Tongcheng-Elong Holdings Limited
同程藝龍控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 0780)

ANNOUNCEMENT OF THE RESULTS FOR THE YEAR ENDED DECEMBER 31, 2019

The Board of the Company is pleased to announce the audited consolidated results of the Group for the year ended December 31, 2019, together with comparative figures for the year ended December 31, 2018.

Tongcheng-eLong Merger was completed on March 9, 2018. Accordingly, the consolidated financial information of our Group for the year ended December 31, 2018 included the financial information of eLong from January 1, 2018 to March 9, 2018 and the consolidated financial information of eLong and Tongcheng Online Business from March 10, 2018 to December 31, 2018.

In order to facilitate readers of this announcement to assess our performance as a combined business for fiscal year 2018, certain financial and operating data for the year ended December 31, 2018 are presented on a "combined" basis, as indicated when used, by combining such data of each of eLong and Tongcheng Online Business. Such combined information may not have reflected the actual situation as of or for the relevant times as Tongcheng and eLong may not have been managed and operated under the same group as of or for such times.

KEY HIGHLIGHTS

FOR THE THREE MONTHS ENDED DECEMBER 31, 2019:

- Revenue increased by 24.4% year-to-year to RMB1,956.5 million from RMB1,572.4 million in the same period of 2018.

- Adjusted EBITDA increased by 47.7% year-to-year to RMB415.1 million from RMB281.0 million in the same period of 2018. Adjusted EBITDA margin increased from 17.9% in the same period of 2018 to 21.2%.

- Adjusted profit for the period increased by 67.7% year-to-year to RMB331.1 million from RMB197.4 million in the same period of 2018. Adjusted net margin increased from 12.6% in the same period of 2018 to 16.9%.

- Average MAUs increased by 18.5% year-to-year from 173.7 million in same period of 2018 to 205.9 million.

- Average MPUs increased by 21.5% year-to-year from 22.3 million in the same period of 2018 to 27.1 million.

Key financial summary for the three months ended December 31, 2019

	Unaudited Three months ended December 31,		Year-to-year
	2019	2018	change
	RMB'000	*RMB'000*	
Revenue	**1,956,493**	1,572,398	24.4%
Profit/(loss) before income tax	**114,746**	(168,091)	N/A
Profit/(loss) for the period	**96,872**	(176,741)	N/A
Adjusted EBITDA	**415,109**	281,024	47.7%
Adjusted profit for the period	**331,075**	197,442	67.7%
Adjusted EBITDA margin	**21.2%**	17.9%	
Adjusted net margin	**16.9%**	12.6%	

Note:

(i) Please refer to "Other Financial Information" below for the meaning of "adjusted EBITDA" and "adjusted profit for the period".

Operating metrics for the three months ended December 31, 2019

	Three months ended December 31,		Year-to-year
	2019	2018	change
GMV (in RMB billion)	**41.3**	34.5	19.7%
Number of average MAUs (in million)	**205.9**	173.7	18.5%
Number of average MPUs (in million)	**27.1**	22.3	21.5%

FOR THE YEAR ENDED DECEMBER 31, 2019:

On the Group's standalone basis

- Revenue increased by 40.7% year-to-year to RMB7,392.9 million from RMB5,255.6 million in 2018.

- Adjusted EBITDA increased by 75.2% year-to-year to RMB2,018.5 million from RMB1,152.1 million in 2018. Adjusted EBITDA margin increased from 21.9% in 2018 to 27.3% in 2019.

- Adjusted profit for the year increased by 68.6% year-to-year to RMB1,544.3 million from RMB915.9 million in 2018. Adjusted net margin increased from 17.4% in 2018 to 20.9% in 2019.

On a combined basis

- Revenue increased by 21.4% year-to-year to RMB7,392.9 million from RMB6,090.8 million in 2018.

- Adjusted EBITDA increased by 36.2% year-to-year to RMB2,018.5 million from RMB1,481.7 million in 2018. Adjusted EBITDA margin increased from 24.3% in 2018 to 27.3% in 2019.

- Adjusted profit for the year increased by 35.4% year-to-year to RMB1,544.3 million from RMB1,140.7 million in 2018. Adjusted net margin increased from 18.7% in 2018 to 20.9% in 2019.

- Average MAUs increased by 17.1% year-to-year from 175.2 million in 2018 to 205.2 million in 2019.

- Average MPUs increased by 34.5% year-to-year from 20.0 million in 2018 to 26.9 million in 2019.

Key financial summary for the year ended December 31, 2019

	Year ended					
	December 31, 2019	December 31, 2018	Year-to-year change	Period ended March 9, 2018	Year ended December 31, 2018	Year-to-year change
				Tongcheng Online Business		
	Group	Group			Combined	
	(in RMB'000)			*(in RMB'000)*		
Revenue	**7,392,932**	5,255,639	40.7%	835,148	6,090,787	21.4%
Accommodation reservation services	**2,358,123**	1,830,370	28.8%	17,236	1,847,606	27.6%
Transportation ticketing services	**4,517,658**	3,232,521	39.8%	792,752	4,025,273	12.2%
Others	**517,151**	192,748	168.3%	25,160	217,908	137.3%
Profit before income tax	**881,511**	601,526	46.5%	286,059	887,585	(0.7)%
Profit for the year	**686,522**	534,539	28.4%	224,744	759,283	(9.6)%
Adjusted EBITDA	**2,018,532**	1,152,134	75.2%	329,515	1,481,649	36.2%
Adjusted profit for the year	**1,544,320**	915,945	68.6%	224,744	1,140,689	35.4%
Adjusted EBITDA margin	**27.3%**	21.9%			24.3%	
Adjusted net margin	**20.9%**	17.4%			18.7%	

Note:

(i) Please refer to "Other Financial Information" below for the meaning of "adjusted EBITDA" and "adjusted profit for the year".

Operating metrics for the year ended December 31, 2019 on a combined basis

	Year ended December 31, 2019	December 31, 2018	Year-to-year change
GMV (in RMB billion)	**166.1**	131.5	26.3%
Number of average MAUs (in million)	**205.2**	175.2	17.1%
Number of average MPUs (in million)	**26.9**	20.0	34.5%

Business Review and Outlook

2019 has marked another prosperous year for the Company. We continued to achieve sustainable growth and generated solid profit, making us one of the fastest-growing companies within the industry. In the past year, we further explored the tremendous opportunities in the travel market as well as improved our products and services by leveraging on our unique understanding of users' needs and technological innovation capabilities. Our efforts paid off. We were awarded the "Best Mini Program of the Year" by Aladdin Index for the second consecutive year and the "Best Online Travel Service Platform" by Red Coral Award of Asia Tourism 2019, in recognition of our high quality products and services.

Results Highlights

In 2019, we have achieved outstanding financial performance. On a combined basis, our total revenue increased by 21.4% from RMB6,090.8 million in 2018 to RMB7,392.9 million in 2019. Adjusted profit for the year increased by 35.4% from RMB1,140.7 million in 2018 to RMB1,544.3 million in 2019 and adjusted net margin for the year was 20.9% in 2019, representing an increase from 18.7% in 2018. Our total revenue increased by 24.4% from RMB1,572.4 million for the fourth quarter of 2018 to RMB1,956.5 million for the fourth quarter of 2019. Adjusted profit increased by 67.7% from RMB197.4 million for the fourth quarter of 2018 to RMB331.1 million for the fourth quarter of 2019. Adjusted net margin for the fourth quarter of 2019 was 16.9%, representing an increase from 12.6% for the fourth quarter of 2018.

Benefited from the diversified and effective traffic channels, including Weixin platform, our native APPs and quick APPs, and our strategy to further penetrate into lower-tier cities, as well as the continuous improvment in products and services, we maintained strong growth in both active users and paying users. On a combined basis, our average MAUs increased by 17.1% year-to-year from 175.2 million in 2018 to 205.2 million in 2019, while average MPUs increased by 34.5% year-to-year from 20.0 million in 2018 to 26.9 million in 2019. Our paying ratios also increased from 11.4% in 2018 to 13.1% in 2019. For the fourth quarter of 2019, our average MAUs increased by 18.5% year-to-year from 173.7 million for the fourth quarter of 2018 to 205.9 million, while average MPUs increased by 21.5% year-to-year from 22.3 million for the fourth quarter of 2018 to 27.1 million. For the year ended December 31, 2019, our annual paying users reached a record high of 152.4 million, representing an increase of 35.1% from 112.8 million in 2018.

Business Review

We are a market leader and an innovator in China's online travel industry. We continued to enhance user engagement by precise marketing and targeted promotions. We continuously upgraded our products and services as well as enhanced our loyalty programs to improve our user experience. Our traffic with high efficiency kept increasing, and our paying user conversion has maintained steady growth. The solid growth of the user base and user retention rate has brought us continuous growth in business volume. Our GMV for the three months and year ended December 31, 2019 reached RMB41.3 billion and RMB166.1 billion, representing a year-to-year increase of 19.7% and 26.3%, respectively.

We are the top OTA player in China's lower-tier cities. By leveraging on the mutually beneficial partnership between Tencent and us, the accumulated long-term relationship with our TSPs, our effective sales and marketing strategies, we are able to reach an extensive and diversified user base in a cost-effective way, especially those in lower-tier cities. As of December 31, 2019, approximately 85.6% of our registered users resided in non-first-tier cities in China. For the year ended December 31, 2019, approximately 62.4% of our newly acquired paying users in Weixin were from tier-3 or below cities in China, which increased from 61.1% over the same period of 2018. Currently, Weixin users can access our Weixin-based mini program within the Weixin ecosystem through: (1) Weixin Payment (Wallet) portal and a drop-down list of users' favorite or most frequently used mini programs, which generated an average MAUs of 113.6 million in 2019, accounting for 65.7% of the total average MAUs of our Tencent-based platforms; (2) interactive advertisements placed on the Tencent-based platforms, which generated an average MAUs of 37.7 million in 2019, accounting for 21.9% of the total average MAUs of our Tencent-based platforms; and (3) the sharing and search functions in Weixin, which generated an average MAUs of 21.5 million in 2019, accounting for 12.4% of the total average MAUs of our Tencent-based platforms. In addition, the average MAUs in our native APPs recorded a faster growth than that in Weixin channel in the second half of the year 2019, mainly due to the expanding investments in marketing and R&D resources. With unique advantages from both traffic and supply end, we spare no efforts to seize the tremendous growth opportunities and aim for higher online penetration for travel services across China.

We are a one-stop shop for travelers. We provide comprehensive products and services covering nearly all travel needs, including accommodation reservation, transportation ticketing, attractions ticketing and various ancillary value-added products and services to meet user's needs during the trip. As of December 31, 2019, our online platforms offered over 6,800 domestic routes and around 1.4 million international routes operated by more than 400 domestic and international airlines, over 2.0 million hotels selections and alternative accommodation options, approximately 346,000 bus routes, over 500 ferry routes and approximately 8,000 domestic tourist attractions ticketing services. In 2019, we further enhanced our cross-selling strategy. We better diverted the high-frequency traffic of the transportation business to other businesses with higher margin like accommodation and advertisement businesses, to improve our monetization rate, and encourage users of transportation products to experience other products, which will generate greater user value.

We are leading the strategic transition from OTA to ITA. We persistently pursue innovation with regard to technology as well as products and services to satisfy users' travel needs and enhance user experience. By leveraging on our big data capability and technology innovation, we are able to better understand our users and suppliers and provide them with excellent products and services. We have implemented our intelligent Huixing system, which offers our users reliable and highly suitable travel solutions with product combo of railway, flight and bus, and helps users to arrive at their destinations by enhancing availability, affordability and achievability. We have launched an accommodation upgrade service "Weixin Payment Point" (微信支付分) with Tencent and an online seat selection service for international flights with China Southern Airlines with the implementation of NDC technology. We have developed a cost-effective revenue management software for small airlines and became the first and the only OTA in China involved in such technological innovation. We continued to improve our user service with technology by perfecting our user self-service system, in an attempt to guarantee seamless user experience and reduce labor costs. We also improved our intelligent voice recognition system (IVR) which assists our customer service team in providing more efficient after-sales services. Not only did the system reduce users' waiting time but also increased efficiency.

Business Outlook and Strategies

The outbreak of COVID-19 at the end of January 2020 has greatly impacted the travel industry and other industries. As a major player in the travel industry, we are inevitably affected as it presents short-term challenges to the development of our business. Based on the currently available information, for the first quarter of 2020, we expect net revenue to decrease by approximately 42% to 47% year over year, and our adjusted profit to be positive as a result of adoption of effective cost saving measures. The above are preliminary estimates which have not been reviewed by the Company's auditors and the Audit Committee, and are therefore remain subject to change.

As one of the market leaders, we also see opportunities created by the force of changes. In face of challenges posed by the COVID-19, we will focus on our core strategy, operate on cost-saving mode, act on the uncertainties and hunger for opportunities. We have faith that the Company will go through the difficulties and grow into a better one.

Immediately upon the outbreak of COVID-19, we have launched a dynamic set of initiatives to fulfill the responsibilities and obligations towards the community, to protect our users and employees, as well as to help our suppliers. On the user front, we launched policies of refund and changes without penalties, echoing government's precaution measures and suppliers' policies. We have opened up a self-service online cancellation function to fast-track refund and changes as well as joining hands with our business partners to set up an emergency fund to guarantee timely refund. We have also provided users with COVID-19 related insurance free of charge. As a socially responsible and accountable enterprise, we worked with an online medical platform to provide online medical consultation for free. We also rolled out an inquiry service with our advanced technology, allowing users to check whether there are any COVID-19 diagnosed patients in the train or plane he/she took. To pay tribute to the medical workers, we gave out one-year "Black Whale" paid membership to all the medical workers across Mainland China free of charge. To facilitate the resumption of work across China, we initiated a Return to Work Platform to provide customized bus transport services for enterprises with high concentration of returning workforce. On the supplier front, we established an Ark Alliance (方舟聯盟), an initiative for us to promote tourist spots through online marketing for allies free of charge. We launched a "Safe Room" initiative to ensure the safety of hotel guests.

For our employees, we started an online safety reporting system to collect health data of our employees to understand their health conditions and evaluate the situation of the Company. Although we instantly extended holidays and launched a work from home policy once the COVID-19 outbreak occurred, many of our staff, especially the customer service team and the product development team, actually worked days and nights to provide the best services to our users and to upgrade our products and services during this difficult period, so as to prepare for the recovery in the future.

With the effective control measures of the Chinese government and the dedication of medical staff, the epidemic has been effectively controlled recently. At the same time, we see the recent trend of business recovery and accordingly launched a "Hit The Road" initiative, which encourages users to make sensible travel plans under the premise that the trip is safe. Furthermore, we joined hands with partners to revitalize the after-epidemic travel market via continuous support in technology and cooperation in products and services.

The COVID-19 is an impassable threshold for those who hesitate to move forward when facing difficulties, but it is a stepping stone for those who strive to make a success of themselves when facing challenges. We believe that the current situation provides the best chance to empower our team. We have faith that our win-win partnership with suppliers, our remarkable product innovation capability, our solid financial position and efficient operation will enable us to sail through the storm and as well seize every opportunity brought by the challenges.

In the long run, we believe China's travel market will continue to grow rapidly driven by rising disposable income, upgrade of consumption power and increasing urbanization. Chinese consumers' demand for quality service and superior user experience has been increasing, and we will capitalize on the tremendous market potential, especially the business opportunities in lower-tier cities.

To fulfill our mission and reinforce our leadership in the market, we will continue to pursue the following initiatives. We will leverage on our advantage of traffic and other resources to further penetrate into the Chinese travel market. We will further improve our products and services so as to better serve our users. We will further enhance relationship with our suppliers to build a healthy and resilient ecosystem. We will pursue strategically selected acquisition, investment, joint venture and partnership opportunities that are complementary to our business and operations. Last but not least, we will continue to embrace the transformation from OTA to ITA.

MANAGEMENT DISCUSSION AND ANALYSIS

Year ended December 31, 2019 compared to Year ended December 31, 2018

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Revenue	**7,392,932**	5,255,639
Cost of revenue	**(2,317,746)**	(1,600,513)
Gross profit	**5,075,186**	3,655,126
Service development expenses	**(1,519,109)**	(1,349,935)
Selling and marketing expenses	**(2,246,450)**	(1,841,314)
Administrative expenses	**(625,153)**	(934,925)
Fair value changes on investments measured at fair value through profit or loss	**106,006**	78,572
Other income	**88,620**	33,396
Other (losses)/gains, net	**(19,573)**	47,888
Operating profit/(loss)	**859,527**	(311,192)
Finance income	**47,104**	12,888
Finance costs	**(12,429)**	(3,336)
Fair value gain on redeemable convertible preference shares	**–**	907,734
Share of results of associates	**(12,691)**	(4,568)
Profit before income tax	**881,511**	601,526
Income tax expense	**(194,989)**	(66,987)
Profit for the year	**686,522**	534,539
Attributable to:		
Equity holders of the Company	**688,097**	529,957
Non-controlling interests	**(1,575)**	4,582
Adjusted profit for the year[(a)]	**1,544,320**	915,945

Note:

(a) Please see "Other Financial Information – Non-IFRS Financial Measures" below for more information about adjusted profit for the year.

Revenue

Our revenue was generated primarily from accommodation reservation business and transportation ticketing business. The following table sets forth a breakdown of our revenue in absolute amount and as a percentage of the total revenue for the years indicated:

	Year ended December 31,			
	2019		2018	
	RMB'000		*RMB'000*	
Accommodation reservation services	**2,358,123**	**31.9%**	1,830,370	34.8%
Transportation ticketing services	**4,517,658**	**61.1%**	3,232,521	61.5%
Others	**517,151**	**7.0%**	192,748	3.7%
Total revenue	**7,392,932**	**100.0%**	5,255,639	100.0%

Revenue increased by 40.7% from RMB5,255.6 million for the year ended December 31, 2018 to RMB7,392.9 million for the year ended December 31, 2019.

Accommodation reservation services

We present accommodation reservation revenue on a net basis in circumstances where we do not assume inventory risk, and on a gross basis in circumstances where we pre-purchase accommodation room nights for which we take inventory risk. Revenue recognized on a gross basis represents the amounts billed to the users for the room nights sold, while the prices at which we pre-purchase the room nights from the accommodation suppliers are recorded as cost of revenue. For the years ended December 31, 2019 and 2018, inventory-risk-taking room nights accounted for approximately 0.6% and 0.6%, respectively, of the total of room nights booked through our online platforms, and its financial impact on accommodation reservation revenue was very limited.

Revenue from accommodation reservation services increased by 28.8% from RMB1,830.4 million for the year ended December 31, 2018 to RMB2,358.1 million for the year ended December 31, 2019. The increase was mainly because of the increased room nights.

Transportation ticketing services

We generated transportation ticketing revenue primarily from commissions received from suppliers of transportation tickets, travel insurance and other ancillary value-added travel products and services. In these transactions, we act primarily as an agent, assume no inventory risk and no obligations for cancelled ticket reservations, and therefore record the majority of our revenue on a net basis. In the year of 2019, in order to provide more secured quality products to end users with relatively higher gross margin, we put a few resources on inventory-risk-taking transportation products and accordingly recorded such revenue on a gross basis. For the year ended December 31, 2019, inventory-risk-taking transportation tickets accounted for approximately 0.2% of the total volume of transportation tickets sold through our online platforms, and its financial impact on transportation ticketing revenue was very limited.

Revenue from transportation ticketing services increased by 39.8% from RMB3,232.5 million for year ended December 31, 2018 to RMB4,517.7 million for year ended December 31, 2019, primarily due to increase in the GMV, which was in turn driven by increase in the number of flight segments sold and train tickets sold.

Others

Other revenue mainly includes: (i) attraction ticketing revenue contributed from TCCT, a company we acquired from a related party in April 2019, primarily providing attraction ticketing services; (ii) revenue from advertising services; and (iii) revenues generated from ancillary value-added user services.

Revenue from others increased by 168.3% from RMB192.7 million for the year ended December 31, 2018 to RMB517.2 million for year ended December 31, 2019, which was mainly due to (i) revenue contributed by TCCT; (ii) increase in revenue from advertising services; and (iii) revenue generated from other services.

Cost of revenue

Our cost of revenue consists primarily of: (i) order processing cost, representing the fees we pay to banks and payment channels for processing user payments; (ii) cost of pre-purchased inventory-risk-taking products, representing the prices we pay to TSPs to purchase travel products for which we take inventory risk; (iii) employee benefit expenses, representing the wages, salaries, and other benefits (including share-based compensation) paid to our user services and TSP services employees; (iv) procurement costs, which represents the costs for sourcing ancillary value-added travel products and services from service providers; (v) depreciation of property, plant and equipment and right-of-use assets; and (vi) others, which primarily include bandwidth and servers fee, telephone and communication costs, tax and surcharges, travel and entertainment cost, professional fees, user fulfilment fees (which represents compensation paid due to user and customers complaints), and rental and utility fees.

The following table sets forth a breakdown of our cost of revenue in absolute amount and as a percentage of total cost of revenue for the years ended December 31, 2019 and 2018:

	Year ended December 31,			
	2019		2018	
	RMB'000		*RMB'000*	
Employee benefit expenses	**273,468**	**11.8%**	296,339	18.5%
Order processing cost	**978,477**	**42.2%**	704,228	44.0%
Cost of pre-purchased inventory-risk-taking products	**427,752**	**18.5%**	188,070	11.8%
Depreciation of property, plant and equipment, and right-of-use assets	**122,091**	**5.3%**	101,442	6.3%
Procurement costs	**239,127**	**10.3%**	92,160	5.8%
Others	**276,831**	**11.9%**	218,274	13.6%
Total cost of revenue	**2,317,746**	**100.0%**	1,600,513	100.0%

Cost of revenue increased by 44.8% from RMB1,600.5 million for the year ended December 31, 2018 to RMB2,317.7 million for the year ended December 31, 2019. The increase was mainly due to: (i) an increase in order processing cost from RMB704.2 million for the year ended December 31, 2018 to RMB978.5 million for the year ended December 31, 2019, driven by increased GMV for the year ended December 31, 2019; (ii) an increase in cost of pre-purchased inventory-risk-taking products from RMB188.1 million for the year ended December 31, 2018 to RMB427.8 million for the year ended December 31, 2019, driven by the increase of pre-purchased inventory-risk-taking products we offered; (iii) an increase in procurement costs due to the increased sales of ancillary value-added travel products and services; and (iv) an increase in bandwidth and servers fee from RMB116.4 million for the year ended December 31, 2018 to RMB160.5 million for the year ended December 31, 2019. Excluding share-based compensation charges, cost of revenue accounted for 31.0% of revenue for the year ended December 31, 2019, which increased from 29.9% for the same period of 2018.

Service development expenses

Service and development expenses increased by 12.5% from RMB1,349.9 million for the year ended December 31, 2018 to RMB1,519.1 million for the year ended December 31, 2019. The increase was mainly due to (i) increased share-based compensation charges of IT employees; and (ii) increased amortization of intangible assets in relation to the acquisition of TCCT in the year of 2019. Excluding share-based compensation charges, service development expenses accounted for 18.1% of revenue for the year ended December 31, 2019, compared with 22.1% for the same period of 2018.

Selling and marketing expenses

Selling and marketing expenses increased by 22.0% from RMB1,841.3 million for the year ended December 31, 2018 to RMB2,246.5 million for the year ended December 31, 2019, which was mainly due to (i) the increased advertising and promotion spending on sales channels; (ii) increased amortization of intangible assets in relation to the acquisition of TCCT in the year of 2019; and (iii) partially offset by decrease of agency commission expense. Excluding share-based compensation charges, selling and marketing expenses accounted for 29.6% of revenue for the year ended December 31, 2019 compared with 34.2% for the same period of 2018.

Administrative expenses

Administrative expenses decreased from RMB934.9 million for the year ended December 31, 2018 to RMB625.2 million for the year ended December 31, 2019, which was mainly due to (i) a significant one-off charge in 2018 for the reorganization expense incurred by the shareholders of Tongcheng Network arising from the Reorganization in 2018 which shall be borne by us as agreed between us and the relevant shareholders; and (ii) a significant one-off expense in 2018 relating to the issuance of ordinary shares to Tencent at a discount in conjunction with the Tongcheng-eLong merger in 2018. Excluding share-based compensation charges, administrative expenses accounted for 4.7% of revenue for the year ended December 31, 2019, which decreased from 11.9% for the same period of 2018.

Fair value changes on investments measured at fair value through profit or loss

We recorded fair value gains on investments measured at fair value through profit or loss of RMB106.0 million for the year ended December 31, 2019, compared with RMB78.6 million for the year ended December 31, 2018. The increase was primarily driven by fair value increase on short-term wealth management products.

Other income

Other income increased by 165.4% from RMB33.4 million for the year ended December 31, 2018 to RMB88.6 million for the year ended December 31, 2019. The increase primarily reflected the increase in government subsidies received.

Income tax expense

We recorded an income tax expense of RMB195.0 million for the year ended December 31, 2019 and an income tax expense of RMB67.0 million for the year ended December 31, 2018, as a result of increased profit for the year ended December 31, 2019.

Profit attributable to equity holders of the Company

As a result of the foregoing, profit attributable to equity holders of the Company increased from RMB530.0 million for the year ended December 31, 2018 to RMB688.1 million for the year ended December 31, 2019.

Fourth Quarter of 2019 compared to Fourth Quarter of 2018

	Unaudited Three months ended December 31,	
	2019	2018
	RMB'000	RMB'000
Revenue	**1,956,493**	1,572,398
Cost of revenue	**(575,061)**	(556,354)
Gross profit	**1,381,432**	1,016,044
Service development expenses	**(377,316)**	(439,855)
Selling and marketing expenses	**(741,975)**	(559,020)
Administrative expenses	**(199,510)**	(255,571)
Fair value changes on investments measured at fair value through profit or loss	**28,829**	24,337
Other income	**45,002**	15,561
Other (losses)/gains, net	**(29,780)**	31,208
Operating profit/(loss)	**106,682**	(167,296)
Finance income	**11,871**	4,455
Finance costs	**(3,021)**	(2,536)
Share of results of associates	**(786)**	(2,714)
Profit/(loss) before income tax	**114,746**	(168,091)
Income tax expense	**(17,874)**	(8,650)
Profit/(loss) for the period	**96,872**	(176,741)
Attributable to:		
Equity holders of the Company	**97,295**	(182,163)
Non-controlling interests	**(423)**	5,422
Adjusted profit for the period[(a)]	**331,075**	197,442

Note:

(a) Please see "Other Financial Information – Non-IFRS Financial Measures" below for more information about adjusted profit for the period.

Revenue

Our revenue was generated primarily from accommodation reservation business and transportation ticketing business. The following table sets forth a breakdown of our revenue in absolute amount and as a percentage of the total revenue for the periods indicated:

	Unaudited Three months ended December 31,			
	2019		2018	
	RMB'000		*RMB'000*	
Accommodation reservation services	**621,863**	**31.8%**	424,080	27.0%
Transportation ticketing services	**1,181,997**	**60.4%**	1,072,715	68.2%
Others	**152,633**	**7.8%**	75,603	4.8%
Total revenue	**1,956,493**	**100.0%**	1,572,398	100.0%

Revenue increased by 24.4% from RMB1,572.4 million for the three months ended December 31, 2018 to RMB1,956.5 million for the three months ended December 31, 2019.

Accommodation reservation services

We present accommodation reservation revenue on a net basis in circumstances where we do not assume inventory risk, and on a gross basis in circumstances where we pre-purchase accommodation room nights for which we take inventory risk. Revenue recognized on a gross basis represents the amounts billed to the users for the room nights sold, while the prices at which we pre-purchase the room nights from the accommodation suppliers are recorded as cost of revenue. For the three months ended December 31, 2019 and 2018, inventory-risk-taking room nights accounted for approximately 0.9% and 0.5%, respectively, of the total of room nights booked through our online platforms, and its financial impact on accommodation reservation revenue was very limited.

Revenue from accommodation reservation services increased by 46.6% from RMB424.1 million for the three months ended December 31, 2018 to RMB621.9 million for the three months ended December 31, 2019. The increase was mainly because of the increased room nights.

Transportation ticketing services

We generated transportation ticketing revenue primarily from commissions received from suppliers of transportation tickets, travel insurance and other ancillary value-added travel products and services. In these transactions, we act primarily as an agent, and we assume no inventory risk and no obligations for cancelled ticket reservations, and therefore we record the majority of our revenue on a net basis. In the year of 2019, in order to provide more secured quality products to end users with relatively higher gross margin, we put a few resources on inventory-risk-taking transportation products and accordingly recorded such revenue on a gross basis. For the three months ended December 31, 2019, inventory-risk-taking transportation tickets accounted for approximately 0.2% of the total volume of transportation tickets sold through our online platforms, and its financial impact on transportation ticketing revenue was very limited.

Revenue from transportation ticketing services increased by 10.2% from RMB1,072.7 million for the three months ended December 31, 2018 to RMB1,182.0 million for three months ended December 31, 2019, primarily due to increase in the GMV, which was in turn driven by increase in the number of flight segments sold and train tickets sold.

Others

Other revenue mainly includes: (i) attraction ticketing revenue contributed from TCCT; (ii) revenue from advertising services; and (iii) revenues generated from ancillary value-added user services.

Revenue from others increased by 101.9% from RMB75.6 million for the three months ended December 31, 2018 to RMB152.6 million for the three months ended December 31, 2019, which was mainly due to (i) revenue contributed by TCCT; (ii) revenue from advertising services; and (iii) revenue generated from other services.

Cost of revenue

Our cost of revenue consists primarily of: (i) order processing cost, representing the fees we pay to banks and payment channels for processing user payments; (ii) cost of prepurchased inventory-risk-taking products, representing the prices we pay to TSPs to purchase travel products for which we take inventory risk; (iii) procurement costs, which represents the costs for sourcing ancillary value-added travel products and services from service providers; (iv) employee benefit expenses, representing the wages, salaries, and other benefits (including share-based compensation) paid to our user services and TSP services employees; (v) depreciation of property, plant and equipment and right-of-use assets; and (vi) others, which primarily include bandwidth and servers fee, telephone and communication costs, tax and surcharges, travel and entertainment cost, professional fees, user fulfilment fees (which represents compensation paid due to user complaints), and rental and utility fees.

The following table sets forth a breakdown of our cost of revenue in absolute amount and as a percentage of total cost of revenue for the three months ended December 31, 2019 and 2018:

	Unaudited Three months ended December 31,			
	2019		2018	
	RMB'000		*RMB'000*	
Employee benefit expenses	**33,912**	**5.9%**	137,136	24.6%
Order processing cost	**223,966**	**38.9%**	208,369	37.5%
Cost of pre-purchased inventory-risk-taking products	**129,774**	**22.6%**	57,562	10.3%
Depreciation of property, plant and equipment, and right-of-use assets	**29,084**	**5.1%**	39,650	7.1%
Procurement costs	**92,265**	**16.0%**	20,578	3.7%
Others	**66,060**	**11.5%**	93,059	16.8%
Total cost of revenue	**575,061**	**100.0%**	556,354	100.0%

Cost of revenue increased by 3.4% from RMB556.4 million for the three months ended December 31, 2018 to RMB575.1 million for the three months ended December 31, 2019. The increase was mainly due to: (i) an increase in procurement costs due to the increased sales of ancillary value-added travel products and services; (ii) an increase in cost of pre-purchased inventory-risk-taking products from RMB57.6 million for the three months ended December 31, 2018 to RMB129.8 million for the three months ended December 31, 2019, partially due to the acquistion of TCCT and increased pre-purchased transportation tickets; and (iii) an increase in order processing cost from RMB208.4 million for the three months ended December 31, 2018 to RMB224.0 million for the three months ended December 31, 2019, primarily because of the increased order processing cost of transportation ticketing services as a result of increased GMV for the three months ended December 31, 2019. Excluding share-based compensation charges, cost of revenue accounted for 29.1% of revenue for the three months ended December 31, 2019, which decreased from 34.5% for the same period of 2018.

Service development expenses

Service and development expenses decreased by 14.2% from RMB439.9 million for the three months ended December 31, 2018 to RMB377.3 million for the three months ended December 31, 2019. The decrease was mainly due to a reduction in share-based compensation charges of IT employees. Excluding share-based compensation charges, service development expenses accounted for 17.5% of revenue for the three months ended December 31, 2019, which decreased from 23.3% for the same period of 2018.

Selling and marketing expenses

Selling and marketing expenses increased by 32.7% from RMB559.0 million for the three months ended December 31, 2018 to RMB742.0 million for the three months ended December 31, 2019, which was mainly due to (i) the increased advertising and promotion spending on sales channels; and (ii) partial offset by decrease of agency commission expense. Excluding share-based compensation charges, selling and marketing expenses accounted for 37.0% of revenue for the three months ended December 31, 2019 compared with 34.0% for the same period of 2018.

Administrative expenses

Administrative expenses decreased from RMB255.6 million for the three months ended December 31, 2018 to RMB199.5 million for the three months ended December 31, 2019, which was mainly due to decreased share-based compensation charges of administrative employee. Excluding share-based compensation charges, administrative expenses accounted for 6.7% of revenue for the three months ended December 31, 2019, which increased from 6.4% for the same period of 2018.

Fair value changes on investments measured at fair value through profit or loss

We recorded fair value gains on investments measured at fair value through profit or loss of RMB28.8 million for the three months ended December 31, 2019, compared with RMB24.3 million for the three months ended December 31, 2018. The increase was primarily driven by fair value increase on short-term wealth management products.

Other income

Other income increased by 189.2% from RMB15.6 million for the three months ended December 31, 2018 to RMB45.0 million for the three months ended December 31, 2019. The increase primarily reflected the increase in government subsidies received.

Income tax expense

We recorded an income tax expense of RMB17.9 million for the three months ended December 31, 2019 and an income tax expense of RMB8.7 million for the three months ended December 31, 2018, as a result of increased taxable net earnings for the three months ended December 31 2019.

Profit/(loss) attributable to equity holders of the Company

As a result of the foregoing, profit attributable to equity holders of the Company increased from loss of RMB182.2 million for the three months ended December 31, 2018 to profit of RMB97.3 million for the three months ended December 31, 2019.

OTHER FINANCIAL INFORMATION

Non-IFRS Financial Measures

To supplement our consolidated financial statements, which are presented in accordance with IFRS, we also use certain non-IFRS measures, namely adjusted EBITDA and adjusted profit for the period/year, as additional financial metrics. These non-IFRS financial measures are not required by or presented in accordance with IFRS.

We believe that non-IFRS measures facilitate comparisons of our operating performance by eliminating potential impacts of items that our management do not consider indicative of our operating performance. We believe that such non-IFRS measures present useful information in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of such non-IFRS measures may not be comparable to similarly titled measures presented by other companies. The use of these non-IFRS measures has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRS.

a. Reconciliation of adjusted EBITDA from operating profit/(loss)

The following table reconciles adjusted EBITDA to operating profit/(loss), its most directly comparable financial measure calculated and presented in accordance with IFRS for the periods/years presented:

	Three months ended December 31,		**Year ended December 31,**	
	2019	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Operating profit/(loss)	**106,682**	(167,296)	**859,527**	(311,192)
Add:				
Share-based compensation	**125,618**	267,740	**542,210**	572,191
Amortization of intangible assets	**104,062**	100,685	**413,019**	339,037
Depreciation of property, plant and equipment, and right-of-use assets	**43,637**	38,712	**168,120**	116,655
Impairment loss on equity method investment	**35,110**	–	**35,110**	–
Reorganization cost	**–**	–	**–**	220,953
Issuance of ordinary shares at discount	**–**	–	**–**	113,099
Listing expense	**–**	41,183	**–**	91,508
Acquisition-related cost	**–**	–	**546**	9,883
Adjusted EBITDA	**415,109**	281,024	**2,018,532**	1,152,134

b. Reconciliation of adjusted profit for the period/year from profit for the period/year

The following table reconciles our adjusted profit for the period/year to profit for the period/year, its most directly comparable financial measure calculated and presented in accordance with IFRS for the periods/years presented:

	Three months ended December 31,		Year ended December 31,	
	2019	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Profit/(loss) for the period/year	**96,872**	(176,741)	**686,522**	534,539
Add:				
Share-based compensation	**125,618**	267,740	**542,210**	572,191
Amortization of intangible assets from acquisition	**69,789**	65,260	**276,246**	217,534
Impairment loss on equity method investments	**35,110**	–	**35,110**	–
Fair value change on redeemable convertible preferred shares measured at fair value through profit and loss[(a)]	**–**	–	**–**	(907,734)
Reorganization cost	**–**	–	**–**	220,953
Issuance of ordinary shares at discount	**–**	–	**–**	113,099
Income tax expense related to reorganization	**–**	–	**–**	63,972
Listing expense	**–**	41,183	**–**	91,508
Others	**3,686**	–	**4,232**	9,883
Adjusted profit for the period/year	**331,075**	197,442	**1,544,320**	915,945

Note:

(a) Represents the fair value gain on redeemable convertible preferred shares issued to eLong Cayman's shareholders measured at fair value through profit or loss. We designated redeemable convertible preferred shares as financial liabilities at fair value through profit or loss. Please refer to "History, Reorganization and Corporate Structure-Major Shareholding Changes of Our Company" in the Prospectus for more information about preferred shares.

Share-based compensation included in cost of revenue and expense items as follows:

	Three months ended December 31,		Year ended December 31,	
	2019	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cost of revenue	**4,794**	14,444	**27,800**	29,314
Service development expenses	**34,430**	73,440	**177,375**	187,738
Selling and marketing expenses	**17,343**	24,136	**57,336**	43,800
Administrative expenses	**69,051**	155,720	**279,699**	311,339
Total share-based compensation	**125,618**	267,740	**542,210**	572,191

Liquidity and Financial Resources

We funded our liquidity needs mainly from (i) the net proceeds received from the Global Offering; and (ii) net cash generated from our business growth.

We had cash and cash equivalents of RMB2,271.3 million and RMB3,143.9 million as of December 31, 2019 and 2018, respectively.

The following table sets forth our cash flows for the years indicated:

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Net cash flows generated from operating activities	**1,696,442**	2,360,953
Net cash flows (used in) investing activities	**(2,955,013)**	(1,400,497)
Net cash flows generated from financing activities	**372,764**	1,480,861
Net (decrease)/increase in cash and cash equivalents	**(885,807)**	2,441,317
Cash and cash equivalents at beginning of the year	**3,143,883**	701,748
Effect of exchange rate changes on cash and cash equivalents	**13,192**	818
Cash and cash equivalents at end of the year	**2,271,268**	3,143,883

Net cash generated from operating activities

For the year ended December 31, 2019, net cash generated from operating activities was RMB1,696.4 million, which was primarily attributable to the profit before income tax of RMB881.5 million, as adjusted by (i) amortization of intangible assets of RMB413.0 million, depreciation of property, plant and equipment, and right-of-use assets of RMB168.1 million, and share-based compensation of RMB542.2 million; and (ii) changes in working capital, which primarily consisted of an increase in trade receivable of RMB353.2 million, an increase in prepayment and other receivables of RMB796.2 million, an increase in trade payables of RMB893.7 million, and an increase in accrued expenses and current liabilities of RMB254.5 million.

Net cash used in investing activities

For the year ended December 31, 2019, net cash used in investing activities was RMB2,955.0 million, which was primarily attributable to (i) loans to related parties of RMB354.9 million; (ii) payment for purchase of property, plant and equipment of RMB301.1 million; (iii) payment for long term investments of RMB264.8 million; (iv) payment for business combination of RMB270.0 million; and (v) the net cash payment of wealth management products of RMB1,822.8 million. The aforesaid cash used was primarily offset by cash and cash equivalents of RMB27.6 million acquired through the acquisition of TCCT.

Net cash generated from financing activities

For the year ended December 31, 2019, net cash generated from financing activities was RMB372.8 million, which was primarily attributable to (i) proceeds from exercise of stock options of RMB364.0 million; and (ii) proceeds from short-term borrowing of RMB87.7 million, partially offset by payment of cost in relation to public offering of RMB39.7 million and repayment of bank borrowings of RMB28.4 million.

Gearing Ratio

As of December 31, 2019, our gearing ratio, calculated as total borrowings divided by total equity attributable to equity holders of the Company was approximately 1.8% (2018: 1.5%).

Pledge of Assets

In October 2017, we entered into a loan agreement with the lending bank to borrow RMB196.9 million to finance our purchase of office premises. The loan was secured by our property and will expire on October 23, 2027. As of December 31, 2019, the carrying amount of such secured property was RMB377.2 million.

Capital Expenditure

	As of December 31,	
	2019	2018
	RMB'000	*RMB'000*
Purchase of property, plant and equipment	**301,138**	337,491
Purchase of intangible assets	**1,455**	40
Placement of long-term investments[(a)]	**264,812**	32,500
Total capital expenditure	**567,405**	370,031

Note:

(a) Placement of long-term investments represents investments accounted for using the equity method and investments measured at fair value through profit or loss.

Our capital expenditures primarily include purchases of property, plant and equipment, intangible assets, investments accounted for using the equity method and investments measured at fair value through profit or loss. We funded our capital expenditure requirements mainly from cash generated from our operations as well as bank borrowings.

Long-term Investment Activities

	As of December 31,	
	2019	2018
	RMB'000	*RMB'000*
Investments accounted for using the equity method	**90,435**	48,731
Investments measured at fair value through profit or loss	**238,753**	52,442
Investments measured at amortized cost	**250,697**	–
Total long-term investments	**579,885**	101,173

The aggregate amount of long-term investments as of December 31, 2019 was RMB579.9 million, as compared to RMB101.2 million as of December 31, 2018. The increase in our investments accounted for using the equity method was due to our additional investment in certain private companies over which we have significant influences. The increase in long-term investments measured at fair value was caused by our additional investments in certain private and public companies that we hold less than 20% interests. We made long-term investments in accordance with our general strategy of investing or acquiring businesses that are supplement and benefit our business. Investments measured at amortized cost represents investment in wealth management products over one year with fixed interest rates. We plan to fund our long-term investments using cash flows generated from our operations and the net proceeds received from the Global Offering.

Material Acquisition and Disposals

Save for the TCCT acquisition, there were no other material acquisitions and disposals of subsidiaries, associates and joint ventures during the year ended December 31, 2019.

Foreign Exchange Risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not our functional currency. We manage our foreign exchange risk by performing regular reviews of our net foreign exchange exposures. We did not hedge against any fluctuation in foreign currency during the year ended December 31, 2019.

Our subsidiaries and Consolidated Affiliated Entities in the PRC operate mainly in the PRC with most of the transactions settled in RMB. We consider our business not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities of our Group denominated in the currencies other than the respective functional currencies of our Group's subsidiaries and Consolidated Affiliated Entities operating in the PRC.

Employee

As of December 31, 2019, we had a total of 5,431 full-time employees. As of the same date, approximately 56.3% and 20.3% of our full-time employees were based in Suzhou and Beijing, respectively, while remaining 23.4% of them were based in the rest of the PRC and overseas.

We primarily recruit our employees through on-campus job fairs, recruitment agencies and online channels, including our corporate websites and social networking platforms. We have adopted robust internal training policies, pursuant to which management, technology and other training is regularly provided to our employees by in-house trainers or third-party consultants. We have also adopted the 2016 Share Incentive Plan, 2018 Share Incentive Plan, 2019 RSU Plan and 2019 Share Option Plan.

As required by PRC laws, we participate in various statutory employee benefit plans, including social insurance funds, namely a pension contribution plan, a medical insurance plan, an unemployment insurance plan, a work-related injury insurance plan, a maternity insurance plan, and a hosing provident fund. We are required under PRC laws to contribute to employee benefit plans at specified percentages of salaries, bonuses and certain allowances of our employees up to a maximum amount specified by the local governments from time to time.

None of our employees is currently represented by labor unions. We believe that we maintain good working relationship with our employees and we did not experience any significant labor disputes or any material difficulty in recruiting employees for our operations during the year ended December 31, 2019.

CONSOLIDATED INCOME STATEMENTS
For the year ended December 31, 2019

		Year ended December 31,	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
Revenue	3	**7,392,932**	5,255,639
Cost of revenue	4	**(2,317,746)**	(1,600,513)
Gross profit		**5,075,186**	3,655,126
Service development expenses	4	**(1,519,109)**	(1,349,935)
Selling and marketing expenses	4	**(2,246,450)**	(1,841,314)
Administrative expenses	4	**(625,153)**	(934,925)
Fair value changes on investments measured at fair value through profit or loss	10(d)	**106,006**	78,572
Other income		**88,620**	33,396
Other (losses)/gains, net	5	**(19,573)**	47,888
Operating profit/(loss)		**859,527**	(311,192)
Finance income		**47,104**	12,888
Finance costs		**(12,429)**	(3,336)
Fair value change on redeemable convertible preferred shares measured at fair value through profit or loss		**–**	907,734
Share of results of associates		**(12,691)**	(4,568)
Profit before income tax		**881,511**	601,526
Income tax expense	6	**(194,989)**	(66,987)
Profit for the year		**686,522**	534,539
Profit attributable to:			
– Equity holders of the Company		**688,097**	529,957
– Non-controlling interests		**(1,575)**	4,582
		686,522	534,539
Earnings/(loss) per share (expressed in RMB per share):	7		
– Basic		**0.33**	0.33
– Diluted		**0.33**	(0.22)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended December 31, 2019

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Profit for the year	**686,522**	534,539
Other comprehensive income/(loss)		
Items that may not be subsequently reclassified to profit or loss:		
– Currency translation differences	**30,070**	(15,917)
– Fair value change relating to preferred shares due to own credit risk	**–**	932
Other comprehensive income/(loss) for the year, net of tax	**30,070**	(14,985)
Total comprehensive income for the year	**716,592**	519,554
Total comprehensive income attributable to:		
– Equity holders of the Company	**718,167**	514,972
– Non-controlling interests	**(1,575)**	4,582
	716,592	519,554

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As of December 31, 2019

		As of December 31,	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**1,102,031**	934,361
Right-of-use assets		**41,067**	–
Land use right		**–**	16,038
Investments accounted for using the equity method	9	**90,435**	48,731
Investments measured at fair value through profit or loss	10	**238,753**	52,442
Investments measured at amortized cost		**250,697**	–
Intangible assets		**7,860,452**	7,961,640
Deferred income tax assets		**201,057**	249,781
Prepayment and other receivables	12	**7,425**	31,485
		9,791,917	9,294,478
Current assets			
Trade receivables	11	**1,096,313**	857,326
Prepayment and other receivables	12	**1,569,453**	523,470
Short-term investments measured at amortized cost		**156,760**	261,086
Short-term investments measured at fair value through profit or loss	10	**4,384,168**	2,570,170
Restricted cash		**213,381**	140,930
Cash and cash equivalents		**2,271,268**	3,143,883
		9,691,343	7,496,865
Total assets		**19,483,260**	16,791,343
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**7,323**	7,156
Share premium		**18,189,973**	17,311,220
Treasury stock		**(7)**	(15)
Other reserves		**(2,668,946)**	(2,722,834)
Accumulated losses		**(2,371,977)**	(3,060,074)
		13,156,366	11,535,453
Non-controlling interests		**(4,692)**	(7,642)
Total equity		**13,151,674**	11,527,811

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As of December 31, 2019

		As of December 31,	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
LIABILITIES			
Non-current liabilities			
Borrowings	13	**132,921**	152,613
Long-term lease liabilities		**17,830**	–
Other payables and accruals	15	**6,702**	6,674
Deferred income tax liabilities		**568,376**	570,054
		725,829	729,341
Current liabilities			
Borrowings	13	**106,895**	19,692
Trade payables	14	**3,428,531**	2,569,092
Other payables and accruals	15	**1,946,769**	1,799,749
Short-term lease liabilities		**6,059**	–
Contract liabilities		**88,554**	15,084
Current income taxes liabilities		**28,949**	130,574
		5,605,757	4,534,191
Total liabilities		**6,331,586**	5,263,532
Total equity and liabilities		**19,483,260**	16,791,343

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2019

	Attributable to equity holders of the Company							
	Share capital *RMB'000*	Share premium *RMB'000*	Treasury stock *RMB'000*	Other reserves *RMB'000*	Accumulated losses *RMB'000*	Sub-total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
As of January 1, 2019	7,156	17,311,220	(15)	(2,722,834)	(3,060,074)	11,535,453	(7,642)	11,527,811
Comprehensive income								
Profit/(loss) for the year	–	–	–	–	688,097	688,097	(1,575)	686,522
Other comprehensive income								
Currency translation differences	–	–	–	30,070	–	30,070	–	30,070
Total comprehensive income	–	–	–	30,070	688,097	718,167	(1,575)	716,592
Transactions with owners								
Exercise of share option	175	755,052	–	(387,511)	–	367,716	–	367,716
Vesting and settlement of RSU	(8)	123,701	8	(123,701)	–	–	–	–
Purchase of non-controlling interests	–	–	–	174	–	174	(174)	–
Contributions from minority shareholders	–	–	–	–	–	–	3,500	3,500
Purchase of non-controlling interests in connection with the business combination	–	–	–	–	–	–	1,199	1,199
Share-based compensations	–	–	–	534,856	–	534,856	–	534,856
Total transactions with owners recognized directly in equity	167	878,753	8	23,818	–	902,746	4,525	907,271
As of December 31, 2019	7,323	18,189,973	(7)	(2,668,946)	(2,371,977)	13,156,366	(4,692)	13,151,674

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2019

	Attributable to equity holders of the Company							
	Share capital *RMB'000*	Share premium *RMB'000*	Treasury stock *RMB'000*	Other reserves *RMB'000*	Accumulated losses *RMB'000*	Sub-total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
As of January 1, 2018	99	1,514,310	(15)	(3,270,057)	(3,581,152)	(5,336,815)	4,881	(5,331,934)
Comprehensive income								
Profit for the year	–	–	–	–	529,957	529,957	4,582	534,539
Other comprehensive income/(loss)								
Credit risk for preferred share	–	–	–	932	–	932	–	932
Reclassification of the accumulated fair value change of the Preferred Shares attributable to changes in credit risk to accumulated losses upon conversion	–	–	–	8,879	(8,879)	–	–	–
Currency translation differences	–	–	–	(15,917)	–	(15,917)	–	(15,917)
Total comprehensive income	–	–	–	(6,106)	521,078	514,972	4,582	519,554
Transactions with owners								
Share-based compensations	–	–	–	572,191	–	572,191	–	572,191
Issuance of ordinary shares in connection with the Acquisition	307	8,689,960	–	–	–	8,690,267	–	8,690,267
Issuance of ordinary shares to Tencent	11	303,176	–	–	–	303,187	–	303,187
Purchase of non-controlling interest	–	–	–	(18,123)	–	(18,123)	(18,105)	(36,228)
Conversion of the preferred shares to ordinary shares	192	5,438,789	–	–	–	5,438,981	–	5,438,981
Capitalization issue	5,973	(5,973)	–	–	–	–	–	–
Issuance of ordinary shares in connection with the Listing	574	1,436,609	–	–	–	1,437,183	–	1,437,183
Share issuance costs	–	(65,651)	–	–	–	(65,651)	–	(65,651)
Contributions from minority shareholders	–	–	–	–	–	–	1,000	1,000
Purchase of vested Equity Awards	–	–	–	(739)	–	(739)	–	(739)
Total transactions with owners recognized directly in equity	7,057	15,796,910	–	553,329	–	16,357,296	(17,105)	16,340,191
As of December 31, 2018	7,156	17,311,220	(15)	(2,722,834)	(3,060,074)	11,535,453	(7,642)	11,527,811

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended December 31, 2019

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Net cash flows generated from operating activities	**1,696,442**	2,360,953
Net cash flows (used in) investing activities	**(2,955,013)**	(1,400,497)
Net cash flows generated from financing activities	**372,764**	1,480,861
Net (decrease)/increase in cash and cash equivalents	**(885,807)**	2,441,317
Cash and cash equivalents at beginning of the year	**3,143,883**	701,748
Effect of exchange rate changes on cash and cash equivalents	**13,192**	818
Cash and cash equivalents at end of the year	**2,271,268**	3,143,883

Notes

1. Basis of preparation

Tongcheng-Elong Holdings Limited (the "Company", formerly known as China E-Dragon Holdings Limited) is an exempted company with limited liability incorporated under the laws of the Cayman Islands on January 14, 2016.

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since November 26, 2018 (the "Listing").

The Company is an investment holding company. The Company and its subsidiaries (together, the "Group") are principally engaged in the provision of travel related services, including accommodation reservation services, transportation ticketing services, and other travel-related products and services.

The consolidated financial statements of the Group has been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by International Accounting Standard Board ("IASB"). The consolidated financial statements has been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including redeemable convertible preferred shares) which are carried at fair value.

A number of new or amended standards became applicable for the annual reporting period commencing January 1, 2019. Except for IFRS 16 Leases ("IFRS 16"), adoption impact of which are disclosed in Note 2 below, the other new or amended standards did not have any impact on the Groups accounting policies and did not require retrospective adjustments.

2. Changes in accounting policy

The Group has adopted IFRS 16 retrospectively from January 1, 2019, but has not restated comparatives for the 2018 reporting year, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on January 1, 2019.

(a) Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 were 4.3% to 5.39%.

(a) Adjustments recognised on adoption of IFRS 16 (Continued)

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as of January 1, 2019 as short-term leases
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease

As a lessee, the Group's leases are mainly rentals of land, offices and others. The right-of-use assets of offices and others were measured at the amount equal to the lease liability and there were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application. The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included.

Consolidated statement of financial position (extract)	**December 31, 2018 as originally presented**	**Effect of adoption of IFRS 16**	**January 1, 2019 as revised presented**
	RMB'000	***RMB'000***	***RMB'000***
Non-current assets			
– Right-of-use asset	–	33,320	33,320
– Land use right	16,038	(16,038)	–
	16,038	17,282	33,320
Liabilities			
– Short-term lease liabilities	–	9,844	9,844
– Long-term lease liabilities	–	7,438	7,438
	–	17,282	17,282

(b) The Group's leasing activities and how these are accounted for

The Group leases land, offices, and others. Rental contracts are typically made for fixed periods of 1 to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the year ended December 31, 2018, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From January 1, 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the lease fixed payments (including in-substance fixed payments), less any lease incentives receivable.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

3. Revenue and segment information

The Chief Operating Decision-maker ("CODM") assesses the performance of the operating segment mainly based on the measure of operating profit, excluding items which are not directly related to the segment performance ("combined results"). These include non-operating income/(expenses) such as government subsidies, fair value gains on short-term investments measured at fair value through profit or loss, and other non-operating items. The CODM reviews the combined results when making decisions about allocating resources and assessing performance of the Group as a whole. Therefore, the Group has only one reportable segment which mainly operates its businesses in the PRC and earns substantially all of the revenues from external customers attributed to the PRC. As of December 31, 2019 and December 31, 2018, substantially all of the non-current assets of the Group were located in the PRC. Therefore, no geographical segments are presented. No analysis of segment assets or segment liabilities is presented as they are not used by the CODM when making decisions about allocating resources and assessing performance of the Group.

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Operating profit/(loss) per consolidated statements of comprehensive income	**859,527**	(311,192)
Less: Other income	**(88,620)**	(33,396)
Fair value changes on investments measured at fair value through profit or loss	**(106,006)**	(78,572)
Other losses/(gains), net	**19,573**	(47,888)
Operating profit/(loss) presented to the CODM	**684,474**	(471,048)

Revenue by service type for the years ended December 31, 2019 and 2018 are as follows:

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Accommodation reservation services	**2,358,123**	1,830,370
Transportation ticketing services	**4,517,658**	3,232,521
Others	**517,151**	192,748
Total revenue	**7,392,932**	5,255,639

4. Expenses by nature

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Employee benefit expense	**2,160,166**	1,969,721
Advertising and promotion expenses	**1,622,452**	1,205,448
Order processing cost	**978,477**	704,228
Depreciation and amortization expense	**581,139**	455,964
Cost of pre-purchased travel related products	**427,752**	188,070
Procurement costs	**239,127**	92,160
Bandwidth and servers fee	**160,488**	116,398
Commission expenses	**154,055**	269,807
Professional service fees	**87,237**	159,974
Travelling and entertainment expenses	**73,193**	56,606
Rental and utility fees	**61,277**	65,391
Telephone and communication	**43,030**	20,769
Tax and surcharges	**31,113**	25,214
Audit fees	**7,547**	15,828
Reorganization cost	**–**	220,953
Acquisition-related cost	**–**	9,883
Issuance of ordinary shares at discount	**–**	113,099
Others	**81,405**	37,174
	6,708,458	5,726,687

5. Other (losses)/gains, net

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Impairment loss of investment accounted for using the equity method	**(35,110)**	–
Investment income from investments measured at amortized cost	**7,407**	1,765
Foreign exchange gain	**603**	17,017
(Loss)/gain on disposal of property, plant and equipment	**(961)**	500
Gain on disposal of other assets	**–**	584
Others	**8,488**	28,022
	(19,573)	47,888

6. Income tax expense

The income tax expense of the Group for the years ended December 31, 2019 and 2018 is analyzed as follows:

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Current income tax	**181,773**	215,596
Deferred income tax	**13,216**	(148,609)
	194,989	66,987

(a) Cayman Islands income tax

Under the current laws of the Cayman Islands, the Company is not subject to tax on the Company's income or capital gains. In addition, no Cayman Islands withholding tax is imposed upon any payments of dividends.

(b) Hong Kong income tax

Entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 8.25% on assessable profits up to HKD2 million and 16.5% on any part of assessable profits over HKD2 million for the year presented.

(c) PRC corporate income tax ("CIT")

CIT provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC for the years ended December 31, 2019 and 2018, calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The general PRC CIT rate is 25% during the year ended December 31, 2019 (2018: 25%).

Three of the Company's subsidiaries incorporated in the PRC are qualified as High and New Technology Enterprise, and accordingly, they are subject to a reduced preferential CIT rate of 15% for the year ended December 31, 2019 according to the applicable CIT law.

Other subsidiaries of the Company incorporated in the PRC are subject to the general PRC CIT rate of 25% during the year ended December 31, 2019 (2018: 25%).

(d) PRC Withholding Tax ("WHT")

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after January 1, 2008 are generally subject to a 10% WHT. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

During the years ended December 31, 2019 and 2018, the Group does not have any plan to require its PRC subsidiaries to distribute their retained earnings and intends to retain them to operate and expand its business in the PRC. Accordingly, no deferred income tax liability on WHT was provided as of December 31, 2019 (2018: nil).

7. Earnings/(loss) per share

(a) Basic

Basic earnings per share for the years ended December 31, 2019 and 2018 are calculated by dividing the profit attribute to the Company's equity holders by the weighted average number of ordinary shares in issue during the respective year.

	Year ended December 31,	
	2019	2018
Net profit attributable to the owners of the Company (RMB'000)	**688,097**	529,957
Weighted average numbers of ordinary shares in issue ('000)	**2,059,262**	1,584,181
Basic earnings per share (RMB)	**0.33**	0.33

(b) Diluted

Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

On December 20, 2019, the Group granted 20,983,500 share options under 2019 Share Option Plan and 7,902,000 RSUs under the 2019 RSU Plan to senior management, other employees, directors of the Group, including 459,000 share options and 25,000 RSUs to employees of the Group's associates. The exercise price of all options granted is HKD12.428 per share. 50% of the share options and RSUs granted were vested immediately upon the grant and the remaining 50% to be vested in third quarter of 2020.

As of December 31, 2019 and 2018, 26,320,810 and 44,056,950 ordinary shares were issued to certain employees, respectively. However, the shareholder' rights of these shares were restricted and would be vested over certain service periods. Accordingly, these shares were accounted for as RSUs. The Group did not include these ordinary shares in the calculation of basic earnings per share for the years ended December 31, 2019 and 2018 as these shares are not considered outstanding for earnings per share calculation purposes.

As of December 31, 2019, 132,431,304 share options were outstanding in total. For the year ended December 31, 2019, the share options and RSUs granted by the Company have potential dilutive effect on the EPS. Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from share options and RSUs granted by the Company (collectively forming the denominator for computing the diluted EPS). No adjustment is made to earnings (numerator).

As of December 31, 2018, 163,240,270 share options were granted in total and were not included in the calculation of dilutive loss per share for the year ended December 31, 2018, as their inclusion would be anti-dilutive.

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Net profit attributable to the owners of the Company (RMB'000)	**688,097**	529,957
Adjustment for redeemable convertible preferred shares (RMB'000)	**–**	(907,734)
Net profit/(loss) for calculation of diluted earnings/(loss) per share (RMB'000)	**688,097**	(377,777)
Weighted average number of ordinary shares in issue ('000)	**2,059,262**	1,584,181
Adjustments for redeemable convertible preferred shares ('000)	**–**	111,117
Adjustments for RSUs granted to employees ('000)	**4,585**	–
Adjustments for Options granted to employees ('000)	**53,111**	–
Weighted average number of ordinary shares for calculation of diluted earnings/(loss) per share ('000)	**2,116,958**	1,695,298
Diluted earnings/(loss) per share (RMB)	**0.33**	(0.22)

8. Dividend

No dividend has been paid or declared by the Company or the companies now comprising the Group during each of the years ended December 31, 2019 and 2018.

9. Investments accounted for using the equity method

	As of December 31,	
	2019	2018
	RMB'000	*RMB'000*
At the beginning of the year	**48,731**	37,618
Additions (a)	**87,772**	15,681
Transfers	**1,277**	–
Share-based compensation to employee of the Group's associates	**509**	–
Shares of losses	**(12,691)**	(4,568)
Impairment loss (b)	**(35,110)**	–
Currency translation differences	**(53)**	–
At the end of the year	**90,435**	48,731

(a) During the year ended December 31, 2019, the Group invested equity interests in certain unlisted companies with an aggregate amount of RMB87.8 million. These companies are principally engaged in hotel management and other travel-related business and the Group does not have control over these companies.

(b) During the year ended December 31, 2019, the Group made an aggregate impairment provision of RMB35.1 million (2018: nil) against the carrying amounts of certain investments in associates. The impairment loss mainly resulted from revisions of long-term financial outlook and the changes in business models of the affected associates.

10. Investments

	As of December 31,	
	2019	2018
	RMB'000	*RMB'000*
Current assets		
Short-term investments measured at		
– Amortized cost (a)	**156,760**	261,086
– Fair value through profit or loss (b)	**4,384,168**	2,570,170
	4,540,928	2,831,256
Non-current assets		
Long-term investments measured at		
– Amortized cost (c)	**250,697**	–
– Fair value through profit or loss (d)	**238,753**	52,442
	489,450	52,442

(a) Short-term investments measured at amortized cost

Short-term investments measured at amortized cost are time deposits within one year with fixed interest rates, denominated in RMB. The investments are held for collection of contractual cash flow and the contractual cash flows of these investments qualify for solely payments of principal and interest, hence they are measured at amortized costs. None of these investments are past due.

(b) Short-term investments measured at fair value through profit or loss

The short-term investments measured at fair value through profit or loss include wealth management products, denominated in RMB or USD, with expected rates of return ranging from 2.3% to 7.5%, per annum for the year ended December 31, 2019 (2018: 2.8% to 6.5%). The returns on all of these wealth management products are not guaranteed, hence their contractual cash flows do not qualify for solely payments of principal and interest. Therefore they are measured at fair value through profit or loss. None of these investments are past due. The fair values are based on cash flow discounted using the expected return based on management judgment and are within level 3 of the fair value hierarchy

The short-term investments measured at fair value through profit or loss also include a discretionary portfolio management agreement denominated in USD, which was entered in December 2019 with a commercial bank. The investments are made for the purpose of achieving investment yield and balancing the Company's liquidity level simultaneously. Pursuant to the agreement, the Company diversified its investment portfolio and authorized the bank to act as the portfolio manager to manage its assets held or to be held in account on the Company's behalf. The investment portfolios were instructed to be deployed in highly liquid financial assets, for instance government bonds and corporate bonds, that are traded in active markets and quoted by market prices and therefore, were classified as level 2 within a fair value hierarchy. The initial cost of investments under this portfolio management agreement was USD25 million, out of which USD12.5 million was funded by the Company with remaining portion funded from the bank. The Company recorded the total investment as short-term investment measured at fair value through profit or loss, and credited the fund from the bank, bearing interest at LIBOR +90bp per week, as short-term borrowings.

(c) Long-term investments measured at amortized cost

Long-term investments measured at amortized cost are time deposits over one year with fixed interest rates, denominated in RMB. The investments are held for collection of contractual cash flow and the contractual cash flows of these investments qualify for solely payments of principal and interest, hence they are measured at amortized costs. None of these investments are past due.

(d) Long-term investments measured at fair value through profit or loss

As of December 31, 2019 and 2018, long-term investments measured at fair value through profit or loss are equity interests and derivative held by the Group in several private and public companies.

The equity interests held by the Group in the private and public companies are (i) less than 20% of each entity and the Group does not have control nor significant influence over each of these entities, or (ii) not considered to be substantively the same as ordinary share due to the investment having a substantive liquidation preference or redemption rights. Therefore, these investments are classified as long-term investments measured at fair value through profit or loss. The fair values of the long-term investments are measured using a valuation technique with unobservable inputs and hence classified as level 3 of the fair value hierarchy for equity interests in private companies and are measured by quoted market prices in active markets and hence classified as level 1 of the fair value hierarchy for equity interests in public companies.

Amounts recognized in profit or loss

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Fair value changes in long-term investments measured at fair value through profit or loss	**(11,307)**	4,495
Fair value changes in short-term investments measured at fair value through profit or loss	**117,313**	74,077
	106,006	78,572

11. Trade receivables

The Group normally allows a credit period of 30 days to its customers. An ageing analysis of trade receivables based on invoice date is as follows:

	As of December 31,	
	2019	2018
	RMB'000	*RMB'000*
Up to 6 months	**1,045,582**	847,053
Over 6 months	**85,183**	14,235
	1,130,765	861,288
Less: allowance for impairment of trade receivables	**(34,452)**	(3,962)
	1,096,313	857,326

12. Prepayment and other receivables

	As of December 31,	
	2019	2018
	RMB'000	*RMB'000*
Included in non-current assets		
Advances to suppliers	**3,809**	1,841
Total non-financial assets	**3,809**	1,841
Deposits	**3,616**	23,308
Others	**–**	6,336
Total financial assets	**3,616**	29,644
Non-current, total	**7,425**	31,485
Included in current assets		
Advances to accommodation suppliers	**50,584**	46,393
Prepaid taxation	**30,784**	37,708
Advances to tickets suppliers	**462,301**	108,284
Prepayment for advertising	**25,964**	25,676
Prepayment for office rental	**449**	1,214
Prepayment to related parties	**24,706**	5,833
Others	**87,058**	29,887
Total non-financial assets	**681,846**	254,995
Deposits	**201,920**	171,464
Receivable from related parties	**626,800**	76,794
Others	**58,887**	20,217
Total financial assets	**887,607**	268,475
Current, total	**1,569,453**	523,470

13. Borrowings

	As of December 31,	
	2019	2018
	RMB'000	*RMB'000*
Included in non-current liabilities:		
Secured bank borrowings (Note a)	**132,921**	152,613
Included in current liabilities:		
Unsecured loan from financial institution (Note 10b)	**87,203**	–
Current portion of secured bank borrowings (Note a)	**19,692**	19,692
	106,895	19,692
	239,816	172,305

Note:

(a) The borrowings were secured by property, plant and equipment of the Group and bear interest at CHIBOR floating rate with 10% per annum.

At December 31, 2019 and 2018, the borrowings were repayable as follows:

	As of December 31,	
	2019	2018
	RMB'000	*RMB'000*
Within 1 year	**106,895**	19,692
1~2 years	**19,692**	19,692
2~5 years	**59,076**	59,076
Over 5 years	**54,153**	73,845
	239,816	172,305

14. Trade payables

Trade payables and their ageing analysis based on invoice date are as follows:

	As of December 31,	
	2019	2018
	RMB'000	*RMB'000*
Up to 6 months	**3,253,169**	2,441,699
Over 6 months	**175,362**	127,393
	3,428,531	2,569,092

15. Other payables and accruals

	As of December 31,	
	2019	2018
	RMB'000	*RMB'000*
Payable to insurance companies	**228,792**	209,518
Payable of reorganization cost	**157,193**	220,953
Deposits from sales channel	**104,647**	88,678
Accrual for users incentive program	**78,195**	106,508
Payable of property, plant and equipment	**54,274**	33,665
Payable to travel service suppliers	**14,041**	23,426
Payables to related parties	**16,055**	8,064
Payable of equity investment	**15,000**	–
Others	**77,649**	15,786
Total financial liabilities	**745,846**	706,598
Advances from users	**685,560**	583,707
Accrued payroll and welfare	**291,699**	292,393
Accrued advertisement expenses	**107,431**	80,661
Business and other taxes	**57,855**	31,949
Accrued professional fees	**27,379**	51,042
Accrued commissions	**16,521**	18,270
Payables to related parties	**312**	356
Others	**20,868**	41,447
Total non-financial liabilities	**1,207,625**	1,099,825
Total	**1,953,471**	1,806,423

16. Business combination

Acquisition of TCCT

On April 30, 2019, the Company acquired entire equity interests in TCCT, a company primarily providing attraction ticketing services, from a related company, Tongcheng Holdings. The Company accounted for the acquisition of TCCT as a business combination and started to consolidate the financial statements of TCCT from April 30, 2019.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	April 30, 2019
	RMB'000
Cash consideration	270,000

The preliminary price purchase allocation (PPA) of the acquisition is as follows:

Identifiable assets and liabilities at the acquisition date:	**Fair Value**
	RMB'000
Cash and cash equivalents	27,569
Restricted cash	200
Trade receivables	12,508
Prepayment and other receivables	56,584
Inventory	104
Property, plant and equipment	723
Intangible assets	
– Supplier relationship (Note a)	154,300
– Others	5,248
Deferred income tax assets	2,371
Trade payables	(62,640)
Other payables and accruals	(34,301)
Contract liabilities	(413)
Deferred income tax liabilities	(39,887)
Total identifiable net assets	**122,366**
Non-controlling interests	**(1,199)**
Goodwill (Note b)	**148,833**
	270,000

Notes:

The identified intangible assets for the acquisition primarily consists of supplier relationship and database. They are initially recognized and measured at fair value if they are acquired in business combinations.

(a) The supplier relationship represents the contractual business relationship with the existing suppliers of the acquired entity, i.e. other travel service providers of TCCT, of which the Company assessed and estimated the useful life at 10 years based on the considerations of the long-term relationship built up with the suppliers, market practice in the other travel service industry as well as that the turnover and churn rate of suppliers in the past. The Company also benchmarked with the useful life of the similar intangible assets from the comparable deals in the market.

(b) Goodwill is primarily attributable to the operating synergies and economies of scale expected to be derived from combining the operations. None of the goodwill is expected to be deductible for income tax purpose.

The acquired business contributed revenue of RMB159.1 million and net profit of RMB3.4 million to the Group for the period from April 30, 2019, the acquisition date, to December 31, 2019.

USE OF PROCEEDS

The Shares of the Company were listed on the Main Board of the Stock Exchange on November 26, 2018 by way of Global Offering, raising total net proceeds of approximately RMB1,319.3 million after deducting professional fees, underwriting commissions and other related listing expenses. For the year ended December 31, 2019, the Group has used RMB159.0 million to fund investments in certain companies that we hold less than 20% interests, and RMB1.0 million for working capital and general corporate purposes. For details of the breakdown of the use of proceeds, please refer to the 2019 annual report of the Company to be published in due course.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Compliance with the Corporate Governance Code

The Company has applied the principles and code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules and has complied with the code provisions in the Corporate Governance Code during the year ended December 31, 2019.

Compliance with the Model Code

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules. Specific enquiries have been made to all Directors and the Directors have confirmed that they have complied with the Model Code during the year ended December 31, 2019.

The Company's employees, who are likely to be in possession of inside information of the Company, have also been subject to the Model Code. No incident of non-compliance of the Model Code by the employees was noted by the Company during the year ended December 31, 2019.

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended December 31, 2019.

Audit Committee

The Audit Committee has three members comprising two independent non-executive Directors, being Mr. Wu Haibing (chairman of the Audit Committee) and Ms. Han Yuling and one non-executive Director, being Mr. Yu Haiyang, with terms of reference in compliance with the Listing Rules.

The Audit Committee, together with the Company's auditor, has reviewed the Group's audited consolidated financial statements for the year ended December 31, 2019. The Audit Committee has also considered and reviewed the accounting principles and practices adopted by the Company and the Group and discussed matters in relation to internal control and financial reporting with the management. The Audit Committee considers that the annual financial results for the year ended December 31, 2019 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

Auditor-Scope of Work of PricewaterhouseCoopers

The figures in respect of the Group's consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and the related notes thereto for the year ended December 31, 2019 as set forth in this announcement have been agreed by the Company's auditor, PricewaterhouseCoopers, to the amounts set forth in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standard on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

Events Subsequent to December 31, 2019

In January 2020, COVID-19 outbreak was reported in China with declined demand on travel and accommodation. The Company's operation and performance are inevitably disrupted. During the difficult period following the COVID-19 outbreak, the Company launched a dynamic set of initiatives to fulfill the responsibilities and duties towards the community, to protect users and employees, as well as to help our suppliers. Recently, it appears that the central government has urged all-out efforts and take the most comprehensive and rigorous measures to prevent and control the contagion and that the new infections declined continually. The Company will pay close attention to the development of COVID-19 outbreak and evaluate its potential impact on its financial performance. The Company was not aware of any material adverse effects on its financial performance in fiscal year 2019. The Company considers the disruption on its operation and performance is short-lived, and the Company will continue to fulfill its business strategy to maintain its leadership in China's travel market in a long term.

Except from above, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to December 31, 2019 and up to the date of this announcement.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the year ended December 31, 2019.

CLOSURE OF REGISTER OF MEMBERS AND RECORD DATE

The register of members of the Company will be closed from May 29, 2020 (Friday) to June 3, 2020 (Wednesday), both days inclusive, in order to determine the eligibility of the Shareholders to attend and vote at the AGM to be held on June 3, 2020 (Wednesday). The Shareholders whose names appear on the register of members of the Company at the close of business on May 28, 2020 (Thursday) (the "Record Date") will be entitled to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfer accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on May 28, 2020 (Thursday).

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of the Stock Exchange (**www.hkexnews.hk**) and the Company (**www.tcelir.com**).

The annual report for the year ended December 31, 2019 containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

DEFINITION

In this announcement, unless the context otherwise require, the following expressions shall have the following meaning:

"2016 Share Incentive Plan"	the share incentive plan adopted and approved by the Company on August 26, 2016
"2018 Share Incentive Plan"	the share incentive plan adopted and approved by the Company on March 9, 2018
"2019 RSU Plan"	the 2019 restricted share unit plan adopted and approved by the Company on July 2, 2019
"2019 Share Option Plan"	the 2019 share option plan approved by an ordinary resolution passed by shareholders of the Company at the extraordinary general meeting of the Company on August 2, 2019
"AGM"	the 2019 annual general meeting of the Company to be held on June 3, 2020 or any adjournment thereof
"Audit Committee"	the audit committee of the Board
"Board"	the board of directors of the Company
"China" or "PRC"	People's Republic of China
"Company"	Tongcheng-Elong Holdings Limited (同程藝龍控股有限公司), an exempted company with limited liability incorporated under the laws of the Cayman Islands on January 14, 2016
"Consolidated Affiliated Entities"	the entities we control through certain contractual arrangements
"Corporate Governance Code"	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
"Director(s)"	the director(s) of the Company
"eLong" or "eLong Cayman"	eLong Inc., a corporation incorporated under the laws of the Cayman Islands on May 19, 2004

"Global Offering"	the offering of the Company's Shares as described in the Prospectus
"GMV"	gross merchandise volume, the total value of merchandise sold in the specified market or through a specified platform during a given period
"Group", "we", "us", or "our"	the Company, its subsidiaries and Consolidated Affiliated Entities from time to time and, unless otherwise indicated, the historical results of operations for the year ended December 31, 2018 and financial condition of the Group as of December 31, 2018 presented and discussed in this announcement do not reflect those of Tongcheng Online Business
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"IFRS"	International Financial Reporting Standards, amendments, and interpretations, as issued from time to time by the International Accounting Standards Board
"ITA"	intelligent travel assistant
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
"MAUs"	monthly active users who access our platforms at least once during a calendar month
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"MPUs"	monthly paying users who make purchases on our platforms at least once during a calendar month
"NDC"	new distribution capability
"OTA"	online travel agency
"Prospectus"	the prospectus dated November 14, 2018 issued by the Company
"Reorganization"	the reorganization arrangements undertaken by the Group in preparation for the Global Offering

"RMB"	Renminbi, the lawful currency of China
"RSU"	restricted share units
"Share(s)"	ordinary share(s) in the share capital of the Company, currently of nominal value US$0.0005 each
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Tencent"	Tencent Holdings Limited, a company incorporated in the British Virgin Islands on November 23, 1999 and subsequently redomiciled to the Cayman Islands on February 27, 2004 as an exempted company under the laws of the Cayman Islands, whose shares are listed on the Main Board of the Stock Exchange (stock code: 700)
"Tencent-based platforms"	(i) our proprietary Weixin-based mini programs, which can be accessible by Weixin users through the "Rail & Flight" and "Hotel" portals in Weixin Wallet, the mobile payment interface of Tencent's Weixin or from the drop-down list of the favorite or most frequently used mini programs in Weixin; and (ii) the "Rail & Flight" and "Hotel" in QQ Wallet, the mobile payment interface of Tencent's Mobile QQ and certain other portals in Mobile QQ
"Tongcheng" or "Tongcheng Network"	Tongcheng Network Technology Limited (同程網絡科技股份有限公司), a joint stock limited company established under the laws of the PRC on March 10, 2004
"Tongcheng-eLong Merger"	the acquisition of Tongcheng Network by the Company
"Tongcheng Holdings"	Tongcheng Holdings Co., Ltd. (同程控股股份有限公司), a joint stock limited company established under the laws of the PRC on March 17, 2017 pursuant to a spin-off from Tongcheng Network
"Tongcheng Online Business"	the online business unit of Tongcheng Network which comprises transportation ticketing, accommodation reservation and certain other travel-related online services offered through its online platforms

"TCCT"	Suzhou Tongcheng Cultural Tourism Development Co., Ltd (蘇州同程文化旅遊發展有限公司)
"TSP(s)"	travel service providers
"USD"	United States dollars, the lawful currency of the United States of America

APPRECIATION

The Board would like to express its sincere gratitude to the Shareholders, management team, employees, business partners and customers of the Company for their support and contribution to the Group.

By Order of the Board
Tongcheng-Elong Holdings Limited
Ma Heping
Executive Director and
Chief Executive Officer

Hong Kong, March 25, 2020

As at the date of this announcement, the Board comprises the following:

Executive Directors
Wu Zhixiang *(Co-Chairman)*
Ma Heping *(Chief Executive Officer)*

Non-executive Directors
Liang Jianzhang *(Co-Chairman)*
Jiang Hao
Yu Haiyang
Brent Richard Irvin

Independent Non-executive Directors
Wu Haibing
Dai Xiaojing
Han Yuling