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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 SEPTEMBER 30, 2020

The Board of the Company is pleased to announce the unaudited consolidated results of the Group for the three months ended September 30, 2020, together with comparative figures for the same periods 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 periods in 2019, some key metrics for the three months ended September 30, 2020 declined resulting from the implementation of travel restrictions and lockdown policies imposed by governments around the world to combat the spread of the COVID-19.

However, attributable to the restoration of economic activities and living orders in China since the outbreak of the COVID-19 being contained, we are glad to see a continuing robust recovery trend in the third quarter of 2020 since the last quarter for some key metrics.

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020:

- Revenue decreased by 7.2% year-to-year to RMB1,914.5 million from RMB2,062.1 million in the same period of 2019. Such decrease was narrowed down compared with 24.6% decline in the second quarter of 2020. Further, on a quarter-to-quarter basis, the revenue in the third quarter of 2020 increased by 59.5%.
- Adjusted EBITDA dropped from RMB547.3 million in the third quarter of 2019 to RMB499.3 million in the same period of 2020. The year-to-year decrease of adjusted EBITDA was narrowed down to 8.8% in the third quarter of 2020 from 39.3% in the second quarter of 2020. In the third quarter of 2020, adjusted EBITDA margin decreased from 26.5% in the third quarter of 2019, or increased from 22.3% in the previous quarter, to 26.1%.
- Adjusted profit for the period dropped from RMB419.2 million in the third quarter of 2019 to RMB372.5 million in the same period of 2020. The year-to-year decrease of adjusted profit was narrowed down to 11.2% in the third quarter of 2020 from 43.2% in the previous quarter. In the third quarter of 2020, adjusted net margin decreased from 20.3% in the third quarter of 2019, or increased from 16.3% in the previous quarter, to 19.5%.

- Average MAUs increased by 5.0% year-to-year from 234.0 million in the same period of 2019 and increased by 40.0% quarter-to-quarter from 175.6 million in the second quarter of 2020 to 245.8 million.
- Average MPUs was flattened year-to-year at 29.8 million in the same period of 2019 and increased by 60.2% quarter-to-quarter from 18.6 million in the second quarter of 2020 to 29.8 million.

1. Key Financial Metrics for the Three Months ended September 30, 2020

	Unaudited		Year-to-year change
	Three Months ended September 30,		
	2020	2019	
	<i>(in RMB'000)</i>		
Revenue	1,914,518	2,062,130	(7.2)%
Adjusted EBITDA	499,283	547,317	(8.8)%
Adjusted profit for the period	372,476	419,234	(11.2)%
Revenue (decrease)/growth (year-to-year)	(7.2)%	22.3%	
Adjusted EBITDA margin	26.1%	26.5%	
Adjusted net margin	19.5%	20.3%	

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 September 30, 2020

	Three Months ended		Year-to-year change
	September 30,		
	2020	2019	
GMV (in RMB billion)	39.7	47.6	(16.6)%
Number of average MAUs (in million)	245.8	234.0	5.0%
Number of average MPUs (in million)	29.8	29.8	–

Business Review and Outlook

Results Highlights

With the outbreak of the COVID-19 in late January 2020, the Chinese economy suffered in the first half of the year. Thanks to the prompt response as well as the effective crowd control and health measures implemented by the Chinese government, the virus has been sharply diminished over the past two quarters in China. The Chinese economy has greatly restored and continued its rapid rebound momentum in the third quarter of 2020. Travel industry in China has shown encouraging recovery trend, especially for business travel and short-haul local travel within provinces.

Driven by the significant boost in market confidence and demand in the third quarter of 2020, the search volume on our platforms improved quarter-to-quarter, especially during the summer holiday and before the golden week of National Holiday in early October. For the three months ended September 30, 2020, our average MAUs further enhanced from the second quarter of 2020 to 245.8 million with a positive 5.0% year-to-year growth, and achieved the highest level in the Company's history. Our average MPUs fully recovered year-to-year and improved greatly quarter-to-quarter by 60.2% for the three months ended September 30, 2020, to 29.8 million, as the Chinese government has effectively contained the virus and travel demand has significantly recovered. Meanwhile, the increasing contributions from our offline user acquisition channels have also helped the recovery of MPUs. Our offline user acquisition initiatives have contributed 11% to MPUs in the third quarter of 2020. Total GMV decreased by 16.6% year-to-year to 39.7 billion for the three months ended September 30, 2020, but has significantly increased by 77.2% when compared with the second quarter of 2020.

As a pioneer and veteran in the travel industry who successfully captured the recovery trend, we continued to outperform the industry. We did not only leverage on our stable traffic sources on Weixin, but also further cultivated other traffic channels. With our cooperation with handset vendors and further development of our mini-programs on third-party location-based APPs and other platforms, our MAUs of quick APPs grew significantly. We managed to stay above the industry benchmark as we always endeavor to broaden our traffic sources and once again successfully captured the opportunities brought by industry transformation and transitions in traffic channels. Moreover, the streamlining of operations in the first half of 2020 has allowed us to make further investments in marketing activities to capture the recovery. Our total revenue further recovered quarter-to-quarter and slightly declined by 7.2% year-to-year to RMB1,914.5 million in the third quarter of 2020. Thanks to our flexible operations strategy and light operational model, we achieved an adjusted profit for the period of RMB372.5 million and an adjusted net margin of 19.5% in the third quarter of 2020.

Business Review

During the period under review, we continued to leverage our diversified and effective traffic channels. Our Tencent-based platforms continued to be our most cost-effective and stable traffic sources. In the third quarter of 2020, approximately 80.6% of our average MAUs was contributed from Tencent-based platforms with majority of the traffic came from Weixin Payment portal and the drop-down list of users' favorite or most frequently used mini programs. We deepened our cooperation with Weixin and further explored the potential of the "Search+Travel" ecosystem which allows users to have quick access to our transportation ticketing services by conducting keywords search on Weixin platforms. We also established solid cooperation with Tencent by launching various marketing campaigns with its online games platform to increase our brand recognition among younger generations, echoing our brand image and company strategy. Moreover, we diversified our traffic channels by fostering and further penetrating other online traffic sources, such as quick APPs and short video platforms. Serving as additional user acquisition channels, we launched a range of initiatives with various handset vendors which enabled users to make direct booking and receive itinerary reminders through our quick APPs on mobile phones and other mobile devices. To seize the opportunities stimulated by the upsurge of short videos, we cooperated with short video platforms to promote hotels and attractions in order to arouse the users' interests for travel and accelerate users' decision making. In addition to online traffic sources, we strived to broaden our offline traffic channels. We fortified our offline user acquisition initiatives in bus ticketing, attraction ticketing and accommodation businesses to help enhance our market share in lower-tier cities. We worked with bus operators and tourist attractions to set up vending machines to acquire users. We collaborated with hotels to set up QR code scanning function and direct offline users to make online bookings through our mini-program. All of these offline user acquisition methods have attained excellent progress and have supported our recovery in the third quarter of 2020.

We further solidified our leading position in China's OTA market. In the past few months, there were still volatilities and uncertainties of the pandemic situations in high-tier cities in China, yet the control measures in lower-tier cities have been effective and led to a faster recovery pace. We successfully captured recovery opportunities with a strong market presence in lower-tier cities. As of September 30, 2020, our registered users residing in non-first-tier cities in China accounted for approximately 86.1% of the total registered users. For the three months ended September 30, 2020, approximately 67.2% of our new paying users on Weixin platform were from tier-3 or below cities in China, which increased from 63.3% over the same period of 2019. We continued to raise our market share by penetrating into untitled markets in both accommodation and ticketing businesses. We formulated diverse yet precise marketing strategies based on different traffic conditions and user demands among various cities. For the third quarter of 2020, we have registered nearly 30% year-to-year growth in room nights sold in lower tier cities, over 80% year-to-year growth in bus ticketing volume and over 20% year-to-year growth in domestic air ticketing volume.

We maintained long-term and close relationships with various TSPs to offer users with one-stop shop products and services throughout their journeys. As of September 30, 2020, our online platform offered over 7,800 domestic routes operated by over 790 airlines and agencies, around 2 million hotels selections and alternative accommodation options, nearly 380,000 bus routes, over 660 ferry routes and approximately 8,000 domestic tourist attractions ticketing services. In order to further strengthen our relationship with TSPs as well as capturing the recovery opportunities, we have cooperated with upstream suppliers such as airports, tourist attractions, local travel bureaus to carry out live-streaming activities and offline marketing promotions. Moreover, leveraging on our one-stop shop strategy and precise recommendations to users through accumulating and analyzing user behavior data, we further increased cross-selling from transportation business to accommodation business.

We continued to develop and apply our advanced technology to transform from an OTA to ITA. We further enhanced users' travel experience by technological innovation. During the pandemic, we have continuously optimized the algorithm and business insights of our Huixing system which provides intelligent travel solutions to users and create opportunities to increase both monetization rate and cross-selling to air ticketing business. We upgraded our AI-driven customer services, which enable our AI robot to automatically detect users' underlying problems and proactively reach out to users to get problems solved. This helped us to swiftly respond to users' demands and greatly improved our customer service efficiency. We further enhanced the cooperation with bus ticketing operators and promoted the digitalization of bus ticketing by setting up bus ticketing vending machines and other ticketing devices at bus stations across the country. We also cooperated with tourist attractions and helped to enhance the digitalization and online penetration of the travel industry. In addition, we aspire to enhance the technology level of the whole travel industry by providing technology solutions to our TSPs including airports and hotels to enhance their operation efficiencies.

Business Outlook and Strategies

Although there were few isolated cases in some regions in the third quarter of 2020, with adequate control measures implemented by the Chinese government and the devotion of medical staff, the pandemic has been effectively controlled in China. The Chinese government also introduced various policies to stimulate domestic consumption which helped the travel market to recover. With our core competitive advantages including stable and cost-effective traffic channels, advanced technology innovations as well as a flexible and efficient operating model, we are confident that we will continue to outperform the industry. Nevertheless, we remain cautiously optimistic because of market uncertainties and will adjust our strategies swiftly to react to market dynamics. We will keep capturing industry recovery opportunities and strive to gain market share in order to develop into a better entity in the future.

Based on the currently available information, for the fourth quarter of 2020, we expect our revenue to decrease by approximately 5% to 0% year-to-year, and our adjusted profit for the period to be in the range of RMB300 million to RMB350 million. The above-mentioned are preliminary estimates which have not been reviewed by the Company's Audit Committee and the Company's auditor, and therefore remain subject to change.

In the long run, we believe that the acceleration of urbanization, improvement in consumers' purchasing power and infrastructure investment will continue to bring enormous potential to the travel industry. We will further penetrate the travel market in China by leveraging on our cost-effective traffic sources, especially in lower-tier cities. Moreover, we will enhance our products and services with technological innovations to transform from an OTA to ITA, as well as strengthening the long-term relationships with our suppliers to build a more complete travel ecosystem. We will also seek merger and acquisition opportunities to boost future growth for our business.

MANAGEMENT DISCUSSION AND ANALYSIS

Third Quarter of 2020 compared to Third Quarter of 2019

	Unaudited Three Months ended September 30,	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue	1,914,518	2,062,130
Cost of revenue	(535,315)	(682,530)
Gross profit	1,379,203	1,379,600
Service development expenses	(301,834)	(358,993)
Selling and marketing expenses	(724,938)	(627,565)
Administrative expenses	(101,391)	(96,270)
Net provision for impairment loss on financial assets	(11,638)	(2,565)
Fair value changes on investments measured at fair value through profit or loss	21,689	27,666
Other income	25,892	25,820
Other gains/(losses), net	6,029	(474)
Operating profit	293,012	347,219
Finance income	6,123	10,791
Finance costs	(3,524)	(2,679)
Share of results of associates	882	(5,841)
Profit before income tax	296,493	349,490
Income tax expense	(48,541)	(55,441)
Profit for the period	247,952	294,049
Attributable to:		
Equity holders of the Company	247,746	294,201
Non-controlling interests	206	(152)
Adjusted profit for the period ^(a)	372,476	419,234

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 September 30,			
	2020		2019	
	<i>RMB'000</i>		<i>RMB'000</i>	
Accommodation reservation services	684,559	35.8%	693,736	33.6%
Transportation ticketing services	1,055,118	55.1%	1,139,621	55.3%
Others	174,841	9.1%	228,773	11.1%
Total revenue	<u>1,914,518</u>	<u>100.0%</u>	<u>2,062,130</u>	<u>100.0%</u>

Revenue decreased by 7.2% from RMB2,062.1 million for the three months ended September 30, 2019 to RMB1,914.5 million for the three months ended September 30, 2020. The decrease was narrowed down compared with 24.6% in the second quarter of 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.

Thanks to a robust recovery trend of demand of accommodation in China and further increased cross-selling from transportation business to accommodation business, revenue from accommodation reservation services was almost flatten at RMB684.6 million for the three months ended September 30, 2020, compared with RMB693.7 million in the same period of 2019.

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 acted primarily as an agent, assumed no inventory risk and no obligations for cancelled ticket reservations, and therefore recorded the majority of our revenue on a net basis. Starting from fiscal year 2019, we put a few resources on inventory-risk-taking transportation products in order to provide more secured quality products to end users with relatively higher gross margin.

Attributable to the accelerating recovery of domestic travelling, we saw revenue from transportation ticketing services rebounded from RMB725.8 million in the second quarter of 2020 to RMB1,055.1 million in the third quarter of 2020, but representing a year-to-year drop of 7.4%.

Others

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

Revenue from others decreased by 23.6% from RMB228.8 million for the three months ended September 30, 2019 to RMB174.8 million for the three months ended September 30, 2020, which was mainly due to (i) the decrease in revenue from advertising services and ancillary value-added user services; and (ii) partially offset by the increase in revenue from attraction ticketing.

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) for our user services and TSP services employees; (iv) depreciation of property, plant and equipment, and right-of-use assets; (v) procurement costs, which represents the costs for sourcing ancillary value-added travel products and services from service providers; and (vi) others, which primarily include telephone and communication costs, tax and surcharges, travel and entertainment cost, professional fees, user fulfilment fees (which represent compensation paid to users 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 September 30, 2020 and 2019:

	Unaudited			
	Three Months ended September 30,			
	2020		2019	
	RMB' 000		RMB' 000	
Order processing cost	231,685	43.3%	277,125	40.6%
Cost of pre-purchased inventory-risk-taking products	113,475	21.2%	151,619	22.2%
Employee benefit expenses	50,323	9.4%	68,342	10.0%
Procurement costs	36,324	6.8%	77,336	11.3%
Depreciation of property, plant and equipment, and right-of-use assets	32,689	6.1%	29,519	4.3%
Others	70,819	13.2%	78,589	11.6%
Total cost of revenue	<u>535,315</u>	<u>100.0%</u>	<u>682,530</u>	<u>100.0%</u>

Cost of revenue decreased by 21.6% from RMB682.5 million for the three months ended September 30, 2019 to RMB535.3 million for the three months ended September 30, 2020. The decrease was mainly due to: (i) a decrease in order processing cost from RMB277.1 million for the three months ended September 30, 2019 to RMB231.7 million for the three months ended September 30, 2020, as a result of declined GMV; (ii) a decrease in cost of pre-purchased inventory-risk-taking products from RMB151.6 million for the three months ended September 30, 2019 to RMB113.5 million for the three months ended September 30, 2020; and (iii) a decrease in procurement costs due to the decreased sales of other ancillary value-added products and services. Excluding share-based compensation charges, cost of revenue accounted for 27.8% of revenue for the three months ended September 30, 2020, which decreased from 33.0% for the same period of 2019.

Service development expenses

Service development expenses decreased by 15.9% from RMB359.0 million for the three months ended September 30, 2019 to RMB301.8 million for the three months ended September 30, 2020. The decrease was mainly due to the decreased number of IT employees and relevant decreased employee benefits. Excluding share-based compensation charges, service development expenses accounted for 14.9% of revenue for the three months ended September 30, 2020, which decreased from 16.4% for the same period of 2019.

Selling and marketing expenses

Selling and marketing expenses increased by 15.5% from RMB627.6 million for the three months ended September 30, 2019 to RMB724.9 million for the three months ended September 30, 2020, which was mainly due to the increased investment in marketing activities to strengthen and broaden the traffic channels. Excluding share-based compensation charges, selling and marketing expenses accounted for 37.6% of revenue for the three months ended September 30, 2020 compared with 30.1% for the same period of 2019.

Administrative expenses

Administrative expenses increased from RMB96.3 million for the three months ended September 30, 2019 to RMB101.4 million for the three months ended September 30, 2020, which was mainly due to the increase in share-based compensation expense. Excluding share-based compensation charges, administrative expenses accounted for 3.7% of revenue for the three months ended September 30, 2020, which increased from 3.5% for the same period of 2019.

Net provision for impairment loss on financial assets

During the period under review, we separately presented “net provision for impairment loss on financial assets” in the condensed consolidated income statement, and the comparative figures were reclassified to conform to current period’s presentation. Net provision for impairment loss on financial assets increased to RMB11.6 million for the three months ended September 30, 2020 from RMB2.6 million for the same period of 2019, which was mainly due to the expected credit loss of receivables.

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 RMB21.7 million for the three months ended September 30, 2020, compared with RMB27.7 million for the three months ended September 30, 2019.

Other income

We recorded other income of RMB25.9 million for the three months ended September 30, 2020, compared with RMB25.8 million for the three months ended September 30, 2019.

Other gains/(losses), net

We recorded other gains of RMB6.0 million for the three months ended September 30, 2020 and other losses of RMB0.5 million for the three months ended September 30, 2019, respectively. This was mainly due to the increase in foreign exchange gain of RMB9.6 million.

Income tax expense

We recorded an income tax expense of RMB48.5 million and RMB55.4 million for the three months ended September 30, 2020 and 2019, respectively. The decreased income tax expense was due to the decreased taxable income for the three months ended September 30, 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 RMB294.2 million for the three months ended September 30, 2019 to RMB247.7 million for the three months ended September 30, 2020.

OTHER FINANCIAL INFORMATION

Non-IFRS Financial Measures

To supplement our consolidated results, 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.

Adjusted EBITDA is defined as operating profit adjusted for (1) share-based compensation; and (2) depreciation and amortization. Adjusted profit for the period is defined as profit for the period adjusted for (1) share-based compensation; and (2) the amortization of acquired intangible assets.

The above items are excluded from our adjusted EBITDA and adjusted profit for the period measures because these items are either non-cash in nature, or are not driven by core operations which render comparisons with prior periods and competitors less meaningful. We believe the adjusted EBITDA and adjusted profit for the period are useful measures for the analysts and investors as basis for evaluation of our future on-going operating performance as these measures allow more meaningful comparison of our performance and projected cash earnings with our historical results from prior periods and to the results of our competitors. Moreover, management uses these measures internally to evaluate the performance of our business as a whole. 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

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

	Unaudited Three Months ended September 30,	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Operating profit	293,012	347,219
Add:		
Share-based compensation ^(a)	55,239	54,736
Amortization of intangible assets	103,524	104,645
Depreciation of property, plant and equipment, and right-of-use assets	47,508	40,717
Adjusted EBITDA	499,283	547,317

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

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

	Unaudited Three Months ended September 30,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	247,952	294,049
Add:		
Share-based compensation ^(a)	55,239	54,736
Amortization of intangible assets from acquisition ^(b)	69,285	70,449
Adjusted profit for the period	<u>372,476</u>	<u>419,234</u>

Notes:

- (a) Represents expense related to equity-settled share-based payment transactions. This is a non-cash item and the value is determined by valuation techniques involving a few parameters out of the management's control such as macro economy index and retention rate of grantees.
- (b) Represents amortization of intangible assets in relation to Tongcheng-eLong Merger in 2018 and the acquisition of Suzhou Tongcheng Cultural Tourism Development Co., Ltd in 2019.

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

	Unaudited Three Months ended September 30,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Cost of revenue	2,816	2,918
Service development expenses	16,774	20,811
Selling and marketing expenses	5,975	5,934
Administrative expenses	29,674	25,073
Total share-based compensation	<u>55,239</u>	<u>54,736</u>

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months ended September 30, 2020

	Unaudited	
	Three Months ended	
	September 30,	
	2020	2019
	RMB'000	RMB'000
Revenue	1,914,518	2,062,130
Cost of revenue	(535,315)	(682,530)
Gross profit	1,379,203	1,379,600
Service development expenses	(301,834)	(358,993)
Selling and marketing expenses	(724,938)	(627,565)
Administrative expenses	(101,391)	(96,270)
Net provision for impairment loss on financial assets	(11,638)	(2,565)
Fair value changes on investments measured at fair value through profit or loss	21,689	27,666
Other income	25,892	25,820
Other gains/(losses), net	6,029	(474)
Operating profit	293,012	347,219
Finance income	6,123	10,791
Finance costs	(3,524)	(2,679)
Share of results of associates	882	(5,841)
Profit before income tax	296,493	349,490
Income tax expense	(48,541)	(55,441)
Profit for the period	247,952	294,049
Profit attributable to:		
Equity holders of the Company	247,746	294,201
Non-controlling interests	206	(152)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended September 30, 2020

	Unaudited	
	Three Months ended	
	September 30,	
	2020	2019
	RMB'000	RMB'000
Profit for the period	247,952	294,049
Other comprehensive (loss)/income		
<i>Items that may not be subsequently reclassified to profit or loss:</i>		
– Currency translation differences	<u>(75,530)</u>	<u>51,094</u>
Other comprehensive (loss)/income for the period, net of tax	<u>(75,530)</u>	<u>51,094</u>
Total comprehensive income for the period	<u>172,422</u>	<u>345,143</u>
Total comprehensive income for the period attributable to:		
– Equity holders of the Company	172,216	345,295
– Non-controlling interests	<u>206</u>	<u>(152)</u>
	<u>172,422</u>	<u>345,143</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of September 30, 2020

	Unaudited As of September 30, 2020 <i>RMB'000</i>	Audited As of December 31, 2019 <i>RMB'000</i>
ASSETS		
Non-current assets		
Property, plant and equipment	1,099,770	1,102,031
Right-of-use assets	144,426	41,067
Investments accounted for using the equity method	87,850	90,435
Investments measured at fair value through profit or loss	160,554	238,753
Investments measured at amortized cost	465,837	250,697
Intangible assets	7,550,090	7,860,452
Deferred income tax assets	202,239	201,057
Prepayment and other receivables	5,712	7,425
	<u>9,716,478</u>	<u>9,791,917</u>
Current assets		
Trade receivables	984,603	1,096,313
Prepayment and other receivables	1,259,911	1,569,453
Short-term investments measured at amortized cost	517,529	156,760
Short-term investments measured at fair value through profit or loss	4,172,218	4,384,168
Restricted cash	93,842	213,381
Cash and cash equivalents	1,786,938	2,271,268
	<u>8,815,041</u>	<u>9,691,343</u>
Total assets	<u><u>18,531,519</u></u>	<u><u>19,483,260</u></u>
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital	7,467	7,323
Share premium	18,849,066	18,189,973
Treasury stock	-	(7)
Other reserves	(2,975,626)	(2,668,946)
Accumulated losses	(2,125,134)	(2,371,977)
	<u>13,755,773</u>	<u>13,156,366</u>
Non-controlling interests	<u>(4,144)</u>	<u>(4,692)</u>
Total equity	<u><u>13,751,629</u></u>	<u><u>13,151,674</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of September 30, 2020

	Unaudited As of September 30, 2020 RMB'000	Audited As of December 31, 2019 RMB'000
LIABILITIES		
Non-current liabilities		
Borrowings	118,152	132,921
Long-term lease liabilities	113,474	17,830
Other payables and accruals	6,702	6,702
Deferred income tax liabilities	535,994	568,376
	<u>774,322</u>	<u>725,829</u>
Current liabilities		
Borrowings	45,378	106,895
Trade payables	2,090,776	3,428,531
Other payables and accruals	1,633,883	1,946,769
Short-term lease liabilities	10,649	6,059
Contract liabilities	172,909	88,554
Current income taxes liabilities	51,973	28,949
	<u>4,005,568</u>	<u>5,605,757</u>
Total liabilities	<u>4,779,890</u>	<u>6,331,586</u>
Total equity and liabilities	<u>18,531,519</u>	<u>19,483,260</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended September 30, 2020

	Unaudited For the Three Months ended September 30,	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Net cash flows generated from operating activities	650,774	693,129
Net cash flows used in investing activities	(1,359,159)	(257,032)
Net cash flows generated from financing activities	102,904	39,616
Net (decrease)/increase in cash and cash equivalents	(605,481)	475,713
Cash and cash equivalents at beginning of the period	2,393,135	2,376,789
Effect of exchange rate changes on cash and cash equivalents	(716)	24,321
Cash and cash equivalents at end of the period	<u>1,786,938</u>	<u>2,876,823</u>

CORPORATE GOVERNANCE AND OTHER INFORMATION

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the three months ended September 30, 2020.

Model Code for Securities Transactions

The Company has adopted the Model Code. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the Model Code during the three months ended September 30, 2020.

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 for securities transactions. No incident of non-compliance of the Model Code by the employees was noted by the Company during the three months ended September 30, 2020.

Compliance with the Corporate Governance Code

The Company has adopted and applied the principles and code provisions as set out in the Corporate Governance Code. During the three months ended September 30, 2020, the Company has complied with the code provisions in the Corporate Governance Code.

Audit Committee

The Audit Committee has three members comprising two independent non-executive Directors, 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 considered and reviewed the accounting principles and practices adopted by the Group and has discussed matters in relation to internal controls and financial reporting with the management, including the review of the unaudited financial results of the Group for the three months ended September 30, 2020. The Audit Committee considers that the unaudited financial results for the three months ended September 30, 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:

“AI”	artificial intelligence
“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
“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
“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
“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 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 of Hong Kong Limited (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-eLong Merger”	the acquisition of Tongcheng Network Technology Limited (同程網絡科技股份有限公司) by the Company
“TSP(s)”	travel service provider(s)
“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, November 23, 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