

TONGCHENG-ELONG HOLDINGS LTD:
THIS IS A MULTI-BILLION-RENMINBI CORPORATION,
HEAVILY ENGAGED IN THE TRAVEL INDUSTRY OF THE PRC

But Its Financials Stink !

On scanning the financials of Tongcheng-Elong Holdings Ltd () (Code: 780, Main Board, The Stock Exchange of Hongkong Ltd), one may easily become rather confused in trying to understand how a company, with an Annual Revenue of more than two billion renminbi, could suffer very material losses in respect of two out of three Financial Years.

Even this medium, originally, had a little trouble in trying to come to grips with this conundrum in order to appreciate how the very material losses had come to pass – and Management of this Company had not made the tasks, confronting **TARGET** () and/or investors that had not become au fait with the niceties of accounting, easily discernible on scanning the Global Offering Prospectus of the Company.

The Business Of Tongcheng-Elong Holdings Ltd

In the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), Tongcheng-Elong Holdings Ltd published and disseminated its Global Offering Prospectus on November 14, 2018.

At Page 101 of this 576-page document, one was given an '**INTRODUCTION**' to the Company as follows:

'Our Company was incorporated as an exempted limited liability company in the Cayman Islands on January 14, 2016 under the name of China E-dragon Holdings

Limited. Our Company was renamed Tongcheng-Elong Holdings Limited on March 27, 2018, following the Tongcheng-eLong Merger, which was completed in March 2018. On July 17, 2018, our Company adopted the dual foreign name of “.”.

Then, under the sub-heading, **‘HISTORY OF OUR BUSINESS’**, it was explained:

‘Elong

‘The history of eLong’s business can be traced back to May 1999 when elong.com was founded by Mr. Justin Tang and Mr. Richard Chen in order to provide online travel services including the provision of travel information, accommodation reservation services, transportation ticketing and internet-related advertising services in the PRC. In May 2004, eLong Cayman (eLong Incorporated, a company, established in the Cayman Islands on May 19, 2004) was incorporated in the Cayman Islands as the holding company of eLong’s business.

‘eLong Cayman’s American Depositary Shares were listed on NASDAQ in October 2004, and it became one of China’s earliest online travel companies that went public. In December 2007, eLong re-positioned itself to strategically focus on the provision of accommodation reservation services.

‘During the period from 2004 to 2014, Expedia Inc. and its affiliates invested approximately US\$208 million in eLong Cayman to subscribe for ordinary shares and high-vote ordinary shares issued by Elong Cayman.

‘In May 2011, Tencent (Tencent Holdings Ltd [] (Code: 700, Main Board, The Stock Exchange of Hongkong Ltd), through TCH Sapphire (TCH Sapphire Ltd, a wholly owned subsidiary of Tencent Holdings Ltd), subscribed for 6,031,500 ordinary shares and 5,038,500 high-vote ordinary shares issued by eLong Cayman at an aggregate consideration of approximately US\$84 million.

‘On May 22, 2015, Expedia, Inc.(this company changed its name on March 26, 2018, to Expedia Group Incorporated) and its affiliates sold all of their shareholding in eLong Cayman, including 17,290,943 ordinary shares and 28,550,704 high-vote ordinary shares, to Ctrip (Ctrip.com International Ltd, a company, established in the Cayman Islands on March 3, 2000) (through C-Travel [C-Travel International Ltd, a company incorporated in the Cayman Islands on March 3, 2006]), Luxuriant Holdings Limited, Keystone Lodging Holdings Limited and Plateno Group Limited at an aggregate consideration of approximately US\$670.9 million. On August 17, 2015, Keystone Lodging Holdings Limited and Plateno Group Limited transferred their respective shareholding in eLong Cayman, namely 6,185,649 ordinary shares and 10,213,708 high-vote ordinary shares, to Ocean Imagination L.P. in exchange for limited partnership interests in Ocean Imagination L.P.’

On Page 102 of the Global Offering Prospectus, one was informed, under the heading, **‘Delisting of eLong Cayman’**:

‘On February 4, 2016, eLong Cayman entered into a merger agreement (the “eLong

*Cayman Merger Agreement”)) and a plan of merger with our Company, pursuant to which eLong Cayman agreed to (1) merge with China E-dragon Mergersub Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands (the “**eLong Cayman Merger**”); (2) become a wholly-owned subsidiary of our Company as the surviving company of the eLong Cayman Merger, and (3) delist its American Depositary Shares from NASDAQ (together, the “**eLong Cayman Privatization**”). Pursuant to the terms of the eLong Cayman Merger Agreement, the outstanding shares in eLong Cayman excluding, among others, the ordinary shares held by TCH Sapphire, C-Travel, Ocean Imagination L.P. and Luxuriant Holdings Limited (the “Rollover Shareholders”), were cancelled in exchange for the right to receive US\$9.00 per share, and the American Depositary Shares in eLong Cayman were cancelled in exchange for the right to receive US\$18.00 per American Depositary Share. The ordinary shares held by the Rollover Shareholders were cancelled for no consideration. The eLong Cayman Merger became effective on May 31, 2016, and as a result, eLong Cayman ceased to be a publicly traded company and became a wholly-owned subsidiary of our Company.’*

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