

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



Tongcheng-Elong Holdings Limited

同程藝龍控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0780)

ANNOUNCEMENT OF THE RESULTS FOR THE YEAR ENDED DECEMBER 31, 2020

The Board of the Company is pleased to announce the audited consolidated results of the Group for the year ended December 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 metrics for the three months ended December 31, 2020 declined due to the decreased demands in our travel business, resulting from the implementation of travel restrictions and lockdown policies imposed by governments around the world to combat the spread of COVID-19.

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

FOR THE THREE MONTHS ENDED DECEMBER 31, 2020

- Revenue decreased by 7.3% year-to-year to RMB1,812.9 million from RMB1,956.5 million in the same period of 2019. Such decrease was almost flattened as compared with 7.2% decline in the third quarter of 2020.
- Adjusted EBITDA increased from RMB415.1 million in the fourth quarter of 2019 to RMB441.0 million in the same period of 2020. On a year-to-year basis, adjusted EBITDA in the fourth quarter of 2020 increased for the first time in year 2020 by 6.2%. In the fourth quarter of 2020, adjusted EBITDA margin increased to 24.3% from 21.2% in the fourth quarter of 2019.
- Adjusted profit for the year dropped from RMB331.1 million in the fourth quarter of 2019 to RMB307.3 million in the same period of 2020. The year-to-year decrease of adjusted profit was narrowed down to 7.2% in the fourth quarter of 2020 from 11.2% in the previous quarter. In the fourth quarter of 2020, adjusted net margin was flattened at 16.9%, compared with 16.9% in the fourth quarter of 2019.

- Average MAUs decreased by 4.8% year-to-year from 205.9 million for the three months ended December 31, 2019 to 196.0 million in the same period of 2020.
- Average MPUs increased by 5.9% year-to-year from 27.1 million for the three months ended December 31, 2019 to 28.7 million in the same period of 2020.

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

	Unaudited		Year-to-year change
	Three months ended December 31,		
	2020	2019	
	(in RMB'000)		
Revenue	1,812,851	1,956,493	(7.3)%
Profit before income tax	93,381	114,746	(18.6)%
Profit for the period	79,642	96,872	(17.8)%
Adjusted EBITDA	440,950	415,109	6.2%
Adjusted profit for the period	307,259	331,075	(7.2)%
Revenue (decrease)/growth (year-to-year)	(7.3)%	24.4%	
Adjusted EBITDA margin	24.3%	21.2%	
Adjusted net margin	16.9%	16.9%	

Note:

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 December 31, 2020

	Three months ended		Year-to-year change
	December 31,		
	2020	2019	
GMV (in RMB billion)	36.1	41.3	(12.6)%
Number of average MAUs (in million)	196.0	205.9	(4.8)%
Number of average MPUs (in million)	28.7	27.1	5.9%

FOR THE YEAR ENDED DECEMBER 31, 2020

- Revenue decreased by 19.8% year-to-year to RMB5,932.6 million from RMB7,392.9 million in 2019.
- Adjusted EBITDA dropped by 32.3% year-to-year from RMB2,018.5 million in 2019 to RMB1,366.5 million in 2020. Adjusted EBITDA margin decreased from 27.3% in 2019 to 23.0% in 2020.
- Adjusted profit for the year dropped by 38.2% from RMB1,544.3 million in 2019 to RMB954.0 million in 2020. Adjusted net margin decreased from 20.9% in 2019 to 16.1% in 2020.

- Average MAUs decreased by 6.7% year-to-year from 205.2 million in 2019 to 191.4 million in 2020.
- Average MPUs decreased by 14.5% year-to-year from 26.9 million in 2019 to 23.0 million in 2020.
- APUs increased by 1.8% year-to-year from 152.4 million in 2019 to 155.2 million in 2020.

3. Key Financial Metrics for the year ended December 31, 2020

	Year ended December 31,		Year-to-year change
	2020	2019	
	(in RMB'000)		
Revenue	5,932,591	7,392,932	(19.8)%
Profit before income tax	397,577	881,511	(54.9)%
Profit for the year	325,533	686,522	(52.6)%
Adjusted EBITDA	1,366,484	2,018,532	(32.3)%
Adjusted profit for the year	953,972	1,544,320	(38.2)%
Revenue (decrease)/growth (year-to-year)	(19.8)%	21.4%	
Adjusted EBITDA margin	23.0%	27.3%	
Adjusted net margin	16.1%	20.9%	

Note:

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

4. Operating Metrics for the year ended December 31, 2020

	Year ended December 31,		Year-to-year change
	2020	2019	
GMV (in RMB billion)	116.4	166.1	(29.9)%
Number of average MAUs (in million)	191.4	205.2	(6.7)%
Number of average MPUs (in million)	23.0	26.9	(14.5)%
APUs (in million)	155.2	152.4	1.8%

BUSINESS REVIEW AND OUTLOOK

Business Review and outlook

2020 was a challenging and momentous year for the Company. Since the beginning of the year, the whole travel industry was negatively impacted by the outbreak of COVID-19 and was tumbled. The virus has caused the biggest disruption to the global economy and the travel industry in decades. As the Chinese government locked down cities with higher exposure to virus and implemented social distancing and travel restrictions policies, consumption and trading were halted in the first quarter of 2020. However, under the positive impact of control measures implemented by the Chinese government and the dedication of medical staff, the pandemic in China has been effectively contained and the travel market continued to recover. The virus was diminished around the third quarter of 2020, yet there were still some regional resurgences which led to temporary fluctuations in the market. By the end of 2020, Chinese domestic travel has recovered much faster than the global travel market, but still under the haze of the pandemic. Nevertheless, we recovered quickly and definitely outpaced the industry by leveraging our advantages in lower-tier cities, effective traffic sources, and advanced innovation capability. We reacted swiftly to market changes and adopted flexible operations strategy, stringent cost control and light operating model, which helped us overcome challenges and seize market opportunities.

Our efforts have also brought us market recognitions during the year. We received the “Industry Award of the Year” at The 5th Boao Tourism Communication Forum, in recognition of our innovative products and services, as well as our outstanding contribution to the new digital infrastructure development. With our consistent dedication in charity activities, we have also got the “Excellence in Poverty Alleviation of the Year Award” at the 2020 China Corporate Social Responsibility Summit.

2020 Results Highlights

After the COVID-19 spreading reached its peak in China in the first quarter of 2020, our business continued to improve quarter by quarter and has achieved an impressive recovery which outpaced the industry. Coming into the fourth quarter of 2020, regional resurgences of the virus occurred in certain areas in China and market turbulence re-appeared in November and December of 2020. However, supported by the diverse and effective traffic channels both online and offline, our competitive advantage in lower-tier cities, as well as our comprehensive products and services, we have obtained solid amount of active users and paying users. Our APUs increased by 1.8% from 152.4 million in 2019 to 155.2 million in 2020 amid the challenging market situation during the pandemic. Although the fourth quarter of 2020 is a slack season for the travel industry and the travel demand was under the pressure of virus rebound, we still achieved positive growth in our MPU and paying ratio. For the fourth quarter of 2020, our average MAUs decreased by 4.8% year-to-year from 205.9 million to 196.0 million, while average MPUs increased by 5.9% year-to-year from 27.1 million to 28.7 million. Our paying ratio increased from 13.2% to 14.6%. Our GMV decreased by 12.6% year-to-year from RMB41.3 billion to RMB36.1 billion because the average daily room rate and air ticket price were still under pressure. For the fourth quarter of 2020, we have achieved remarkable growth and outstanding performance in business. With year-to-year growth of 21% in our domestic room nights sold, more than 30% increase year-to-year in lower-tier cities, around 5% year-to-year increase in domestic air ticketing volume, and nearly 180% year-to-year increase in bus ticketing volume. On a yearly basis, our average MAUs only slightly decreased by 6.7% year-to-year from 205.2 million in 2019 to 191.4 million in 2020. Our average MPUs decreased by 14.5% year-to-year from 26.9 million in 2019 to 23.0 million in 2020 as travel demand was hindered by travel restrictions and pandemic control measures. Our paying ratios decreased from 13.1% in 2019 to 12.0% in 2020. Our GMV decreased by 29.9% year-to-year from RMB166.1 billion in 2019 to RMB116.4 billion in 2020.

Although the pandemic caused unavoidable impact on our business and financial performance, we managed to remain profitable and outperform the industry with our advantages in market position, operations and cost control. For the fourth quarter of 2020, our revenue decreased by 7.3% year-to-year to RMB1,812.9 million. Our adjusted profit decreased by 7.2% year-to-year to RMB307.3 million. Our adjusted net margin was 16.9%, fully recovered to the level of 2019. Our total revenue decreased by 19.8% from RMB7,392.9 million in 2019 to RMB5,932.6 million in 2020. Our adjusted profit for the year decreased by 38.2% from RMB1,544.3 million in 2019 to RMB954.0 million in 2020. Our adjusted net margin dropped from 20.9 % in 2019 to 16.1% in 2020.

Business Review

As an industry leader in China's online travel industry, we took up our responsibility to help and protect our users, as well as supporting our suppliers and the travel industry during the pandemic. We designed a self-service online cancellation function to fast-track refund and changes as well as co-establishing an emergency fund to guarantee well-timed refund. We embedded our advanced technology in an enquiry platform for users to trace possible exposures to virus in their travel histories and help them understand the quarantine and travel policies in different regions of China. In order to protect our users' rights and help control travel risks, we offered them with COVID-19 related insurance for free. Furthermore, we worked with Tencent Map to provide users with locational information of COVID-19 nucleic acid test availability. To pay gratitude to medical staff in mainland China who were fighting front-line with the virus, we offered them one-year "Black Whale" paid membership for free. To help our suppliers to capture the market rebound opportunities, we developed Ark Alliance program and actively promoted tourist sightseeing spots through online marketing for free. We launched "Safe Room" and "Safe Riding" initiatives to improve the safety of hotel guests and travelers. We also offered "Hit the Road" initiative to facilitate users' travel plans and to help revitalize the travel industry by providing travellers with more safety assurance. We also joined hands with local governments to promote tourist destinations and distribute consumer vouchers so as to help stimulate domestic consumption. All of our efforts have been well-recognized by our users and have generated positive recognition from our suppliers.

During the year, we had further expanded online traffic sources and also launched offline user acquisition measures in an effective way. In the past year, we further strengthened our cooperation with Tencent to explore the business potentials within its ecosystem. We maintained stable and effective traffic channels from Weixin mini program and continued to deepen cooperation with Tencent. In 2020, about 80.9% of our average MAUs was contributed from Weixin mini program with majority of the traffic from Weixin Payment portal and the drop-down list of users' favorite or most frequently used mini programs. We have experienced a change in Weixin payment portals' layout in the fourth quarter of 2020. The new layout presents our two portals under a separate category of "Travel & Transportation", enhancing the visibility and recognition of our portals. We deepened our cooperation with Weixin by further exploring the potential of the "Search+Travel" ecosystem which allows users to have quick access to our transportation ticketing services by conducting keyword search on Weixin platforms. We also expanded our cooperation with Tencent by launching various marketing campaigns with its online games platform, so as to increase our brand recognition among younger generations and tie in with our brand image and company strategies. Moreover, we further delved into the cooperation with Tencent to broaden our traffic sources. We were Tencent's first partner in the OTA industry to convert users to our mini program directly from different Tencent-based platforms such as Tencent Video and Tencent Music. This has helped to increase our advertising efficiency significantly. We also started on a partnership with QQ Weather in late 2020, to enhance interactions with our younger users.

In addition, we enhanced diversification of our traffic channels by exploring and further penetrating alternative online traffic sources, such as third-party location-based APPs, quick APPs, and short video platforms. With the aim to acquire more users, we cooperated with several handset vendors and designed various initiatives which provided users with direct booking and itinerary reminders functions through our quick APPs on mobile phones and other mobile devices. To grasp opportunities driven by the upswing of short videos, we strategically cooperated with one of the leading short video platforms and embedded our bespoke products and services in its ecosystem to attract more users and improve brand recognition. We commenced our offline user acquisition initiatives in bus ticketing, attraction ticketing and accommodation businesses in the second quarter of 2020 to capture market recovery opportunities, especially in lower-tier cities. We formed tight relationships with bus operators and tourist attractions to digitalize user acquisition process by setting up vending machines across the country. We joined hands with hotels to establish QR code scanning function to convert offline users to book through our mini-program and engender more high-value traffic. At the same time, we continued to explore more potentials from offline user acquisition channels. All of these offline user acquisition methods have attained excellent progress.

We further reinforced our leading position in China's OTA market, especially in lower-tier cities. As of December 31, 2020, our registered users residing in non-first-tier cities in China accounted for approximately 86.3% of the total registered users. For the year ended December 31, 2020, approximately 61.7% of our new paying users on Weixin platform were from tier-3 or below cities in China. Currently, the online penetration rate of travel business in lower-tier cities is relatively low, signifying immense opportunities for us. With our strategic focus on lower-tier cities and our efforts in offline user acquisition, we have successfully captured the rebound opportunities in lower-tier cities market and have gained more market shares in our major business segments, including accommodation and transportation.

We forged sustainable relationships with various TSPs to offer one-stop-shop products and services to users throughout their journeys. As of December 31, 2020, our online platforms offered over 7,600 domestic routes operated by over 820 airlines and agencies, around 2.2 million hotels selections and alternative accommodation options, nearly 390,000 bus routes, over 670 ferry routes and approximately 8,000 domestic tourist attractions ticketing services. During the pandemic, we launched value-added services such as COVID-19 insurance to help users reduce their travel concerns. We upgraded our airport pick-up and drop-off services and car rental business to further fulfill users' demand. For accommodation business, we tailor-made value-added products and services under different scenarios to our users to improve their satisfactions and boost hotels' monetization. In order to revitalize the travel industry, we deepened our cooperation with upstream suppliers such as airports, tourist attractions and local travel bureaus to carry out live-streaming activities and offline marketing promotions. Furthermore, we continued to elevate our cross-selling strategies, resulting in continuous improvement in our cross-selling rate. In late 2020, we also combined the accommodation and the tourist attraction business segment, so as to achieve better synergy and further improve cross-selling.

We continued to develop and apply our advanced technology to transform from an OTA to an ITA, with an aim to enhance our operations and profitability, as well as to benefit the whole industry. We have leveraged our technology ability throughout the Company's entire operating process, including product development, customer service automation, and value propositions to suppliers, etc. During the year, we further ripened our Huixing system by optimizing the layout to users and better integrating supply chain resources to provide more combinations in different scenarios to meet various demands. We also upgraded our AI-driven customer services to better detect users' underlying problems and successfully developed our own intelligent robot for customer service, which benefited our customer service efficiency and reduced our operational costs. In order to utilize our technological innovation to boost the growth of travel industry, we provided higher

value propositions to our TSPs including bus operators, tourist attractions, airports and hotels by enhancing their automation and digitalization levels of their operations. We have developed comprehensive Software-as-a-service (SaaS) solutions to assist individual and small chain hotels in the management of their daily operations as well as for the management of inventory, revenue and marketing.

In the second quarter of 2020, we launched a new brand name “同程旅行” (“ly.com”) and a new brand logo, as well as a new slogan “Together, let’s go!”. We were dedicated to improving our brand awareness through online and offline advertising campaigns during the year. We successfully reinforced our young and modern brand image and further emphasized on our targeted users. Starting off with our new brand, we aim to be the leading travel brand in lower-tier cities in China. We will continue with our effort to provide convenient, intelligent and reliable travel products and services to our users.

Business Outlook and Strategies

At the beginning of 2021, the Chinese travel industry was still under the negative impact of COVID-19 because of the resurgence of confirmed cases in certain areas. We remained cautious and adjusted our business promptly to overcome the challenges. With the effective control of the pandemic in China and as efficacious vaccines emerge, we are optimistic about the recovery of the travel industry in China in 2021. We are confident to continuously outperform the industry with our competitive advantages in traffic sources, market position and operation strategies. We also believe that the pandemic has created opportunities for us to grow even faster. During the past year, we have observed changes in user behaviors. Demands for domestic travel have blossomed since the pandemic has seriously curbed outbound travels, signifying greater market potential for us as we mainly focus on domestic travel market. Besides, users started to shift their preferences towards local and short-haul travel due to policy restrictions, which was one of key catalysts for the growth in our hotel and tourist attraction businesses. Furthermore, users developed stronger demand for high-quality travel products and services and contactless process due to safety concerns, implying more opportunities for us to capture the market by providing innovative and outstanding products and services. In the meantime, we have observed that many companies became more aware of cash flow management and expense control after the pandemic. With our well-developed technology and entrenched relationship with TSPs, we believe that we are well-positioned to seize the opportunities in the corporate travel sector. Thus, we acquired a corporate travel business in the fourth quarter of 2020 and will develop it with our extensive product offerings and technology expertise in the coming years.

In the long run, we believe the online penetration of travel industry will accelerate and more opportunities for OTAs will appear. To fulfill our mission and reinforce our leadership in the market, we will continue to execute our key business strategies. We will not only further penetrate the travel market leveraging on stable and cost-effective traffic sources but also further enhance products and services with technological innovations. We will continue to excel in the industry with our ambition to transform from OTA to ITA. We will also continue to seek merger and acquisition opportunities to boost future growth of our business.

With the government’s support to develop and to digitalize travel industry, we will leverage our advanced technology to improve value proposition to our suppliers and business partners and create sustainable cooperation in the long run. We will further explore local travel opportunities with local governments, travel bureaus and upstream suppliers to provide comprehensive local travel recommendations and solutions to users. This has granted us spectacular opportunities to leverage our strong traffic to cultivate untapped travel destinations, as well as enhancing the digitalization and the efficiency of the travel industry in China.

MANAGEMENT DISCUSSION AND ANALYSIS

Year ended December 31, 2020 compared to Year ended December 31, 2019

	<u>Year ended December 31,</u>	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue	5,932,591	7,392,932
Cost of revenue	<u>(1,696,606)</u>	<u>(2,316,975)</u>
Gross profit	4,235,985	5,075,957
Service development expenses	(1,245,506)	(1,512,792)
Selling and marketing expenses	(2,131,276)	(2,244,516)
Administrative expenses	(521,728)	(594,217)
Net provision for impairment loss on financial assets	(140,413)	(39,958)
Fair value changes on investments measured at fair value through profit or loss	65,445	106,006
Other income	98,864	88,620
Other gains/(losses), net	<u>20,551</u>	<u>(19,573)</u>
Operating profit	381,922	859,527
Finance income	37,641	47,104
Finance costs	(14,782)	(12,429)
Share of results of associates	<u>(7,204)</u>	<u>(12,691)</u>
Profit before income tax	397,577	881,511
Income tax expense	<u>(72,044)</u>	<u>(194,989)</u>
Profit for the year	<u>325,533</u>	<u>686,522</u>
Attributable to:		
Equity holders of the Company	327,593	688,097
Non-controlling interests	(2,060)	(1,575)
Adjusted profit for the year ^(a)	953,972	1,544,320

Note:

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

Revenue

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

	Year ended December 31,			
	2020		2019	
	<i>RMB'000</i>		<i>RMB'000</i>	
Accommodation reservation services	1,945,153	32.8%	2,358,123	31.9%
Transportation ticketing services	3,471,129	58.5%	4,517,658	61.1%
Others	516,309	8.7%	517,151	7.0%
Total revenue	<u>5,932,591</u>	<u>100.0%</u>	<u>7,392,932</u>	<u>100.0%</u>

Revenue decreased by 19.8% from RMB7,392.9 million for the year ended December 31, 2019 to RMB5,932.6 million for the year ended December 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.

Revenue from accommodation reservation services decreased by 17.5% from RMB2,358.1 million for the year ended December 31, 2019 to RMB1,945.2 million for the year ended December 31, 2020. The decrease was mainly due to the declined demand in accommodation as a result of outbreak of COVID-19 since January 2020.

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 and accordingly recorded such revenue on a gross basis.

Revenue from transportation ticketing services decreased by 23.2% from RMB4,517.7 million for the year ended December 31, 2019 to RMB3,471.1 million for the year ended December 31, 2020. The decrease was mainly due to the declined demand of transportation ticketing services as a result of outbreak of COVID-19 since January 2020 and the continuous effect throughout year of 2020.

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 was almost flattened at RMB516.3 million for the year ended December 31, 2020, compared with RMB517.2 million for the year ended December 31, 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) 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) procurement costs, which represents the costs for sourcing ancillary value-added travel products and services from service providers; (v) depreciation of property, plant and equipment, and right-of-use assets; and (vi) others, which primarily include bandwidth and servers fee, telephone and communication costs, tax and surcharges, travel and entertainment cost, professional fees, user fulfilment fees (which 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 years ended December 31, 2020 and 2019:

	Year ended December 31,			
	2020		2019	
	<i>RMB'000</i>		<i>RMB'000</i>	
Order processing cost	690,231	40.7%	978,477	42.2%
Cost of pre-purchased inventory-risk-taking products	268,905	15.8%	427,752	18.5%
Employee benefit expenses	209,389	12.3%	273,468	11.8%
Procurement costs	141,566	8.3%	239,127	10.3%
Depreciation of property, plant and equipment, and right-of-use assets	129,092	7.6%	122,091	5.3%
Others	257,423	15.3%	276,060	11.9%
Total cost of revenue	<u>1,696,606</u>	<u>100.0%</u>	<u>2,316,975</u>	<u>100.0%</u>

Cost of revenue decreased by 26.8% from RMB2,317.0 million for the year ended December 31, 2019 to RMB1,696.6 million for the year ended December 31, 2020. The decrease was mainly due to: (i) a decrease in order processing cost from RMB978.5 million for the year ended December 31, 2019 to RMB690.2 million for the year ended December 31, 2020, as a result of declined GMV; (ii) a decrease in cost of pre-purchased inventory-risk-taking products from RMB427.8 million for the year ended December 31, 2019 to RMB268.9 million for the year ended December 31, 2020; and (iii) a decrease in procurement costs due to the decreased sales of ancillary value-added travel products and services. Excluding share-based compensation charges, cost of revenue accounted for 28.3% of revenue for the year ended December 31, 2020, which decreased from 31.0% for the year ended December 31, 2019.

Service development expenses

Service development expenses decreased by 17.7% from RMB1,512.8 million for the year ended December 31, 2019 to RMB1,245.5 million for the year ended December 31, 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 19.1% of revenue for the year ended December 31, 2020, which increased from 18.1% for the year ended December 31, 2019.

Selling and marketing expenses

Selling and marketing expenses decreased by 5.0% from RMB2,244.5 million for the year ended December 31, 2019 to RMB2,131.3 million for the year ended December 31, 2020, which was mainly due to: (i) the decrease in advertising and promotion expenses; and (ii) partially offset by the increase in agency commission expenses. Excluding share-based compensation charges, selling and marketing expenses accounted for 35.2% of revenue for the year ended December 31, 2020 compared with 29.6% for the year ended December 31, 2019.

Administrative expenses

Administrative expenses decreased 12.2% from RMB594.2 million for the year ended December 31, 2019 to RMB521.7 million for the year ended December 31, 2020, which was mainly due to the decreased number of administrative employees and relevant decreased employee benefits. Excluding share-based compensation charges, administrative expenses accounted for 5.3% of revenue for the year ended December 31, 2020, which increased from 4.3% for the year ended December 31, 2019.

Net provision for impairment loss on financial assets

We separately presented “net provision for impairment loss on financial assets” in the 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 RMB140.4 million for the year ended December 31, 2020 from RMB40.0 million for the year ended December 31, 2019, which was mainly due to the disrupted debtors’ repayment capability since COVID-19 outbreak.

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

Along with the market condition, we recorded fair value gains on investments measured at fair value through profit or loss of RMB65.4 million for the year ended December 31, 2020, compared with RMB106.0 million for the year ended December 31, 2019.

Other income

Other income increased from RMB88.6 million for the year ended December 31, 2019 to RMB98.9 million for the year ended December 31, 2020. The increase primarily reflected the increase in government subsidies received.

Other gains/(losses), net

We recorded other gains of RMB20.6 million for the year ended December 31, 2020 and other losses of RMB19.6 million for the year ended December 31, 2019, respectively. This was mainly due to increase in foreign exchange gain of RMB17.8 million. Also, for the year ended December 31, 2019, we recorded impairment loss of investments accounted for using the equity method of RMB35.1 million, and there was no such expense for the year ended December 31, 2020.

Income tax expense

We recorded an income tax expense of RMB72.0 million and RMB195.0 million for the year ended December 31, 2020 and 2019, respectively. The decreased income tax expense was due to the decreased taxable income for the year ended December 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 RMB688.1 million for the year ended December 31, 2019 to RMB327.6 million for the year ended December 31, 2020.

Fourth Quarter of 2020 compared to Fourth Quarter of 2019

	Unaudited	
	Three Months ended	
	December 31,	
	2020	2019
	RMB'000	RMB'000
Revenue	1,812,851	1,956,493
Cost of revenue	(477,571)	(575,015)
Gross profit	1,335,280	1,381,478
Service development expenses	(355,860)	(371,592)
Selling and marketing expenses	(745,655)	(740,041)
Administrative expenses	(211,753)	(174,281)
Net provision for impairment loss on financial assets	(12,752)	(32,932)
Fair value changes on investments measured at fair value through profit or loss	54,466	28,829
Other income	19,829	45,002
Other gains/(losses), net	8,851	(29,781)
Operating profit	92,406	106,682
Finance income	8,851	11,871
Finance costs	(5,680)	(3,021)
Share of results of associates	(2,196)	(786)
Profit before income tax	93,381	114,746
Income tax expense	(13,739)	(17,874)
Profit for the period	79,642	96,872
Attributable to:		
Equity holders of the Company	80,750	97,295
Non-controlling interests	(1,108)	(423)
Adjusted profit for the period ^(a)	307,259	331,075

Note:

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

Revenue

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

	Unaudited			
	Three Months ended December 31,			
	2020		2019	
	RMB'000		RMB'000	
Accommodation reservation services	647,282	35.7%	621,863	31.8%
Transportation ticketing services	1,003,421	55.4%	1,181,997	60.4%
Others	162,148	8.9%	152,633	7.8%
Total revenue	<u>1,812,851</u>	<u>100.0%</u>	<u>1,956,493</u>	<u>100.0%</u>

Revenue decreased by 7.3% from RMB1,956.5 million for the three months ended December 31, 2019 to RMB1,812.9 million for the three months ended December 31, 2020. The decrease was almost flattened compared with 7.2% in the third 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, further increased cross-selling from transportation business to accommodation business and offline user acquisition in lower-tier cities, revenue from accommodation reservation services increased by 4.1% from RMB621.9 million for the three months ended December 31, 2019 to RMB647.3 million in the same period of 2020.

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 and accordingly recorded such revenue on a gross basis.

Although domestic travelling started to recover since the third quarter of 2020, it had not returned to the same level of demand in 2019. Therefore, revenue from transportation ticketing services dropped by 15.1% from RMB1,182.0 million for the three months ended December 31, 2019 to RMB1,003.4 million for the three months ended December 31, 2020, and this was far better than the industry recovery.

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 increased by 6.2% from RMB152.6 million for the three months ended December 31, 2019 to RMB162.1 million for the three months ended December 31, 2020, which was mainly due to (i) the increase in revenue from attraction ticketing revenue; and (ii) partially offset by the decrease in revenue from advertising services.

Cost of revenue

Our cost of revenue consists primarily of: (i) order processing cost, representing the fees we pay to banks and payment channels for processing user payments; (ii) cost of pre-purchased inventory-risk-taking products, representing the prices we pay to TSPs to purchase travel products for which we take inventory risk; (iii) employee benefit expenses, representing the wages, salaries, and other benefits (including share-based compensation) for our user services and TSP services employees; (iv) procurement costs, which represents the costs for sourcing ancillary value-added travel products and services from service providers; (v) depreciation of property, plant and equipment, and right-of-use assets; and (vi) others, which primarily include bandwidth and servers fee, telephone and communication costs, tax and surcharges, travel and entertainment cost, professional fees, user fulfilment fees (which 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 December 31, 2020 and 2019:

	Unaudited			
	Three Months ended December 31,			
	2020		2019	
	RMB'000		RMB'000	
Order processing cost	209,013	43.8%	223,966	38.9%
Cost of pre-purchased inventory-risk-taking products	65,072	13.6%	129,774	22.6%
Employee benefit expenses	64,812	13.6%	33,912	5.9%
Procurement costs	41,897	8.8%	92,265	16.0%
Depreciation of property, plant and equipment, and right-of-use assets	36,625	7.7%	29,084	5.1%
Others	60,152	12.5%	66,014	11.5%
Total cost of revenue	<u>477,571</u>	<u>100.0%</u>	<u>575,015</u>	<u>100.0%</u>

Cost of revenue decreased by 16.9% from RMB575.0 million for the three months ended December 31, 2019 to RMB477.6 million for the three months ended December 31, 2020. The decrease was mainly due to: (i) a decrease in order processing cost from RMB224.0 million for the three months ended December 31, 2019 to RMB209.0 million for the three months ended December 31, 2020, as a result of declined GMV; (ii) a decrease in cost of pre-purchased inventory-risk-taking products from RMB129.8 million for the three months ended December 31, 2019 to RMB65.1 million for the three months ended December 31, 2020; and (iii) a decrease in procurement costs due to the decreased sales of ancillary value-added travel products and services. Excluding share-based compensation charges, cost of revenue accounted for 25.9% of revenue for the three months ended December 31, 2020, which decreased from 29.1% for the same period of 2019.

Gross profit decreased by 3.3% from RMB1,381.5 million for the three months ended December 31, 2019 to RMB1,335.3 million for the three months ended December 31, 2020.

Service development expenses

Service development expenses decreased by 4.2% from RMB371.6 million for the three months ended December 31, 2019 to RMB355.9 million for the three months ended December 31, 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 16.7% of revenue for the three months ended December 31, 2020, which decreased from 17.2% for the same period of 2019.

Selling and marketing expenses

Selling and marketing expenses was almost flattened at RMB745.7 million for the three months ended December 31, 2020, compared with RMB740.0 million for the three months ended December 31, 2019, which was mainly due to: (i) the increase in agency commission expenses; and (ii) partially offset by the decrease in advertising and promotion expenses. Excluding share-based compensation charges, selling and marketing expenses accounted for 39.9% of revenue for the three months ended December 31, 2020 compared with 36.9% for the same period of 2019.

Administrative expenses

Administrative expenses increased from RMB174.3 million for the three months ended December 31, 2019 to RMB211.8 million for the three months ended December 31, 2020, which was mainly due to the increase in share-based compensation expense. Excluding share-based compensation charges, administrative expenses accounted for 5.9% of revenue for the three months ended December 31, 2020, which increased from 5.4% 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 consolidated income statement, and the comparative figures were reclassified to conform to current period’s presentation. Net provision for impairment loss on financial assets decreased to RMB12.8 million for the three months ended December 31, 2020 from RMB32.9 million for the same period of 2019, which was mainly due to the decrease in 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 RMB54.5 million for the three months ended December 31, 2020, compared with RMB28.8 million for the three months ended December 31, 2019.

Other income

We recorded other income of RMB19.8 million for the three months ended December 31, 2020, compared with RMB45.0 million for the three months ended December 31, 2019. The decrease was due to less government subsidies received.

Other gains/(losses), net

We recorded other gains of RMB8.9 million for the three months ended December 31, 2020 and other losses of RMB29.8 million for the three months ended December 31, 2019, respectively. For the three months ended December 31, 2019, we recorded impairment loss of investments accounted for using the equity method of RMB35.1 million, and there was no such expense for the three months ended December 31, 2020.

Income tax expense

We recorded an income tax expense of RMB13.7 million and RMB17.9 million for the three months ended December 31, 2020 and 2019, respectively. The decreased income tax expense was due to the decreased taxable income for the three months ended December 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 December 31, 2019 to RMB80.8 million for the three months ended December 31, 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/year, 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; (2) depreciation and amortization; (3) acquisition-related cost; and (4) impairment loss on equity method investment. Adjusted profit for the period/year is defined as profit for the period/year adjusted for (1) share-based compensation; (2) the amortization of acquired intangible assets; (3) acquisition-related cost; and (4) impairment loss on equity method investment.

The above items are excluded from our adjusted EBITDA and adjusted profit for the period/year 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/year 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 for the period/year from operating profit

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

	Three months ended December 31,		Year ended December 31,	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Operating profit	92,406	106,682	381,922	859,527
Add:				
Share-based compensation, gross ^(a)	189,215	125,618	382,147	542,210
Amortization of intangible assets	103,895	104,062	414,442	413,019
Depreciation of property, plant and equipment, and right-of-use assets	55,029	43,637	187,568	168,120
Acquisition-related cost	405	–	405	546
Impairment loss on equity method investment ^(b)	–	35,110	–	35,110
Adjusted EBITDA	<u>440,950</u>	<u>415,109</u>	<u>1,366,484</u>	<u>2,018,532</u>

(a) Represents gross 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 impairment loss on investments accounted for using the equity method. The impairment loss would be charged when the asset's carrying amount exceeds its recoverable amount. Management regards this item as non-recurring.

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

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

	Three months ended		Year ended	
	December 31,		December 31,	
	2020	2019	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period/year	79,642	96,872	325,533	686,522
Add:				
Share-based compensation, net ^(a)	157,562	129,304	350,494	545,896
Amortization of intangible assets from acquisition ^(b)	69,650	69,789	277,540	276,246
Acquisition-related cost	405	–	405	546
Impairment loss on equity method investment ^(c)	–	35,110	–	35,110
Adjusted profit for the period/year	<u>307,259</u>	<u>331,075</u>	<u>953,972</u>	<u>1,544,320</u>

Notes:

- (a) Represents expense related to equity-settled share-based payment transactions, net of the tax effect of temporary difference arising from the difference between the share-based compensation recognized in profit or loss and the tax deduction to be obtained in the future.
- (b) Represents amortization of intangible assets in relation to Tongcheng-eLong merger in 2018, the acquisition of Suzhou Tongcheng Cultural Tourism Development Co., Ltd in 2019 and the acquisition of Nanjing Eurasia Air Transportation Co., Ltd (“Nanjing Eurasia”) in 2020.
- (c) Represents impairment loss on investments accounted for using the equity method. The impairment loss would be charged when the asset’s carrying amount exceeds its recoverable amount. Management regards this item as non-recurring.

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

	Three months ended		Year ended	
	December 31,		December 31,	
	2020	2019	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost of revenue	8,819	4,794	18,560	27,800
Service development expenses	53,258	34,430	114,544	177,375
Selling and marketing expenses	21,446	17,343	43,860	57,336
Administrative expenses	105,692	69,051	205,183	279,699
Total share-based compensation, gross	189,215	125,618	382,147	542,210
Tax effect of temporary difference	(31,653)	3,686	(31,653)	3,686
Total share-based compensation, net	<u>157,562</u>	<u>129,304</u>	<u>350,494</u>	<u>545,896</u>

Liquidity and Financial Resources

We fund our liquidity needs mainly from (i) the net proceeds received from the Global Offering; and (ii) net cash generated from our business operation. We had cash and cash equivalents of RMB1,804.5 million and RMB2,271.3 million as of December 31, 2020 and 2019, respectively.

The Company's operation, working capital and cash flow were inevitably disrupted by the COVID-19 outbreak since January 2020. Due to the decreased demands in our travel business, declined GMV and high level of customer refunds, we experienced unfavorable working capital trends and stress on net cash flow generated from our operating activities in the first half of 2020. During the challenging period, we reacted swiftly to market changes and adopted flexible operations strategy to capture the rebound opportunities. We diversified our traffic through online channels and offline user acquisition initiatives. As such, our average MAUs and average MPUs recovered quickly, and our APUs in 2020 even achieved a year-to-year increase amid the difficult market situation during the pandemic. We strived to further penetrate lower-tier cities, optimize our value-added products and services and increase cross-selling from transportation business to accommodation business. We also applied stringent cost control and reduce our marketing, operating and administrative costs.

Starting from the second half of 2020, since the pandemic in China has been effectively contained and along with the recovery trend of the domestic travel market, our working capital rebounded and remained positive, which contributed to a positive cash flow generated from operating activities for the year of 2020. From the prospective of liquidity, as of the date of this announcement, we feel optimistic about the recovery trend of the travel industry in China and about our capacity to fulfill the obligations and commitment arising from the operation.

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

	Year ended December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash flows generated from operating activities	135,520	1,696,442
Net cash flows used in investing activities	(772,564)	(2,955,013)
Net cash flows generated from financing activities	176,539	372,764
Net decrease in cash and cash equivalents	(460,505)	(885,807)
Cash and cash equivalents at beginning of the year	2,271,268	3,143,883
Effect of exchange rate changes on cash and cash equivalents	(6,279)	13,192
Cash and cash equivalents at end of the year	<u>1,804,484</u>	<u>2,271,268</u>

Net cash flows generated from operating activities

For the year ended December 31, 2020, net cash generated from operating activities was RMB135.5 million, which was primarily attributable to the profit before income tax of RMB397.6 million, as adjusted by (i) amortization of intangible assets of RMB414.4 million, depreciation of property, plant and equipment, and right-of-use assets of RMB187.6 million, share-based compensation of RMB382.1 million, allowance for doubtful accounts of RMB140.4 million, fair value changes on investments measured at fair value through profit or loss of RMB65.4 million, and interest income of RMB37.6 million; and (ii) changes in working capital, which primarily consisted of a decrease trade receivables of RMB129.4 million, a decrease in trade payables of RMB1,475.9 million, a decrease in prepayment and other receivables of RMB249.6 million, and a decrease in accrued expenses and current liabilities of RMB82.2 million. We also paid income tax of RMB112.7 million and received interest income of RMB31.6 million.

Net cash flows used in investing activities

For the year ended December 31, 2020, net cash used in investing activities was RMB772.6 million, which was primarily attributable to (i) net cash paid for wealth management products of RMB761.0 million, (ii) cash received and paid for repayments of loans to related parties of RMB280.2 million and RMB122.9 million, respectively; (iii) payment for purchases of property, plant and equipment of RMB160.0 million; (iv) payment for long-term investments of RMB103.5 million; and (v) payment for acquisition of Nanjing Eurasia of RMB40.0 million.

Net cash flows generated from financing activities

For the year ended December 31, 2020, net cash generated from financing activities was RMB176.5 million, which was primarily due to (i) proceeds from exercise of share options of RMB285.8 million; (ii) partially offset by repayment of long-term borrowings and short-term borrowings of RMB27.7 million and RMB63.1 million respectively; and (iii) payment of long-term leases of RMB28.2 million.

Gearing Ratio

As of December 31, 2020, our gearing ratio, calculated as total borrowings divided by total equity attributable to equity holders of the Company was approximately 1.2% (2019: 1.8%).

Pledge of Assets

In October 2017, we entered into a loan agreement with the lending bank to borrow RMB196.9 million to finance our purchase of office premises. The loan was secured by our property and will expire on October 23, 2027. As of December 31, 2020, the carrying amount of such secured property was RMB362.2 million.

Capital Expenditure

	Year ended	
	December 31, 2020 <i>RMB'000</i>	December 31, 2019 <i>RMB'000</i>
Purchase of property, plant and equipment	160,006	301,138
Purchase of intangible assets	6,192	1,455
Placement of long-term investments ^(a)	103,453	264,812
Total capital expenditure	269,651	567,405

Note:

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

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

Long-term Investments

	As of December 31,	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Investments accounted for using the equity method	220,891	90,435
Investments measured at fair value through profit or loss	168,104	238,753
Investments measured at amortized cost	724,739	250,697
Total long-term investments	1,113,734	579,885

The aggregate amount of long-term investments as of December 31, 2020 was RMB1,113.7 million as compared to RMB579.9 million as of December 31, 2019. The decrease in our long-term investments measured at fair value was caused by fair value loss in certain private companies that we have no significant influence over. These companies are principally engaged in hotel management and other-travel related business. As of December 31, 2020 and 2019, total long-term investments as a percentage to the Group's total assets are 5.8% and 3.0%, respectively. We made long-term investments in accordance with our general strategy of investing or acquiring businesses that are supplement and benefit to our business. Long-term investments measured at amortized cost are term deposits over one year with fixed interest rate, denominated in RMB. As of December 31, 2020, none of these individual investments is regarded as material. We plan to fund our long-term investments using cash flows generated from our operations and the net proceeds received from the Global Offering.

Short-term Investments

	As of December 31,	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Short-term investments measured at amortized cost	407,353	156,760
Short-term investments measured at fair value through profit or loss	4,505,645	4,384,168
Total short-term investments	4,912,998	4,540,928

Short-term investments measured at amortized cost are term deposits within one year with fixed interest rates, denominated in RMB. The investments are held for collection of contractual cash flow and the contractual cash flows of these investments qualify solely for payments of principal and interest, hence they were measured at amortized cost. Short-term investments measured at fair value through profit or loss include wealth management products, denominated in RMB or USD, with expected rates of return ranging from 0.8% to 4.8% per annum for the year ended December 31, 2020. The returns on all of these wealth management products are not guaranteed, hence their contractual cash flow do not qualify for solely payments of principal and interest. Therefore, they were measured at fair value through profit or loss. As of December 31, 2020 and 2019, total short-term investments as a percentage to the Group's total assets are 25.7% and 23.3%, respectively, and there is no individual investment having a percentage of over 5% to the Group's total assets. In view of an upside of earning with a more attractive return than current saving or fixed deposit are under the low interest rate trend, as well as the risk nature and the relatively short-term of maturity or flexible redemption terms of those financial products, the Group selected products with strong liquidity, safety features and reasonable returns issued by reputable licensed banks and financial institutions.

Material Acquisitions and Disposals

On October 1, 2020, in order to expand corporate travel management services, the Company acquired 100% equity interests in Nanjing Eurasia from a related company, Tongcheng Travel and a third party, and accounted for such acquisition as a business combination and started to consolidate the financial statements of Nanjing Eurasia from October 1, 2020. Save for the acquisition of Nanjing Eurasia, there were no other material acquisitions and disposals of subsidiaries, associates and joint ventures during the year ended December 31, 2020.

Foreign Exchange Risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not our functional currency. We manage our foreign exchange risk by performing regular reviews of our net foreign exchange exposures. We did not hedge against any fluctuation in foreign currency during the year ended December 31, 2020.

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

Employee

As of December 31, 2020, we had a total of 4,813 full-time employees. As of the same date, approximately 52.2% and 16.5% of our full-time employees were based in Suzhou and Beijing, respectively, while remaining 31.3% of them were based in the rest of the PRC and overseas.

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

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

None of our employees is currently represented by labor unions. We believe that we maintain good working relationship with our employees and we did not experience any significant labor disputes or any material difficulty in recruiting employees for our operations in the year of 2020.

CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2020

		<u>Year ended December 31,</u>	
		<u>2020</u>	<u>2019</u>
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	2	5,932,591	7,392,932
Cost of revenue	3	<u>(1,696,606)</u>	<u>(2,316,975)</u>
Gross profit		4,235,985	5,075,957
Service development expenses	3	(1,245,506)	(1,512,792)
Selling and marketing expenses	3	(2,131,276)	(2,244,516)
Administrative expenses	3	(521,728)	(594,217)
Net provision for impairment loss on financial assets		(140,413)	(39,958)
Fair value changes on investments measured at fair value through profit or loss	9(e)	65,445	106,006
Other income		98,864	88,620
Other gains/(losses), net	4	<u>20,551</u>	<u>(19,573)</u>
Operating profit		381,922	859,527
Finance income		37,641	47,104
Finance costs		(14,782)	(12,429)
Share of results of associates		<u>(7,204)</u>	<u>(12,691)</u>
Profit before income tax		397,577	881,511
Income tax expense	5	<u>(72,044)</u>	<u>(194,989)</u>
Profit for the year		325,533	686,522
Profit attributable to:			
Equity holders of the Company		327,593	688,097
Non-controlling interests		<u>(2,060)</u>	<u>(1,575)</u>
Earnings per share (expressed in RMB per share):			
– Basic	6	<u>0.15</u>	<u>0.33</u>
– Diluted	6	<u>0.15</u>	<u>0.33</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2020

	Year ended December 31,	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Profit for the year	325,533	686,522
Other comprehensive (loss)/income <i>Items that may not be subsequently reclassified to profit or loss:</i>		
– Currency translation differences	<u>(125,844)</u>	<u>30,070</u>
Other comprehensive (loss)/income for the year, net of tax	<u>(125,844)</u>	<u>30,070</u>
Total comprehensive income for the year	<u>199,689</u>	<u>716,592</u>
Total comprehensive income for the year attributable to:		
– Equity holders of the Company	201,749	718,167
– Non-controlling interests	<u>(2,060)</u>	<u>(1,575)</u>
	<u>199,689</u>	<u>716,592</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of December 31, 2020

		As of December 31,	
	Notes	2020 RMB'000	2019 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		1,226,126	1,102,031
Right-in-use assets		242,111	41,067
Investments accounted for using the equity method	8	220,891	90,435
Investments measured at fair value through profit or loss	9	168,104	238,753
Investments measured at amortized cost	9	724,739	250,697
Intangible assets		7,480,569	7,860,452
Deferred income tax assets		215,610	201,057
Prepayment and other receivables	10	5,959	7,425
		<u>10,284,109</u>	<u>9,791,917</u>
Current assets			
Trade receivables	11	931,755	1,096,313
Prepayment and other receivables	10	1,088,293	1,569,453
Short-term investments measured at amortized cost		407,353	156,760
Short-term investments measured at fair value through profit or loss		4,505,645	4,384,168
Restricted cash		92,152	213,381
Cash and cash equivalents		1,804,484	2,271,268
		<u>8,829,682</u>	<u>9,691,343</u>
Total assets		<u>19,113,791</u>	<u>19,483,260</u>
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		7,512	7,323
Share premium		19,046,357	18,189,973
Treasury stock		–	(7)
Other reserves		(2,995,744)	(2,668,946)
Accumulated losses		(2,044,384)	(2,371,977)
		<u>14,013,741</u>	<u>13,156,366</u>
Non-controlling interests		<u>2,930</u>	<u>(4,692)</u>
Total equity		<u>14,016,671</u>	<u>13,151,674</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of December 31, 2020

		As of December 31,	
		2020	2019
	Notes	RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	12	113,229	132,921
Long-term lease liabilities		205,807	17,830
Other payables and accruals	14	15,016	6,702
Deferred income tax liabilities		529,213	568,376
		<u>863,265</u>	<u>725,829</u>
Current liabilities			
Borrowings	12	49,303	106,895
Trade payables	13	2,000,605	3,428,531
Other payables and accruals	14	1,958,974	1,946,769
Short-term lease liabilities		27,235	6,059
Contract liabilities		160,577	88,554
Current income taxes liabilities		37,161	28,949
		<u>4,233,855</u>	<u>5,605,757</u>
Total liabilities		<u><u>5,097,120</u></u>	<u><u>6,331,586</u></u>
Total equity and liabilities		<u><u>19,113,791</u></u>	<u><u>19,483,260</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2020

	Attributable to equity holders of the Company						Non-controlling interests	Total equity
	Share capital	Share premium	Treasury stock	Other reserves	Accumulated losses	Sub-total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As of January 1, 2020	7,323	18,189,973	(7)	(2,668,946)	(2,371,977)	13,156,366	(4,692)	13,151,674
Comprehensive income								
Profit/(loss) for the year	-	-	-	-	327,593	327,593	(2,060)	325,533
Other comprehensive loss								
Currency translation differences	-	-	-	(125,844)	-	(125,844)	-	(125,844)
Total comprehensive income	-	-	-	(125,844)	327,593	201,749	(2,060)	199,689
Transactions with owners								
Exercise of share options-proceeds received	132	557,231	-	(288,844)	-	268,519	-	268,519
RSUs vested and settled	57	299,153	7	(299,168)	-	49	-	49
Contributions from minority shareholders	-	-	-	-	-	-	9,682	9,682
Tax benefit from share-based payments of a subsidiary	-	-	-	6,147	-	6,147	-	6,147
Share-based compensations	-	-	-	381,008	-	381,008	-	381,008
Disposal of investment accounted for using the equity method	-	-	-	(97)	-	(97)	-	(97)
Total transactions with owners recognized directly in equity	189	856,384	7	(200,954)	-	655,626	9,682	665,308
As of December 31, 2020	<u>7,512</u>	<u>19,046,357</u>	<u>-</u>	<u>(2,995,744)</u>	<u>(2,044,384)</u>	<u>14,013,741</u>	<u>2,930</u>	<u>14,016,671</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2020

	Attributable to equity holders of the Company						Non-controlling interests	Total equity
	Share capital	Share premium	Treasury stock	Other reserves	Accumulated losses	Sub-total		
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As of January 1, 2019	7,156	17,311,220	(15)	(2,722,834)	(3,060,074)	11,535,453	(7,642)	11,527,811
Comprehensive income								
Profit/(loss) for the year	-	-	-	-	688,097	688,097	(1,575)	686,522
Other comprehensive income								
Currency translation differences	-	-	-	30,070	-	30,070	-	30,070
Total comprehensive income	-	-	-	30,070	688,097	718,167	(1,575)	716,592
Transactions with owners								
Exercise of share options-proceeds received	175	755,052	-	(391,197)	-	364,030	-	364,030
RSUs vetoed and settled	(8)	123,701	8	(123,701)	-	-	-	-
Acquisition of non-controlling interests	-	-	-	174	-	174	(174)	-
Contributions from minority shareholders	-	-	-	-	-	-	3,500	3,500
Purchase of non-controlling interests in connection with the business combination	-	-	-	-	-	-	1,199	1,199
Tax benefit from share-based payments of a subsidiary	-	-	-	3,686	-	3,686	-	3,686
Share-based compensations	-	-	-	534,856	-	534,856	-	534,856
Total transactions with owners recognized directly in equity	167	878,753	8	23,818	-	902,746	4,525	907,271
As of December 31, 2019	7,232	18,189,973	(7)	(2,668,946)	(2,371,977)	13,156,366	(4,692)	13,151,674

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2020

	Year ended December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash flows generated from operating activities	135,520	1,696,442
Net cash flows used in investing activities	(772,564)	(2,955,013)
Net cash flows generated from financing activities	176,539	372,764
Net decrease in cash and cash equivalents	(460,505)	(885,807)
Cash and cash equivalents at beginning of the year	2,271,268	3,143,883
Effect of exchange rate changes on cash and cash equivalents	(6,279)	13,192
Cash and cash equivalents at end of the year	1,804,484	2,271,268

Notes

1. Basis of preparation

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

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

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

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

The accounting policies adopted are consistent with those of the previous financial year, except for the estimation of income tax and the adoption of new and amended standards as set out below.

The following standards and amendments have been adopted by the Group for the first time for the financial year beginning on January 1, 2020:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Revised Conceptual Framework for Financial Reporting	Revised Conceptual Framework for Financial Reporting
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

The adoption of these new and amended standards does not have any significant financial impact on the financial information of the Group.

During the year, the Group separately presented the “net provision for impairment loss on financial assets” in the consolidated income statement. The comparative figures have been reclassified to conform to current year’s presentation.

2. Revenue and segment information

The Chief Operating Decision-maker (“CODM”) assesses the performance of the operating segment mainly based on the measure of operating profit, excluding items which are not directly related to the segment performance (the “combined results”). These include non-operating income/(expenses) such as government subsidies, fair value gains on short-term investments measured at fair value through profit or loss, and other non-operating items. The CODM reviews the combined results when making decisions about allocating resources and assessing performance of the Group as a whole. Therefore, the Group has only one reportable segment which mainly operates its businesses in the PRC and earns substantially all of the revenues from external customers attributed to the PRC. As of December 31, 2020 and 2019, substantially all of the non-current assets of the Group were located in the PRC. Therefore, no geographical segments are presented. No analysis of segment assets or segment liabilities is presented as they are not used by the CODM when making decisions about allocating resources and assessing performance of the Group.

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Operating profit per consolidated statements of comprehensive income	381,922	859,527
Less: Other income	(98,864)	(88,620)
Fair value changes on investments measured at fair value through profit or loss	(65,445)	(106,006)
Other (gains)/losses, net	(20,551)	19,573
Operating profit presented to the CODM	<u>197,062</u>	<u>684,474</u>

Revenue by service type for the years ended December 31, 2020 and 2019 are as follows:

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Accommodation reservation services	1,945,153	2,358,123
Transportation ticketing services	3,471,129	4,517,658
Others	516,309	517,151
Total revenue	<u>5,932,591</u>	<u>7,392,932</u>

The Group derives revenue from the transfer of services over time and at a point in time in the following major services:

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Timing of revenue recognition		
At a point in time		
–Accommodation reservation services	1,945,153	2,358,123
–Transportation ticketing services	3,471,129	4,517,658
–Others	379,693	328,804
	<u>5,795,975</u>	<u>7,204,585</u>
Over time		
–Advertisement services and others	136,616	188,347
	<u>5,932,591</u>	<u>7,392,932</u>

3. Expenses by nature

	Year ended December 31,	
	2020 RMB'000	2019 RMB'000
Employee benefit expense	1,744,189	2,160,166
Advertising and promotion expenses	1,453,587	1,622,452
Depreciation and amortization expense	602,010	581,139
Order processing cost	690,231	978,477
Cost of pre-purchased travel related products	268,905	427,752
Bandwidth and servers fee	134,374	160,488
Commission expenses	238,606	154,055
Procurement costs	141,566	239,127
Rental and utility fees	56,301	61,277
Telephone and communication	24,241	43,030
Professional service fees	86,382	87,237
Travelling and entertainment expenses	43,500	73,193
Audit fees	7,547	7,547
Tax and surcharges	22,301	31,113
Others	81,376	41,447
	5,595,116	6,668,500

4. Other gains/(losses), net

	Year ended December 31,	
	2020 RMB'000	2019 RMB'000
Impairment loss of investments accounted for using the equity method	–	(35,110)
Investment income from investments measured at amortized cost	20,576	7,407
Foreign exchange gain	17,821	603
Net loss on disposal of property, plant and equipment	(49)	(961)
Donation	(16,687)	(339)
Others	(1,110)	8,827
	20,551	(19,573)

5. Income tax expense

The income tax expense of the Group for the years ended December 31, 2020 and 2019 is analyzed as follows:

	Year ended December 31,	
	2020 RMB'000	2019 RMB'000
Current income tax	120,978	181,773
Deferred income tax	(48,934)	13,216
	72,044	194,989

(a) Cayman Islands income tax

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

(b) Hong Kong income tax

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

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

CIT provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC for the years ended December 31, 2020 and 2019, calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The general PRC CIT rate is 25% for the year presented.

Three subsidiaries of the Company incorporated in the PRC are qualified as High and New Technology Enterprise, and accordingly, they are subject to a reduced preferential CIT rate of 15% for the years ended December 31, 2020 and 2019, respectively, according to the applicable CIT law.

Other subsidiaries of the Company incorporated in the PRC are subject to the general PRC CIT rate of 25% during the year ended December 31, 2020 (2019: 25%).

(d) PRC Withholding Tax ("WHT")

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

During the years ended December 31, 2020 and 2019, the Group does not have any plan to require its PRC subsidiaries to distribute their retained earnings and intends to retain them to operate and expand its business in the PRC. Accordingly, no deferred income tax liability on WHT was provided as of December 31, 2020 (2019: nil).

6. Earnings per share

(a) Basic

Basic earnings per share for the years ended December 31, 2020 and 2019 are calculated by dividing the profit attribute to the Company's equity holders by the weighted average number of ordinary shares in issue during the respective year.

	Year ended December 31,	
	2020	2019
Net profit attributable to the owners of the Company (RMB' 000)	327,593	688,097
Weighted average numbers of ordinary shares in issue (thousand shares)	2,137,139	2,059,262
Basic earnings per share (RMB)	<u>0.15</u>	<u>0.33</u>

(b) Diluted

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

As of December 31, 2020, 114,574,407 share options and 6,600,000 RSUs were outstanding in total. For the year ended December 31, 2020, the share options and RSUs granted by the Company have potential dilutive effect on the EPS. Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from share options and RSUs granted by the Company (collectively forming the denominator for computing the diluted EPS). No adjustment is made to earnings (numerator).

	Year ended December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Net profit attributable to the owners of the Company (RMB' 000)	327,593	688,097
Net profit for calculation of diluted earnings per share (RMB' 000)	327,593	688,097
Weighted average number of ordinary shares in issue (thousand shares)	2,137,139	2,059,262
Adjustments for Options granted to employees (thousand shares)	40,920	53,111
Adjustments for RSUs granted to employees (thousand shares)	3,306	4,585
Weighted average number of ordinary shares for calculation of diluted earnings per share (thousand shares)	2,181,365	2,116,958
Diluted earnings per share (RMB)	0.15	0.33

7. Dividend

No dividend has been paid or declared by the Company or the companies now comprising the Group during the year ended December 31, 2020 (2019: nil).

8. Investments accounted for using the equity method

	As of December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of the year	90,435	48,731
Additions (a)	138,882	87,772
Transfer to investment in subsidiaries	(2,775)	–
Transfers from investment measured at fair value through profit or loss	–	1,277
Share-based compensation to employee of the Group's associates (b)	811	509
Shares of losses	(7,204)	(12,691)
Impairment loss	–	(35,110)
Currency translation differences	742	(53)
At the end of the year	220,891	90,435

(a) During the year ended December 31, 2020, the Group invested equity interests in certain unlisted companies with an aggregate amount of RMB138.9 million. These companies are principally engaged in hotel management and other travel-related business and the Group does not have control over these companies.

(b) On December 20, 2019, the Group granted 20,983,500 share options under 2019 Share Option Plan and 7,902,000 RSUs under the 2019 RSU Plan to senior management, other employees, directors of the Group, including 459,000 share options and 25,000 RSUs to employees of the Group's associates.

On October 23, 2020, the Group granted 21,100,000 share options under 2019 Share Option Plan and 13,200,000 RSUs under the 2019 RSU Plan to senior management, other employees, directors of the Group, including 285,200 share options and 60,000 RSUs to employees of the Group's associates.

9. Investments

	As of December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Current assets		
Short-term investments measured at		
– Amortized cost (a)	407,353	156,760
– Fair value through profit or loss (b)	4,505,645	4,384,168
	4,912,998	4,540,928
Non-current assets		
Long-term investments measured at		
– Amortized cost (c)	724,739	250,697
– Fair value through profit or loss (d)	168,104	238,753
	892,843	489,450

(a) Short-term investments measured at amortized cost

Short-term investments measured at amortized cost are time deposits within one year with fixed interest rates, denominated in RMB, USD or HKD. The investments are held for collection of contractual cash flow and the contractual cash flows of these investments qualify for solely payments of principal and interest, hence they are measured at amortized costs. None of these investments are past due as of December 31, 2020 and 2019.

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

The short-term investments measured at fair value through profit or loss include wealth management products, denominated in RMB or USD, with expected rates of return ranging from 0.8% to 4.8%, per annum for the year ended December 31, 2020 (2019: 2.3% to 7.5%). The returns on all of these wealth management products are not guaranteed, hence their contractual cash flows do not qualify for solely payments of principal and interest. Therefore they are measured at fair value through profit or loss. As of December 31, 2020 and 2019, none of these investments are past due. The fair values are based on cash flow discounted using the expected return based on management judgment and are within level 3 of the fair value hierarchy.

As of December 31, 2020 and 2019, the short-term investments measured at fair value through profit or loss also include a discretionary portfolio management agreement denominated in USD, which was entered by the Company in December 2019 with a commercial financial institution. This portfolio management agreement is made for the purpose of achieving investment yield and balancing the Company's liquidity level simultaneously. Pursuant to the agreement, the Company diversified its investment portfolio and authorized the bank to act as the portfolio manager to manage its assets held or to be held in account on the Company's behalf. The investment portfolios were instructed to be deployed in highly liquid financial assets, for instance government bonds and corporate bonds, that are traded in active markets and quoted by market prices and therefore, were classified as level 2 within a fair value hierarchy. The initial cost of investments under this portfolio management agreement was USD25 million, out of which USD12.5 million was funded by the Company with remaining portion funded from the bank. The Company recorded the total investment as short-term investment measured at fair value through profit or loss, and credited the fund from the bank, bearing interest at LIBOR+90bp rate per week, as short-term borrowings. As of December 31, 2020, the Company has repaid USD8.6 million.

(c) Long-term investments measured at amortized cost

As of December 31, 2020 and 2019, long-term investments measured at amortized cost are time deposits over one year with fixed interest rates, denominated in RMB. The investments are held for collection of contractual cash flow and the contractual cash flows of these investments qualify for solely payments of principal and interest, hence they are measured at amortized costs. None of these investments are past due as of December 31, 2020 and 2019.

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

As of December 31, 2020 and 2019, long-term investments measured at fair value through profit or loss represented equity interests held by the Group in several private and listed companies.

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

(e) Amounts recognized in profit or loss

	Year ended December 31,	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Fair value changes in long-term investments measured at fair value through profit or loss	(62,677)	(11,307)
Fair value changes in short-term investments measured at fair value through profit or loss	128,122	117,313
	65,445	106,006

10. Prepayment and other receivables

	As of December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Included in non-current assets		
Advances to suppliers	2,902	3,809
Total non-financial assets	2,902	3,809
Deposits	2,195	3,616
Others	862	–
Total financial assets	3,057	3,616
Non-current, total	5,959	7,425
Included in current assets		
Advances to accommodation suppliers	41,027	50,584
Prepaid taxation	36,009	30,784
Advances to tickets suppliers	286,617	462,301
Prepayment for advertising	29,773	25,964
Prepayment for office rental	441	449
Prepayment to related parties	37,339	24,706
Others	63,003	87,058
Total non-financial assets	494,209	681,846
Deposits	187,435	201,920
Receivable from related parties	398,924	626,800
Others	54,744	63,166
Less: Provision for impairment loss on financial assets	(47,019)	(4,279)
Total financial assets	594,084	887,607
Current, total	1,088,293	1,569,453

11. Trade receivables

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

	As of December 31,	
	2020 RMB'000	2019 RMB'000
Up to 6 months	777,950	1,045,582
Over 6 months	268,460	85,183
	<u>1,046,410</u>	<u>1,130,765</u>
Less: allowance for impairment of trade receivables	<u>(114,655)</u>	<u>(34,452)</u>
	<u><u>931,755</u></u>	<u><u>1,096,313</u></u>

12. Borrowings

	As of December 31,	
	2020 RMB'000	2019 RMB'000
Included in non-current liabilities:		
Secured bank borrowings (a)	<u>113,229</u>	<u>132,921</u>
Included in current liabilities:		
Unsecured loan from financial institution (b)	29,611	87,203
Current portion of secured bank borrowings (a)	<u>19,692</u>	<u>19,692</u>
	<u>49,303</u>	<u>106,895</u>
	<u><u>162,532</u></u>	<u><u>239,816</u></u>

Notes:

- (a) The bank borrowings denominated in RMB were secured by property, plant and equipment of the Group and bear interest at CHIBOR floating rate with 10% per annum.
- (b) The Company borrowed USD12.5 million in 2019 to leverage short-term investment measured at fair value through profit or loss (Note 9(b)). The loan bears interest at LIBOR+90bp compound rate per week, as short-term borrowing. As of December 31, 2020, the Company has repaid USD8.6 million.

At December 31, 2020 and 2019, the borrowings were repayable as follows:

	As of December 31,	
	2020 RMB'000	2019 RMB'000
Within 1 year	49,303	106,895
1~2 years	19,692	19,692
2~5 years	59,076	59,076
Over 5 years	34,461	54,153
	162,532	239,816

13. Trade payables

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

	As of December 31,	
	2020 RMB'000	2019 RMB'000
Up to 6 months	1,741,669	3,253,169
Over 6 months	258,936	175,362
	2,000,605	3,428,531

14. Other payables and accruals

	As of December 31,	
	2020 RMB'000	2019 RMB'000
Accrual for users incentive program	40,735	78,195
Payable to travel service suppliers	84,468	14,041
Deposits from sales channel	81,147	104,647
Payables to related parties	13,756	16,055
Payable of reorganization cost	157,454	157,193
Payable to insurance companies	366,049	228,792
Payable of property, plant and equipment	165,578	54,274
Payable of equity investment	58,661	15,000
Contingent consideration payable for acquisition (Note 15)	3,490	–
Others	43,304	77,649
Total financial liabilities	1,014,642	745,846
Advances from users	526,368	685,560
Accrued payroll and welfare	253,810	291,699
Accrued commissions	17,862	16,521
Business and other taxes	29,326	57,855
Accrued advertisement expenses	104,779	107,431
Accrued professional fees	15,626	27,379
Payables to related parties	2,226	312
Others	9,351	20,868
Total non-financial liabilities	959,348	1,207,625
Total	1,973,990	1,953,471

15. Business combination

Acquisition of Nanjing Eurasia

On October 1, 2020, in order to expand corporate travel management services, the Company acquired 100% equity interests in Nanjing Eurasia from a related company, Tongcheng Travel and a third party, and accounted for such acquisition as a business combination and started to consolidate the financial statements from October 1, 2020.

The initial cash consideration was RMB40.0 million, of which RMB35.0 million was paid to Tongcheng Travel and RMB5.0 million was paid to a third party established by Mr. Huang Liang, the founder of Nanjing Eurasia. In accordance with the purchase agreement, the Company would pay contingent consideration to the selling company controlled by Mr. Huang Liang upon certain operational conditions were met. As of the acquisition date, the fair value of such contingent consideration was RMB3.5 million.

In addition, Mr. Huang Liang is required to remain seat as executive officer of Nanjing Eurasia for the next two years, and would be paid upon such service condition was met.

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

	October 1, 2020 RMB'000
Fair value of the Consideration	
Cash consideration	40,000
Fair value of contingent consideration	3,490
	<hr/>
Total consideration	43,490
	<hr/> <hr/>

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

	Fair Value RMB'000
Identifiable assets and liabilities at the acquisition date:	
Cash and cash equivalents	2,373
Restricted cash	200
Trade receivables	36,911
Prepayment and other receivables	8,048
Short-term investments measured at fair value through profit or loss	17,500
Property, plant and equipment	625
Right-of-use assets	743
Intangible assets	
– Supplier relationship (a)	9,000
– Technology (b)	5,600
Deferred income tax assets	2,748
Borrowings	(5,000)
Trade payables	(39,181)
Other payables and accruals	(8,889)
Lease liabilities	(634)
Deferred income tax liabilities	(3,650)
	<hr/>
Total identifiable net assets	26,394
Goodwill (c)	17,096
	<hr/>
	43,490
	<hr/> <hr/>

Notes:

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

- (a) The supplier relationship represents the contractual business relationship with the existing suppliers of the acquired entity, i.e. other travel service providers of Nanjing Eurasia, of which the Company assessed and estimated the useful life at 10 years based on the considerations of the long-term relationship built up with the suppliers, market practice in the other travel service industry as well as the turnover and churn rate of suppliers in the past. The Company also benchmarked with the useful life of the similar intangible assets from the comparable deals in the market.
- (b) The technology represents the self-developed business system and the related technology that the acquired entity can enhance the operating efficiency and improve the corporate travel services. The Company assessed and estimated the useful life at 10 years primarily based on the comparable market deals of similar technology.
- (c) Goodwill is primarily attributable to the operating synergies and economies of scale expected to be derived from combining the operations. None of the goodwill is expected to be deductible for income tax purpose.

The acquired business contributed revenue of RMB6.7 million and net loss of RMB1.5 million to the Group for the period from October 1, 2020, the acquisition date, to December 31, 2020. If the acquisition had occurred on January 1, 2020, consolidated revenue and net loss for the year ended December 31, 2020 would have been RMB19.2 million and RMB3.9 million, respectively.

USE OF PROCEEDS

The Shares of the Company were listed on the Main Board of the Stock Exchange on November 26, 2018 by way of Global Offering, raising total net proceeds of approximately RMB1,319.3 million after deducting professional fees, underwriting commissions and other related listing expenses. For the year ended December 31, 2020, the Group has used RMB214.1 million to fund investments in associates, expand our product and service and improve our IT infrastructure, and RMB17.8 million for working capital and general corporate purposes. For details of the breakdown of the use of proceeds, please refer to the 2020 Annual report to be published in due course.

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 year ended December 31, 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 for the year ended December 31, 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 for the year ended December 31, 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 year ended December 31, 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 consolidated annual financial results of the Group for the year ended December 31, 2020. The Audit Committee considers that the annual financial results for the year ended December 31, 2020 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

Auditor-Scope of Work of PricewaterhouseCoopers

The figures in respect of the Group's consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and the related notes thereto for the year ended December 31, 2020 as set forth in this announcement have been agreed by the Company's auditor, PricewaterhouseCoopers, to the amounts set forth in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standard on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

Event Subsequent to December 31, 2020

The Directors are not aware of any significant event requiring disclosure that has taken place subsequent to December 31, 2020 and up to the date of this announcement.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the year ended December 31, 2020.

CLOSURE OF REGISTER OF MEMBERS AND RECORD DATE

The register of members of the Company will be closed from May 26, 2021 (Wednesday) to May 31, 2021 (Monday), both days inclusive, in order to determine the eligibility of the Shareholders to attend and vote at the AGM to be held on May 31, 2021 (Monday). The Shareholders whose names appear on the register of members of the Company at the close of business on May 25, 2021 (Tuesday) (the "Record Date") will be entitled to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfer accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on May 25, 2021 (Tuesday).

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

The Company's annual report for the year ended December 31, 2020 containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

DEFINITION

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

“2016 Share Incentive Plan”	the share incentive plan adopted and approved by the Company on August 26, 2016
“2018 Share Incentive Plan”	the share incentive plan adopted and approved by the Company on March 9, 2018
“2019 RSU Plan”	the 2019 restricted share unit plan adopted and approved by the Company on July 2, 2019
“2019 Share Option Plan”	the 2019 share option plan approved by an ordinary resolution passed by shareholders of the Company at the extraordinary general meeting of the Company on August 2, 2019
“AGM”	the 2020 annual general meeting of the Company to be held on May 31, 2021 or any adjournment thereof
“AI”	artificial intelligence
“APUs”	annual paying user
“Audit Committee”	the audit committee of the Board
“Board”	the board of directors of the Company
“China” or “PRC”	the 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

“Global Offering”	the offering of the Company’s shares as described in the prospectus dated November 14, 2018 issued by 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
“paying ratio”	the ratio calculated as average MPUs divided by average MAUs
“RMB”	Renminbi, the lawful currency of China
“RSU”	restricted share units
“Share(s)”	ordinary share(s) in the share capital of the Company, currently of nominal value US\$0.0005 each
“Shareholder(s)”	holder(s) of the Share(s)
“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
“Tongcheng Travel”	Tongcheng International Travel Co., Ltd., a subsidiary of Tongcheng Holdings. Co., Ltd.
“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, March 23, 2021

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