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## **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 THREE MONTHS ENDED MARCH 31, 2020**

The Board of the Company is pleased to announce the unaudited consolidated results of the Group for the three months ended March 31, 2020, together with comparative figures for the same period of 2019.

#### **KEY HIGHLIGHTS**

The Company's operation and performance were inevitably disrupted by the COVID-19 outbreak since January 2020. Compared with the same period in 2019, some key financial metrics for the three months ended March 31, 2020 were declined due to decreased demand in accommodation reservation services and transportation ticketing service, resulting from the implementation of travel restrictions and lockdown policies imposed by governments around the world to combat the spread of COVID-19.

For the three months ended March 31, 2020:

- Revenue decreased by 43.6% year-to-year to RMB1,005.1 million from RMB1,783.4 million in the same period of 2019.
- Adjusted EBITDA decreased by 74.2% year-to-year to RMB158.9 million from RMB615.6 million in the same period of 2019. Adjusted EBITDA margin decreased from 34.5% in the same period of 2019 to 15.8%.
- Adjusted profit for the period decreased by 82.6% year-to-year to RMB78.1 million from RMB448.5 million in the same period of 2019. Adjusted net margin decreased from 25.1% in the same period of 2019 to 7.8%.
- Average MAUs decreased by 25.5% year-to-year from 199.3 million in same period of 2019 to 148.4 million.
- Average MPUs decreased by 35.9% year-to-year from 23.1 million in the same period of 2019 to 14.8 million.

## 1. Key Financial Metrics for the three months ended March 31, 2020

	Unaudited Three months ended March 31,		Year-to-year change
	2020 <i>(in RMB'000)</i>	2019	
Revenue	<b>1,005,116</b>	1,783,411	(43.6)%
Adjusted EBITDA	<b>158,902</b>	615,570	(74.2)%
Adjusted profit for the period	<b>78,075</b>	448,450	(82.6)%
Revenue (decrease)/growth (year-to-year)	<b>(43.6)%</b>	17.5%	
Adjusted EBITDA margin	<b>15.8%</b>	34.5%	
Adjusted net margin	<b>7.8%</b>	25.1%	

Note:

1. Please refer to “Other Financial Information” below for the meaning of “adjusted EBITDA” and “adjusted profit for the period”.

## 2. Operating Metrics for the three months ended March 31, 2020

	Three Months ended March 31,		Year-to-year change
	2020	2019	
GMV (in RMB billion)	<b>18.2</b>	35.9	(49.3)%
Number of average MAUs (in million)	<b>148.4</b>	199.3	(25.5)%
Number of average MPUs (in million)	<b>14.8</b>	23.1	(35.9)%

## Business Review and Outlook

### *Results Highlights*

During the period under review, the outbreak of COVID-19 has severely impacted the travel industry as well as the economy in China since the outbreak in late January 2020. The outbreak has become a global pandemic as the number of people caught the contagious disease increased exponentially in early March 2020. Cities across the world were locked down, consumption and trading were stalled and halted, resulting in the biggest disruption in decades to the global economy and the travel industry.

Undoubtedly, our business was affected by the COVID-19 outbreak. However, we seized the opportunities to capture the demand of users who had to resume work and made business travel in late February and March 2020. Our average MAU recorded a relatively modest decline of 25.5% year-to-year from 199.3 million for same period of 2019 to 148.4 million for the first quarter of 2020. During the period under review, as the Chinese government has implemented strict crowd control and public health measures to bring the epidemic under control, the supply of different kinds of travel products decreased drastically. Together with the shrinking demand, our business volume experienced a year-to-year decline. For the first quarter of 2020, our average MPU decreased by 35.9% year-to-year from 23.1 million for the same period of 2019 to 14.8 million. Total GMV decreased by 49.3% year-to-year from RMB35.9 billion for the same period of 2019 to RMB18.2 billion for the first quarter of 2020.

During the period under review, our total revenue decreased by 43.6% from RMB1,783.4 million for the first quarter of 2019 to RMB1,005.1 million. Despite the suppressed demand in tourism during the COVID-19 outbreak, we endeavored to capture the domestic recovery opportunities when the epidemic has been effectively controlled in China. Thanks to our advantages in lower-tier cities where travel restrictions were more relaxed in March 2020, our well-balanced user profile with higher proportions from business travelers and people who had to return to work, as well as the stable traffic sources on Weixin platforms, we were able to outperform the industry average. In addition, we started to operate in a cost-saving mode immediately after the outbreak of the COVID-19 and significantly reduced our marketing, operating and administrative costs. With flexible operations strategy, stringent cost control and light operating model, we did not only manage to breakeven under such a challenging environment, but achieved an adjusted profit for the period of RMB78.1 million and an adjusted net margin of 7.8% for the first quarter of 2020.

### *Business Review*

We value our users and suppliers. During the epidemic, we implemented various kinds of initiatives to protect our customers and help our suppliers. We launched policies of refund and changes without penalties and have opened up a self-service online cancellation function to fast-track refund and changes. We also launched a “Safe Room” initiative to ensure a safe environment of our hotel guests. We offered one-year “Black Whale” paid membership to all the medical workers across Mainland China free of charge, so as to pay tribute to their dedicated work during the epidemic. As of the end of March 2020, we have already given out the “Black Whale” membership to over 300,000 medical workers, which helped to promote our paid membership system and enhance our brand awareness at the same time. As one of the OTA leaders, we gathered our suppliers and established an Ark Alliance (方舟聯盟) to promote tourist spots through online marketing for allies free of charge. Since the travel industry showed signs of recovery and the Chinese government started to proactively stimulate local consumptions, we worked with local governments to revitalize the post-epidemic travel market. Riding on our huge traffic and core internet technology, we helped to promote tourist destinations and build tourism brands free of charge for various cities and regions, and worked with local governments to distribute consumer coupons through our platforms. We launched “Hit The Road” initiative to encourage users to make sensible travel plans. With the initiative, we explored innovative marketing channels to capture the revitalization of the travel industry. We utilized innovative live streaming programs to promote our brand so as to enhance user retention and facilitate monetization. Leveraging on our in-depth knowledge in mini-program, we conducted our first mini-program live-streaming in early March 2020. Since then, we continued to launch and promote marketing activities such as “Member’s Day” on mini-program live streaming. We also launched live streaming programs with local governments and varieties of travel destinations on Weixin mini program and other short video platforms to promote the presale of the neighborhood attractions and resorts, which have received positive response from the users.

We have maintained diversified and effective traffic channels and strived to explore new traffic sources during the reporting period. Among these channels, our traffic on Tencent-based platforms have been the most cost-effective and relatively stable amid the epidemic period. During the first quarter of 2020, about 82.5% of our average MAU was contributed from Tencent-based platforms. In addition, our extensive experience and in-depth knowledge in the operation of Weixin-based mini program have also benefitted us with stable traffic. 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 102.0 million in the first quarter of 2020, accounting for 83.3% 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 11.7 million in the first quarter of 2020, accounting for 9.6% 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 8.7 million in the first quarter of 2020, accounting for 7.1% of the total average MAUs of our Tencent-based platforms. Besides, we have established a reciprocal cooperation with a short video platform to try new business format of "Travel + Live Streaming" by leveraging on the respective advantages of both parties. In the future, we will deepen collaborations in content marketing, scenario marketing, and short video promotions, which will broaden our user acquisition channels.

We are a leading OTA player in China with significant advantages in lower-tier cities. Riding on the mutually beneficial partnership with Tencent, the effective sales and marketing strategies and the long-term relationship with our TSPs, we were able to further penetrate lower-tier cities. As of March 31, 2020, the percentage of our registered users resided in non-first-tier cities in China maintained at approximately 85.7%. For the three months ended March 31, 2020, approximately 56.1% of our new registered users were from tier-3 or below cities in China, which increased from 44.3% over the same period of 2019. After the outbreak of COVID-19, the Chinese government imposed lockdown measures and travel restrictions in most of the major cities swiftly. While China has successfully contained the spread of the virus, lower-tier cities were the first to ease those measures and restrictions, leading to a faster recovery rate in lower-tier cities. Our extensive reach in lower-tier cities and prompt business adjustments have enabled us to capture the recovery opportunities.

We are a one-stop shop for travelers and provide comprehensive products and services to users throughout the journey. As of March 31, 2020, our online platforms offered over 7,000 domestic routes and over 1.3 million international routes operated by more than 800 domestic and international airlines and agencies, over 2.0 million hotels selections and alternative accommodation options, approximately 360,000 bus routes, over 560 ferry routes and approximately 8,000 domestic tourist attractions ticketing services. During the reporting period, we continued to optimize our value-added products and services to meet users' evolving travel needs. Huixing (慧行), an intelligent system that provides users with available, affordable and achievable travel solutions, has been very popular and well recognized by the users during the epidemic as there was limited supply of transportation selections. We also launched other value-added services such as the COVID-19 insurance and further upgraded our car rental and airport pick-up and drop-off services to cater to users' needs. All these ancillary products and services were well-received by the users during the outbreak.

We followed our core strategy to transform from an OTA to an ITA. During the reporting period, we joined hands with Huawei to provide users with simple, convenient, intelligent and cross-platform travel assistant services. As soon as the users link up their “Tongcheng-Elong” accounts with the Huawei Ability Gallery on their mobile phones, booking information of train tickets will be synchronized to provide users with updated orders and travel information. We plan to synchronize the booking information of air tickets, hotels, attraction tickets and other travel scenarios in the near future to further enhance user experience. The cooperation is beneficial for expanding traffic channel and enhancing user stickiness and retention rate by providing users with cross-platform and intelligent travel assistant services. As for the Huixing system, we have further optimized the display and layout to users, and better integrated the resources of supply chain during the reporting period. We continued to improve our algorithm in order to promptly and efficiently respond to users’ needs and to create more value for our users. With our advanced technology and expertise in online travel, we proactively embrace technological innovation and industry evolution. We joined hands with a bus operator with an effort to boost digitalization in the province’s bus sector, with the aim of improving bus travelers’ experience and enhancing efficiency in this traditional sector.

In late April 2020, we upgraded our brand by launching a new brand name “同程旅行” (“ly.com”) and a new brand logo, as well as introducing a new slogan of “Together, let’s go!”. We clearly define our business with our new brand image and aim at increasing brand recognition among our users. The new brand also reflects our ambition to better serve our users with a younger mind.

### *Business Outlook and Strategies*

The outbreak imposed short-term impact and challenges on our business, but with effective control measures implemented by the Chinese government and the dedication of medical staff, the epidemic has been effectively controlled recently. The market started to revive as the Chinese government introduced various initiatives to encourage domestic consumption and users gradually return to normal life and travel. Based on the currently available information, for the second quarter of 2020, we expect net revenue to decrease by approximately 24% to 29% year-to-year, and our adjusted profit for the period to be in the range of RMB120 million to RMB170 million. The above are preliminary estimates which have not been reviewed by the Company’s auditor and the Audit Committee, and therefore remain subject to change.

We believe that we are well-positioned to capture the recovery trend and will be able to pursue future growth within a short period of time with our core competitive advantages in traffic channels, market positioning, technological innovations and operations. We will continue to focus on our core strategy, operate on cost-saving mode, act on the uncertainties and hunger for opportunities. We are confident that we can overcome the difficulties and grow into a better entity in the future.

In the long run, we believe that the online travel market in China will continue to evolve rapidly and provide immense growth potentials, thanks to the rising consumption power, expanding urbanization ratio and increasing online penetration rate of travel products, especially in lower-tier cities. In terms of long-term strategy, we will move along with the transformation from OTA to ITA as a pioneer in the industry. Leveraging on our diversified and cost-effective traffic sources, we will expand our user base and further penetrate into the travel market in China. Meanwhile, we will consolidate our market leading position by optimizing our products and services with innovative technologies and strengthening the long-term relationships with our suppliers. We will also keep our eyes open for merger and acquisition opportunities to seek future growth. We are dedicated to improving our users’ travel experience, empowering our partners’ business capabilities and building a more efficient travel ecosystem.

## MANAGEMENT DISCUSSION AND ANALYSIS

### First Quarter of 2020 compared to First Quarter of 2019

	<b>Unaudited Three Months ended March 31,</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	<b>RMB'000</b>
Revenue	<b>1,005,116</b>	1,783,411
Cost of revenue	<b>(351,267)</b>	(498,270)
<b>Gross profit</b>	<b>653,849</b>	1,285,141
Service development expenses	<b>(287,449)</b>	(430,052)
Selling and marketing expenses	<b>(291,194)</b>	(469,723)
Administrative expenses	<b>(120,034)</b>	(228,322)
Fair value changes on investments measured at fair value through profit or loss	<b>(28,865)</b>	23,407
Other income	<b>11,359</b>	4,131
Other gains, net	<b>9,662</b>	2,870
<b>Operating (loss)/profit</b>	<b>(52,672)</b>	187,452
Finance income	<b>12,222</b>	13,987
Finance costs	<b>(2,986)</b>	(2,900)
Share of results of associates	<b>(5,854)</b>	(3,061)
<b>(Loss)/profit before income tax</b>	<b>(49,290)</b>	195,478
Income tax expense	<b>(7,899)</b>	(98,038)
<b>(Loss)/profit for the period</b>	<b>(57,189)</b>	97,440
Attributable to:		
Equity holders of the Company	<b>(55,633)</b>	97,322
Non-controlling interests	<b>(1,556)</b>	118
Adjusted profit for the period <sup>(a)</sup>	<b>78,075</b>	448,450

*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:

	<b>Unaudited</b>			
	<b>Three Months ended March 31,</b>			
	<b>2020</b>		<b>2019</b>	
	<b>RMB'000</b>		<b>RMB'000</b>	
Accommodation reservation services	<b>229,014</b>	<b>22.8%</b>	489,164	27.4%
Transportation ticketing services	<b>686,768</b>	<b>68.3%</b>	1,258,948	70.6%
Others	<b>89,334</b>	<b>8.9%</b>	35,299	2.0%
<b>Total revenue</b>	<b><u>1,005,116</u></b>	<b><u>100.0%</u></b>	<b><u>1,783,411</u></b>	<b><u>100.0%</u></b>

Revenue decreased by 43.6% from RMB1,783.4 million for the three months ended March 31, 2019 to RMB1,005.1 million for the three months ended March 31, 2020.

### *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 March 31, 2020 and 2019, inventory-risk-taking room nights accounted for approximately 0.6% and 0.3%, respectively, of the total of room nights booked through our online platforms, and its financial impact on accommodation reservation revenue was immaterial.

Revenue from accommodation reservation services decreased by 53.2% from RMB489.2 million for the three months ended March 31, 2019 to RMB229.0 million for the three months ended March 31, 2020. The decrease was mainly due to the outbreak of COVID-19 in January 2020 with declined demand of accommodation.

### *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 revenue on a net basis.

Revenue from transportation ticketing services decreased by 45.4% from RMB1,258.9 million for the three months ended March 31, 2019 to RMB686.8 million for the three months ended March 31, 2020, which was mainly due to the outbreak of COVID-19 in January 2020 with declined demand of transportation ticketing services.

## Others

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

Revenue from others increased by 153.1% from RMB35.3 million for the three months ended March 31, 2019 to RMB89.3 million for the three months ended March 31, 2020, which was mainly due to the (i) increase in revenue from advertising services; (ii) increase in revenue generated from membership services; and (iii) increase in revenue from attraction ticketing services contributed from TCCT, a company we acquired in April 2019.

## 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) employee benefit expenses, representing the wages, salaries, and other benefits (including share-based compensation) paid to our user services and TSP services employees; (iii) 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; (iv) depreciation of property, plant and equipment, and right-of-use assets; (v) bandwidth and servers fee, and (vi) others, which primarily include procurement costs, 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 three months ended March 31, 2020 and 2019:

	<b>Unaudited</b>			
	<b>Three Months ended March 31,</b>			
	<b>2020</b>		<b>2019</b>	
	<b>RMB'000</b>		<b>RMB'000</b>	
Order processing cost	<b>115,444</b>	<b>32.9%</b>	233,820	46.9%
Employee benefit expenses	<b>56,375</b>	<b>16.0%</b>	109,567	22.0%
Cost of pre-purchased inventory-risk-taking products	<b>40,627</b>	<b>11.6%</b>	44,558	8.9%
Depreciation of property, plant and equipment, and right-of-use assets	<b>29,543</b>	<b>8.4%</b>	32,323	6.5%
Bandwidth and servers fee	<b>29,229</b>	<b>8.3%</b>	50,893	10.2%
Others	<b>80,049</b>	<b>22.8%</b>	27,109	5.5%
<b>Total cost of revenue</b>	<b><u>351,267</u></b>	<b><u>100.0%</u></b>	<b><u>498,270</u></b>	<b><u>100.0%</u></b>

Cost of revenue decreased by 29.5% from RMB498.3 million for the three months ended March 31, 2019 to RMB351.3 million for the three months ended March 31, 2020. The decrease was mainly due to: (i) a decrease in order processing cost from RMB233.8 million for the three months ended March 31, 2019 to RMB115.4 million for the three months ended March 31, 2020, as a result of declined number of orders for transportation ticketing and accommodation services; (ii) a decrease in employee benefit expenses of our user services and TSP services employees from RMB109.6



million in the three months ended March 31, 2019 to RMB56.4 million in the three months ended March 31, 2020 driven by falling number of employees; and (iii) a decrease in bandwidth and servers fee from RMB50.9 million to RMB29.2 million resulting from declined cloud resources and servers rental. Excluding share-based compensation charges, cost of revenue accounted for 34.6% of revenue for the three months ended March 31, 2020, which increased from 27.1% for the same period of 2019.

#### *Service development expenses*

Service development expenses decreased by 33.2% from RMB430.1 million for the three months ended March 31, 2019 to RMB287.4 million for the three months ended March 31, 2020. The decrease was mainly due to decreased employee benefits expenses driven by decreased share-based compensation charges. Excluding share-based compensation charges, service development expenses accounted for 26.8% of revenue for the three months ended March 31, 2020, which increased from 18.7% for the same period of 2019.

#### *Selling and marketing expenses*

Selling and marketing expenses decreased by 38.0% from RMB469.7 million for the three months ended March 31, 2019 to RMB291.2 million for the three months ended March 31, 2020, which was mainly due to (i) the decreased advertising and promotion spending on sales channels, resulting from the COVID-19 outbreak and temporary suspending on a series of marketing campaigns; and (ii) a decrease in employee benefit expenses driven by the increased share-based compensation charges. Excluding share-based compensation charges, selling and marketing expenses accounted for 28.2% of revenue for the three months ended March 31, 2020 compared with 24.9% for the same period of 2019.

#### *Administrative expenses*

Administrative expenses decreased by 47.4% from RMB228.3 million for the three months ended March 31, 2019 to RMB120.0 million for the three months ended March 31, 2020, which was mainly due to decrease in share-based compensation charges. Excluding share-based compensation charges, administrative expenses accounted for 8.3% of revenue for the three months ended March 31, 2020, which increased from 4.5% for the same period of 2019.

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

We recorded fair value loss on investments measured at fair value through profit or loss of RMB28.9 million for the three months ended March 31, 2020 along with impairment of investments in certain public and private companies compared with a recorded fair value gain of RMB23.4 million for the three months ended March 31, 2019.

#### *Other income*

Other income increased by 175.0% from RMB4.1 million for the three months ended March 31, 2019 to RMB11.4 million for the three months ended March 31, 2020. The increase primarily reflected the increased government subsidies received.

### *Income tax expense*

We recorded income tax expenses of RMB7.9 million and RMB98.0 million for the three months ended March 31, 2020 and 2019 as a result of decreased taxable income in the three months ended March 31, 2020.

### *Profit attributable to equity holders of the Company*

As a result of the foregoing, profit attributable to equity holders of the Company decreased from profit of RMB97.3 million for the three months ended March 31, 2019 to a loss of RMB55.6 million for the three months ended March 31, 2020.

## **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, 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 (loss)/profit**

The following table reconciles adjusted EBITDA to operating (loss)/profit, its most directly comparable financial measure calculated and presented in accordance with IFRS for the three months ended March 31, 2020 and 2019:

	<b>Unaudited Three Months Ended March 31,</b>	
	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>Operating (loss)/profit</b>	<b>(52,672)</b>	187,452
Add:		
Share-based compensation	<b>65,944</b>	285,750
Amortization of intangible assets	<b>103,527</b>	101,950
Depreciation of property, plant and equipment, and right-of-use assets	<b>42,103</b>	40,418
<b>Adjusted EBITDA</b>	<b>158,902</b>	615,570

**b. Reconciliation of adjusted profit for the period from (loss)/profit for the period**

The following table reconciles our adjusted profit for the period to (loss)/profit for the period, its most directly comparable financial measure calculated and presented in accordance with IFRS, for the three months ended March 31, 2020 and 2019:

	<b>Unaudited Three Months ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>(Loss)/profit for the period</b>	<b>(57,189)</b>	<b>97,440</b>
Add:		
Share-based compensation	<b>65,944</b>	<b>285,750</b>
Amortization of intangible assets from acquisition	<b>69,320</b>	<b>65,260</b>
<b>Adjusted profit for the period</b>	<b><u>78,075</u></b>	<b><u>448,450</u></b>

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

	<b>Unaudited Three Months ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Cost of revenue	<b>3,176</b>	<b>15,723</b>
Service development expenses	<b>18,074</b>	<b>96,572</b>
Selling and marketing expenses	<b>8,053</b>	<b>24,841</b>
Administrative expenses	<b>36,641</b>	<b>148,614</b>
<b>Total share-based compensation</b>	<b><u>65,944</u></b>	<b><u>285,750</u></b>

## CONDENSED CONSOLIDATED INCOME STATEMENTS

For the three months ended March 31, 2020

	Unaudited Three months ended March 31,	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Revenue</b>	<b>1,005,116</b>	1,783,411
Cost of revenue	(351,267)	(498,270)
<b>Gross profit</b>	<b>653,849</b>	1,285,141
Service development expenses	(287,449)	(430,052)
Selling and marketing expenses	(291,194)	(469,723)
Administrative expenses	(120,034)	(228,322)
Fair value changes on investments measured at fair value through profit or loss	(28,865)	23,407
Other income	11,359	4,131
Other gains, net	9,662	2,870
<b>Operating (loss)/profit</b>	<b>(52,672)</b>	187,452
Finance income	12,222	13,987
Finance costs	(2,986)	(2,900)
Share of results of associates	(5,854)	(3,061)
<b>(Loss)/profit before income tax</b>	<b>(49,290)</b>	195,478
Income tax expense	(7,899)	(98,038)
<b>(Loss)/profit for the period</b>	<b>(57,189)</b>	97,440
<b>(Loss)/profit attributable to:</b>		
– Equity holders of the Company	(55,633)	97,322
– Non-controlling interests	(1,556)	118
	<b>(57,189)</b>	97,440

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the three months ended March 31, 2020

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>March 31,</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>(Loss)/profit for the period</b>	<b>(57,189)</b>	<b>97,440</b>
<b>Other comprehensive income/(loss)</b>		
<i>Items that may not be subsequently reclassified to profit or loss</i>		
– Currency translation differences	<u>25,433</u>	<u>(28,848)</u>
<b>Other comprehensive income/(loss) for the period, net of tax</b>	<u><b>25,433</b></u>	<u><b>(28,848)</b></u>
<b>Total comprehensive (loss)/income for the period</b>	<u><b>(31,756)</b></u>	<u><b>68,592</b></u>
<b>Total comprehensive (loss)/income for the period attributable to:</b>		
– Equity holders of the Company	<b>(30,200)</b>	<b>68,474</b>
– Non-controlling interests	<u><b>(1,556)</b></u>	<u><b>118</b></u>
	<u><b>(31,756)</b></u>	<u><b>68,592</b></u>

## CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of March 31, 2020

	Unaudited As of March 31, 2020 RMB'000	As of December 31, 2019 RMB'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	1,099,059	1,102,031
Right-of-use assets	46,694	41,067
Investments accounted for using the equity method	84,894	90,435
Investments measured at fair value through profit or loss	198,325	238,753
Investments measured at amortized cost	252,246	250,697
Intangible assets	7,756,925	7,860,452
Deferred income tax assets	212,291	201,057
Prepayment and other receivables	10,032	7,425
	<u>9,660,466</u>	<u>9,791,917</u>
<b>Current assets</b>		
Trade receivables	1,083,677	1,096,313
Prepayment and other receivables	1,675,738	1,569,453
Short-term investments measured at amortized cost	183,519	156,760
Short-term investments measured at fair value through profit or loss	3,226,328	4,384,168
Restricted cash	158,596	213,381
Cash and cash equivalents	1,800,154	2,271,268
	<u>8,128,012</u>	<u>9,691,343</u>
<b>Total assets</b>	<u><u>17,788,478</u></u>	<u><u>19,483,260</u></u>
<b>EQUITY</b>		
<b>Capital and reserves attributable to equity holders of the Company</b>		
Share capital	7,339	7,323
Share premium	18,236,534	18,189,973
Treasury stock	(7)	(7)
Other reserves	(2,605,576)	(2,668,946)
Accumulated losses	(2,427,610)	(2,371,977)
	<u>13,210,680</u>	<u>13,156,366</u>
<b>Non-controlling interests</b>	<u>(6,248)</u>	<u>(4,692)</u>
<b>Total equity</b>	<u><u>13,204,432</u></u>	<u><u>13,151,674</u></u>

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

As of March 31, 2020

	<b>Unaudited</b>	
	<b>As of</b>	As of
	<b>March 31,</b>	<b>December 31,</b>
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Borrowings	127,998	132,921
Long-term lease liabilities	20,590	17,830
Other payables and accruals	6,702	6,702
Deferred income tax liabilities	557,581	568,376
	<u>712,871</u>	<u>725,829</u>
<b>Current liabilities</b>		
Borrowings	62,145	106,895
Trade payables	2,359,534	3,428,531
Other payables and accruals	1,215,955	1,946,769
Short-term lease liabilities	10,399	6,059
Contract liabilities	197,948	88,554
Current income taxes liabilities	25,194	28,949
	<u>3,871,175</u>	<u>5,605,757</u>
<b>Total liabilities</b>	<u><b>4,584,046</b></u>	<u><b>6,331,586</b></u>
<b>Total equity and liabilities</b>	<u><b>17,788,478</b></u>	<u><b>19,483,260</b></u>

## CONDENSED STATEMENT OF CASH FLOWS

For the three months ended March 31, 2020

	Unaudited For the Three Months Ended March 31,	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Net cash flows (used in)/generated from operating activities	(1,534,898)	438,560
Net cash flows generated from/(used in) investing activities	1,084,571	(802,503)
Net cash flows used in financing activities	(35,906)	(38,250)
<b>Net decrease in cash and cash equivalents</b>	<b>(486,233)</b>	<b>(402,193)</b>
Cash and cash equivalents at beginning of the period	2,271,268	3,143,883
Effect of exchange rate changes on cash and cash equivalents	15,119	(30,347)
<b>Cash and cash equivalents at end of the period</b>	<b><u>1,800,154</u></b>	<b><u>2,711,343</u></b>



## **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 and has complied with the code provisions in the Corporate Governance Code for the three months period ended March 31, 2020.

### **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 three months period ended March 31, 2020.

### **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. Cheng Yun Ming Matthew, with terms of reference in compliance with the Listing Rules.

The Audit Committee has 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, including the review of the unaudited financial results of the Group for the three months ended March 31, 2020. The Audit Committee considers that the unaudited financial results for the three months ended March 31, 2020 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

## **DEFINITION**

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

“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
“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
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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
“MAUs”	monthly active users who access our platforms at least once during a calendar month
“MPUs”	monthly paying users who make purchases on our platforms at least once during a calendar month
“OTA”	online travel agency
“RMB”	Renminbi, the lawful currency of China

“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)
“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
“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 provider(s)
“USD” or “US\$”	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, May 21, 2020

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

***Executive Directors***

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

***Independent Non-executive Directors***

Wu Haibing  
Dai Xiaojing  
Han Yuling

***Non-executive Directors***

Liang Jianzhang (*Co-Chairman*)  
Jiang Hao  
Cheng Yun Ming Matthew  
Brent Richard Irvin