not be able to conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404. If we fail to achieve and maintain an effective internal control environment, we could suffer material misstatements in our financial statements and fail to meet our reporting obligations, which would likely cause investors to lose confidence in our reported financial information. This could in turn limit our access to capital markets, harm our results of operations, and lead to a decline in the trading price of our ADSs. Additionally, ineffective internal control over financial reporting could expose us to increased risk of fraud or misuse of corporate assets and subject us to potential delisting from the stock exchange on which we list, regulatory investigations and civil or criminal sanctions. We may also be required to restate our financial statements from prior periods.

We have limited business insurance coverage in China.

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

We may need additional capital, and financing may not be available on terms acceptable to us, or at all.

We believe that our current cash and cash equivalents, and anticipated cash flow from operations will be sufficient to meet our