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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, 2019

The Board of the Company is pleased to announce the unaudited consolidated results of the Group for the three months ended September 30, 2019, together with comparative figures for the same period of 2018.

KEY HIGHLIGHTS

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2019:

- Revenue increased by 22.3% year-to-year to RMB2,062.1 million from RMB1,686.4 million in the same period of 2018.
- Adjusted EBITDA increased by 27.7% year-to-year to RMB547.3 million from RMB428.5 million in the same period of 2018. Adjusted EBITDA margin increased from 25.4% in the same period of 2018 to 26.5%.
- Adjusted profit for the period increased by 33.2% year-to-year to RMB419.2 million from RMB314.7 million in the same period of 2018. Adjusted net margin increased from 18.7% in the same period of 2018 to 20.3%.
- Average MAUs increased by 13.4% year-to-year from 206.3 million in same period of 2018 to 234.0 million.
- Average MPUs increased by 31.9% year-to-year from 22.6 million in the same period of 2018 to 29.8 million.

1. Key financial summary for the three months ended September 30, 2019

	Three months ended September 30,		Year-to-year change
	2019	2018	
	<i>RMB'000</i>	<i>RMB'000</i>	
Revenue	2,062,130	1,686,397	22.3%
Profit before income tax	349,490	107,722	224.4%
Profit for the period	294,049	61,895	375.1%
Adjusted EBITDA	547,317	428,471	27.7%
Adjusted profit for the period	419,234	314,729	33.2%
Adjusted EBITDA margin	26.5%	25.4%	
Adjusted net margin	20.3%	18.7%	

Note:

- (i) 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, 2019

	Three months ended September 30,		Year-to-year change
	2019	2018	
GMV (in RMB billion)	47.6	39.1	21.7%
Number of average MAUs (in million)	234.0	206.3	13.4%
Number of average MPUs (in million)	29.8	22.6	31.9%

Business Review and Outlook

Results Highlights

During the period under review, China's online travel market continued to manifest immense business opportunities for OTA industry players. Rising consumption power and continuous investment in transportation infrastructure underpinned the industry growth and gave impetus to the growing demand for high quality travel products and services in China.

Riding on the business opportunities, we have achieved remarkable results during the period under review. Our total revenue increased by 22.3% from RMB1,686.4 million in the third quarter of 2018 to RMB2,062.1 million in the third quarter of 2019. Our adjusted profit increased by 33.2% from RMB314.7 million in the third quarter of 2018 to RMB419.2 million in the third quarter of 2019.

During the period under review, we further consolidated our leading position in China's online travel market and achieved strong growth which outpaced industry average. Our GMV for the three months ended September 30, 2019 achieved a year-to-year growth of 21.7%, and reached RMB47.6 billion. For the three months ended September 30, 2019, our average MAUs increased by 13.4% to 234.0 million. Our average MPUs continued to grow rapidly by 31.9% to 29.8 million for the three months ended September 30, 2019. Our paying ratio for the three months ended September 30, 2019 increased to 12.7%. As of September 30, 2019, our number of annual paying users reached 135 million.

Business Review

During the period under review, we continued to dig into the demand in various travel scenarios and develop products and services which cater for the diverse needs of our users. Our average MAUs continued to lead the OTA industry and reached our historic high of over 250 million in August 2019. While we expanded our user base with low user acquisition cost attributable to the mutually beneficial partnership with Tencent, we have also established diversified traffic sources on Tencent-based platforms by leveraging on Weixin-based mini program. Weixin users can access our Weixin-based mini program through: (1) Weixin Payment portal and a drop-down list of users' favorite or most frequently used mini programs, which generated an average MAUs of 124.9 million in the third quarter of 2019, accounting for 65.0% 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 48.5 million in the third quarter of 2019, accounting for 25.2% 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 18.8 million in the third quarter of 2019, accounting for 9.8% of the total average MAUs of our Tencent-based platforms.

Our average MPUs growth continued to outpace our average MAUs growth and hit a record high of over 30 million in August 2019 as we were dedicated to our strategy to strive for improvement in paying ratio. We optimized and simplified our order process which enhanced user experience. We leveraged on the strong traffic from transportation business and further increased the cross-selling rate to accommodation and tourist attractions businesses. We enhanced our products and services offerings which motivated and facilitated the purchase of orders before departure, on-the-road and after arrival. We have also promoted and further invested in our loyalty program and generated customized recommendations and targeted promotions to increase users' purchase frequency and stickiness. As such, we have successfully achieved higher paying ratio of 12.7% during the period under review.

Adhering to our strategy of further extending our reach in lower-tier cities in China based on the effective channels and wide user coverage through Tencent-based platforms, we successfully captured the business opportunities in the lower-tier cities. As of September 30, 2019, the percentage of our registered users resided in non-first-tier cities in China maintained at approximately 85.5%. For the three months ended September 30, 2019, we have effectively penetrated into lower-tier cities and approximately 63.3% of new paying Weixin users were from tier-3 or below cities, which increased from 58.8% over the same period of 2018.

With our long-term and close relationships with various TSPs, we are able to provide users with one-stop-shop products and services throughout the journey. As of September 30, 2019, our online platforms offered over 7,500 domestic routes and over 1.3 million international routes operated by 849 domestic and international airlines and agencies, over 1.9 million hotels and alternative accommodation options, approximately 336,000 bus routes, over 530 ferry routes and approximately 9,000 domestic tourist attractions ticketing services. We further deepened our cooperation with TSPs, for example, we cooperated with various airlines so that users can earn loyalty points or redeem products or services in our loyalty program or in our partners' membership systems. We also cooperated with airports, especially in lower-tier cities, to provide a variety of auxiliary products to our users and intelligent travel solutions to airports. Riding on our advanced innovation and technology capabilities, we provided technology innovation solutions to our TSPs and enhanced the value proposition to our TSPs. During the period under review, we developed mini program for Air New Zealand and received positive feedback from the Air New Zealand as well as its users. Leveraging on our advantages of enormous traffic and extensive user operating experience in mini program, our advertising business experienced a rapid growth in the third quarter of 2019, providing an effective monetization opportunity for us.

With our initiative to transform from an OTA to an ITA, we continued to develop and apply advanced information technology to provide users with customized products and services and to enhance user experience. During the period under review, we further enhanced and promoted our Huixing system which offers intelligent travel options with product combo of railway and flight to our users. The Huixing system was well recognized by our users and has created more scenarios and demand for value-added services.

Business Outlook and Strategies

We believe that the on-going infrastructure development will continue to drive the growth in supply end of the travel industry, while the rising consumption power and increasing online penetration rate will boost the demand of China's online travel market. China's online travel market will continue to grow and offer immense business opportunities for us.

As one of the market leaders in China's OTA industry, we will continue to capture the business opportunities in China's travel market. We will continue to expand our user base with diversified traffic sources across different platforms. We will grasp the growth potential and increase our penetration in lower-tier cities. We will continue to develop innovative products and services for user's travel needs throughout the journey and further promote our loyalty program to enhance user engagement and stickiness. Moreover, we will invest in technology infrastructure and AI capabilities and take another leap forward to be the pioneer transforming from OTA to ITA.

MANAGEMENT DISCUSSION AND ANALYSIS

Third Quarter of 2019 compared to Third Quarter of 2018

	Unaudited Three months ended September 30,	
	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Revenue	2,062,130	1,686,397
Cost of revenue	(683,255)	(479,543)
Gross profit	1,378,875	1,206,854
Service development expenses	(359,587)	(403,346)
Selling and marketing expenses	(627,565)	(576,207)
Administrative expenses	(97,516)	(163,476)
Fair value changes on investments measured at fair value through profit or loss	27,666	26,807
Other income	25,820	9,135
Other (losses)/gains, net	(474)	4,748
Operating profit	347,219	104,515
Finance income	10,791	3,919
Finance costs	(2,679)	(576)
Share of results of associates	(5,841)	(136)
Profit before income tax	349,490	107,722
Income tax expense	(55,441)	(45,827)
Profit for the period	294,049	61,895
Attributable to:		
Equity holders of the Company	294,201	62,335
Non-controlling interests	(152)	(440)
Adjusted profit for the period ^(a)	419,234	314,729

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,			
	2019		2018	
	RMB'000		RMB'000	
Accommodation reservation services	693,736	33.6%	515,722	30.6%
Transportation ticketing services	1,139,621	55.3%	1,122,150	66.5%
Others	228,773	11.1%	48,525	2.9%
Total revenue	<u>2,062,130</u>	<u>100.0%</u>	<u>1,686,397</u>	<u>100.0%</u>

Revenue increased by 22.3% from RMB1,686.4 million for the three months ended September 30, 2018 to RMB2,062.1 million for the three months ended September 30, 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 September 30, 2019 and 2018, inventory-risk-taking room nights accounted for approximately 0.3% and 0.4%, 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 increased by 34.5% from RMB515.7 million for the three months ended September 30, 2018 to RMB693.7 million for the three months ended September 30, 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 three months ended September 30, 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 immaterial.

Revenue from transportation ticketing services increased by 1.6% from RMB1,122.2 million for the three months ended September 30, 2018 to RMB1,139.6 million for the three months ended September 30, 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) revenue from advertising services; (ii) revenue from TCCT, and (iii) revenues generated from other services.

Other revenue increased by 371.5% from RMB48.5 million for the three months ended September 30, 2018 to RMB228.8 million for the three months ended September 30, 2019, which was mainly due to (i) increase in revenue from advertising services, (ii) revenue from TCCT, and (iii) increased revenue from ancillary value-added user services.

Cost of revenue

Our cost of revenue consists primarily of: (i) employee benefit expenses, representing the wages, salaries, and other benefits (including share-based compensation) paid to our user services and TSP services employees; (ii) order processing cost, representing the fees we pay to banks and payment channels for processing user payments; (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) 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 represents compensation paid to users 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 September 30, 2019 and 2018:

	Unaudited			
	Three months ended September 30,		2018	
	2019		2018	
	RMB'000		RMB'000	
Employee benefit expenses	68,342	10.0%	72,935	15.2%
Order processing cost	277,125	40.6%	240,546	50.2%
Cost of pre-purchased inventory-risk-taking products	151,619	22.2%	64,508	13.5%
Depreciation of property, plant and equipment, and right-of-use assets	29,519	4.3%	26,186	5.5%
Procurement costs	77,336	11.3%	19,112	3.9%
Others	79,314	11.6%	56,256	11.7%
Total cost of revenue	683,255	100.0%	479,543	100.0%

Cost of revenue increased by 42.5% from RMB479.5 million for the three months ended September 30, 2018 to RMB683.3 million for the three months ended September 30, 2019. The increase was mainly due to: (i) an increase in order processing cost from RMB240.5 million for the three months ended September 30, 2018 to RMB277.1 million for the three months ended September 30, 2019, primarily because of the increased order processing cost of transportation ticketing services as a result of increased GMV for the three months ended September 30, 2019; (ii) an increase in cost of pre-purchased inventory-risk-taking products for the three months ended September 30, 2019, partially due to the acquisition of TCCT and increased pre-purchase transportation tickets, and (iii) an increase in procurement costs due to the increased sales of ancillary value-added travel products and services. Excluding share-based compensation charges, cost of revenue accounted for 33.0% of revenue for the three months ended September 30, 2019, which increased from 27.9% for the same period of 2018.

Service development expenses

Service development expenses decreased 10.8% from RMB403.3 million for the three months ended September 30, 2018 to RMB359.6 million for the three months ended September 30, 2019. The decrease was mainly due to decreased share-based compensation charges of IT employees. Excluding share-based compensation charges, service development expenses accounted for 16.4% of revenue for the three months ended September 30, 2019, which decreased from 20.2% for the same period of 2018.

Selling and marketing expenses

Selling and marketing expenses increased by 8.9% from RMB576.2 million for the three months ended September 30, 2018 to RMB627.6 million for the three months ended September 30, 2019, which was mainly due to (i) the increased advertising and promotion spending on sales channels and (ii) the increase in agency commission expenses, partially offset by the decreased share-based compensation charges. Excluding share-based compensation charges, selling and marketing expenses accounted for 30.1% of revenue for the three months ended September 30, 2019 compared with 33.4% for the same period of 2018.

Administrative expenses

Administrative expenses decreased significantly from RMB163.5 million for the three months ended September 30, 2018 to RMB97.5 million for the three months ended September 30, 2019, which was mainly due to the decrease in share-based compensation charges. Excluding share-based compensation charges, administrative expenses accounted for 3.5% of revenue for the three months ended September 30, 2019, which decreased from 4.0% 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 RMB27.7 million for the three months ended September 30, 2019, compared with RMB26.8 million for the three months ended September 30, 2018. The increase was primarily due to the fair value increase in short-term wealth management products.

Other income

Other income increased by 182.6% from RMB9.1 million for the three months ended September 30, 2018 to RMB25.8 million for the three months ended September 30, 2019. The increase primarily reflected the increase in government subsidiaries received.

Other (losses)/gains, net

We recorded other gains of RMB4.7 million for the three months ended September 30, 2018 and other losses of RMB0.5 million for the three months ended September 30, 2019, respectively. This was mainly due to an increase in foreign exchange loss.

Income tax expense

We recorded income tax expense of RMB55.4 million and RMB45.8 million for the three months ended September 30, 2019 and 2018, respectively, as a result of increased profit for the three months ended September 30, 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 RMB62.3 million for the three months ended September 30, 2018 to RMB294.2 million for the three months ended September 30, 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, 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

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:

	Three months ended, September 30,	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Operating profit	347,219	104,515
Add:		
Share-based compensation	54,736	179,594
Amortization of intangible assets	104,645	100,763
Depreciation of property, plant and equipment, and right-of-use assets	40,717	32,580
Listing expense	–	11,019
Adjusted EBITDA	<u>547,317</u>	<u>428,471</u>

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:

	Three months ended	
	September 30,	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	294,049	61,895
Add:		
Share-based compensation	54,736	179,594
Amortization of intangible assets from acquisition	70,449	62,221
Listing expense	–	11,019
Adjusted profit for the period	<u>419,234</u>	<u>314,729</u>

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

	Three months ended	
	September 30,	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Cost of revenue	2,918	9,247
Service development expenses	20,811	61,948
Selling and marketing expenses	5,934	12,889
Administrative expenses	25,073	95,510
Total share-based compensation	<u>54,736</u>	<u>179,594</u>

CONDENSED CONSOLIDATED INCOME STATEMENTS*For the three months ended September 30, 2019*

	Unaudited	
	Three months ended	
	September 30,	
	2019	2018
	RMB'000	RMB'000
Revenue	2,062,130	1,686,397
Cost of revenue	(683,255)	(479,543)
Gross profit	1,378,875	1,206,854
Service development expenses	(359,587)	(403,346)
Selling and marketing expenses	(627,565)	(576,207)
Administrative expenses	(97,516)	(163,476)
Fair value changes on investments measured at fair value through profit or loss	27,666	26,807
Other income	25,820	9,135
Other (losses)/gains, net	(474)	4,748
Operating profit	347,219	104,515
Finance income	10,791	3,919
Finance costs	(2,679)	(576)
Share of results of associates	(5,841)	(136)
Profit before income tax	349,490	107,722
Income tax expense	(55,441)	(45,827)
Profit for the period	294,049	61,895
Profit attributable to:		
– Equity holders of the Company	294,201	62,335
– Non-controlling interests	(152)	(440)
	294,049	61,895

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*For the three months ended September 30, 2019*

	Unaudited	
	Three months ended	
	September 30,	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	294,049	61,895
Other comprehensive income		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
– Currency translation differences	51,094	–
<i>Items that will not be reclassified to profit or loss:</i>		
– Fair value change relating to preferred shares due to own credit risk	–	–
Other comprehensive income for the period, net of tax	51,094	–
Total comprehensive income for the period	345,143	61,895
Total comprehensive income attributable to:		
– Equity holders of the Company	345,295	62,335
– Non-controlling interests	(152)	(440)
	345,143	61,895

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of September 30, 2019

	Unaudited As of <u>September 30,</u> 2019 RMB'000	Audited As of <u>December 31,</u> 2018 RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	1,066,642	934,361
Right-of-use assets, net	27,840	–
Investments accounted for using the equity method	114,177	48,731
Investments measured at fair value through profit or loss	246,384	52,442
Land use right	–	16,038
Intangible assets	7,963,829	7,961,640
Deferred income tax assets	239,989	249,781
Prepayment and other receivables	32,436	31,485
	<u>9,691,297</u>	<u>9,294,478</u>
Current assets		
Trade receivables	1,196,186	857,326
Prepayment and other receivables	1,632,892	523,470
Short-term investments measured at amortized cost	6,063	261,086
Short-term investments measured at fair value through profit or loss	3,735,086	2,570,170
Restricted cash	213,694	140,930
Cash and cash equivalents	2,876,823	3,143,883
	<u>9,660,744</u>	<u>7,496,865</u>
Total assets	<u><u>19,352,041</u></u>	<u><u>16,791,343</u></u>
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital	7,307	7,156
Share premium	17,995,014	17,311,220
Treasury stock	(8)	(15)
Other reserves	(2,607,471)	(2,722,834)
Accumulated losses	(2,469,271)	(3,060,074)
	<u>12,925,571</u>	<u>11,535,453</u>
Non-controlling interests	<u>(7,595)</u>	<u>(7,642)</u>
Total equity	<u><u>12,917,976</u></u>	<u><u>11,527,811</u></u>

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION*As of September 30, 2019*

	Unaudited As of September 30, 2019 RMB'000	Audited As of December 31, 2018 RMB'000
LIABILITIES		
Non-current liabilities		
Borrowings	137,844	152,613
Deferred income tax liabilities	578,899	570,054
Long-term lease liabilities	5,736	–
Other payables and accruals	6,675	6,674
	<u>729,154</u>	<u>729,341</u>
Current liabilities		
Borrowings	19,692	19,692
Trade payables	3,682,648	2,569,092
Other payables and accruals	1,818,965	1,799,749
Short-term lease liabilities	6,382	–
Contract liabilities	86,555	15,084
Current income taxes liabilities	90,669	130,574
	<u>5,704,911</u>	<u>4,534,191</u>
Total liabilities	<u>6,434,065</u>	<u>5,263,532</u>
Total equity and liabilities	<u>19,352,041</u>	<u>16,791,343</u>

CONDENSED STATEMENT OF CASH FLOWS

For the three months ended September 30, 2019

	Unaudited For the Three months ended September 30,	
	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Net cash flows generated from operating activities	693,129	865,077
Net cash flows used in investing activities	(257,032)	(1,026,845)
Net cash flows generated from/(used in) financing activities	39,616	(3,923)
Net increase/(decrease) in cash and cash equivalents	475,713	(165,691)
Cash and cash equivalents at beginning of the period	2,376,789	2,326,321
Effect of exchange rate changes on cash and cash equivalents	24,321	(7,463)
Cash and cash equivalents at end of the period	<u>2,876,823</u>	<u>2,153,167</u>

CORPORATE GOVERNANCE AND OTHER INFORMATION

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, 2019, the Company has complied with the code provisions in the Corporate Governance Code.

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 ended September 30, 2019.

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. Lin Haifeng, 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 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, 2019. The Audit Committee considers that the unaudited financial results for the three months ended September 30, 2019 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
“MPUs”	monthly paying users who make purchases on our platforms at least once during a calendar month
“OTA”	online travel agency
“paying ratio”	the ratio calculated as average MPUs divided by average MAUs
“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)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TCCT”	Suzhou Tongcheng Cultural Tourism Development Co., Ltd (蘇州同程文化旅遊發展有限公司)
“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 Payment, 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 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

“TSP(s)” travel service provider

“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, November 25, 2019

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
Lin Haifeng
Brent Richard Irvin