

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549**

**FORM 20-F/A**  
(Amendment No. 1)

(Mark One)

**REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the fiscal year ended December 31, 2018

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

OR

**SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report . . . . .

Commission file number: 001-33853

**CTRIP.COM INTERNATIONAL, LTD.**

(Exact Name of Registrant as Specified in Its Charter)

N/A

(Translation of Registrant's Name Into English)

**Cayman Islands**

(Jurisdiction of Incorporation or Organization)

**968 Jin Zhong Road  
Shanghai 200335**

**People's Republic of China**

(Address of Principal Executive Offices)

**Jane Jie Sun, Chief Executive Officer**

**Telephone: +86 (21) 3406-4880**

**Facsimile: +86 (21) 5251-0000**

**968 Jin Zhong Road  
Shanghai 200335**

**People's Republic of China**

(Name, Telephone, Email and/or Facsimile Number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
American depository shares, each representing 0.125 ordinary share, par value US\$0.01 per share Ordinary shares, par value US\$0.01 per share*	CTRP	Nasdaq Stock Market LLC (Nasdaq Global Select Market)

\* Not for trading, but only in connection with the listing of American depository shares on the Nasdaq Global Select Market.

Securities registered or to be registered pursuant to Section 12(g) of the Act:

**None**

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

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**None**  
(Title of Class)

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Indicate the number of outstanding shares of each of the Issuer's classes of capital or common stock as of the close of the period covered by the annual report: 69,122,824 ordinary shares, par value \$0.01 per share, as of December 31, 2018.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes  No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	<input checked="" type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-Accelerated Filer	<input type="checkbox"/>	Emerging Growth Company	<input type="checkbox"/>

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards<sup>†</sup> provided pursuant to Section 13(a) of the Exchange Act.

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<sup>†</sup> The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP	<input checked="" type="checkbox"/>	International Financial Reporting Standards as issued by the International Accounting Standards Board	<input type="checkbox"/>	Other	<input type="checkbox"/>
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If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS.)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes  No

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## EXPLANATORY NOTE

This Amendment No. 1 on Form 20-F/A (the “Amendment”) is being filed by Ctrip.com International, Ltd. (the “Company,” “we,” “our,” or “us”) to amend the Company’s Annual Report on Form 20-F for the fiscal year ended December 31, 2018, originally filed with the U.S. Securities Exchange Commission on March 15, 2019 (the “Original Filing”). This Amendment is being filed solely for the purpose of complying with Regulation S-X, Rule 3-09. Rule 3-09 requires, among other things, that separate financial statements for unconsolidated subsidiaries and investees accounted for by the equity method to be included in the Form 20-F when such entities are individually significant.

We have determined that our equity method investment in Tongcheng-Elong Holdings Limited (formerly known as “China E-dragon Holdings Limited,” hereinafter referred to as “Tongcheng-Elong”), which is not consolidated in our financial statements, was significant under the income test of Rule 1-02(w) of Regulation S-X in relation to our financial results for the year ended December 31, 2016. This Amendment is therefore filed solely to supplement the Original Filing with the inclusion of the financial statements and related notes of Tongcheng-Elong as of and for the fiscal years ended December 31, 2016, 2017, and 2018 (the “Tongcheng-Elong Financial Statements”).

This Form 20-F/A consists solely of the cover page, this explanatory note, the Tongcheng-Elong Financial Statements, updated certifications of our chief executive officer and chief financial officer, and consent of the independent auditor of Tongcheng-Elong. This Amendment does not affect any other parts of, or exhibits to, the Original Filing, nor does it reflect events occurring after the date of the Original Filing. Accordingly, this Amendment should be read in conjunction with the Original Filing and with our filings with the U.S. Securities Exchange Commission subsequent to the Original Filing.

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**Item 18. Financial Statements**

The following financial statements are included in this Form 20-F/A:

Consolidated financial statements of Tongcheng-Elong Holdings Limited as of and for the fiscal years ended December 31, 2016, 2017, and 2018

**TONGCHENG-ELONG HOLDINGS LIMITED**  
**(FORMERLY KNOWN AS “CHINA E-DRAGON HOLDINGS LIMITED”)**  
(Incorporated in Cayman Islands with limited liability)

**ACCOUNTANT’S REPORT**  
**FOR THE YEARS ENDED DECEMBER 31, 2016, 2017 AND 2018**

**Report of Independent Auditor**

To the Board of Directors of Tongcheng-Elong Holdings Limited

We have audited the accompanying consolidated financial statements of Tongcheng-Elong Holdings Limited and its subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2016 and the related consolidated statements of comprehensive income, of changes in equity, and of cash flow for the year then ended.

**Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Tongcheng-Elong Holdings Limited and its subsidiaries as of December 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

**Other Matter**

The accompanying consolidated statement of financial position of Tongcheng-Elong Holdings Limited as of December 31, 2017 and 2018, and the related consolidated statements of comprehensive income, of changes in equity and of cash flow for the years then ended are presented for purposes of complying with Rule 3-09 of SEC Regulation S-X; however, Rule 3-09 does not require the 2017 and 2018 financial statements to be audited and they are therefore not covered by this report.

PricewaterhouseCoopers Zhong Tian LLP  
Shanghai, the People's Republic of China

June 29, 2018



## TONGCHENG-ELONG HOLDINGS LIMITED

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended December 31,		
		2016 RMB'000	2017 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
<b>Revenue</b>	5	2,204,565	2,518,591	5,255,639
Cost of revenue	6	(1,032,913)	(811,781)	(1,600,513)
<b>Gross profit</b>		1,171,652	1,706,810	3,655,126
Service development expenses	6	(517,648)	(522,018)	(1,349,935)
Selling and marketing expenses	6	(1,882,779)	(1,094,977)	(1,841,314)
Administrative expenses	6	(898,337)	(97,379)	(934,925)
Fair value changes on investments measured at fair value through profit or loss	17(d)	(4,031)	863	78,572
Other income	9	10,547	12,805	33,396
Other gains, net	10	4,689	22,610	47,888
<b>Operating (loss)/profit</b>		(2,115,907)	28,714	(311,192)
Finance income	11	8,402	10,145	12,888
Finance costs	11	(4,114)	(163)	(3,336)
Fair value change on redeemable convertible preferred shares measured at fair value through profit or loss	25	(36,781)	97,576	907,734
Share of results of associates	15	(11,218)	(2,251)	(4,568)
<b>(Loss)/Profit before income tax</b>		(2,159,618)	134,021	601,526
Income tax (expense)/credit	12	(978)	60,356	(66,987)
<b>Profit/(loss) for the year</b>		(2,160,596)	194,377	534,539
<b>Profit/(loss) attributable to:</b>				
- Equity holders of the Company		(2,139,267)	195,575	529,957
- Non-controlling interests		(21,329)	(1,198)	4,582
		(2,160,596)	194,377	534,539
<b>Earnings/(loss) per share (expressed in RMB per share):</b>	13			
- Basic		(4.60)	0.75	0.33
- Diluted		(4.60)	0.11	(0.22)

## TONGCHENG-ELONG HOLDINGS LIMITED

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended December 31,		
		2016 RMB'000	2017 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
<b>(Loss)/Profit for the year</b>		(2,160,596)	194,377	534,539
<b>Other comprehensive (loss)/income</b>				
<i>Items that may be subsequently reclassified to profit or loss:</i>				
- Currency translation differences		—	—	(15,917)
<i>Items that will not be reclassified to profit or loss:</i>				
- Fair value change relating to preferred shares due to own credit risk	25	36,781	(46,592)	932
<b>Other comprehensive (loss)/income for the year, net of tax</b>		<u>36,781</u>	<u>(46,592)</u>	<u>(14,985)</u>
<b>Total comprehensive income/(loss) for the year</b>		<u>(2,123,815)</u>	<u>147,785</u>	<u>519,554</u>
<b>Total comprehensive income/(loss) attributable to:</b>				
- Equity holders of the Company		(2,102,486)	148,983	514,972
- Non-controlling interests		(21,329)	(1,198)	4,582
		<u>(2,123,815)</u>	<u>147,785</u>	<u>519,554</u>

## TONGCHENG-ELONG HOLDINGS LIMITED

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As of December 31,		
		2016 RMB'000	2017 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	14	101,074	441,722	934,361
Investments accounted for using the equity method	15	39,869	37,618	48,731
Investments measured at fair value through profit or loss	17	45,685	25,239	52,442
Land use right	18	—	—	16,038
Intangible assets	19	347,904	308,831	7,961,640
Deferred income tax assets	20	—	61,877	249,781
Prepayment and other receivables	21	49,761	49,172	31,485
		<u>584,293</u>	<u>924,459</u>	<u>9,294,478</u>
<b>Current assets</b>				
Trade receivables	22	883,382	539,217	857,326
Prepayment and other receivables	21	274,188	195,938	523,470
Short-term investments measured at amortized cost	17	—	—	261,086
Short-term investments measured at fair value through profit or loss	17	71,041	236,107	2,570,170
Restricted cash	23	153,606	170,541	140,930
Cash and cash equivalents	23	339,299	701,748	3,143,883
		<u>1,721,516</u>	<u>1,843,551</u>	<u>7,496,865</u>
<b>Total assets</b>		<u>2,305,809</u>	<u>2,768,010</u>	<u>16,791,343</u>
<b>EQUITY</b>				
<b>Capital and reserves attributable to equity holders of the Company</b>				
Share capital	29	84	99	7,156
Share premium	29	1,514,310	1,514,310	17,311,220
Treasury stock	29	—	(15)	(15)
Other reserves	30	(3,275,866)	(3,270,057)	(2,722,834)
Accumulated losses		(3,776,727)	(3,581,152)	(3,060,074)
		<u>(5,538,199)</u>	<u>(5,336,815)</u>	<u>11,535,453</u>
<b>Non-controlling interests</b>		6,079	4,881	(7,642)
<b>Total equity</b>		<u>(5,532,120)</u>	<u>(5,331,934)</u>	<u>11,527,811</u>

## TONGCHENG-ELONG HOLDINGS LIMITED

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As of December 31,		
		2016 RMB'000	2017 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Borrowings	24	—	172,305	152,613
Deferred income tax liabilities	20	4,283	201	570,054
Redeemable convertible preferred shares	25	6,398,631	6,347,647	—
Other payables and accruals	27	2,375	1,839	6,674
		<u>6,405,289</u>	<u>6,521,992</u>	<u>729,341</u>
<b>Current liabilities</b>				
Borrowings	24	—	19,692	19,692
Trade payables	26	921,633	1,114,917	2,569,092
Other payables and accruals	27	510,593	437,358	1,799,749
Contract liabilities	28	—	—	15,084
Current income taxes liabilities		414	5,985	130,574
		<u>1,432,640</u>	<u>1,577,952</u>	<u>4,534,191</u>
<b>Total liabilities</b>		<u>7,837,929</u>	<u>8,099,944</u>	<u>5,263,532</u>
<b>Total equity and liabilities</b>		<u>2,305,809</u>	<u>2,768,010</u>	<u>16,791,343</u>

## TONGCHENG-ELONG HOLDINGS LIMITED

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company					Non-controlling interests RMB'000	Total equity RMB'000	
	Share capital RMB'000	Share premium RMB'000	Treasury stock RMB'000	Other reserves RMB'000	Accumulated losses RMB'000			Sub-total RMB'000
<b>As of January 1, 2016</b>	—	—	—	2,658,337	(1,637,460)	1,020,877	27,510	1,048,387
<b>Comprehensive loss</b>								
Loss for the year	—	—	—	—	(2,139,267)	(2,139,267)	(21,329)	(2,160,596)
<b>Other comprehensive income/(loss)</b>								
Changes in fair value of the preferred shares — attributable to its credit risk	—	—	—	36,781	—	36,781	—	36,781
<b>Total comprehensive loss</b>	—	—	—	36,781	(2,139,267)	(2,102,486)	(21,329)	(2,123,815)
<b>Transactions with owners</b>								
Share-based compensations (Note 8)	—	—	—	71,325	—	71,325	—	71,325
Exercise of stock options (Note 8)	—	—	—	1,719	—	1,719	—	1,719
Exchange of high-vote ordinary shares to preferred shares in connection with the Restructuring (Note 25)	—	—	—	(3,527,596)	—	(3,527,596)	—	(3,527,596)
Re-designation of ordinary shares to preferred shares in connection with the Restructuring (Note 25)	—	—	—	(920,414)	—	(920,414)	—	(920,414)
Purchase of vested Equity Awards (Note 8)	—	—	—	(81,624)	—	(81,624)	—	(81,624)
Incorporation of the Company and consummation of the Restructuring	84	1,514,310	—	(1,514,394)	—	—	—	—
Purchase of non-controlling interest	—	—	—	—	—	—	(102)	(102)
<b>Total transactions with owners recognized directly in equity</b>	84	1,514,310	—	(5,970,984)	—	(4,456,590)	(102)	(4,456,692)
<b>As of December 31, 2016</b>	<u>84</u>	<u>1,514,310</u>	<u>—</u>	<u>(3,275,866)</u>	<u>(3,776,727)</u>	<u>(5,538,199)</u>	<u>6,079</u>	<u>(5,532,120)</u>

## TONGCHENG-ELONG HOLDINGS LIMITED

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company					Sub-total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Treasury stock RMB'000	Other reserves RMB'000	Accumulated losses RMB'000			
<b>As of January 1, 2017(Unaudited)</b>	84	1,514,310	—	(3,275,866)	(3,776,727)	(5,538,199)	6,079	(5,532,120)
<b>Comprehensive income</b>								
Profit/(loss) for the year	—	—	—	—	195,575	195,575	(1,198)	194,377
<b>Other comprehensive loss</b>								
Changes in fair value of the preferred shares — attributable to its credit risk	—	—	—	(46,592)	—	(46,592)	—	(46,592)
<b>Total comprehensive income</b>	—	—	—	(46,592)	195,575	148,983	(1,198)	147,785
<b>Transactions with owners</b>								
Share-based compensations (Note 8)	—	—	—	56,783	—	56,783	—	56,783
Issuance of RSUs (Note 8)	15	—	(15)	—	—	—	—	—
Purchase of vested Equity Awards (Note 8)	—	—	—	(4,382)	—	(4,382)	—	(4,382)
<b>Total transactions with owners recognized directly in equity</b>	15	—	(15)	52,401	—	52,401	—	52,401
<b>As of December 31, 2017(Unaudited)</b>	<u>99</u>	<u>1,514,310</u>	<u>(15)</u>	<u>(3,270,057)</u>	<u>(3,581,152)</u>	<u>(5,336,815)</u>	<u>4,881</u>	<u>(5,331,934)</u>

## TONGCHENG-ELONG HOLDINGS LIMITED

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company						Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Treasury stock RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Sub-total RMB'000		
<b>As of January 1, 2018(Unaudited)</b>	99	1,514,310	(15)	(3,270,057)	(3,581,152)	(5,336,815)	4,881	(5,331,934)
<b>Comprehensive income</b>								
Profit for the year	—	—	—	—	529,957	529,957	4,582	534,539
<b>Other comprehensive income/(loss)</b>								
Credit risk for preferred share	—	—	—	932	—	932	—	932
Reclassification of the accumulated fair value change of the Preferred Shares attributable to changes in credit risk to accumulated losses upon conversion (Note 25)	—	—	—	8,879	(8,879)	—	—	—
Currency translation differences	—	—	—	(15,917)	—	(15,917)	—	(15,917)
<b>Total comprehensive income</b>	—	—	—	(6,106)	521,078	514,972	4,582	519,554
<b>Transactions with owners</b>								
Share-based compensations (Note 8)	—	—	—	572,191	—	572,191	—	572,191
Issuance of ordinary shares in connection with the Acquisition (Note 29(b))	307	8,689,960	—	—	—	8,690,267	—	8,690,267
Issuance of ordinary shares to Tencent (Note 29(c))	11	303,176	—	—	—	303,187	—	303,187
Purchase of non-controlling interest (Note 32)	—	—	—	(18,123)	—	(18,123)	(18,105)	(36,228)
Conversion of the preferred shares to ordinary shares (Note 25)	192	5,438,789	—	—	—	5,438,981	—	5,438,981
Capitalization issue (Note 29)	5,973	(5,973)	—	—	—	—	—	—
Issuance of ordinary shares in connection with the Listing (Note 29)	574	1,436,609	—	—	—	1,437,183	—	1,437,183
Share issuance costs (Note 29)	—	(65,651)	—	—	—	(65,651)	—	(65,651)
Contributions from minority shareholders	—	—	—	—	—	—	1,000	1,000
Purchase of vested Equity Awards	—	—	—	(739)	—	(739)	—	(739)
<b>Total transactions with owners recognized directly in equity</b>	7,057	15,796,910	—	553,329	—	16,357,296	(17,105)	16,340,191
<b>As of December 31, 2018(Unaudited)</b>	7,156	17,311,220	(15)	(2,722,834)	(3,060,074)	11,535,453	(7,642)	11,527,811

## TONGCHENG-ELONG HOLDINGS LIMITED

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended December 31,		
		2016 RMB'000	2017 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
<b>Cash flows from operating activities</b>				
Cash generated from operations	34	(413,844)	715,021	2,506,100
Interest received		6,700	4,310	14,895
Income tax (paid)/refund		(3,017)	563	(160,042)
<b>Net cash flows generated from (used in) operating activities</b>		<b>(410,161)</b>	<b>719,894</b>	<b>2,360,953</b>
<b>Cash flows from investing activities</b>				
Payments for investments accounted for using the equity method		—	—	(9,792)
Payments for investments measured at fair value through profit or loss		—	—	(22,708)
Purchases of property, plant and equipment		—	(392,134)	(337,491)
Purchases of intangible assets		(56,530)	—	(40)
Proceeds from disposal of property, plant and equipment and intangible assets	34(a)	108	62	7,485
Disposal of subsidiaries, net of cash disposed		—	—	(7,693)
Payment for purchase of non-controlling interests		—	—	(20,688)
Proceeds from disposal of long-term investments measured at fair value through profit or loss		—	20,000	—
Decrease/(Increase) in restricted cash		(7,126)	(16,935)	40,678
Payments for purchases of short-term investments		(475,075)	(1,673,388)	(10,204,640)
Proceeds from redemption of short-term investments		656,023	1,520,440	8,213,211
Cash acquired from business combination	33	—	—	941,181
<b>Net cash flows generated from (used in) investing activities</b>		<b>117,400</b>	<b>(541,955)</b>	<b>(1,400,497)</b>
<b>Cash from financing activities</b>				
Proceeds from issuance of ordinary shares to Tencent	29(c)	—	—	190,088
Purchase of vested eLong Equity Awards		(81,624)	(4,382)	(739)
Proceeds from bank borrowings		—	196,920	—
Repayments of bank borrowings		—	(6,663)	(30,038)
Proceeds from minority shareholder		—	—	2,300
Proceeds from issuance of ordinary shares in connection with the Listing	29	—	—	1,437,183
Interest income on the Listing subscription deposits		—	—	21
Exercise of stock options		1,719	—	—
Payment of share issuance cost in connection with the Listing		—	—	(117,954)
<b>Net cash flows generated from (used in) financing activities</b>		<b>(79,905)</b>	<b>185,875</b>	<b>1,480,861</b>
<b>Net increase in cash and cash equivalents</b>				
Cash and cash equivalents at beginning of the year	23	710,403	339,299	701,748
Effect of exchange rate changes on cash and cash equivalents		1,562	(1,365)	818
<b>Cash and cash equivalents at end of the year</b>	23	<b>339,299</b>	<b>701,748</b>	<b>3,143,883</b>



**TONGCHENG-ELONG HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**1. General information, history of the Group, material acquisitions and basis of presentation**

**1.1 General information**

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 online advertising services (the “Listing Business”) in the People’s Republic of China (the “PRC”).

The Financial Information is presented in Renminbi (“RMB”), unless otherwise stated.

**1.2 History of the Group, material acquisitions and group structure**

***History of the Group***

eLong Inc. (“eLong”) and its subsidiaries (collectively, the “eLong Group”) was the group of companies operating the Listing Business since its incorporation. Prior to May 31, 2016, the ordinary shares of eLong were listed and traded on NASDAQ Global Select Market (“NASDAQ”) in the form of American Depositary Shares (“ADS”). eLong had a dual-class share structure with each ordinary share entitled to one vote and each high-vote ordinary share entitled to fifteen votes.

eLong used to be controlled by Expedia, Inc. (“Expedia”) with the majority ownership and voting rights of eLong held by Expedia. Another major shareholder of eLong at the time was TCH Sapphire Limited, a company wholly owned by Tencent Holdings Limited (“Tencent”). On May 22, 2015, Expedia sold all of its equity interest in eLong to several investors, including C-Travel International Limited, a wholly owned subsidiary of Ctrip.com International Ltd. (“Ctrip”), Keystone Lodging Holdings Limited (“Keystone”), Plateno Group Limited (“Plateno”), and Luxuriant Holdings Limited (“Luxuriant”) (the “Expedia Transaction”). In connection with the Expedia Transaction, the board of directors and certain management of eLong were changed. After the Expedia Transaction, eLong no longer has any controlling shareholder and its substantial shareholders include Ctrip and Tencent. On August 17, 2015, Keystone and Plateno transferred their respective shareholding in eLong to Ocean Imagination L.P. (“Ocean Imagination”).

On May 31, 2016, eLong consummated a restructuring pursuant to which eLong was acquired by the Company, with all of the then existing ordinary shares of eLong being exchanged with an equivalent number of ordinary shares or convertible and redeemable preferred shares (the “Preferred Shares”) of the Company (the “Restructuring”). In conjunction with the Restructuring, Tencent, Ocean Imagination and certain management members (collectively the “Buyers”) purchased all the ordinary shares of eLong that were not owned by Ctrip, Luxuriant and the Buyers. These ordinary shares purchased by the Buyers were exchanged to the same number of the Preferred Shares of the Company. Thereafter, the ADSs of eLong ceased to be listed on NASDAQ and eLong became a wholly owned subsidiary of the Company.

On March 27, 2018, the Company changed its name to Tongcheng-Elong Holdings Limited.

**TONGCHENG-ELONG HOLDINGS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****1. General information, history of the Group, material acquisitions and basis of presentation (Continued)****1.2 History of the Group, material acquisitions and group structure (Continued)*****Material acquisitions***

On December 28, 2017, the Company entered into an agreement with Tongcheng Network Technology Limited (“Tongcheng Network”) and its shareholders whereby the Company acquired Tongcheng Network’s Online Travel Agency Business (“Tongcheng Online Business”) by entering into a series of contractual arrangements with Tongcheng Network and its then shareholders, and the consideration was satisfied by issuing the Company’s 96,721,818 ordinary shares to the then shareholders of Tongcheng Network (the “Acquisition”). In conjunction with the Acquisition, Tencent, through one of its wholly owned subsidiaries, subscribed additional ordinary shares of the Company at a cash consideration of approximately US\$30 million (Note 29(c)). The Acquisition was completed on March 9, 2018 and thereafter, Tongcheng Network became a company controlled by the Company under the contractual arrangements as further described below. The Acquisition was accounted for using the purchase method of accounting when it was consummated, thus the consolidated financial statements of the Group has consolidated the financial information of Tongcheng Online Business from the date of the Acquisition, March 9, 2018 (Note 33).

**1.3 Basis of presentation**

Immediately prior to and after the Expedia Transaction and the Restructuring, the Listing Business was carried out by eLong Group. The Expedia Transaction, which was the transaction between shareholders of eLong, did not change the business substance of the Listing Business. Pursuant to the Restructuring, the Listing Business were effectively controlled by the Company through its acquisition of the entire equity interest in eLong. The Company had not been involved in any business prior to the Restructuring and its operations did not meet the definition of a business. Therefore, the Restructuring was merely a recapitalization of the Listing Business and did not change the business substance, management or controlling shareholders of the Listing Business. Accordingly, the Group resulting from the Expedia Transaction and the Restructuring is regarded as a continuation of the Listing Business conducted by eLong Group. For the purpose of this report, the consolidated financial statements of the Group has been prepared and presented using the carrying amounts of the Listing Business as recorded in the consolidated financial statements of eLong throughout the years presented.

For companies acquired from or disposed of to a third party, including those involved in the Acquisition, their financial information is included in or excluded from the consolidated financial statements of the Group from the respective dates of the acquisitions or disposals.

Inter-company transactions, balances and unrealized gains/losses on transactions between group companies are eliminated on consolidation.

**2 Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

## TONGCHENG-ELONG HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2. Summary of significant accounting policies (Continued)

## 2.1 Basis of preparation

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”). In preparing the consolidated financial statements, the Group has early adopted IFRS 9 Financial Instruments (“IFRS 9”) and IFRS 15 Revenue from Contracts with Customers (“IFRS 15”), which were effective for financial years commencing on or after January 1, 2018, and applied consistently throughout the years presented.

Except for IFRS 9 and IFRS 15 which have been early adopted by the Group, all other effective standards, amendments to standards and interpretations, which are mandatory for the financial year beginning on January 1, 2018, are applied to the Group from the year ended December 31, 2018. The Company assess the net impact on the financial performance of the Group is limited.

The consolidated financial statements has been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including redeemable convertible preferred shares) which are carried at fair value.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3 below.

## (a) New standards and interpretations not yet adopted

The following new standards, amendments and interpretations to existing standards, which are relevant to the Group have been issued and are effective for further reporting periods and have not been early adopted by the Group.

		<u>Effective for annual periods beginning on or after</u>
Amendments to IAS 19 (Note (i))	Plan Amendment, Curtailment or Settlement	January 1, 2019
Amendments to IFRS 9 (Note (i))	Prepayment features with negative compensation	January 1, 2019
IFRIC 23 (Note (i))	Uncertainty over income tax treatments	January 1, 2019
IFRS 16 (Note (ii))	Leases	January 1, 2019
Annual improvement 2015-2017 cycle relating to IFRS 3, IFRS 11, IAS 12 and IAS 23 (Note (i))	Business combination, Joint arrangements, Income taxes and Borrowing costs	January 1, 2019
Amendments to IAS 28 (Note (i))	Long-term interest in associate or joint ventures	January 1, 2019
IFRS 10 and IAS 28 (Amendments) (Note (i))	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

TONGCHENG-ELONG HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**2. Summary of significant accounting policies (Continued)**

**2.1 Basis of preparation (Continued)**

(a) New standards and interpretations not yet adopted (Continued)

Note:

- (i) The Group has already commenced an assessment of the impact of these new or revised standards, and amendments. According to the preliminary assessment made by the directors (“Directors”), no significant impact on the financial performance and positions of the Group is expected when they become effective.
- (ii) IFRS 16, “Leases”, address the definition of a lease, recognition and measurement of leased and established principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that almost all operating leases will be accounted for in the Consolidated Statement of Financial Position for lessees. The accounting for lessors will not significantly change.

The Group is a lessee of certain office spaces which are currently classified as operating leases. The Group’s current accounting policy for such leases, as set out in Note 2.24, is to record the rental expenses in profit or loss when such expenses were incurred, with the related operating lease commitments being separately disclosed (Note 37). IFRS 16 provides new provisions for the accounting treatment of leases which no longer allows lessees to recognize the leases outside of the Consolidated Statement of Financial Position. Instead, all non-current leases should be recognized in the form of assets (for the right of use) and financial liabilities (for the payment obligations) in the Consolidated Statement of Financial Position. Short-term leases of less than twelve months and leases of low-value assets are exempt from such reporting obligation. The new standard will therefore result in a derecognition of prepaid operating leases, increase in right-of-use assets and increase in lease liabilities in the Consolidated Statement of Financial Position. In the Consolidated Statement of Comprehensive Income, as a result, the annual rental and amortization expenses of prepaid operating lease under otherwise identical circumstances will decrease, while depreciation of right-of-use of assets and interest expense arising from the lease liabilities will increase. The new standard will impact the Consolidated Statement of Financial Position in terms of total assets and liabilities.

As at December 31, 2018, the Group has non-cancellable operating lease commitments of RMB45 million (Note 37). Of these commitments, approximately RMB32 million relate to short-term leases which will be recognised on a straight-line basis as expense in profit or loss.

The Company anticipates that the application of IFRS 16 in 2019 will result in an increase in financial assets and financial liabilities, however which is likely to have insignificant impact on the financial position and financial performance of the Group.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group’s financial performance and position.

## TONGCHENG-ELONG HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**2. Summary of significant accounting policies (Continued)****2.2 Subsidiaries****(a) Consolidation**

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

**(i) Subsidiaries controlled through contractual arrangements**

The prevailing PRC rules and regulations restrict foreign ownership of companies that provide internet content, call center services, travel agency and transportation ticketing services, which represent the core activities of and services provided by the Group. As a result of such restrictions, the Company does not have equity interests in certain of its PRC operating entities. However, pursuant to a series of contractual arrangements of the Group with each of Beijing E-dragon Information Technology Limited (北京亿龙信息技术有限公司) ("Beijing E-dragon"), Suzhou Chengyi International Technology Limited (苏州诚义国际技术有限公司) ("Suzhou Chengyi"), Tongcheng Network and their respective equity holders ("Beijing E-dragon Contractual Arrangement", "Suzhou Chengyi Contractual Arrangement", "Tongcheng Network Contractual Arrangement", and collectively, the "Contractual Arrangements"), which enable the Company to:

- govern the financial and operating policies of Beijing E-dragon, Tongcheng Network and Suzhou Chengyi;
- exercise equity holders' voting rights of Beijing E-dragon, Tongcheng Network and Suzhou Chengyi;
- receive substantially all of the economic interest returns generated by Beijing E-dragon, Tongcheng Network and Suzhou Chengyi, in consideration for the technical services and software license provided by wholly-owned subsidiaries of the Company;
- have the irrevocable and exclusive right, at any time when applicable PRC law permits foreign invested companies to operate an internet content provision business, to purchase from the equity holders of Beijing E-dragon, Tongcheng Network and Suzhou Chengyi for their respective equity interests in Beijing E-dragon, Tongcheng Network and Suzhou Chengyi. The exercise price of the option is equal to the actual paid-in registered capital (or pro rata portion thereof, as appropriate) unless otherwise specified under PRC law on the date of exercise. If the transfer price of the equity interest is greater than the loan amount, the shareholders are required to immediately return the proceeds from the transfer price in excess of the loan amount to the Company; and
- obtain a pledge over the entire ownership interests of Beijing E-dragon, Tongcheng Network and Suzhou Chengyi from their respective equity holders to secure the payment obligations of Beijing E-dragon, Tongcheng Network and Suzhou Chengyi under the Contractual Arrangements.

**TONGCHENG-ELONG HOLDINGS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****2. Summary of significant accounting policies (Continued)****2.2 Subsidiaries (Continued)****(a) Consolidation (Continued)****(i) Subsidiaries controlled through contractual arrangements (Continued)**

As a result of the Contractual Arrangements, the Company has rights to exercise power over Beijing E-dragon, Tongcheng Network and Suzhou Chengyi and their respective subsidiaries, receive variable returns from its involvement with Beijing E-dragon, Tongcheng Network and Suzhou Chengyi and their respective subsidiaries, and has the ability to affect those returns through its power over Beijing E-dragon, Tongcheng Network and Suzhou Chengyi and their respective subsidiaries. Therefore, the Company is considered to have the power to control Beijing E-dragon, Tongcheng Network and Suzhou Chengyi and their respective subsidiaries. Consequently, the Company regards Beijing E-dragon, Tongcheng Network and Suzhou Chengyi and their respective subsidiaries as structured entities and consolidates the financial positions and results of operations of these entities in the consolidated financial statements of the Group.

Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over Beijing E-dragon, Tongcheng Network and Suzhou Chengyi and their respective subsidiaries and such uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of Beijing E-dragon, Tongcheng Network and Suzhou Chengyi and their respective subsidiaries. The Directors, based on the advice of its legal counsel, consider that the Contractual Arrangements are in compliance with the relevant PRC laws and regulations and are legally binding and enforceable.

**(ii) Business combination**

The Group applies the acquisition method to account for business combinations except for business combination under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is a financial asset or liability is recognized in accordance with IFRS 9 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

TONGCHENG-ELONG HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of significant accounting policies (Continued)

2.2 Subsidiaries (Continued)

(a) Consolidation (Continued)

(ii) *Business combination (Continued)*

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the statement of profit or loss.

(iii) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions - that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iv) *Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

(b) Separate financial statements

Investments in subsidiaries (including structured entities) are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividends from these investments if the dividends exceeds the total comprehensive income of the subsidiary in the period the dividends declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

TONGCHENG-ELONG HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**2. Summary of significant accounting policies (Continued)**

**2.3 Associates**

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

(a) Investments in associates in the form of ordinary shares

Investments in associates in the form of ordinary shares are accounted for using the equity method of accounting in accordance with IAS 28. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in these associates include goodwill identified on acquisition, net of any accumulated impairment loss. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate in the form of ordinary shares is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income or loss is reclassified to consolidated statement of comprehensive income or loss where appropriate.

The Group's share of the associates' post-acquisition profit or loss is recognized in the consolidated statement of comprehensive income or loss, and its share of post-acquisition movements in other comprehensive income or loss is recognized in other comprehensive income or loss. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investments in the associate are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to "share of profit of investments accounted for using equity method" in the consolidated statement of comprehensive income or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognized in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognized in the consolidated statement of comprehensive income or loss.



TONGCHENG-ELONG HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**2. Summary of significant accounting policies (Continued)**

**2.3 Associates (Continued)**

(b) Investments in associates in the form of redeemable convertible preferred shares

Investments in associates in the form of redeemable convertible preferred shares or ordinary shares with preferential rights shares are accounted as financial assets measured at fair value through profit or loss.

**2.4 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (“CODM”). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer, vice presidents and Directors of the Company that makes strategic decisions.

**2.5 Foreign currency translation**

(a) Functional and presentation currency

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The Company’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since November 26, 2018 and the Company receives Listing proceeds and settles various kinds of expenses in either Hong Kong Dollars (“HKD”) or United States Dollars (“USD”), thus the Company determined to change its functional currency from RMB to USD from December 1, 2018. The Company’s primary subsidiaries were incorporated in the PRC and these subsidiaries considered RMB as their functional currency. As the major operations of the Group are within the PRC, the Group determined to present its consolidated financial statements in RMB (unless otherwise stated).

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss.

Translation differences on non-monetary financial assets and liabilities such as instruments held at fair value through profit or loss are recognized in profit or loss as part of the fair value changes.

**TONGCHENG-ELONG HOLDINGS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****2. Summary of significant accounting policies (Continued)****2.5 Foreign currency translation (Continued)****(c) Group companies**

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting currency translation differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognized in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognized in other comprehensive income.

**2.6 Property, plant and equipment**

All property, plant and equipment is stated at historical costs less accumulated depreciation and accumulated impairment charge. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated statement of comprehensive income or loss during the financial period in which they are incurred. Depreciation is calculated on the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Building	20 to 50 years
Software	3 to 10 years
IT equipment	2 to 5 years
Leasehold improvements	Estimated useful lives or remaining lease terms, whichever is shorter
Furniture, fixtures and motor vehicle	4 to 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

**TONGCHENG-ELONG HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**2. Summary of significant accounting policies (Continued)**

**2.6 Property, plant and equipment (Continued)**

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized in "Other gains/(losses), net" in the consolidated statement of comprehensive income or loss.

Construction in progress represents office building and leasehold improvements under construction. Construction in progress is stated at cost less accumulated impairment losses, if any.

Cost includes the costs of construction and acquisition, and capitalized costs attributable to the construction during the period of construction. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are available for use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as set out above.

**2.7 Land use rights**

Land use rights represent upfront payments made for the land use rights and are expensed in the statements of comprehensive income on a straight-line basis over the periods of the leases.

**2.8 Intangible assets**

**(a) Goodwill**

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interests in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

**(b) Intangible assets other than goodwill with indefinite useful life**

Intangible assets other than goodwill that have indefinite useful life primarily include trade name acquired in business combination are recognised at fair values at the date of the acquisition. The Company evaluates indefinite-lived intangible assets each reporting period to determine whether events and circumstances continue to support an indefinite useful life. If an intangible asset that is not being amortized is subsequently determined to have a finite useful life, the asset is tested for impairment.

## TONGCHENG-ELONG HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**2. Summary of significant accounting policies (Continued)****2.8 Intangible assets (Continued)**

## (c) Other intangible assets with definite useful life

Other intangible assets with definite useful life mainly including trade names, business relationship, technology platform and business cooperation arrangements, are stated at cost less accumulated amortization and impairment losses, if any. Amortization is calculated using the straight-line method to allocate the costs of acquired intangible assets over the following estimated useful lives:

Trade names	5 years
Business relationship	12 years
Technology platform	6 years
Business cooperation arrangements	3-5 years
Customer lists	5 years
Internet domain names	5 years

## (d) Research and development expenditures

Research expenditure is recognized as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are capitalized as intangible assets when recognition criteria are fulfilled. These criteria include: (1) it is technically feasible to complete the software product so that it will be available for use; (2) management intends to complete the software product and use or sell it; (3) there is an ability to use or sell the software product; (4) it can be demonstrated how the software product will generate probable future economic benefits; (5) adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and (6) the expenditure attributable to the software product during its development can be reliably measured. Other development expenditures that do not meet those criteria are recognized as expenses as incurred.

Development costs previously recognized as expenses are not recognized as assets in subsequent periods. Capitalized development costs are amortized from the point at which the assets are ready for use on a straight-line basis over their useful lives.

All development costs incurred by the Group during the years ended December 31, 2016, 2017 and 2018 do not meet the capitalization criteria and hence are fully expensed off.

**2.9 Impairment of non-financial assets other than goodwill**

Intangible assets other than goodwill that have an indefinite useful life or intangible assets not ready to use are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

TONGCHENG-ELONG HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of significant accounting policies (Continued)

2.10 Financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

See Note 16 for details about each type of financial asset.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

*Debt instruments*

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

TONGCHENG-ELONG HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of significant accounting policies (Continued)

2.10 Financial assets (Continued)

(b) Measurement (Continued)

*Debt instruments (Continued)*

- Fair value through other comprehensive income (FVOCI): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income ("OCI"), except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses), net. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses and impairment expenses are presented in other gains/(losses), net.
- Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in profit or loss within other gains/(losses), net in the period in which it arises.

*Equity instruments*

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in other gain/ (losses) in profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(c) Impairment

The Group has types of financial assets subject to IFRS 9's new expected credit loss model:

- trade receivables for sales of goods or provision of services; and
- other receivables

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at a amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 4.1(b) details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables. The Group uses practical expedients when estimating life time expected credit losses on trade receivables, which is calculated using a provision matrix where a fixed provision rate applies depending on the number of days that a trade receivable is outstanding.

**TONGCHENG-ELONG HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**2. Summary of significant accounting policies (Continued)**

**2.10 Financial assets (Continued)**

(c) Impairment (Continued)

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit loss.

**2.11 Trade and other receivables**

Trade receivables are amounts due from customers for services performed in the ordinary course of business.

Trade and other receivables are generally due for settlement within one year and therefore are all classified as current.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

**2.12 Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

**2.13 Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or share options are shown in equity as a deduction from the proceeds.

**2.14 Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

**2.15 Borrowings**

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of comprehensive income or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

TONGCHENG-ELONG HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of significant accounting policies (Continued)

2.16 Redeemable convertible preferred shares

Redeemable convertible preferred shares issued by the Company are redeemable upon occurrence of certain future events and at the option of the holders. This instrument can be converted into ordinary shares of the Company at any time at the option of the holders or automatically converted into ordinary shares upon occurrence of an initial public offering of the Company or agreed by majority of the holders as detailed in Note 25.

The Group designated the redeemable convertible preferred shares as financial liabilities at fair value through profit or loss. They are initially recognized at fair value. Any directly attributable transaction costs are recognized as finance costs in the consolidated statements of comprehensive income.

Subsequent to initial recognition, the redeemable convertible preferred shares are carried at fair value with changes in fair value recognized in the consolidated statements of comprehensive income in the year in which they arise.

Redeemable convertible preferred shares are classified as non-current liabilities when the Group has unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.17 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated statement of comprehensive income or loss, except to the extent that it relates to items recognized in other comprehensive income or loss or directly in equity. In this case, the tax is also recognized in other comprehensive income or loss or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of each reporting period in the countries/territories where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

*Inside basis differences*

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of each reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.



TONGCHENG-ELONG HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of significant accounting policies (Continued)

2.17 Current and deferred income tax (Continued)

(b) Deferred income tax (Continued)

*Outside basis differences*

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognized.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries and associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.18 Employee benefits

(a) Defined contribution plans

The Group contributes on a monthly basis to various defined contribution plans organized by the relevant governmental authorities. The Group's liability in respect of these plans is limited to the contributions payable in each period. Contributions to these plans are expensed as incurred. Assets of the plans are held and managed by government authorities.

(b) Bonus plan

The expected cost of bonuses is recognized as a liability when the Group has a present legal or constructive obligation for payment of bonus as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus plans are expected to be settled within 1 year and are measured at the amounts expected to be paid when they are settled.

(c) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick and maternity leave are not recognized until the time of leave.

TONGCHENG-ELONG HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of significant accounting policies (Continued)

2.18 Employee benefits (Continued)

(d) Share-based compensation

*Equity-settled share-based payment transactions*

The Group operates share incentive plan, under which it receives services from employees as consideration for equity instruments (restricted shares units (“RSUs”) and options) of the Company. The fair value of the services received in exchange for the grant of the equity instruments (RSUs and options) is recognized as an expense in the consolidated statements of comprehensive income with a corresponding increase in equity.

In terms of the shares, RSUs and options awarded to employees, the total amount to be expensed is determined by reference to the fair value of equity instruments (RSUs and options) granted:

- Including any market performance conditions;
- Excluding the impact of any service and non-market performance vesting conditions; and
- Including the impact of any non-vesting conditions.

Non-marketing performance and service conditions are included in calculation of the number of RSUs and options that are expected to vest. The total amount expensed is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

The Company grants its equity instruments to employees of its subsidiaries to exchange for their services related to the subsidiaries. Accordingly, the share-based compensation expenses, which are recognised in the financial statements, are treated as part of the “Investments in subsidiaries” in the Company’s statement of financial position.

At the end of each reporting period, the Group revises its estimates of the number of RSUs and options that are expected to vest based on the non-marketing performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the consolidated income statements, with a corresponding adjustment to equity.

When the share options are exercised, the Company issues new ordinary shares. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium. Where there is any modification of terms and conditions which increases the fair value of the equity instruments granted, the Group includes the incremental fair value granted in the measurement of the amount recognized for the services received over the remainder of the vesting period. The incremental fair value is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as of the date of the modification. An expense based on the incremental fair value is recognized over the period from the modification date to the date when the modified equity instruments vest in addition to any amount in respect of the original instrument, which should continue to be recognized over the remainder of the original vesting period.

*Cash-settled share-based payment transactions*

Share-based compensation awards which are settled in cash upon vesting are classified as liabilities in the consolidated balance sheets. Compensation expense is determined based on the current share price at the balance sheet dates, and the proportionate amount of the requisite service that has been rendered to such date. Changes in the fair value of the liability-classified awards, after the requisite service period has been completed and before the awards are vested, are recognized as compensation expenses in the period in which the change in fair value occurs.

TONGCHENG-ELONG HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of significant accounting policies (Continued)

2.19 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for further operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.20 Revenue recognition

The Group offers a variety of travel related services, including accommodation reservation service, transportation ticketing service and, to a much lesser extent, online advertising service.

Revenues are recognized when or as the control of the goods or services is transferred to the customer. Depending the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time.

If contracts involve the sale of multiple services, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

(a) Principal agent consideration

The Group determines the presentation of its revenue by assessing whether it acts as the principal of the services that are rendered. The Group presents its revenues on a net basis (that is, the amount billed to the users less the amount paid to the travel service suppliers) when the Group acts as an agent with no control over the underlying services and does not assume inventory risk. The Group presents its revenue on a gross basis (that is, the amount billed to the users) when the Group assumes inventory risk and acts as a principal by pre-purchasing the travel related products from the travel service suppliers. The purchase payments to the travel suppliers are recorded as “cost of revenue” in the consolidated statements of comprehensive income/(loss).

The Group presents majority of its revenue on net basis as the supplier is primarily responsible for providing the underlying travel services and the Group does not control the service provided by the supplier prior to its transfer to the user.

TONGCHENG-ELONG HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of significant accounting policies (Continued)

2.20 Revenue recognition (Continued)

(b) Timing of revenue recognition

*Accommodation reservation services*

The Group generates revenue as a result of the booking of travel products and services on its websites and mobile apps and derives its revenue mainly from the commissions earned from intermediating services for facilitating reservations of hotel accommodations. Commissions from accommodation reservation services are recognized at a point in time when the accommodation reservations placed by users through the Group become non-cancellable.

*Transportation ticketing services*

Transportation ticketing services primarily consist of the reservation of air tickets and train tickets, sale of travel insurance and other transportation-related services. The commissions from such services are recognized at a point in time upon the issuance of the tickets or the travel insurance, net of estimated cancellations.

*Other Services*

Other revenues are primarily derived from technical development service and advertising business. The revenues are recognized over the service period.

(c) Contract asset and contract liability

When either party to a contract has performed, the Group presents the contract in the statement of financial position as a contract asset or a contract liability, depending on the relationship between the Group's performance and the customer's payment. A contract asset is the Group's right to consideration in exchange for services that the Group has transferred to its customer. A contract liability is the Group's obligation to transfer services to its customer for which the Group has received consideration from the customer. Incremental costs incurred to obtain a contract, if recoverable, are capitalized and presented as contract assets and subsequently amortized when the related revenue is recognized. The Group applies the practical expedient and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

(d) Users incentive programs

The Company provides various users incentive programs, where participating users are awarded incentives on current transactions or for free that can be redeemed for future reservations through the Company's platforms. The estimated fair value of the incentives awarded on current transactions that are expected to be redeemed is recognized as a reduction of revenues at the time the incentives are granted. Incentives awarded for free to participating users are not considered as payment to customer but recorded as selling and marketing expenses instead.

2.21 Service development expense

Service development expenses represents the expenses incurred to develop and diversify the travel products and services the Company's sources from its travel service providers as well as the expenses in relation to the research and development of service providers assist system and the Company's online platforms.

**TONGCHENG-ELONG HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**2. Summary of significant accounting policies (Continued)**

**2.22 Interest income**

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance). Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in “Other gains/(losses), net”.

**2.23 Government grants/subsidies**

Grants/subsidies from government are recognized at their fair value where there is a reasonable assurance that the grants/subsidies will be received and the Group will comply with all attached conditions.

Under these circumstances, the grants/subsidies are recognized as income or matched with the associated costs which the grants/subsidies are intended to compensate.

**2.24 Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income or loss on a straight-line basis over the period of the lease.

**2.25 Dividends distribution**

Dividends distribution to the Company’s shareholders is recognized as a liability in the Group’s and the Company’s financial information in the period in which the dividends are approved by the Company’s shareholders or Directors, where appropriate.

**3. Critical accounting estimates and judgements**

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Management of the Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Apart from the PRC operating entities under the Group’s control through the Contractual Arrangements being accounted for as subsidiaries as described in Note 2.2(a) above, the estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

**(a) Impairment of non-financial assets**

The Group tests annually whether goodwill has suffered any impairment. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgments and estimates.

**TONGCHENG-ELONG HOLDINGS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****3. Critical accounting estimates and judgements (Continued)****(a) Impairment of non-financial assets (Continued)**

Judgment is required to determine key assumptions adopted in the valuation models for impairment review purpose. Changing the assumptions selected by management in assessing impairment could materially affect the result of the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the key assumptions applied, it may be necessary to take additional impairment charge to the consolidated statement of comprehensive income or loss.

**(b) Valuation of redeemable convertible preferred shares**

The preferred shares issued by the Company are not traded in an active market and the respective fair value is determined by using valuation techniques. The Group has used the discounted cash flow method to determine the underlying equity value of the Company and adopted equity allocation model to determine the fair value of the preferred shares. Key assumptions, such as discount rate, risk-free interest rate, lack of marketability discount and volatility are disclosed in Note 25.

**(c) Business combinations**

Business combinations are accounted for under acquisition method. On March 9, 2018, the Group consummated the acquisition of Tongcheng Online Business by issuing 96,721,818 ordinary shares (the "Newly Issued Shares") of the Company as the consideration. The determination of fair values to the Newly Issued Shares and the identifiable assets acquired and liabilities assumed is based on various assumptions and valuation methodologies requiring considerable management judgment. The most significant variables in these valuations are royalty rate for brand name, supplier turnover rate, revenue growth rate, gross margin rate, discount rates, terminal values, the number of years on which to base the cash flow projections, as well as the assumptions and estimates used based on the risk inherent in the related activity's current business model and industry comparisons. Terminal values are based on the expected life of assets and forecasted life cycle and forecasted cash flows over that period. Although the Group believes that the assumptions applied in the determination are reasonable based on information available at the date of acquisition, actual results may differ from the forecasted amounts and the difference could be material.

**(d) Useful lives and amortization charges of intangible assets**

The Group's management determines the estimated useful lives and related amortization charges for the Group's intangible assets with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Management will revise the amortization charges where useful lives are different to that of previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in useful lives and therefore amortization expense in future periods.

**(e) Current and deferred income taxes**

The Group is subject to income taxes in the PRC and other jurisdictions. Judgment is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognized when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilized. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

**TONGCHENG-ELONG HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**3. Critical accounting estimates and judgements (Continued)**

(f) Fair value of financial assets

Fair value of financial assets, in the absence of an active market, is estimated by using appropriate valuation techniques. Such valuation were based on certain assumptions about credit risk, volatility and liquidity risks associated with the instruments, which are subject to uncertainty and might materially differ from the actual results. Further details are included in Note 4.3.

**4. Financial risk management**

**4.1 Financial risk factors**

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the Group entities' functional currency. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures. The Group does not hedge against any fluctuation in foreign currency during the years ended December 31, 2016, 2017 and 2018.

The Group operates mainly in the PRC with most of the transactions settled in RMB, management considers that the business is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities of the Group are denominated in the currencies other than the respective functional currencies of the Group's entities.

(ii) Interest rate risk

The Group's interest rate risk primarily arose from borrowings with floating rates (Note 24), time deposits and cash and cash equivalents. Those carried at floating rates expose the Group to cash flow interest rate risk whereas those carried at fixed rates expose the Group to fair value interest rate risk.

If the interest rate of borrowings with floating rate had been 10 percent higher/lower, the profit before income tax for the year ended December 31, 2018 would have been approximately RMB981,000 (2017: RMB264,000) lower/higher .

If the interest rate of time deposits had been 10 percent higher/lower, the profit before income tax for the year ended December 31, 2018 would have been approximately RMB2,576,000 higher/lower.

If the interest rate of cash and cash equivalents had been 10 percent higher/lower, the profit before income tax the year ended December 31, 2018 would have been approximately RMB6,408,000 (2017: RMB745,000) higher/lower.

**TONGCHENG-ELONG HOLDINGS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****4. Financial risk management (Continued)****4.1 Financial risk factors (Continued)****(b) Credit risk**

The Group is exposed to credit risk in relation to its cash and bank deposits, trade and other receivables and short-term investments measured at fair value through profit or loss.

The carrying amounts of each class of the above financial assets represent the Group's maximum exposure to credit risk in relation to financial assets. To manage this risk arising from cash and bank deposits and wealth management products issued by commercial banks, The Group only transacts with reputable commercial banks which are all high-credit-quality financial institutions in the PRC. There has been no recent history of default in relation to these financial institutions.

Trade receivables as of December 31, 2016, 2017 and 2018 are mainly due from the third-party customers including hotels, insurance companies or related agents, etc. in cooperation with the Group and other receivables mainly include deposits, guarantees and others ("Receivables"). The Group considers the probability of default upon initial recognition of Receivables and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the Receivables as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating;
- external credit rating (as far as available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtors' ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtors; significant increases in credit risk on other financial instruments of the same debtors;
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements;
- significant changes in the expected performance and behavior of the debtors, including changes in the payment status of debtors, etc.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

A default on Receivables are when the counterparty fails to make contractual payments within 180 days of when they fall due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group categorises a receivable for write off when a debtor fails to make contractual payments greater than 360 days past due. Where receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The Group makes periodic assessment on the credit risk of the Receivables based on the history of cooperation with customers, settlement records and past experience and other information, macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model, the Directors believe that the credit risk inherent in the Receivables is not material, the Directors believe that the credit risk inherent in the outstanding Receivables due from the debtors is not material. The assessment on the expected credit loss associated with trade receivables is performed by management, see Note 22(d) for detail.



## TONGCHENG-ELONG HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 4. Financial risk management (Continued)

## 4.1 Financial risk factors (Continued)

## (c) Price risk

The Group is exposed to price risk in respect of the long-term investments and short-term investments measured at fair value through profit or loss held by the Group. The Group is not exposed to commodity price risk. To manage its price risk arising from the investments, the Group diversifies its portfolio. Each investment is managed by senior management on a case by case basis. The sensitivity analysis is performed by management, see Note 4.3 for detail.

## (d) Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents and marketable securities. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining adequate cash and cash equivalents.

The table below analyzes the Group's financial liabilities into relevant maturity grouping based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
<b>At December 31, 2016</b>					
Trade payables	921,633	—	—	—	921,633
Other payables and accruals	123,624	—	—	—	123,624
	<u>1,045,257</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,045,257</u>
<b>At December 31, 2017 (Unaudited)</b>					
Borrowings	29,643	28,581	79,375	106,141	243,740
Trade payables	1,114,917	—	—	—	1,114,917
Other payables and accruals	120,610	—	—	—	120,610
	<u>1,265,170</u>	<u>28,581</u>	<u>79,375</u>	<u>106,141</u>	<u>1,479,267</u>
<b>At December 31, 2018 (Unaudited)</b>					
Borrowings	28,581	27,520	76,191	81,805	214,097
Trade payables	2,569,092	—	—	—	2,569,092
Other payables and accruals	706,598	—	—	—	706,598
	<u>3,304,271</u>	<u>27,520</u>	<u>76,191</u>	<u>81,805</u>	<u>3,489,787</u>

The key terms of redeemable convertible preferred shares are presented in Note 25.

## 4.2 Capital risk management

The Group's objectives when managing capital (including funding from the Group and related parties) are to safeguard the Group's ability to continue as a going concern in order to provide returns for the Group and benefits for other stakeholders and to maintain an optimal capital structure to enhance equity value in the long-term.

## TONGCHENG-ELONG HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 4. Financial risk management (Continued)

## 4.3 Fair value estimation

The table below analyzes the Group's financial instruments carried at fair value as of December 31, 2016, 2017 and 2018, by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2);
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value as of December 31, 2016.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>As of December 31, 2016</b>				
Assets				
- Long-term investments measured at fair value through profit or loss (Note 17)	—	—	45,685	45,685
- Short-term investments measured at fair value through profit or loss (Note 17)	—	—	71,041	71,041
	<u>—</u>	<u>—</u>	<u>116,726</u>	<u>116,726</u>
Liabilities				
- Redeemable convertible preferred shares (Note 25)	<u>—</u>	<u>—</u>	<u>6,398,631</u>	<u>6,398,631</u>

The following table presents the Group's assets and liabilities that are measured at fair value as of December 31, 2017.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>As of December 31, 2017 (Unaudited)</b>				
Assets				
- Long-term investments measured at fair value through profit or loss (Note 17)	—	—	25,239	25,239
- Short-term investments measured at fair value through profit or loss (Note 17)	—	—	236,107	236,107
	<u>—</u>	<u>—</u>	<u>261,346</u>	<u>261,346</u>
Liabilities				
- Redeemable convertible preferred shares (Note 25)	<u>—</u>	<u>—</u>	<u>6,347,647</u>	<u>6,347,647</u>

## TONGCHENG-ELONG HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 4. Financial risk management (Continued)

## 4.3 Fair value estimation (Continued)

The following table presents the Group's assets and liabilities that are measured at fair value as of December 31, 2018.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>As of December 31, 2018 (Unaudited)</b>				
Assets				
- Long-term investments measured at fair value through profit or loss (Note 17)	—	—	52,442	52,442
- Short-term investments measured at fair value through profit or loss (Note 17)	—	—	2,570,170	2,570,170
	<u>—</u>	<u>—</u>	<u>2,622,612</u>	<u>2,622,612</u>

## (a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

## (b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

## (c) Financial instruments in level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for financial instruments.

Level 3 instruments of the Group's assets and liabilities include long-term investment measured at fair value through profit or loss, short-term investments measured at fair value through profit or loss and redeemable convertible preferred shares.

The changes in level 3 instruments of the Preferred Shares for the years ended December 31, 2016, 2017 and 2018 are presented in the Note 25.

## TONGCHENG-ELONG HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 4. Financial risk management (Continued)

## 4.3 Fair value estimation (Continued)

## (c) Financial instruments in level 3 (Continued)

The following table presents the changes in level 3 instruments of long-term investments measured at fair value through profit or loss for the years ended December 31, 2016, 2017 and 2018.

	Year ended December 31,		
	2016 RMB'000	2017 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
At the beginning of the year	49,881	45,685	25,239
Addition	—	—	22,708
Disposal	—	(19,247)	—
Changes in fair value	(4,196)	(1,199)	4,495
At the end of the year	45,685	25,239	52,442

The following table presents the changes in level 3 instruments of short-term investments measured at fair value through profit or loss for the years ended December 31, 2016, 2017 and 2018.

	Year ended December 31,		
	2016 RMB'000	2017 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
At the beginning of the year	21,046	71,041	236,107
Addition	425,623	1,673,388	9,884,640
Business combination	—	—	537,000
Disposal	(382,064)	(1,520,439)	(8,161,654)
Changes in fair value	6,436	12,117	74,077
At the end of the year	71,041	236,107	2,570,170
Net unrealized gains for the year	165	2,062	21,567

The valuation of the level 3 instruments mainly included the Preferred Shares (Note 25), long-term investments measured at fair value through profit or loss in unlisted companies (Note 17) and short-term investments measured at fair value through profit or loss (Note 17). As these instruments are not traded in an active market, their fair values have been determined by using various applicable valuation techniques, including discounted cash flows and market approach etc. Major assumptions used in the valuation for the preferred shares are presented in Note 25.

## TONGCHENG-ELONG HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 4. Financial risk management (Continued)

## 4.3 Fair value estimation (Continued)

## (c) Financial instruments in level 3 (Continued)

The following table summarizes the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements of the short-term and long-term investments as of December 31, 2016, 2017 and 2018.

Description	Fair Values As of December 31,			Valuation techniques	Significant unobservable inputs	Range of inputs As of December 31,			Relationship of unobservable inputs to fair values
	2016	2017	2018			2016	2017	2018	
	RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000			RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	
Investments measured at fair value through profit or loss	45,685	25,239	52,442	Market approach	Expected volatility	47.2%~52%	35%~43.1%	43.6%~48%	The higher the expected volatility, the lower the fair value
Short-term investments measured at fair value through profit or loss	71,041	236,107	2,570,170	Discounted cash flows	Expected rate of return	0.8%-6.0%	1.5%-6.0%	2.8~6.2%	The higher the expected rate of return, the higher the fair value

## TONGCHENG-ELONG HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 4. Financial risk management (Continued)

## 4.3 Fair value estimation (Continued)

## (c) Financial instruments in level 3 (Continued)

If the fair values of the long-term investments and short-term investments measured at fair value through profit or loss held by the Group had been 10% higher/lower, the profit before income tax for the year ended December 31, 2016, 2017 and 2018 would have been approximately RMB11.7 million higher/lower, RMB26.1 million higher/lower and RMB262.3 million higher/lower.

If the Company's key valuation assumptions used to determine the fair value of the Preferred Shares had increased/decreased by 5% with all other variables held constant, the profit before income tax for the years ended December 31, 2016, 2017 and 2018 respectively, the estimated recoverable amount shall exceed its carrying amount listed in below table (assuming the change of key factors would not have significant impact on fair value change attributable to credit risk):

As of December 31, 2016				
Fair value of the Preferred Shares	Discount rate RMB'000	Discounts for lack of marketability ("DLOM") RMB'000	Volatility RMB'000	Probability of IPO scenario RMB'000
Increase 5%	(404,220)	(64,184)	(2,706)	(8,300)
Decrease 5%	461,329	64,178	2,172	8,300
As of December 31, 2017 (Unaudited)				
Fair value of the Preferred Shares	Discount rate RMB'000	Discounts for lack of marketability ("DLOM") RMB'000	Volatility RMB'000	Probability of IPO scenario RMB'000
Increase 5%	(408,866)	(36,861)	(9,439)	(43,389)
Decrease 5%	465,319	36,847	9,247	43,388
As of December 31, 2018 (Unaudited)				
Fair value of the Preferred Shares	Discount rate RMB'000	Discounts for lack of marketability ("DLOM") RMB'000	Volatility RMB'000	Probability of IPO scenario RMB'000
Increase 5%	(318,306)	(32,049)	—	—
Decrease 5%	362,786	31,812	—	—

On March 9, 2018, upon the completion of the Acquisition, all preferred shares were converted into ordinary share on a 1:1 basis (Notes 29(b) and 33).

There were no transfers between level 1, 2 and 3 of fair value hierarchy classifications during the years ended December 31, 2016, 2017 and 2018.

## TONGCHENG-ELONG HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 5. Revenue and segment information

The CODM assesses the performance of the operating segment mainly based on the measure of operating profit, excluding items which are not directly related to the segment performance (“combined results”). These include non-operating income/(expenses) such as government subsidies, fair value gains on short-term investments measured at fair value through profit or loss, and other non-operating items. The CODM reviews the combined results when making decisions about allocating resources and assessing performance of the Group as a whole. Therefore, the Group has only one reportable segment which mainly operates its businesses in the PRC and earns substantially all of the revenues from external customers attributed to the PRC. As of December 31, 2016, 2017 and 2018, substantially all of the non-current assets of the Group were located in the PRC. Therefore, no geographical segments are presented. No analysis of segment assets or segment liabilities is presented as they are not used by the CODM when making decisions about allocating resources and assessing performance of the Group

	Year ended December 31,		
	2016	2017 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Operating (loss)/profit per consolidated statements of comprehensive income	(2,115,907)	28,714	(311,192)
Less: Other income	(10,547)	(12,805)	(33,396)
Fair value changes on investments measured at fair value through profit or loss	4,031	(863)	(78,572)
Other gains, net	(4,689)	(22,610)	(47,888)
Operating loss presented to the CODM	<u>(2,127,112)</u>	<u>(7,564)</u>	<u>(471,048)</u>

Revenue by service type for the years ended December 31, 2016, 2017 and 2018 are as follows:

	Year ended December 31,		
	2016 RMB'000	2017 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Accommodation reservation services	2,094,050	2,361,625	1,830,370
Transportation ticketing services	86,650	61,295	3,232,521
Others	23,865	95,671	192,748
Total revenue	<u>2,204,565</u>	<u>2,518,591</u>	<u>5,255,639</u>

The major customers which contributed more than 10% of the total revenue for the years ended December 31, 2016, 2017 and 2018 are listed as below:

	Year ended December 31,		
	2016 %	2017 (Unaudited) %	2018 (Unaudited) %
Customer A	—	9.68%	21.46%

## TONGCHENG-ELONG HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 5. Expenses by nature

	Year ended December 31,		
	2016 RMB'000	2017 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Commission expenses	473,276	659,761	269,807
Employee benefit expense (Note 7)	688,790	635,186	1,969,721
Cost of pre-purchased travel related products	677,359	532,870	188,070
Advertising and promotion expenses	1,357,769	356,776	1,205,448
Depreciation and amortization expense (Note 14, 18 & 19)	77,333	84,150	455,964
Order processing cost	46,708	51,841	704,228
Rental and utility fees	42,995	38,963	65,391
Telephone and communication	38,022	37,779	20,769
Professional service fees	39,596	35,032	159,974
Audit fees	4,158	1,491	15,828
Travelling and entertainment expenses	21,762	23,613	56,606
Bandwidth and servers fee	20,949	23,581	116,398
Tax and surcharges	21,549	7,815	25,214
Charges related to re-designation of ordinary shares to the Preferred Shares in connection with the Restructuring (Note 25)	742,467	—	—
Reorganisation cost (Note 27(a))	—	—	220,953
Acquisition-related cost (Note 33)	—	—	9,883
Issuance of ordinary shares at discount (Note 29(c))	—	—	113,099
Procurement costs	—	—	92,160
Others	78,944	37,297	37,174
	<u>4,331,677</u>	<u>2,526,155</u>	<u>5,726,687</u>

## 6. Employee benefit expense (including directors' emoluments)

	Year ended December 31,		
	2016 RMB'000	2017 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Wages, salaries and bonuses	458,322	446,399	1,081,061
Pension costs - defined contribution plans	62,167	62,881	119,558
Other social security costs, housing benefits and other employee benefits	95,958	69,123	196,911
Share-based compensation expenses (Note 8)	72,343	56,783	572,191
	<u>688,790</u>	<u>635,186</u>	<u>1,969,721</u>

## (a) Pension costs — defined contribution plans

Employees of the Group in the PRC are required to participate in a defined contribution retirement scheme administered and operated by the local municipal governments. The Group contributes funds which are calculated on a fixed percentage of 14% of the employees' salary (subject to a floor and cap) as set by local municipal governments to each scheme locally to fund the retirement benefits of the employees.



TONGCHENG-ELONG HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. Employee benefit expense (including directors' emoluments) (Continued)

(b) Directors' emoluments

The remuneration of each director of the Company paid/payable by the Group for the year ended December 31, 2016, 2017 and 2018 are set out as follows:

		Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiaries undertaking							Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiaries undertaking	Total
		Fees	Salary	Discretionary Bonuses	Housing allowance	Estimated money value of other benefits	Employer's contribution of a retirement benefit scheme	Share-based compensation expenses		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended	December 31, 2016									
Executive Director —	Mr. Jiang Hao	—	675	—	14	26	42	11,055	—	11,812
Year ended	December 31, 2017 (Unaudited)									
	Jiang Hao	—	925	1,662	16	26	46	9,447	—	12,122
Year ended	December 31, 2018 (Unaudited)									
	Ma Heping (CEO)	—	1,474	—	17	10	28	65,863	—	67,392
	Jiang Hao	—	906	1,720	17	28	50	26,489	—	29,210
	Wu Zhixiang	—	1,625	—	17	10	28	18,037	—	19,717
	Liang Jianzhang	—	—	—	—	—	—	—	—	—
	Lin Haifeng	—	—	—	—	—	—	—	—	—
	Brent Richard Irvin	—	—	—	—	—	—	—	—	—
	Wu Haibing	—	—	—	—	—	—	—	—	—
	Dai Xiaojing	—	—	—	—	—	—	—	—	—
	Han Yuling	—	—	—	—	—	—	—	—	—

## TONGCHENG-ELONG HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 7. Employee benefit expense (including directors' emoluments) (Continued)

## (b) Directors' emoluments (Continued)

The remuneration shown above represents remuneration received from the Group by the director in his capacity as employee to the companies comprising the Group. No directors waived any emolument during the years ended December 31, 2016, 2017 and 2018.

No director fee was paid to the director in his capacity as director of the Company. No emolument was paid by the Company or the companies comprising the Group as an inducement to join the Company or the companies comprising the Group, or as compensation for loss of office during the years ended December 31, 2016, 2017 and 2018.

Mr. Wu Zhixiang was appointed as the Company's Co-chairman and executive director in March, 2018.

Mr. Ma Heping, Mr. Jiang Hao were appointed as the Company's executive director in March, 2018.

Mr. Liang Jianzhang was appointed as the Company's Co-chairman and non-executive director in March, 2018.

Mr. Lin Haifeng, and Mr. Brent Richard Irvin were appointed as the Company's non-executive directors in March, 2018.

Mr. Wu Haibing, Mr. Dai Xiaojing and Ms. Han Yuling were appointed as the Company's independent non-executive directors in November 2018.

During the year ended December 31, 2018, the independent non-executive directors did not receive any remuneration from the Group.

## (c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended December 31, 2016, 2017 and 2018 include 3 and 1 director whose emoluments are reflected in the analysis shown in "Directors' emoluments" above. The emoluments payable to the remaining 2 and 4 individuals are as follows:

	Year ended December 31,		
	2016	2017	2018
	(RMB'000)	(Unaudited) (RMB'000)	(Unaudited) (RMB'000)
Wages, salaries and bonuses	4,234	5,306	3,230
Pension costs - defined contribution plans	172	198	97
Other social security costs, housing benefits and other employee benefits	292	234	83
Share-based compensation expenses (Note 8)	9,285	6,105	29,413
	<u>13,983</u>	<u>11,843</u>	<u>32,823</u>

## TONGCHENG-ELONG HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 7. Employee benefit expense (including directors' emoluments) (Continued)

## (c) Five highest paid individuals (Continued)

The emoluments fell within the following band:

	Number of individuals Year ended December 31,		
	2016	2017 (Unaudited)	2018 (Unaudited)
Below HKD 2 million	—	—	—
HKD 2 million to HKD 3 million	—	—	—
HKD 3 million to HKD 4 million	—	3	—
HKD 4 million to HKD 5 million	—	—	—
HKD 5 million to HKD 10 million	1	1	—
Over HKD 10 million	—	—	2

## 7. Share-based compensation expenses

## (a) Share incentive plans

In August 2016, the Company adopted the 2016 share incentive plan (the "2016 Plan"), which allows officers, employees, non-employees, directors of the Company to (i) acquire ordinary shares of the Company pursuant to options granted hereunder, (ii) receive RSU awards, and (iii) make direct purchases of restricted shares. The maximum number of ordinary shares that may be subject to the awards granted under the 2016 Plan is 10,136,000.

In March 2018, the Company adopted the 2018 share incentive plan (the "2018 Plan"), which allows senior management, other employees, non-employees, directors of the Company, with certain vesting conditions being fulfilled, to (i) acquire ordinary shares of the Company pursuant to options granted, (ii) receive RSU awards, and (iii) make direct purchases of restricted shares. The maximum number of ordinary shares that may be subject to the awards granted under the 2018 Plan is 163,240,270.

RSUs are rights to receive the ordinary shares of eLong or the Company, when applicable. RSUs generally vest over a two to five-year period, and are not entitled to dividends or voting rights.

## (b) Equity Awards in connection with the Restructuring

In August 2017, to align the interests of key employees with that of the Company, the Company established several employees' equity awards entities in the form of limited liability partnerships in 2017 (the "EAEs") and the EAEs jointly established an employees' equity awards holding company ("EAE Holdco"). According to the agreements between the EAEs and EAE Holdco, the Company has the discretion to invite any employee of the Company to participate in the EAEs by subscribing for their partnership interest. The participating employees are entitled to all the economic benefits generated by the EAEs with the requisition service period. As the general partner of these EAEs are designated by the Company, the EAEs and EAE Holdco are therefore controlled and consolidated by the Company as structured entities and all the ordinary shares issued to EAE Holdco for the purpose of equity incentives are recorded as treasury stock of the Company.

## TONGCHENG-ELONG HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**8. Share-based compensation expenses (Continued)**

## (c) Equity Awards after the Restructuring

After the incorporation of the EAEs and EAE Holdco, to assume and replace the RSUs of eLong granted under eLong Equity Awards as aforementioned, the Company issued 2,068,671 ordinary shares to EAE Holdco which represented the then outstanding RSUs of eLong held by related employees before the Restructuring.

On September 1, 2017, the Company, through the EAEs and EAE Holdco, granted 2,350,000 RSUs to certain selected employees, 662,667 of which were immediately vested upon the grant with the remaining portion to be vested in 5 instalments over a 2.5 year requisite service period.

On March 9, 2018 and May 18, 2018, the Group granted 5,103,003 and 5,103,003 share options respectively under the 2018 Plan to senior management, other employees, non-employees, directors of the Group. The exercise price of all options granted is RMB26 and RMB55 per share respectively. The option granted are with the requisite service period of four years from the grant day.

On September 1, 2018, the Group granted 6,118,021 share options under the 2018 Plan to senior management, other employees, directors of the Group. The exercise price of all options granted is IPO issuance price of the Company. The options are exercisable upon the market value of the Company reaches RMB30 billion and shall be forfeited upon optionee's resignation or retirement.

In October 2018, the Company granted certain cash-settled share options in connection with the acquisition of additional interest of its subsidiary, see Note 32 for detail.

Pursuant to the share premium account of the Company being credited as a result of the Listing, the Company allotted and issued a total of 1,719,906,084 shares by way of capitalisation of the credit of the share premium account upon the Listing. The number of share options and RSUs in issue prior to the capitalisation issue is adjusted in accordance with the proportional change in the number of outstanding ordinary shares after the share issue as if the event (the de facto 1:10 stock split) had occurred at the beginning of the years presented.

The share-based compensation expense recognized for employee services received during the years ended December 31, 2016, 2017 and 2018 is shown in the following table:

	Year ended December 31,		
	2016	2017	2018
	RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
Expense arising from equity-settled share-based payment transactions	72,343	56,783	572,191

## TONGCHENG-ELONG HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 8. Share-based compensation expenses (Continued)

## (d) Equity Awards after the Restructuring (Continued)

*Share options*

The following table summarizes information with respect to share options outstanding as of December 31, 2016, 2017 and 2018 and the weighted average exercise prices (“WAEP”).

	As of December 31,					
	2016 number	2016 WAEP USD	2017 number	2017 number	2018 number	2018 WAEP RMB
Outstanding at January 1	1,835,130	0.84	n/a	n/a	n/a	n/a
Granted			n/a	n/a	163,240,270	5.75
Forfeited and expired during the year	(972,160)	0.87	n/a	n/a	(1,069,200)	5.19
Exercised during the year/period	(298,720)	0.71	—	—	—	—
Repurchased during the year/period	(564,250)	0.84	—	—	—	—
Outstanding at ending	—	—	n/a	n/a	162,171,070	5.75
Exercisable at ending	—	—	n/a	n/a	—	—

There was no new share option granted during the year ended December 31, 2016, 2017 and 2018.

**TONGCHENG-ELONG HOLDINGS LIMITED**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**8. Share-based compensation expenses (Continued)**
**(d) Equity Awards after the Restructuring (Continued)**

Based on fair value of the underlying ordinary shares, the Company has used Binomial option-pricing model to determine the fair value of the share option granted in 2018. Key assumptions are summarized in the following table:

	Year ended December 31, 2018		
	Granted on March 9, 2018	Granted on May 18, 2018	Granted on September 1, 2018
	RMB	RMB	HKD
Exercise price	2.6	5.5	9.8
Risk free interest rate	2.98%	3.13%	2.97%
Dividend Yield	0.00%	0.00%	0.00%
Expected volatility	51.59%	51.42%	51.24%

The weighted average remaining contractual life for the share options outstanding as of December 31, 2018 was 9.5 years.

Share options outstanding at the end of 2018 have the following expiry date and exercise prices:

Expiry date	Exercise price per share option	Number of share options as of December 31, 2018
March 9, 2028	RMB 2.6	50,630,180
May 18, 2028	RMB 5.5	50,630,180
August 31, 2028	HKD 9.8	60,910,710
		<u>162,171,070</u>

**RSUs**

The following table summarizes information with respect to RSUs arrangements as of December 31, 2016, 2017 and 2018 and the weighted average fair value ("WAFV").

	Year ended December 31,					
	2016		2017 (Unaudited)		2018 (Unaudited)	
	number	WAFV USD	number	WAFV USD	number	WAFV USD
Outstanding at beginning	39,374,150	0.83	21,586,790	0.86	44,186,710	0.91
Granted during the year	4,100,000	0.88	23,500,000	0.95	—	—
Forfeited and expired during the year	(5,043,840)	0.79	(32,290)	0.9	—	—
Exercised during the year/period	(2,114,330)	0.80	—	—	—	—
Repurchased during the year	(14,729,190)	0.83	(867,790)	0.74	(129,760)	0.91
Outstanding and exercisable at ending	<u>21,586,790</u>	<u>0.85</u>	<u>44,186,710</u>	<u>0.91</u>	<u>44,056,950</u>	<u>0.91</u>

The fair value of RSUs grants during years ended December 31, 2016 were determined by the trading price of eLong's ADR or ordinary share on NASDAQ Global Select Market. To determine the fair value of RSUs granted during the year ended December 31, 2017, the Company used discounted cash flow method to determine the underlying equity fair value of the Company and adopted equity allocation model to determine the fair value of the underlying ordinary share. There was no new RSU granted during the year ended December 31, 2018.

## TONGCHENG-ELONG HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 8. Other income

	Year ended December 31,		
	2016 RMB'000	2017 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Government subsidies	10,547	12,805	33,396

## 9. Other gains, net

	Year ended December 31,		
	2016 RMB'000	2017 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Investment income from short-term investments measured at fair value through profit or loss	6,271	10,056	—
Foreign exchange gain	(3,086)	1,294	17,017
Gain on disposal of long-term investments	—	753	—
Gain on disposal of other assets	—	—	584
Others	1,504	10,507	30,287
	4,689	22,610	47,888

## 10. Finance income and costs

	Year ended December 31,		
	2016 RMB'000	2017 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
<b>Finance income</b>			
Interest income on bank deposits	7,972	9,800	12,734
Others	430	345	154
	8,402	10,145	12,888
<b>Finance costs</b>			
Service fee for bank guarantee	(879)	(475)	(241)
Others	(3,235)	312	(3,095)
	(4,114)	(163)	(3,336)
<b>Net finance income</b>	4,288	9,982	9,552

## 11. Income tax expense/(credit)

The income tax expense/(credit) of the Group for the years ended December 31, 2016, 2017 and 2018 is analyzed as follows:

	Year ended December 31,		
	2016 RMB'000	2017 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Current income tax	433	5,603	215,596
Deferred income tax (Note 20)	545	(65,959)	(148,609)
	978	(60,356)	66,987

**TONGCHENG-ELONG HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**12. Income tax expense/(credit) (Continued)**

(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 16.5% on the assessable profits for the periods presented, based on the existing legislation, interpretations and practices in respect thereof.

(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, 2016, 2017 and 2018, calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The general PRC CIT rate is 25% during the the year ended December 31, 2016, 2017 and 2018.

One of the Company's subsidiaries incorporated in the PRC is qualified as High and New Technology Enterprise, and accordingly, it is subject to a reduced preferential CIT rate of 15% for the year ended December 31, 2018 according to the applicable CIT law.

Another subsidiary of the Company acquired upon the Acquisition, is qualified as High and New Technology Enterprise, and accordingly, it is subject to a reduced preferential CIT rate of 15% during the year ended December 31, 2016, 2017 and 2018.

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, 2016, 2017 and 2018.

(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 1 January 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, 2016, 2017 and 2018, the Group does not have any plan to require its PRC subsidiaries to distribute their retained earnings and intends to retain them to operate and expand its business in the PRC. Accordingly, no deferred income tax liability on WHT was provided as of December 31, 2016, 2017 and 2018.



## TONGCHENG-ELONG HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 12. Income tax expense/(credit) (Continued)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate of 25% for the year ended December 31, 2016, 2017 and 2018, being the tax rate of the major subsidiaries of the Group. The difference is analyzed as follows:

	Year ended December 31,		
	2016 RMB'000	2017 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
<b>Profit before income tax</b>	(2,159,618)	134,021	601,526
Tax calculated at PRC statutory tax rate of 25%	(539,904)	33,505	150,382
<b>Tax effects of:</b>			
Preferential income tax rates and tax differential from the statutory tax rate	228,595	(18,075)	(133,190)
Super deduction for research and development expenses (a)	(14,190)	(18,142)	(40,951)
Expenses not deductible for tax purposes (b)	272,022	16,148	210,019
Utilization of previously unrecognized tax losses and temporary differences	57,083	(74,079)	(122,778)
Others	(2,628)	287	3,505
<b>Income tax expense/(credit)</b>	<u>978</u>	<u>(60,356)</u>	<u>66,987</u>

- (a) According to the relevant tax laws and regulations in the PRC, that was effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 150% (it was updated to 175% in September 2018 and applicable for the year ended December 31, 2018) of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for the year.
- (b) The expenses not deductible for tax purposes for the year ended December 31, 2018 mainly attributes to the share-based compensation expenses (Note 8), and reorganization cost (Note 27(a)).
- (c) The Group did not recognize the deferred tax assets for its tax losses in 2016 considering that there is substantial uncertainty in utilization of the tax losses when the Company's PRC subsidiaries were still in loss making position. In 2017, with its major PRC subsidiaries turning to be profitable, the Group recognized the associated deferred tax assets based on its best estimate of the future utilization of the tax losses.

## TONGCHENG-ELONG HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 12. Earnings/(loss) per share

## (a) Basic

Basic earnings or loss per share for the years ended December 31, 2016, 2017 and 2018 are calculated by dividing the profit or loss 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,		
	2016	2017	2018
	RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
Net profit attributable to the owners of the Company (RMB'000)	(2,139,267)	195,575	529,957
Weighted average numbers of ordinary shares in issue('000) (Note (i), (ii))	464,970	260,518	1,584,181
Basic earnings per share (RMB) (Note (ii))	(4.60)	0.75	0.33

Note:

- (i) Please refer to the notes on share capital and share premium (Note 29) regarding the change in the number of shares.
- (ii) Pursuant to the share premium account of the Company being credited as a result of the Listing, the Company allotted and issued a total of 1,719,906,084 shares by way of capitalisation of the credit of the share premium account upon the Listing. The number of ordinary shares in issue prior to the capitalisation issue is adjusted in accordance with the proportional change in the number of outstanding ordinary shares after the share issue as if the event (the de facto 1:10 stock split) had occurred at the beginning of 2018. For the purposes of historical comparison, the historical figure for the average number of shares in each fiscal year ending prior to the conversion date will be adjusted for the Stock Split when calculating the earnings per share.

## (b) Diluted

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

As of December 31, 2016, 2017 and 2018, 2,158,679, 4,418,671 and 4,405,695 ordinary shares were issued to certain employees. However, the shareholder's rights of these shares were restricted and would be vested over certain service periods. Accordingly, these shares were accounted for as RSUs. The Group did not include these ordinary shares in the calculation of basic earnings per share for the years ended December 31, 2016, 2017 and 2018 as these shares are not considered outstanding for earnings per share calculation purposes.

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

## TONGCHENG-ELONG HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 13. Earnings/(loss) per share (Continued)

## (b) Diluted (Continued)

	Year ended December 31,		
	2016 RMB'000	2017 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Net profit attributable to the owners of the Company (RMB'000)	(2,139,267)	195,575	529,957
Adjustment for redeemable convertible preferred shares (RMB'000)	—	(97,576)	(907,734)
Net (loss)/profit for calculation of diluted earnings/(loss) per share (RMB'000)	(2,139,267)	97,999	(377,777)
Weighted average number of ordinary shares in issue ('000)	464,970	260,518	1,584,181
Adjustments for redeemable convertible preferred shares ('000)	—	605,340	111,117
Adjustments for RSUs granted to employees ('000)	—	11,666	—
Weighted average number of ordinary shares for calculation of diluted earnings/(loss) per share ('000)	464,970	877,524	1,695,298
Diluted (loss)/earnings per share (RMB)	<u>(4.60)</u>	<u>0.11</u>	<u>(0.22)</u>

## TONGCHENG-ELONG HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 13. Property, plant and equipment

	<u>IT equipment</u> RMB'000	<u>Furniture, fixtures and motor vehicle</u> RMB'000	<u>Software</u> RMB'000	<u>Leasehold improvements</u> RMB'000	<u>Construction in progress</u> RMB'000	<u>Total</u> RMB'000
<b>Year ended December 31, 2016</b>						
Opening net book amount	45,776	3,841	43,559	5,624	—	98,800
Additions	40,173	1,128	13,066	1,063	—	55,430
Depreciation charge	(22,799)	(1,748)	(27,094)	(1,204)	—	(52,845)
Disposal	(217)	(87)	(7)	—	—	(311)
Closing net book amount	<u>62,933</u>	<u>3,134</u>	<u>29,524</u>	<u>5,483</u>	<u>—</u>	<u>101,074</u>
<b>At December 31, 2016</b>						
Cost	158,034	12,222	174,824	13,719	—	358,799
Accumulated depreciation	(95,101)	(9,088)	(145,300)	(8,236)	—	(257,725)
Net book amount	<u>62,933</u>	<u>3,134</u>	<u>29,524</u>	<u>5,483</u>	<u>—</u>	<u>101,074</u>

## TONGCHENG-ELONG HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 14. Property, plant and equipment (Continued)

	<u>IT equipment</u> RMB'000	<u>Furniture, fixtures and motor vehicle</u> RMB'000	<u>Software</u> RMB'000	<u>Leasehold improvements</u> RMB'000	<u>Construction in progress</u> RMB'000	<u>Total</u> RMB'000
<b>At January 1, 2017</b>						
<b>(Unaudited)</b>						
Cost	158,034	12,222	174,824	13,719	—	358,799
Accumulated depreciation	(95,101)	(9,088)	(145,300)	(8,236)	—	(257,725)
<b>Net book amount</b>	<u>62,933</u>	<u>3,134</u>	<u>29,524</u>	<u>5,483</u>	<u>—</u>	<u>101,074</u>
<b>Year ended December 31,</b>						
<b>2017 (Unaudited)</b>						
Opening net book amount	62,933	3,134	29,524	5,483	—	101,074
Additions	30,239	446	130	138	356,565	387,518
Depreciation charge	(24,311)	(1,387)	(18,054)	(1,325)	—	(45,077)
Disposal	(1,532)	(179)	—	(82)	—	(1,793)
Closing net book amount	<u>67,329</u>	<u>2,014</u>	<u>11,600</u>	<u>4,214</u>	<u>356,565</u>	<u>441,722</u>
<b>At December 31, 2017</b>						
<b>(Unaudited)</b>						
Cost	174,841	11,420	174,167	13,564	356,565	730,557
Accumulated depreciation	(107,512)	(9,406)	(162,567)	(9,350)	—	(288,835)
Net book amount	<u>67,329</u>	<u>2,014</u>	<u>11,600</u>	<u>4,214</u>	<u>356,565</u>	<u>441,722</u>

## TONGCHENG-ELONG HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 14. Property, plant and equipment (Continued)

	<u>Building</u> RMB'000	<u>IT equipment</u> RMB'000	<u>Furniture, fixtures and motor vehicle</u> RMB'000	<u>Software</u> RMB'000	<u>Leasehold improvements</u> RMB'000	<u>Construction in progress</u> RMB'000	<u>Total</u> RMB'000
<b>At January 1, 2018</b>							
<b>(Unaudited)</b>							
Cost	—	174,841	11,420	174,167	13,564	356,565	730,557
Accumulated depreciation	—	(107,512)	(9,406)	(162,567)	(9,350)	—	(288,835)
<b>Net book amount</b>	<b>—</b>	<b>67,329</b>	<b>2,014</b>	<b>11,600</b>	<b>4,214</b>	<b>356,565</b>	<b>441,722</b>
<b>Year ended December 31,</b>							
<b>2018 (Unaudited)</b>							
Opening net book amount	—	67,329	2,014	11,600	4,214	356,565	441,722
Addition through business combination (Note 33)	—	136,114	1,644	23,273	8,123	89,646	258,800
Transfer from construction in progress	391,768	—	—	—	—	(391,768)	—
Other additions	—	182,849	5,278	3,037	2,655	166,105	359,924
Depreciation charge	(2,478)	(96,342)	(1,905)	(10,322)	(5,608)	—	(116,655)
Disposal	—	(3,151)	(550)	(496)	(4,060)	(1,173)	(9,430)
<b>Closing net book amount</b>	<b>389,290</b>	<b>286,799</b>	<b>6,481</b>	<b>27,092</b>	<b>5,324</b>	<b>219,375</b>	<b>934,361</b>
<b>At December 31, 2018</b>							
<b>(Unaudited)</b>							
Cost	391,768	589,270	18,274	208,290	15,440	219,375	1,442,417
Accumulated depreciation	(2,478)	(302,471)	(11,793)	(181,198)	(10,116)	—	(508,056)
<b>Net book amount</b>	<b>389,290</b>	<b>286,799</b>	<b>6,481</b>	<b>27,092</b>	<b>5,324</b>	<b>219,375</b>	<b>934,361</b>

## TONGCHENG-ELONG HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 14. Property, plant and equipment (Continued)

Depreciation expenses have been charged to the consolidated statement of profit or loss as follows:

	Year ended December 31,		
	2016 RMB'000	2017 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Cost of revenue	47,250	39,961	101,442
Service development expenses	4,244	4,072	8,773
Administrative expenses	1,184	905	6,159
Selling and marketing expenses	167	139	281
	<u>52,845</u>	<u>45,077</u>	<u>116,655</u>

Note: As of December 31, 2018, buildings with carrying amount of RMB391,768,000 was pledged as security for the Group's bank borrowings of RMB172,305,000 (Note 24).

The total interest of borrowing were fully capitalised in construction in progress with amount of RMB1.7 million (2017: RMB8.7 million) for the year ended December 31, 2018, with the capitalisation rate of 5.39% (2017: 5.39%).

## 15. Investments accounted for using the equity method

	Year ended December 31,		
	2016 RMB'000	2017 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
At the beginning of the year	51,087	39,869	37,618
Addition(b)	—	—	15,681
Shares of results	(11,218)	(2,251)	(4,568)
At the end of the year	<u>39,869</u>	<u>37,618</u>	<u>48,731</u>

Note:

(a) *Equity Method Investment - 2012 Affiliate Company*

In 2012, the Group acquired 30% equity interest in an unlisted company (the "2012 Affiliate Company") at RMB5.6 million. The Company accounted for its investment using the equity method. In 2013, the 2012 Affiliate Company changed its business focus to property management software development, which was considered as better business collaboration with the Group. As such, in 2014, the Group acquired an additional 19% equity interest in the associate at consideration of RMB76,663,000.

In 2015, the Group reached an agreement with a third party to sell a 2.5% equity interest in the 2012 Affiliate Company with the carrying value of RMB3,736,000 for cash consideration of RMB13,750,000, and recognized a gain of RMB10,014,000 on the date of the disposal.

The Company assesses whether there is any objective evidence that the investment in the associate are impaired at each reporting date. Based on the Company's assessments, although the 2012 Affiliate Company incurred operating losses in the years ended December 31, 2016, 2017 and 2018, the Company concluded that no impairment charge against its investment in the associate is required after considering various factors in assessing the fair value of the associate, including but not limited to its business developments as measured by revenue, transaction volume and market shares as well as the reference to the equity transactions in the market and equity value of benchmark companies.

TONGCHENG-ELONG HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. Investments accounted for using the equity method (Continued)

(b) Addition

In May 2018, the Group invested 15% equity interest in an unlisted company (the “2018 Affiliate Company”) with a consideration of RMB 12.5 million. The Company has right to appoint one director of the 2018 Affiliate Company. In addition, the Company also obtained a call option to increase its equity interest in the 2018 Affiliate Company by additional 3.75% with zero consideration if the 2018 Affiliate Company fails to achieve certain pre-agreed performance target in the next 12 month after the date of the investment.

The Company accounts for the derivative of call option as financial assets measured at fair value through profit or loss and bifurcates from the total consideration. As of the date of the investment, the fair value of the financial assets was RMB2,708,000. The remaining consideration of RMB9,792,000 is attributed to the 15% equity interest of the 2018 Affiliate Company and is accounted for using equity method.

During the year ended December 31, 2018, the Group’s shareholding percentage in two of the then subsidiaries was reduced to 40% due to either share transfer or share dilution caused by capital injection of the shareholders and thereafter the Group accounted for them as associates using equity method.

The Company’s investments in affiliates, either accounted for using equity method or measured at fair value through profit and loss, are not considered material in individual or aggregated basis in the years ended December 31, 2016, 2017 and 2018.



## TONGCHENG-ELONG HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 16. Financial instruments by category

	As of December 31,		
	2016 RMB'000	2017 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
<b>Assets as per consolidated statement of financial position</b>			
Financial assets at fair value through profit or loss:			
- Long term investments measured at fair value through profit or loss (Note 17)	45,685	25,239	52,442
- Short-term investments measured at fair value through profit or loss (Note 17)	71,041	236,107	2,570,170
Financial assets at amortized costs:			
- Trade receivables (Note 22)	883,382	539,217	857,326
- Other receivables (Note 21)	128,015	115,400	298,119
- Time deposits (Note 17)	—	—	261,086
- Restricted cash (Note 23)	153,606	170,541	140,930
- Cash and cash equivalents (Note 23)	339,299	701,748	3,143,883
	<u>1,621,028</u>	<u>1,788,252</u>	<u>7,323,956</u>
<b>Liabilities as per consolidated statement of financial position</b>			
Financial liabilities at amortized cost:			
- Trade payables (Note 26)	921,633	1,114,917	2,569,092
- Other payables (Note 27)	123,624	120,610	706,598
- Borrowings (Note 24)	—	191,997	172,305
Financial liabilities at fair value through profit or loss:			
- Redeemable convertible preferred shares (Note 25)	6,398,631	6,347,647	—
	<u>7,443,888</u>	<u>7,775,171</u>	<u>3,447,995</u>

## TONGCHENG-ELONG HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 17. Investments

	As of December 31,		
	2016 RMB'000	2017 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
<b>Current assets</b>			
Short-term investments measured at			
- Amortized cost (a)	—	—	261,086
- Fair value through profit or loss (b)	71,041	236,107	2,570,170
	<u>71,041</u>	<u>236,107</u>	<u>2,831,256</u>
<b>Non-current assets</b>			
Long-term investments measured at fair value through profit or loss (c)	<u>45,685</u>	<u>25,239</u>	<u>52,442</u>

## (a) Short-term investments measured at amortized cost

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

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

The short-term investments measured at fair value through profit or loss are wealth management products, denominated in RMB, with expected rates of return ranging from 0.8% to 6.0%, from 1.5% to 6.0% and from 2.8% to 6.5%, per annum for the year ended December 31, 2016, 2017 and 2018. The returns on all of these wealth management products are not guaranteed, hence their contractual cash flows do not qualify for solely payments of principal and interest. Therefore they are measured at fair value through profit or loss. None of these investments are past due.

The fair values are based on cash flow discounted using the expected return based on management judgment and are within level 3 of the fair value hierarchy.

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

As of December 31, 2016, 2017 and 2018, long-term investments measured at fair value through profit or loss are equity interests and derivative held by the Group in several private companies in the PRC.

The equity interests held by the Group in the private 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.

As of December 31, 2018, the derivative held by the Group are the derivative call option with equity investee's shareholders of RMB2,969,000 (December 31, 2017: nil) (Note 15).

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. The major assumptions used in the valuation for investment in private companies refer to Note 4.3.

## TONGCHENG-ELONG HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 17. Investments (Continued)

(d) Amounts recognized in profit or loss

	Year ended December 31,		
	2016 RMB'000	2017 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Fair value changes in long-term investments	(4,196)	(1,199)	4,495
Fair value changes in short-term investments measured at fair value through profit or loss	165	2,062	74,077
	<u>(4,031)</u>	<u>863</u>	<u>78,572</u>

## 18. Land use right

	RMB'000
<b>At January 1, 2018</b>	
Cost	—
Accumulated amortization	—
Net book value	—
<b>Year ended December 31, 2018</b>	
Addition through the business combination (Note 33)	16,310
Amortization charge	(272)
Closing net book value	<u>16,038</u>
<b>At December 31, 2018</b>	
Cost	16,780
Accumulated amortization	(742)
Net book value	<u>16,038</u>

## TONGCHENG-ELONG HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 19. Intangible assets

	Goodwill (Note c) RMB'000	Business relationship and customer lists RMB'000	Trade names RMB'000	Technology platform RMB'000	Business cooperation arrangement and internet domain names (Note a) RMB'000	Others RMB'000	Total RMB'000
<b>Year ended</b>							
<b>December 31, 2016</b>							
Opening net book amount	184,242	1,577	21,470	—	398	1,459	209,146
Addition (Note a)	—	—	—	—	163,246	—	163,246
Amortization charge	—	(682)	(5,728)	—	(16,723)	(1,355)	(24,488)
Closing net book amount	<u>184,242</u>	<u>895</u>	<u>15,742</u>	<u>—</u>	<u>146,921</u>	<u>104</u>	<u>347,904</u>
<b>At December 31, 2016</b>							
Cost	189,766	9,701	88,037	—	166,295	5,159	458,958
Accumulated amortization	—	(8,806)	(31,893)	—	(18,819)	(5,055)	(64,573)
Impairment	(5,524)	—	(40,402)	—	(555)	—	(46,481)
Net book amount	<u>184,242</u>	<u>895</u>	<u>15,742</u>	<u>—</u>	<u>146,921</u>	<u>104</u>	<u>347,904</u>

## TONGCHENG-ELONG HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 19. Intangible assets (Continued)

	Goodwill (Note c) RMB'000	Business relationship and customer lists RMB'000	Trade names RMB'000	Technology platform RMB'000	Business cooperation arrangement and internet domain names (Note a) RMB'000	Others RMB'000	Total RMB'000
<b>Year ended December 31, 2017</b>							
<b>(Unaudited)</b>							
Opening net book amount	184,242	895	15,742	—	146,921	104	347,904
Amortization charge	—	(683)	(5,727)	—	(32,649)	(14)	(39,073)
Closing net book amount	<u>184,242</u>	<u>212</u>	<u>10,015</u>	<u>—</u>	<u>114,272</u>	<u>90</u>	<u>308,831</u>
<b>At December 31, 2017</b>							
<b>(Unaudited)</b>							
Cost	189,766	9,701	88,037	—	166,295	5,159	458,958
Accumulated amortization	—	(9,489)	(37,620)	—	(51,468)	(5,069)	(103,646)
Impairment	(5,524)	—	(40,402)	—	(555)	—	(46,481)
Net book amount	<u>184,242</u>	<u>212</u>	<u>10,015</u>	<u>—</u>	<u>114,272</u>	<u>90</u>	<u>308,831</u>
<b>Year ended December 31, 2018</b>							
<b>(Unaudited)</b>							
Opening net book amount	184,242	212	10,015	—	114,272	90	308,831
Addition through business combination (Note 33)	3,608,555	1,755,976	1,762,340	240,265	598,677	25,993	7,991,806
Other addition	—	—	—	—	40	—	40
Amortization charge	—	(122,045)	(5,676)	(33,370)	(175,739)	(2,207)	(339,037)
Closing net book amount	<u>3,792,797</u>	<u>1,634,143</u>	<u>1,766,679</u>	<u>206,895</u>	<u>537,250</u>	<u>23,876</u>	<u>7,961,640</u>
<b>At December 31, 2018</b>							
<b>(Unaudited)</b>							
Cost	3,798,321	1,765,677	1,850,377	240,265	1,164,207	37,995	8,856,842
Accumulated amortization	—	(131,534)	(43,296)	(33,370)	(626,402)	(14,119)	(848,721)
Impairment	(5,524)	—	(40,402)	—	(555)	—	(46,481)
Net book amount	<u>3,792,797</u>	<u>1,634,143</u>	<u>1,766,679</u>	<u>206,895</u>	<u>537,250</u>	<u>23,876</u>	<u>7,961,640</u>

TONGCHENG-ELONG HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**19. Intangible assets (Continued)**

Note:

(a) Business cooperation arrangement

In July 2016, the Company entered into a Strategic Cooperation Arrangement with one of its shareholders (the “Shareholder”), which includes a Business Cooperation Arrangement and a compensation to promotion and marketing service rendered by the Shareholder to the Company by issuing 11,111,111 Preferred Shares of the Company. The Business Cooperation Arrangement has a term of five years and the Shareholder will deploy certain agreed-upon business resources to the Company to increase the user traffic of the Company’s platform. The Company assessed and concluded that the Business Cooperation Arrangement was qualified as an intangible asset to recognize in separate from the total consideration. Based on the valuation performed by the Company with assistance from the independent appraisal, the fair value of the 11,111,111 newly issued Preferred Shares was RMB1,208 million, out of which RMB163 million was attributable to the fair value of Business Cooperation Arrangement which is recorded as intangible asset and amortized over five years under straight line method, the remaining RMB1,045 million represented the compensation for the promotion and marketing service rendered by the Shareholder and was recorded as selling and marketing expense upon the issuance of the Preferred Shares.

Upon the Acquisition of Tongcheng Network consummated on March 9, 2018, a separate business cooperation arrangement with fair value of RMB599 million was acquired by the Group. In July 2015, Tongcheng Online Business entered into business cooperation arrangement with the Shareholder, who would deploy certain agreed-upon business resources to Tongcheng Online Business. Tongcheng Online Business assessed and concluded that the business cooperation arrangement was qualified for capitalisation as an intangible asset and amortized over the contractual beneficial period of 3.4 years under straight line method.

(b) Trade names

The trade names balance as of December 31, 2017 represent trade name acquired by the Group before the years presented which is with finite useful life of 5 years (“trade name with finite useful life”). The balance as of December 31, 2018 comprised of the trade name with finite useful life and the trade name of Tongcheng brand arising from the Acquisition on March 9, 2018 (Note 33) which is with indefinite useful life. Impairment assessment of the trade names are as follows:

(i) Impairment tests for trade names with a finite useful life

In 2015, changes in circumstances in the geographical territory covered by one of the Company’s subsidiaries indicated that the carrying value of the trade name might not be recoverable. With the assistance of an external valuer, the management of the Group decided to write down the value of trade name to its fair value less cost of disposal, which was measured using the relief from royalty method. As such, an impairment charge of RMB40,401,740 was recorded for the year ended December 31, 2015.

The Company did not identify any impairment indicator as of December 31, 2016, 2017 and 2018.

TONGCHENG-ELONG HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**19. Intangible assets (Continued)**

(b) Trade names (Continued)

(ii) Impairment tests for trade name with indefinite useful life

Given the trade name with indefinite useful life and goodwill arose from the acquisition of Tongcheng Online Business are attributable to the same group of CGUs of the Company, the Company performed the impairment tests for trade name with indefinite useful life together with that for goodwill as of December 31, 2018. Please refer to impairment tests of goodwill and intangible assets with indefinite useful life as disclosed in note (c) below for details.

(c) Impairment tests for goodwill

As of December 31, 2018, the Company's goodwill includes (1) goodwill of RMB3,609 million recognized from the Acquisition of Tongcheng Online Business on March 9, 2018 (Note 33); and (2) goodwill of RMB184 million recognized from the acquisitions before the years presented.

During the years ended December 31, 2016, 2017 and 2018, the Company performed impairment reviews for the goodwill and intangible assets with indefinite useful life annually or more frequently if events or changes in circumstances indicate a potential impairment. For impairment purpose, the carrying value of the group of CGUs containing goodwill and intangible assets with indefinite useful life, is compared to the recoverable amount which is determined based on the higher amount of the fair value less cost of disposal ("FVLCD") and value-in-use ("VIU") calculations. Since management reviews the business performance of the Group and operates the trade name of Tongcheng brand at group level as a single segment, the Company used one group of CGUs (the "group of CGUs") in assessing the impairment for goodwill and intangible assets with indefinite useful life (including the trade name of Tongcheng brand as disclosed in note (b)(ii) above).

As of December 31, 2018, the recoverable amount of this Group was determined based on FVLCD, which was estimated by management with reference to the transaction price of the Company's listed shares in the Main Board of The Stock Exchange of Hong Kong Limited. Management considered the recoverable amount of the Group was higher than its carrying amount as of December 31, 2018.

Based on the result of the above impairment testing, the estimated recoverable amount exceeded its carrying amount of the group of CGUs (the "Headroom") by approximately RMB11,204 million as of December 31, 2018.

As of December 31, 2017, the management did the VIU calculations to determine the recoverable amount. These VIU calculations use pre-tax cash flow projections based on financial budgets approved by the management for the next five-year period using the estimated growth in revenue with a range of 5.9% to 19.8% and gross profit margin with a range from 67.8% to 75.1% based on the following considerations:

- The revenue growth rates was determined by the five-year sales volume and commission rate forecast, which is determined based on the past performance, the current industry trend and management's expectations of market development; and
- Gross margin is the average margin as a percentage of revenue over the five-year forecast period. It is based on the current gross margin levels and products mix, with adjustments made to reflect the expected future commission rate and products mix.

The cash flows are extrapolated using the terminal growth rate not exceeding the long-term average growth rate. The discount rate and the constant growth rate used for VIU calculations in the year ended December 31, 2017 are as follows:

## TONGCHENG-ELONG HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 19. Intangible assets (Continued)

## (c) Impairment tests for goodwill (Continued)

	As of December 31,	
	2016	2017 (Unaudited)
Discount rate	14.50%	14.50%
Constant growth rate	3%	3%

Based on the result of the above impairment testing, the estimated Headroom was approximately RMB7,657 million as of December 31, 2017.

Based on above, it is unlikely that any reasonable possible changes in key assumptions would lead to impairment as of December 31, 2016, 2017 and 2018, respectively.

## (d) Amortization charges were expensed in the following categories in the consolidated statements of comprehensive income:

	Year ended December 31,		
	2016 RMB'000	2017 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Cost of revenue	—	—	352
Service development expenses	—	—	156,863
Selling and marketing expenses	16,324	32,649	175,750
Administrative expenses	8,164	6,424	6,072
	<u>24,488</u>	<u>39,073</u>	<u>339,037</u>

## 20. Deferred income tax

The amount of offsetting deferred income tax assets and liabilities is RMB4,165,000, RMB3,071,000 and RMB1,010,000 for the year ended 2016, 2017 and 2018.

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	As of December 31,		
	2016 RMB'000	2017 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Deferred tax assets:			
- to be recovered after more than 12 months	4,165	50,506	219,025
- to be recovered within 12 months	—	14,442	31,766
	<u>4,165</u>	<u>64,948</u>	<u>250,791</u>
- offsetting deferred income tax liabilities	<u>(4,165)</u>	<u>(3,071)</u>	<u>(1,010)</u>
	<u>—</u>	<u>61,877</u>	<u>249,781</u>
Deferred tax liabilities:			
- to be recovered after more than 12 months	(7,248)	(2,072)	(530,655)
- to be recovered within 12 months	(1,200)	(1,200)	(40,409)
	<u>(8,448)</u>	<u>(3,272)</u>	<u>(571,064)</u>
- offsetting deferred income tax assets	<u>4,165</u>	<u>3,071</u>	<u>1,010</u>
	<u>(4,283)</u>	<u>(201)</u>	<u>(570,054)</u>



## TONGCHENG-ELONG HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 20. Deferred income tax (Continued)

The gross movements in the deferred income tax assets are as follows:

	Accrued liabilities and provisions RMB'000	Impairment on investment, Trade receivables and prepayment and other receivables RMB'000	Future deductible expenses and others RMB'000	Tax losses (Note) RMB'000	Total RMB'000
<b>At January 1, 2016</b>	—	—	—	5,343	5,343
Credit/(charge) to profit or loss for the year (Note 12)	—	—	—	(1,178)	(1,178)
<b>At December 31, 2016</b>	<u>—</u>	<u>—</u>	<u>—</u>	<u>4,165</u>	<u>4,165</u>
<b>At January 1, 2017 (Unaudited)</b>	—	—	—	4,165	4,165
Credit/(charge) to profit or loss for the year (Note 12)	14,576	4,247	35,217	6,743	60,783
<b>At December 31, 2017 (Unaudited)</b>	<u>14,576</u>	<u>4,247</u>	<u>35,217</u>	<u>10,908</u>	<u>64,948</u>
<b>At January 1, 2018 (Unaudited)</b>	14,576	4,247	35,217	10,908	64,948
Addition through business combination (Note 33)	—	360	67,395	3,829	71,584
Credit/(charge) to profit or loss for the year (Note 12)	(4,752)	(1,177)	(18,943)	139,131	114,259
<b>At December 31, 2018 (Unaudited)</b>	<u>9,824</u>	<u>3,430</u>	<u>83,669</u>	<u>153,868</u>	<u>250,791</u>

The gross movements in the deferred income tax liability are as follows:

	Intangible assets acquired in business combination RMB'000	Fair value changes in investments measured at fair value through profit or loss RMB'000	Others RMB'000	Total RMB'000
<b>At January 1, 2016</b>	(4,599)	(4,444)	(38)	(9,081)
Credit/(charge) to profit or loss for the year (Note 12)	1,200	(592)	25	633
<b>At December 31, 2016</b>	<u>(3,399)</u>	<u>(5,036)</u>	<u>(13)</u>	<u>(8,448)</u>
<b>At January 1, 2017 (Unaudited)</b>	(3,399)	(5,036)	(13)	(8,448)
Credit/(charge) to profit or loss for the year (Note 12)	1,200	3,976	—	5,176
<b>At December 31, 2017 (Unaudited)</b>	<u>(2,199)</u>	<u>(1,060)</u>	<u>(13)</u>	<u>(3,272)</u>
<b>At January 1, 2018 (Unaudited)</b>	(2,199)	(1,060)	(13)	(3,272)
Addition through business combination (Note 33)	(602,118)	—	—	(602,118)
Credit/(charge) to profit or loss for the year (Note 12)	33,830	496	—	34,326
<b>At December 31, 2018 (Unaudited)</b>	<u>(570,487)</u>	<u>(564)</u>	<u>(13)</u>	<u>(571,064)</u>

## TONGCHENG-ELONG HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 20. Deferred income tax (Continued)

Note:

Deferred income tax assets are recognized for deductible temporary differences and tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group did not recognize deferred income tax assets of RMB243,907,000, RMB236,713,000, and RMB137,137,000 as of December 31, 2016, 2017 and 2018, in respect of tax losses amounting to RMB1,394,086,000, RMB1,381,382,000, and RMB685,501,000 of certain subsidiaries comprising the Group as at those dates, respectively, that can be carried forward against future taxable income, and will expire between 2021 and 2028 under PRC tax regulations.

## 21. Prepayment and other receivables

	As of December 31,		
	2016 RMB'000	2017 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
<b>Included in non-current assets</b>			
Advances to suppliers	—	—	1,841
Total non-financial assets	—	—	1,841
Deposits (Note 23(b))	38,303	38,303	23,308
Others	11,458	10,869	6,336
Total financial assets	49,761	49,172	29,644
<b>Non-current, total</b>	<b>49,761</b>	<b>49,172</b>	<b>31,485</b>
<b>Included in current assets</b>			
Advances to accommodation suppliers	174,155	51,682	46,393
Prepaid taxation	74	46,588	37,708
Advances to tickets suppliers	4,247	12,389	108,284
Prepayment for advertising	4,052	4,875	25,676
Prepayment for office rental	3,320	2,656	1,214
Prepayment to related parties (Note 38)	—	—	5,833
Others	10,086	11,520	29,887
Total non-financial assets	195,934	129,710	254,995
Deposits (Note 23(b))	70,247	52,386	171,464
Receivable from related parties (Note 38)	—	—	76,794
Receivables from Nanjing Xici disposal	7,650	7,650	—
Others	357	6,192	20,217
Total financial assets	78,254	66,228	268,475
<b>Current, total</b>	<b>274,188</b>	<b>195,938</b>	<b>523,470</b>

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. Other receivables that are measured at amortized costs mainly included deposits, interest receivables and receivables from related parties. The Group considers the probability of default upon initial recognition of other receivables and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. Based on the assessment and analysis conducted by the Directors, no actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant increase of credit risk, and thus the impairment provisions during the years ended December 31, 2016, 2017 and 2018 were limited to 12 months expected losses.

## TONGCHENG-ELONG HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 21. Prepayment and other receivables (Continued)

(a) Movement in impairment of other receivables are as follows:

	Year ended December 31,		
	2016 RMB'000	2017 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
At the beginning of the year	(4,753)	(2,350)	(2,227)
Reverse for impairment	2,767	521	1,063
Provision for impairment	(364)	(398)	(805)
Written-off	—	—	440
At the end of the year	(2,350)	(2,227)	(1,529)

## 22. Trade receivables

	As of December 31,		
	2016 RMB'000	2017 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Receivables from third parties	354,040	213,696	481,032
Receivables from related parties (Note 38)	534,812	329,618	380,256
	888,852	543,314	861,288
Less: allowance for impairment of trade receivables	(5,470)	(4,097)	(3,962)
	883,382	539,217	857,326

Note:

(a) Movements on the Group's allowance for impairment of trade receivables are as follows:

	Year ended December 31,		
	2016 RMB'000	2017 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
At the beginning of the year	(6,519)	(5,470)	(4,097)
Provision for doubtful receivables	(30,042)	(700)	(4,009)
Receivables written off during the year as uncollectible	31,091	2,073	4,144
At the end of the year	(5,470)	(4,097)	(3,962)

(b) 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,		
	2016 RMB'000	2017 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Up to 6 months	883,382	539,217	847,053
Over 6 months	5,470	4,097	14,235
	888,852	543,314	861,288

## TONGCHENG-ELONG HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 22. Trade receivables (Continued)

- (c) Trade receivables are classified as financial assets measured at amortized cost, their carrying amounts approximated their fair values due to their short maturities.
- (d) The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The provision is determined as follows:

	<u>Current</u> RMB'000	<u>Up to 2 months past due</u> RMB'000	<u>2 to 3 months past due</u> RMB'000	<u>Over 3 months past due</u> RMB'000	<u>Total</u> RMB'000
<b>As of December 31, 2016</b>					
Expected loss rate	0.11%	0.30%	2.70%	12.11%	
Gross carrying amount	633,606	200,649	26,176	28,421	888,852
Loss allowance provision	<u>719</u>	<u>601</u>	<u>707</u>	<u>3,443</u>	<u>5,470</u>
<b>As of December 31, 2017 (Unaudited)</b>					
Expected loss rate	0.22%	0.80%	11.28%	46.78%	
Gross carrying amount	466,582	65,505	7,632	3,595	543,314
Loss allowance provision	<u>1,032</u>	<u>522</u>	<u>861</u>	<u>1,682</u>	<u>4,097</u>
<b>As of December 31, 2018 (Unaudited)</b>					
Expected loss rate	0.11%	0.49%	3.00%	10.56%	
Gross carrying amount	770,320	36,653	36,676	17,639	861,288
Loss allowance provision	<u>819</u>	<u>179</u>	<u>1,102</u>	<u>1,862</u>	<u>3,962</u>

## 23. Bank balances and cash

- (a) Cash and cash equivalents

	<u>As of December 31,</u>		
	<u>2016</u> RMB'000	<u>2017</u> <u>(Unaudited)</u> RMB'000	<u>2018</u> <u>(Unaudited)</u> RMB'000
Cash on hand	95	82	71
Cash at bank	339,204	701,666	3,143,812
Cash at bank and on hand	<u>339,299</u>	<u>701,748</u>	<u>3,143,883</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates. The conversion of the RMB denominated balances maintained in the PRC into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

## TONGCHENG-ELONG HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 23. Bank balances and cash (Continued)

## (b) Restricted cash

	As of December 31,		
	2016 RMB'000	2017 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Deposits to business partners	153,606	170,541	140,930

Restricted cash represents cash that cannot be withdrawn without the permission of third parties. In connection with the Group's air ticket business and the accommodation reservation services, the Group was required by its business partners to pay deposits as guarantee in order for the issuance of air tickets and timely payment. As of December 31, 2016, 2017 and 2018, the amount of the deposit placed in commercial banks under these guarantee arrangements was approximately RMB91 million, RMB115 million and RMB81 million, and recorded as restricted cash; and the amount of the deposit deployed in commercial institution under these guarantee arrangements was approximately RMB38 million, RMB38 million and RMB132 million, and recorded as prepayment and other receivables (Note 21).

## 24. Borrowings

	As of December 31,		
	2016 RMB'000	2017 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Secured bank borrowings (Note a)	—	191,997	172,305
Less: current portion	—	(19,692)	(19,692)
Non-current portion	—	172,305	152,613

Notes:

- (a) The borrowings were secured by property, plant and equipment of the Group (Note 14) and bear interest at CHIBOR floating rate with 10% per annum.

At December 31, 2016, 2017 and 2018, the Group's borrowings were repayable as follows:

	As of December 31,		
	2016 RMB'000	2017 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Within 1 year	—	19,692	19,692
1~2 years	—	19,692	19,692
2~5 years	—	59,076	59,076
Over 5 years	—	93,537	73,845
	—	191,997	172,305

The Group is in compliance with all banking covenants as of December 31, 2016, 2017 and 2018.

**TONGCHENG-ELONG HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**25. Redeemable convertible preferred shares**

In connection with the Restructuring as discussed in Note 1, all of eLong's then outstanding ordinary shares were cancelled and all of its then existing ordinary shares were exchanged for the ordinary shares or the Preferred Shares of the Company in the following manner:

- All the then outstanding ordinary shares of eLong were exchanged to the same number of ordinary shares of the Company;
- All the then outstanding high-vote ordinary shares of eLong were exchanged to the same number of the Preferred Shares of the Company; and
- In connection with the Restructuring, the ordinary shares of eLong that were purchased by the Buyers were re-designated and exchanged to the same number of the Preferred Shares of the Company.

After the completion of the Restructuring, the equity shareholdings of eLong, as if-converted basis, by its then existing shareholders have not changed. The Preferred Shares were recognized based on its fair value of RMB3,527 million, and the difference between the fair value of the Preferred Shares and the carrying value of the high-vote ordinary shares relinquished was recorded against the other reserve of RMB3,527 million.

## TONGCHENG-ELONG HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 25. Redeemable convertible preferred shares (Continued)

The Company also assessed the re-designation of ordinary shares purchased by the Buyers and concluded that the difference between the fair value of the Preferred Shares that the Buyers obtained and the fair value of the ordinary shares purchased and relinquished by the Buyers should be recognized as expenses to reflect the benefit received by the Buyers. Therefore, the total difference between the carrying value of the ordinary shares that the Buyers purchased and the fair value of the Preferred Shares that the Buyers obtained with amount to RMB1,662 million was further allocated as (1) RMB742 million, being the difference between the fair value of the Preferred Shares that the Buyers obtained and the fair value of the ordinary shares purchased and relinquished by the Buyers, was deemed as share based payment received by Buyers and recorded as administrative expenses for the year ended December 31, 2016; and (2) RMB920 million, being the difference between the carrying value and fair value of the ordinary shares that the Buyers purchased was recorded as deduction of other reserve.

In July 2016, the Company issued 11,111,111 preferred shares to one of its shareholders with the total fair value of RMB1,208 million on the issuance date. Please refer to Note 19 for details.

The key terms of the Preferred Shares of the Company are as follows:

*Voting*

Each ordinary share has one vote. Each of the Preferred Shares carries a number of votes equal to the number of ordinary shares into which such preferred share could be converted into. The holders of ordinary shares and the Preferred Shares shall vote together as a single class.

*Dividends*

The holders of the Preferred Shares shall rank senior to the holders of ordinary shares in respect of any dividends declared by the Company and shall be entitled to participate in dividends on the ordinary shares on an as-converted basis.

*Liquidation*

Upon any liquidation or winding up of the Company, whether voluntary or involuntary or any deemed liquidation event, to the extent lawfully possible, before any distribution or payment shall be made to the holders of any ordinary shares, the holders of the Preferred Shares shall be entitled to receive an amount with respect to each preferred share equal to the greater of:

- (a) the liquidation preference (“Liquidation Preference”) means the higher of (i) \$13.50 or (ii) \$9.00 plus an 8% compounding annual rate commencing on the date of issuance; and
- (b) the amount distributable to such holder of Preferred Shares if the funds and assets of the Company available for distribution to the preferred shareholders are distributed pro rata amongst all the shareholders of the Company on an as-converted basis.

*Redemption Rights*

If (i) a Qualified IPO has not been completed before the fifth (5th) anniversary of May 31, 2016, or (ii) the Company or any other group company is in material breach of the shareholders’ agreement, each of the preferred shareholders shall have the right but not the obligation, to require the Company to redeem and purchase all (but not part) of the Preferred Shares held by such preferred shareholder (the “Redemption Right”) at a price (the “Redemption Price”) equal to the Liquidation Preference per preferred share to be paid in cash, subject to applicable bankruptcy, insolvency, corporate “solvency” requirements or similar laws. The Redemption Right may be exercised at each preferred shareholder’s discretion but may only be exercised once.

TONGCHENG-ELONG HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. Redeemable convertible preferred shares (Continued)

*Conversion*

Each of the Preferred Shares shall be convertible, at the option of the holder thereof, at any time and from time to time, and without the payment of additional consideration by the holder thereof, into such number of fully paid and non-assessable ordinary shares as is determined by dividing the Liquidation Preference by the applicable Conversion Price in effect at the time of conversion. The "Conversion Price" shall initially be equal to the Original Issue Price and such Conversion Price shall be subject to adjustment.

On December 28, 2017, in connection with the merger agreement entered into between the Company and Tongcheng Network and Tongcheng Network's shareholders, the holders of the Preferred Shares agreed to change the conversion of the preferred shares as immediately prior to the completion of the Acquisition, each of the Preferred Share shall be converted into one ordinary share of the Company (the "Revised Conversion Price"). Such change of the conversion constituted a modification to the Preferred Shares and resulted in, excluding other factors, a decrease in fair value of the Preferred Shares.

On March 9, 2018, upon the completion of the Acquisition, the Company re-designated each of the Preferred Shares with a par value of US\$0.0005 each into one ordinary share with a par value of US\$0.0005 and such re-designation is considered as the conversion of the Preferred Shares to ordinary shares by the Revised Conversion Price. Immediately before the conversion, the Preferred Shares' fair value were RMB5,439 million. The difference between the fair value of the Preferred Shares and the par value of ordinary shares was recorded as share premium of RMB5,439 million.

The Company designated the Preferred Shares as financial liabilities at fair value through profit or loss. The Preferred Shares are initially recognized at fair value.



## TONGCHENG-ELONG HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 25. Redeemable convertible preferred shares (Continued)

The movement of the Preferred Shares during the years ended December 31, 2016, 2017 and 2018 is set as below:

	<u>Number of Shares</u>	<u>Carrying amount RMB'000</u>
<b>At January 1, 2016</b>	—	—
Exchange of high-vote ordinary shares to the Preferred Shares in connection with the Restructuring	33,589,204	3,527,596
Re-designation of ordinary shares to the Preferred Shares in connection with the Restructuring	15,833,693	1,662,882
Issuance of the Preferred shares to one of shareholders	11,111,111	1,208,153
Changes in fair value - attribute to changes in the credit risk of the financial liability	—	(36,781)
Changes in fair value - others	—	36,781
<b>At December 31, 2016</b>	<u>60,534,008</u>	<u>6,398,631</u>
<b>At January 1, 2017 (Unaudited)</b>	60,534,008	6,398,631
Changes in fair value - attribute to changes in the credit risk of the financial liability	—	46,592
Changes in fair value - others	—	(97,576)
<b>At December 31, 2017 (Unaudited)</b>	<u>60,534,008</u>	<u>6,347,647</u>
	60,534,008	6,347,647
<b>At January 1, 2018 (Unaudited)</b>		
Changes in fair value - attribute to changes in the credit risk of the financial liability	—	(932)
Changes in fair value - others	—	(907,734)
Conversion to ordinary shares	(60,534,008)	(5,438,981)
<b>At December 31, 2018 (Unaudited)</b>	<u>—</u>	<u>—</u>

The Group has used the discounted cash flow method to determine the underlying share value of the Company and adopted equity allocation model to determine the fair value of the Preferred Shares as of the dates of issuance and conversion and at the end of each reporting period.

## TONGCHENG-ELONG HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 25. Redeemable convertible preferred share (Continued)

Key valuation assumptions used to determine the fair value of the Preferred Shares are as follows:

	As of December 31, 2016	As of December 31,2017 (Unaudited)	Immediately before the conversion
Discount rate	14.50%	14.50%	14.50%
Discounts for lack of marketability (“DLOM”)	18.00%	12.00%	12.00%
Volatility	44.70%	40.85%	40.65%
Probability of IPO scenario	40.00%	60.00%	100.00%

Discount rate (post-tax) was estimated by weighted average cost of capital as of each valuation date. The risk-free interest rate based on the yield of US Treasury Strip Bond with a maturity life equal to the expected terms as of valuation date. The DLOM was estimated based on the option-pricing method. Under option-pricing method, the cost of put option, which can hedge the price change before the private held share can be sold, was considered as a basis to determine the lack of marketability discount. Volatility was estimated based on annualized standard deviation of daily stock price return of comparable companies for a period from the respective valuation date and with similar span as time to expiration. Probability weight under each of the redemption feature and liquidation preferences was based on the Group’s best estimates. In addition to the assumptions adopted above, the Company’s projections of future performance were also factored into the determination of the fair value of the Preferred Shares on each valuation date.

The fair value changes in the Preferred Shares that are attributable to changes of credit risk of this liability amounted to RMB (36,781,000), RMB46,592,000 and RMB(932,000) for the year ended December 31, 2016, 2017 and 2018.

Changes in fair value of the Preferred Shares were recorded in “Fair value change on redeemable convertible preferred shares measured at fair value through profit or loss” in the consolidated statements of comprehensive income.

## 26. Trade payables

	2016 RMB’000	As of December 31, 2017 (Unaudited) RMB’000	2018 (Unaudited) RMB’000
Payables to third parties	789,629	960,940	1,277,180
Payables to related parties (Note 38)	132,004	153,977	1,291,912
	<u>921,633</u>	<u>1,114,917</u>	<u>2,569,092</u>

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

	2016 RMB’000	As of December 31, 2017 (Unaudited) RMB’000	2018 (Unaudited) RMB’000
Up to 6 months	921,633	1,114,917	2,545,696
Over 6 months	—	—	23,396
	<u>921,633</u>	<u>1,114,917</u>	<u>2,569,092</u>

## TONGCHENG-ELONG HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 27. Other payables and accruals

	As of December 31,		
	2016 RMB'000	2017 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Accrual for users incentive program	75,567	67,862	106,508
Payable to travel service suppliers	24,001	25,759	23,426
Deposits from sales channel	23,675	26,336	88,678
Payables to related parties (Note 38)	381	653	8,064
Payable of reorganisation cost (Note a)	—	—	220,953
Payable to insurance companies	—	—	209,518
Others	—	—	49,451
<b>Total financial liabilities</b>	<b>123,624</b>	<b>120,610</b>	<b>706,598</b>
Advances from users	177,389	116,044	583,707
Accrued payroll and welfare	94,277	77,919	292,393
Accrued commissions	23,851	13,701	18,270
Business and other taxes	2,023	13,573	31,949
Accrued advertisement expenses	23,310	30,788	80,661
Accrued professional fees	9,125	11,100	51,042
Payables to related parties (Note 38)	—	—	356
Others	59,369	55,462	41,447
<b>Total non-financial liabilities</b>	<b>389,344</b>	<b>318,587</b>	<b>1,099,825</b>
<b>Total</b>	<b>512,968</b>	<b>439,197</b>	<b>1,806,423</b>

- (a) After the Acquisition, for the purpose of meeting certain listing requirements on its equity interest on the consolidated PRC operating entities using contractual agreements, the Group carried out an internal reorganisation by transfer certain equity interests of its PRC operating entities, including Tongcheng Network, from the equity holders of these PRC operating entities to its subsidiaries. Pursuant to the contractual arrangements of these PRC operating entities, the pertinent expenses of the equity holders in relation to the share transfer shall be borne by the Group.

## TONGCHENG-ELONG HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 28. Contract liabilities

The Group has recognized the following revenue-related contract liabilities:

	Year ended December 31,		
	2016	2017	2018
	RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
Contract liabilities:			
Deferred revenue for online reservation service (Note 33)	—	—	15,084

Contract liabilities primarily consists of the sales of various eCoupon programs and deposits received, for which an implied obligations are to be provided by the Group over time.

The following table shows the amount of revenue recognized in consolidated statements of comprehensive income for the year ended December 31, 2018 relating to contract liabilities brought forward:

	Year ended December 31,		
	2016	2017	2018
	RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
Revenue recognized that was included in the contract liability as assumed by the Acquisition	—	—	37,859

## TONGCHENG-ELONG HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 29. Share capital and share premium

	<u>Number of ordinary shares</u>	<u>Ordinary share capital RMB'000</u>	<u>Ordinary share premium RMB'000</u>	<u>Treasury stock RMB'000</u>	<u>Total RMB'000</u>
<b>At January 1, 2016</b>	—	—	—	—	—
Incorporation of the Company and consummation of the Restructuring (a)	26,051,810	84	1,514,310	—	1,514,394
<b>At December 31, 2016</b>	<u>26,051,810</u>	<u>84</u>	<u>1,514,310</u>	<u>—</u>	<u>1,514,394</u>
<b>At January 1, 2017 (Unaudited)</b>	26,051,810	84	1,514,310	—	1,514,394
Issuance of ordinary shares (a)	4,418,671	15	—	(15)	—
<b>At December 31, 2017 (Unaudited)</b>	<u>30,470,481</u>	<u>99</u>	<u>1,514,310</u>	<u>(15)</u>	<u>1,514,394</u>
<b>At January 1, 2018 (Unaudited)</b>					
Issuance of ordinary shares in connection with the Acquisition (b)	96,721,818	307	8,689,960	—	8,690,267
Issuance of ordinary shares to Tencent (c)	3,374,369	11	303,176	—	303,187
Conversion of the Preferred Shares to ordinary shares (Note 25)	60,534,008	192	5,438,789	—	5,438,981
Issuance of ordinary shares in connection with the Listing (d)	165,415,200	574	1,436,609	—	1,437,183
Capitalization issue (e)	1,719,906,084	5,973	(5,973)	—	—
Share issuance costs (f)	—	—	(65,651)	—	(65,651)
<b>At December 31, 2018 (Unaudited)</b>	<u>2,076,421,960</u>	<u>7,156</u>	<u>17,311,220</u>	<u>(15)</u>	<u>17,318,361</u>

- (a) In 2017, the Company issued 4,418,671 ordinary shares to EAE Holdco with amount of RMB15,000 for the purpose of granting RSUs to the employees (Note (8)).
- (b) In connection of the Acquisition of Tongcheng Online Business, the Company issued 96,721,818 ordinary shares to the then shareholders of Tongcheng Network, a share premium of RMB8,690 million was recognized for the difference between its fair value and par value.
- (c) In conjunction with the Acquisition, the Company issued 3,374,369 ordinary shares to Tencent for a cash consideration of approximately US\$30 million with a share premium of RMB303,176,000 recognized for the difference between its fair value and par value. The difference between the fair value of the newly issued ordinary shares and the purchase consideration, with amount to RMB113 million, was deemed as compensation paid to Tencent and recorded as administrative expenses in 2018 (Note 6).

TONGCHENG-ELONG HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. Share capital and share premium (Continued)

- (d) In 2018, upon the Company's Listing on the Main Board of the Stock Exchange of Hong Kong Limited, the Company issued 165,415,200 new shares with par value of USD0.0005 per share for cash consideration at HKD9.8 per share for a gross proceeds of approximately HKD1,621,068,960 (equivalent to RMB1,437,183,000). The respective share capital amount was approximately RMB574,000 and share premium arising from the issuance was approximately RMB1,436,609,000.
- (e) Pursuant to a shareholders' resolution passed on October 12, 2018 and the share premium account of the Company being credited as a result of the Listing, the Company allotted and issued a total of 1,719,906,084 shares by way of capitalisation of the sum of USD859,953 standing to the credit of the share premium account of the Company upon the Listing.
- (f) Share issuance costs mainly include share underwriting commissions, lawyers' fees, reporting accountant's fee and other related costs, associated with the Listing. Incremental costs that are directly attributable to the issuance of the new shares amounting to approximately RMB65,651,000 were treated as a deduction against the share premium arising from the issuance.

## TONGCHENG-ELONG HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 30. Other reserves

	<u>Capital reserve</u> RMB'000	<u>Statutory</u> <u>reserve</u> RMB'000	<u>Currency</u> <u>translation</u> <u>differences</u> RMB'000	<u>Share-based</u> <u>compensations</u> <u>reserve</u> RMB'000	<u>Others (a)</u> RMB'000	<u>Total</u> RMB'000
<b>At January 1, 2016</b>	589,199	9,826	—	1,575,699	483,613	2,658,337
Fair value change of the Preferred Shares attributable to changes in credit risk	—	—	—	—	36,781	36,781
Exercise of stock options	1,719	—	—	—	—	1,719
Exchange of high-vote ordinary shares to the Preferred Shares in connection with the Restructuring	(3,527,596)	—	—	—	—	(3,527,596)
Redesignation of ordinary shares to the Preferred Shares in connection with the Restructuring	(920,414)	—	—	—	—	(920,414)
Purchase of vested Equity Awards in connection with the Restructuring	—	—	—	(81,624)	—	(81,624)
Incorporation of the Company and consummation of the Restructuring	(1,514,394)	—	—	—	—	(1,514,394)
Share-based compensations (Note 8)	—	—	—	71,325	—	71,325
<b>At December 31, 2016</b>	<u>(5,371,486)</u>	<u>9,826</u>	<u>—</u>	<u>1,565,400</u>	<u>520,394</u>	<u>(3,275,866)</u>
<b>At January 1, 2017 (Unaudited)</b>	(5,371,486)	9,826	—	1,565,400	520,394	(3,275,866)
Fair value change of the Preferred Shares attributable to changes in credit risk	—	—	—	—	(46,592)	(46,592)
Purchase of Equity Awards in connection with the Restructuring	—	—	—	(4,382)	—	(4,382)
Share-based compensations (Note 8)	—	—	—	56,783	—	56,783
<b>At December 31, 2017 (Unaudited)</b>	<u>(5,371,486)</u>	<u>9,826</u>	<u>—</u>	<u>1,617,801</u>	<u>473,802</u>	<u>(3,270,057)</u>

## TONGCHENG-ELONG HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 30. Other reserves (Continued)

	<u>Capital reserve</u> RMB'000	<u>Statutory</u> <u>reserve</u> RMB'000	<u>Currency</u> <u>translation</u> <u>differences</u> RMB'000	<u>Share-based</u> <u>compensations</u> <u>reserve</u> RMB'000	<u>Others (a)</u> RMB'000	<u>Total</u> RMB'000
<b>At January 1, 2018 (Unaudited)</b>	(5,371,486)	9,826	—	1,617,801	473,802	(3,270,057)
Fair value change of the Preferred Shares attributable to changes in credit risk	—	—	—	—	932	932
Reclassification of the accumulated fair value change of the Preferred Shares attributable to changes in credit risk to accumulated losses upon conversion (Note 25)	—	—	—	—	8,879	8,879
Transactions with non-controlling interests (Note 32)	(18,123)	—	—	—	—	(18,123)
Purchase of Equity Awards in connection with the Restructuring (Note 8)	—	—	—	(739)	—	(739)
Currency translation differences	—	—	(15,917)	—	—	(15,917)
Share-based compensations (Note 8)	—	—	—	572,191	—	572,191
<b>At December 31, 2018 (Unaudited)</b>	<u>(5,389,609)</u>	<u>9,826</u>	<u>(15,917)</u>	<u>2,189,253</u>	<u>483,613</u>	<u>(2,722,834)</u>

(a) Others mainly represents the reserves arising from the conversion of preferred shares of eLong before the years presented and the fair value change of the Preferred Shares at attributable to changes in credit risk.



## TONGCHENG-ELONG HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**31. Dividend**

No dividend has been paid or declared by the Company or the companies now comprising the Group during each of the year ended December 31, 2016, 2017 and 2018.

**32. Acquisition of additional interest of its subsidiaries**

In October 2018, the Group acquired the remaining equity interests of its subsidiary Beijing Zhuzhe Information Technology Co., Ltd. (“Beijing Zhuzhe”) at a consideration of RMB36 million. The difference of RMB18 million between the carrying amount of the non-controlling interests of RMB18 million and the consideration need be paid was recognised in equity attributable to equity holders of the Company. The Group effectively owns 100% interests in Beijing Zhuzhe after the acquisition.

The following table summarises the carrying amount of non-controlling interests acquired, considerations need to be paid to non-controlling interests and excess of consideration paid recognised within equity of these subsidiaries at the acquisition date.

	<u>2018</u> <u>RMB'000</u>
Carrying amount of non-controlling interests acquired	18,105
Consideration need be paid to non-controlling interests	<u>(36,228)</u>
Excess of consideration paid recognised within equity	<u><u>(18,123)</u></u>

In connection with such acquisition, the Group entered into a share-based payment arrangement with certain employees of Beijing Zhuzhe under which the Company granted 831,830 cash-settled share options totally. The share options would be vested in 4 instalments over requisite service period under which the employees will receive a cash payment equal to the share price of the Company on vesting. It is treated as a cash-settled share-based payment whenever the Group received services in consideration for cash payments based on the price of the Group’s equity instrument.

**33. Business combination**

Acquisition of Tongcheng Online Business

On March 9, 2018, the Company consummated the Acquisition of Tongcheng Network. The Company accounted for the Acquisition of Tongcheng Network as business combination and started to consolidate the financial statements of Tongcheng Network from March 9, 2018.

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

	<u>March 9, 2018</u> <u>RMB'000</u>
<b>Fair value of the Consideration</b>	
Cash consideration	—
Fair value of ordinary shares issued	<u>8,690,267</u>
<b>Total consideration paid by the Company</b>	<u><u>8,690,267</u></u>

The fair value of the 96,721,818 ordinary shares of the Company issued as the consideration paid for Tongcheng Network (RMB 8,690 million) was based on the valuation of the Company’s ordinary share price of RMB 89.85 per share on March 9, 2018.

## TONGCHENG-ELONG HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 33. Business combination (Continued)

Acquisition of Tongcheng Online Business (Continued)

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

Identifiable assets and liabilities at the acquisition date:

	<u>Fair Value</u> <u>RMB'000</u>
Cash and cash equivalents	941,181
Restricted cash	11,067
Trade receivables	289,489
Prepayment and other receivables	401,958
Short-term investments measured at fair value through profit or loss	537,000
Property, plant and equipment	258,800
Land use rights	16,310
Intangible assets	
- Trade name (Note a)	1,762,340
- Supplier relationship (Note b)	1,755,976
- IT platform (Note c)	240,265
- Business cooperation arrangement (Note d)	598,677
- Others	25,993
Deferred income tax assets	71,584
Trade payables	(627,924)
Other payables and accruals	(491,662)
Contract liabilities	(37,859)
Current income taxes liabilities	(69,365)
Deferred income tax liabilities	(602,118)
<b>Total identifiable net assets</b>	<b>5,081,712</b>
Goodwill (Note e)	<b>3,608,555</b>
	<b>8,690,267</b>

Note:

The identified intangible assets for the acquisition primarily consists of trade name, supplier relationship, IT platform, business cooperation arrangement and other intangible assets. They are initially recognized and measured at fair value if they are acquired in business combinations.

- (a) The trade name is attributable to brand of Tongcheng Online Business which is considered with indefinite useful life as the Group considered i) it is an well recognized brand in the market, ii) the Group have demonstrated its ability to efficiently manage similar brand and will continue to put significant resource to maintain and promote the brand, iii) there is no technical obsolescence nor legal limits on the use of the assets, and iv) stability of the online travel service industry without any downturn in foreseeable future.
- (b) The business relationship represents the contractual business relationship with the existing suppliers of the acquired business, i.e. the transportation service providers of Tongcheng Online Business, of which the Company assessed and estimated the useful life at 12 years based on the considerations of the long term relationship built up with the suppliers, market practice in the transportation ticketing service industry as well as that the turnover and churn rate of suppliers in the past. The Company also benchmarked with the useful life of the similar intangible assets from the comparable deals in the market.
- (c) The IT platform mainly includes Tongcheng Online Business self-developed metasearch platform and the related technologies. The Company assessed and estimated the useful life of these assets at 6 years primarily based on the comparable market deals of similar technology platforms.

TONGCHENG-ELONG HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. Business combination (Continued)

Acquisition of Tongcheng Online Business (Continued)

- (d) The business cooperation arrangement represents a Strategic Cooperation Arrangement entered with the Shareholder in 2015. The business cooperation arrangement initially had a term of five years and was extended for additional one year in 2017. The shareholder will deploy certain agree-upon business resources to Tongcheng Online Business to increase the user traffic of the Tongcheng Online Business's platform.
- (e) Goodwill is primarily attributable to the synergies expected to be achieved from the Acquisition. Following the Acquisition, benefiting from the experience and technological development of Tongcheng Network and eLong Group and their complementary resources, the Group will achieve greater economies of scale, solidified its market leadership and accomplished a stronger ability to provide comprehensive travel products and services offering.
- (f) The fair value of acquired trade receivables is RMB289,489,000. The gross contractual amount for trade receivables due is RMB290,697,000, of which RMB1,208,000 is expected to be uncollectible.

The acquired business contributed revenue of RMB3,468 million and net loss of RMB52 million to the Group for the period from March 9, 2018, the acquisition date, to December 31, 2018. If the Acquisition had occurred on 1 January 2018, consolidated pro-forma revenue and profit for the year ended December 31, 2018 would have been RMB6,090,787,000 and RMB732,860,000 respectively. These amounts have been calculated using the subsidiary's results and adjusting them for:

- differences in the accounting policies between the Group and the subsidiary, and
- the additional depreciation and amortization that would have been charged assuming the fair value adjustments to intangible assets and land use rights had applied from January 1, 2018, together with the consequential tax effects.

Acquisition-related costs of RMB9.9 million that were not directly attributable to the issuance of shares are included in administrative expenses in consolidated statements of comprehensive income and in operating cash flows in the statement of cash flows.

## TONGCHENG-ELONG HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 34. Note to consolidated statements of cash flows

	Year ended December 31,		
	2016 RMB'000	2017 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Profit before income tax	(2,159,618)	134,021	601,526
Adjustment for:			
- Foreign exchange losses	(1,562)	1,365	(16,502)
- Issuance of ordinary shares at discount (Note 29)	—	—	113,099
- Issuance of ordinary shares for the Listing	—	—	91,508
- Allowance for doubtful accounts	27,637	1,098	3,751
- Gain/(loss) on disposal of property, plant and equipment (Note 14)	203	534	(500)
- Depreciation of property, plant and equipment (Note 14)	52,845	45,077	116,655
- Amortization of intangible assets (Notes 19)	24,488	39,073	339,309
- Share-based compensation (Note 8)	72,343	56,783	572,191
- Gain from disposal of equity investments	—	(753)	—
- Fair value changes on investments measured at fair value through profit or loss	4,031	(863)	(78,572)
- Fair value change on redeemable convertible preferred shares measured at fair value through profit or loss (Note 25)	36,781	(97,576)	(907,734)
- Finance income	(8,402)	(10,145)	(12,888)
- Finance cost	—	—	1,633
- Other gains, net	(6,271)	(10,056)	(1,933)
- Share of results from investments in associates (Note 15)	11,218	2,251	4,568
- Selling and marketing expenses which were settled with newly issued preferred shares (Note 25)	1,044,908	—	—
- Charges for re-designation of ordinary shares to the Preferred Shares in connection with the Restructuring (Note 25)	742,467	—	—
Changes in working capital:			
- Trade receivables	(451,991)	343,464	(846,377)
- Prepayment and other receivables	(35,235)	84,881	61,617
- Trade payables	263,067	199,640	1,674,085
- Accrued expenses and other current liabilities	(30,755)	(73,773)	790,664
<b>Cash generated from operating activities</b>	<b>(413,844)</b>	<b>715,021</b>	<b>2,506,100</b>

## TONGCHENG-ELONG HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 34. Note to consolidated statements of cash flows (Continued)

(a) In the consolidated statements of cash flows, proceeds from sale of property, plant and equipment comprise:

	Year ended December 31,		
	2016	2017	2018
	RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
Net book value	311	596	6,985
Gain/(loss) on disposal of property, plant and equipment	(203)	(534)	500
Proceeds from disposal of property, plant and equipment	108	62	7,485

(b) Non-cash investing and financing activities

	Year ended December 31,		
	2016	2017	2018
	RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
Selling and marketing expenses which were settled with newly issued preferred shares (Note 25)	1,044,908	—	—
Re-designation of ordinary shares to the Preferred Shares in connection with the Restructuring (Note 25)	742,467	—	—
Issuance of ordinary shares in connection with the Acquisition (Note 29)	—	—	8,690,267
Conversion of the Preferred Shares to ordinary shares (Note 25)	—	—	5,438,981

## TONGCHENG-ELONG HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 34. Note to consolidated statements of cash flows (Continued)

## (c) Reconciliation of liabilities generated from financing activities

	Borrowings due within a year RMB'000	Borrowings due after a year RMB'000	Interest payable RMB'000	Redeemable convertible preferred shares RMB'000	Total RMB'000
As of January 1, 2016	—	—	—	—	—
Cash flows	—	—	—	—	—
Issuance of the Preferred Shares	—	—	—	6,398,631	6,398,631
As of December 31, 2016	<u>—</u>	<u>—</u>	<u>—</u>	<u>6,398,631</u>	<u>6,398,631</u>
As of January 1, 2017 (Unaudited)	—	—	—	6,398,631	6,398,631
Cash flows	19,692	172,305	(1,740)	—	190,257
Fair value changes of the Preferred Shares	—	—	—	(97,576)	(97,576)
Fair value change relating to preferred shares due to own credit risk	—	—	—	46,592	46,592
Accrued interest expenses	—	—	1,740	—	1,740
As of December 31, 2017 (Unaudited)	<u>19,692</u>	<u>172,305</u>	<u>—</u>	<u>6,347,647</u>	<u>6,539,644</u>
As of January 1, 2018 (Unaudited)	19,692	172,305	—	6,347,647	6,539,644
Cash flows	(19,692)	—	(10,346)	—	(30,038)
Fair value changes of the Preferred Shares	—	—	—	(907,734)	(907,734)
Converted into ordinary shares	—	—	—	(5,438,981)	(5,438,981)
Fair value change relating to preferred shares due to own credit risk	—	—	—	(932)	(932)
Accrued interest expenses	—	—	10,604	—	10,604
Other non-cash movements	19,692	(19,692)	—	—	—
As of December 31, 2018 (Unaudited)	<u>19,692</u>	<u>152,613</u>	<u>258</u>	<u>—</u>	<u>172,563</u>

## TONGCHENG-ELONG HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**35. Banking facilities**

As of December 31, 2016, 2017 and 2018, the Group has banking facilities available in the form of letters of guarantee of RMB63.2 million, RMB39.1 million and RMB1,807.4, in which RMB63.2 million, RMB39.1 million and RMB592.1 million are utilised and provided to a business partner in connection with air ticketing business for financial security.

**36. Contingencies**

As of December 31, 2016, 2017 and 2018, the Group did not have any significant contingent liabilities.

**37. Commitment****(a) Operating lease commitments**

The Group leases offices under non-cancellable operating lease agreements. The future aggregate minimum lease payments under non-cancellable operating leases at each of the balance sheet dates are as follows:

	As of December 31,		
	2016 RMB'000	2017 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
No later than 1 year	19,278	15,131	38,040
Between 1 and 2 years	15,083	5,736	3,239
Between 2 and 5 years	10,771	7,027	4,195
	<u>45,132</u>	<u>27,894</u>	<u>45,474</u>

**(b) Purchase commitments**

The purchase commitments represent the minimum payment that the Company would pay for the prepurchase of hotel room nights assuming inventory risk pursuant to the existing agreements with hotels.

	As of December 31,		
	2016 RMB'000	2017 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Purchase commitments	48,947	54,436	—

**(c) Capital commitments**

Capital expenditure contracted for not yet incurred as of December 31, 2016, 2017 and 2018 is as follows:

	As of December 31,		
	2016 RMB'000	2017 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Property and equipment	—	—	187,530

## TONGCHENG-ELONG HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 38. Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family member of the Group are also considered as related parties.

Save as disclosed in other notes, the following significant transactions were carried out between the Group and its related parties during the years ended December 31, 2016, 2017 and 2018. In the opinion of the Directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

## (a) Names and relationships with related parties

The following companies are related parties of the Group that had balances and/or transactions with the Group during the years ended December 31, 2016, 2017 and 2018.

Company	Relationship with the Group
Ctrip and its affiliated companies	Shareholder with significant influence over the Group
Tencent and its affiliated companies	Shareholder with significant influence over the Group
City Legend International Limited	Shareholder with significant influence over the Group
Tongcheng Holdings and its subsidiaries	Controlled by shareholders with significant influence over the Group
Beijing Miot Technology Co., Ltd.	Associate
Subsidiary A diluted to associate	Associate
Subsidiary B diluted to associate	Associate

## (b) Significant transactions with related parties

	Year ended December 31,		
	2016 RMB'000	2017 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Commission and other service income received from related parties:			
- Ctrip and its affiliates	85,781	243,783	1,127,980
- Tongcheng Holdings and its subsidiaries	—	—	1,699
- City Legend International Limited	—	—	124
<b>Total</b>	<b>85,781</b>	<b>243,783</b>	<b>1,129,803</b>
Commission, settlement and other service fees paid to related parties:			
- Ctrip and its affiliates	261,140	573,128	183,827
- Tencent and its affiliates	1,224,655	31,655	552,918
- Tongcheng Holdings and its subsidiaries	—	—	62,375
- Others	50	—	—
<b>Total</b>	<b>1,485,845</b>	<b>604,783</b>	<b>799,120</b>



## TONGCHENG-ELONG HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 38. Related party transactions (Continued)

## (c) Balance with related parties

	As of December 31,		
	2016 RMB'000	2017 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Trade receivables, prepayment and other receivables from related parties (Note 21 & 22):			
- Ctrip and its affiliates	506,461	273,480	315,615
- Tencent and its affiliates	—	56,138	45,677
- Tongcheng Holdings and its subsidiaries	28,351	—	72,890
- Others	—	—	28,701
Total	<u>534,812</u>	<u>329,618</u>	<u>462,883</u>

The receivables from related parties arise mainly from ordinary course of business. The receivables are unsecured, interest-free and with no fixed term of repayment. No provisions have been made against receivables from related parties.

	As of December 31,		
	2016 RMB'000	2017 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Trade payables and other payables to related parties (Note 26 & 27):			
- Ctrip and its affiliates	132,382	152,826	1,277,103
- Tencent and its affiliates	—	362	1,381
- Tongcheng Holdings and its subsidiaries	—	—	15,265
- Others	3	1,442	6,583
Total	<u>132,385</u>	<u>154,630</u>	<u>1,300,332</u>

The payables to related parties are unsecured, interest-free and with no fixed term of repayment.

## (d) Key management personnel compensations

The compensations paid or payable to key management personnel (including CEO and other senior executives) for employee services are show below:

	As of December 31,		
	2016 RMB'000	2017 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Wages, salaries and bonuses	3,901	6,188	11,626
Pension costs - defined contribution plans	184	198	336
Other social security costs, housing benefits and other employee benefits	218	234	300
Share-based compensation expenses (Note 8)	14,946	11,916	152,685
Total	<u>19,249</u>	<u>18,536</u>	<u>164,947</u>

## TONGCHENG-ELONG HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 39. Subsequent events

There were no material subsequent events during the period from December 31, 2018 to the approval date of these consolidated financial statements by the Board of Directors on March 19, 2019.

## 40. Financial position and reserve movement of the Company

## (i) Financial position of the Company

	Note	As of December 31,		
		2016 RMB'000	2017 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Investment in subsidiaries		9,478,425	9,530,826	18,792,536
Prepayment and other receivables		—	15	15
		<u>9,478,425</u>	<u>9,530,841</u>	<u>18,792,551</u>
<b>Current assets</b>				
Prepayment and other receivables		—	—	3,429
Short-term investments measured at fair value through profit or loss		—	—	205,896
Cash and cash equivalents		—	—	1,328,234
		<u>—</u>	<u>—</u>	<u>1,537,559</u>
<b>Total assets</b>		<u>9,478,425</u>	<u>9,530,841</u>	<u>20,330,110</u>
<b>EQUITY</b>				
<b>Capital and reserves attributable to equity holders of the Company</b>				
Share capital		84	99	7,156
Share premium		1,514,310	1,514,310	17,311,220
Other reserves	40(ii)	1,602,181	1,607,990	2,173,438
Retained earnings		(36,781)	60,795	822,063
<b>Total equity</b>		<u>3,079,794</u>	<u>3,183,194</u>	<u>20,313,877</u>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Redeemable convertible preferred shares	25	6,398,631	6,347,647	—
<b>Current liabilities</b>				
Other payables and accruals		—	—	16,233
<b>Total liabilities</b>		<u>6,398,631</u>	<u>6,347,647</u>	<u>16,233</u>
<b>Total equity and liabilities</b>		<u>9,478,425</u>	<u>9,530,841</u>	<u>20,330,110</u>

## TONGCHENG-ELONG HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 40. Financial position and reserve movement of the Company (Continued)

## (ii) Reserve movement of the Company

	<u>Retained earnings</u> RMB'000	<u>Other reserves</u> RMB'000
<b>At January 1, 2016</b>		
Fair value change of the Preferred Shares attributable to changes in credit risk	36,781	36,781
Share based compensation carry forward in consummation of the Restructuring	—	1,575,699
Purchase of vested Equity Awards in connection with the Restructuring	—	(81,624)
Share-based compensations (Note 8)	—	71,325
<b>At December 31, 2016</b>	<u>36,781</u>	<u>1,602,181</u>
<b>At January 1, 2017 (Unaudited)</b>	(36,781)	1,602,181
Profit for the year	97,576	—
Fair value change of the Preferred Shares attributable to changes in credit risk	—	(46,592)
Purchase of vested Equity Awards in connection with the Restructuring	—	(4,382)
Share-based compensations (Note 8)	—	56,783
<b>At December 31, 2017 (Unaudited)</b>	<u>60,795</u>	<u>1,607,990</u>
<b>At January 1, 2018 (Unaudited)</b>	60,795	1,607,990
Profit for the year	770,147	—
Fair value change of the Preferred Shares attributable to changes in credit risk	—	932
Reclassification of the accumulated fair value change of the Preferred Shares attributable to changes in credit risk to accumulated losses upon conversion	(8,879)	8,879
Share-based compensations (Note 8)	—	572,191
Purchase of vested Equity Awards in connection with the Restructuring	—	(739)
Currency translation differences	—	(15,815)
<b>At December 31, 2018 (Unaudited)</b>	<u>822,063</u>	<u>2,173,438</u>

**TONGCHENG-ELONG HOLDINGS LIMITED**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**41. Subsidiaries**

Particulars of the principal subsidiaries of the Group as of December 31, 2016, 2017 and 2018 are set out below:

Company name	Country/place of operation and date of incorporation	Particulars of issued/paid-in capital	Equity/ beneficial interest held as at December 31, 2016	Equity/ beneficial interest held as at December 31, 2017	Equity/ beneficial interest held as at December 31, 2018	Principal activities	Type of legal entity
<b>Directly held:</b>							
eLong Inc.	PRC/April 4, 2001	US\$ 0.01	100%	100%	100%	Investment holding	Limited liability entity
<b>Indirectly held:</b>							
eLong Net Information Technology (Beijing) Co., Ltd. (北京网信科技有限责任公司)	PRC/August 17, 1999	US\$ 214,277,229	100%	100%	100%	Platform service of hotel business	Limited liability entity
eLong Information Technology (Hefei) Co., Ltd. (合肥网信科技有限责任公司)	PRC/July 09, 2012	US\$ 5,000,000	100%	100%	100%	Hotel business service/business process outsourcing service	Limited liability entity
Beijing eLong Information Technology Co., Ltd. (北京网信科技有限责任公司)	PRC/November 28, 2000	RMB 16,000,000	100%	100%	100%	Information technology outsourcing/advertising service	Limited liability entity
Beijing eLong Air Services Co., Ltd. (北京网信航空服务有限公司)	PRC/October 23, 2002	RMB 23,000,000	100%	100%	100%	Air ticket service	Limited liability entity
Beijing eLong International Travel Co., Ltd. (北京网信国际旅行社有限公司)	PRC/July 29, 2004	RMB 1,500,000	100%	100%	100%	Hotel business service/other travel service	Limited liability entity
Tianjin Chengmei Technology Development Co., Ltd. (天津诚迈科技发展有限公司)	PRC/December 31, 2013	RMB 15,000,000	100%	100%	100%	Investment holding	Limited liability entity
Shenzhen JL-Tour International Travel Service Co., Ltd. (深圳捷路国际旅行社有限公司)	PRC/October 09, 2001	RMB 2,430,769	56%	56%	54%	International travel service	Limited liability entity
Xinyi Insurance Brokers (Beijing) Co., Ltd. (信义保险经纪(北京)有限公司)	PRC/May 09, 2016	RMB 50,000,000	100%	100%	100%	Insurance brokerage business	Limited liability entity
Beijing Asia Media Interactive Advertising Co., Ltd. (北京亚洲媒体互动广告有限公司)	PRC/August 02, 2000	RMB 30,000,000	100%	100%	100%	Advertising service	Limited liability entity
Suzhou Longyue Tiancheng Information Technology Co., Ltd. (苏州龙悦天诚信息科技有限公司)	PRC/September 07, 2017	RMB 0.00	100%	100%	100%	Information technology outsourcing	Limited liability entity
Suzhou Chenghuiwan International Travel Agency Co., Ltd. (苏州成汇万国际旅行社有限公司)	PRC/November 24, 2015	RMB 1,000,000	0%	0%	100%	Travel related services	Limited liability entity
Nanjing Tongyou Car Rental Co., Ltd. (南京同游汽车租赁有限公司)	PRC/October 28, 2016	—	0%	0%	100%	Travel related services	Limited liability entity
Suzhou Chenglv Tianxia Information Technology Co., Ltd. (苏州诚侣天下信息科技有限公司)	PRC/December 23, 2015	RMB 100,000	0%	0%	100%	Travel related services	Limited liability entity
Beijing Tongcheng Huading International Travel Agency Company Limited (北京同程华鼎国际旅行社有限公司)	PRC/January 12, 2011	RMB 5,000,000	0%	0%	100%	Travel related services	Limited liability entity
Beijing Tianyuan Difang Insurance Agency Company Limited (北京天元四方保险代理有限公司)	PRC/May 28, 2010	RMB 50,000,000	0%	0%	100%	Travel related services	Limited liability entity
Suzhou Chengyi Technology Co., Ltd. (苏州诚益科技有限公司)	PRC/March 21, 2018	—	0%	0%	100%	Travel related services	Limited liability entity
Tongcheng Network Technology Co., Ltd. (同程网络科技有限公司)	PRC/March 10, 2004	RMB 111,319,969	0%	0%	100%	Travel related services	Limited liability entity

**TONGCHENG-ELONG HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**41. Subsidiaries (Continued)**

- (1) The English names of certain subsidiaries referred herein represent the Directors' best effort at translating the Chinese names of these companies as no English names have been registered.
- (2) All companies comprising the Group have adopted December 31 as their financial year end date.

**ITEM 19. EXHIBITS**

<u>Exhibit Number</u>	<u>Document</u>
12.1*	<a href="#">Chief Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
12.2*	<a href="#">Chief Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
13.1**	<a href="#">Chief Executive Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
13.2**	<a href="#">Chief Financial Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
15.4*	<a href="#">Consent of PricewaterhouseCoopers Zhong Tian LLP</a>

\* Filed with this amendment to annual report on Form 20-F.

\*\* Furnished with this amendment to annual report on Form 20-F.

**SIGNATURES**

The registrant hereby certifies that it meets all of the requirements for filing its annual report on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

CTRIP.COM INTERNATIONAL, LTD.

By: /s/ Jane Jie Sun

Name: Jane Jie Sun

Title: Chief Executive Officer and Director

Date: May 28, 2019

**Certification by the Chief Executive Officer  
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Jane Jie Sun, certify that:

1. I have reviewed this annual report on Form 20-F of Ctrip.com International, Ltd. (the “Company”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and
5. The Company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

Date: May 28, 2019

By: /s/ Jane Jie Sun

Name: Jane Jie Sun

Title: Chief Executive Officer

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**Certification by the Chief Financial Officer  
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Cindy Xiaofan Wang, certify that:

1. I have reviewed this annual report on Form 20-F of Ctrip.com International, Ltd. (the “Company”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and
5. The Company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

Date: May 28, 2019

By: /s/ Cindy Xiaofan Wang

Name: Cindy Xiaofan Wang

Title: Chief Financial Officer

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**Certification by the Chief Executive Officer  
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of Ctrip.com International, Ltd. (the "Company") on Form 20-F for the year ended December 31, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jane Jie Sun, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 28, 2019

By: /s/ Jane Jie Sun

Name: Jane Jie Sun

Title: Chief Executive Officer

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**Certification by the Chief Financial Officer  
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of Ctrip.com International, Ltd. (the "Company") on Form 20-F for the year ended December 31, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Cindy Xiaofan Wang, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 28, 2019

By: /s/ Cindy Xiaofan Wang

Name: Cindy Xiaofan Wang

Title: Chief Financial Officer

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**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-116567, No. 333-136264, No. 333-146761, No. 333-218899, and No. 333-230297) of Ctrip.com International, Ltd. of our report dated June 29, 2018 relating to the consolidated financial statements of Tongcheng-Elong Holdings Limited included in this Amendment to the Annual Report on Form 20-F for the year ended December 31, 2018.

/s/ PricewaterhouseCoopers Zhong Tian LLP

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PricewaterhouseCoopers Zhong Tian LLP

Shanghai, People's Republic of China

May 28, 2019

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