

eLong, Inc.
Form 20-F
March 13, 2015

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

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

OR

**..ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
x 1934**

For the fiscal year ended December 31, 2014

OR

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

OR

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

Commission file number: 000-50984

eLong, Inc.

(Exact name of Registrant as specified in its charter)

Cayman Islands

(Jurisdiction of incorporation or organization)

Xingke Plaza, Tower B, Third Floor

10 Middle Jiuxianqiao Road, Chaoyang District

Beijing 100015, People's Republic of China

(Address of principal executive offices)

Guangfu Cui, Chief Executive Officer

Telephone: +(8610) 5860-2288 / Facsimile: +(8610) 6436-6019

Xingke Plaza Building, Tower B, Third Floor

10 Middle Jiuxianqiao Road, Chaoyang District

Beijing 100015, People's Republic of China

(Name, Telephone and 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	Name of Each Exchange on Which Registered
American Depositary Shares, each representing two ordinary shares, par value \$0.01 per ordinary share	The Nasdaq Global Select Market

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

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Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of December 31, 2014: 38,301,458 ordinary shares, par value US\$0.01 per share, and 33,589,204 high-vote ordinary shares, par value US\$0.01 per share.

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

Note checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those sections.

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the U.S. 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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

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

U.S. GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

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

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In this annual report, references to “we,” “us,” “our,” “our company,” “the Company,” “the company” and “eLong” are to eLong Inc., its subsidiaries, and its consolidated affiliated entities. References to “China” or the “PRC” are to the People’s Republic of China, excluding Hong Kong, Macau and Taiwan.

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Unless otherwise noted, references to “Expedia” are to Expedia, Inc. (Nasdaq: EXPE), and references to “Expedia Asia Pacific” are to Expedia Asia Pacific-Alpha Limited. References to “Tencent” are to Tencent Holdings Limited (SEHK: 00700) and references to “TCH Sapphire” are to TCH Sapphire Limited. References to “eLong Information” and “eLong Hefei” are to our wholly-owned subsidiaries, eLongNet Information Technology (Beijing) Co., Ltd. and eLong Information Technology (Hefei) Co., Ltd., respectively.

With respect to our consolidated affiliated entities (also referred to as “variable interest entities” or “VIEs” in our consolidated financial statements included with this annual report), “Beijing Information” refers to Beijing eLong Information Technology Co., Ltd.; “Beijing Media” refers to Beijing Asiamedia Interactive Advertising Co., Ltd.; “Beijing Air” refers to Beijing eLong Air Services Co., Ltd.; “Hangzhou Air” refers to Hangzhou eLong Air Service Co., Ltd.; “Beijing Travel” refers to Beijing eLong International Travel Co., Ltd.; “Beijing Xici” refers to Beijing Xici Interactive Information Technology Co., Ltd.; and “Nanjing Xici” refers to Nanjing Xici Information Technology Share Co., Ltd.

Unless the context otherwise requires, references in this annual report to “shares” or “ordinary shares” are to our ordinary shares, par value US\$0.01 per share. Such references exclude our high-vote ordinary shares, which are referred to separately as “high-vote ordinary shares.” References to “ADSs” are to our American depositary shares, each of which represents two ordinary shares, and references to “ADRs” are to American depositary receipts that evidence our ADSs. References to our “articles of association” are to our Third Amended and Restated Memorandum of Association and our Third Amended and Restated Articles of Association. References to “tickets” or “air tickets” are to air segments. An air segment is a one-way point-to-point air ticket; and a round-trip ticket may consist of two or more air segments. References to “hotels” include hotels as well as other types of lodging and accommodations such as apartments and guesthouses. References to the “SEC” are to the Securities and Exchange Commission.

Our consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America, or “U.S. GAAP.” Our consolidated financial statements are expressed in Renminbi, the legal currency of China. References to “RMB” are to Renminbi and references to “U.S. dollars,” “US\$” or “\$” are to United States dollars. Our financial year ends on December 31 of each calendar year and, unless otherwise indicated, references to any year are to the calendar year ending December 31.

The “eLong” characters in Chinese as well as “eLong.com” in English are among our registered trademarks in China. This annual report also contains product and service names of other companies that are trademarks of their respective owners.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Statements in this annual report and any exhibits thereto concerning our future business, operating results and financial condition are “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Words such as “anticipate,” “believe,” “estimate,” “expect,” “forecast,” “intend,” “may,” “plan,” “project,” “predict,” “likely to,” “should” and “will” and similar expressions as they relate to our company are intended to identify such forward-looking statements, but are not the exclusive means of doing so. These forward-looking statements are based on management’s current views and expectations with respect to future events and are not a guarantee of future performance. Forward-looking statements include, but are not limited to, statements about:

- our anticipated growth strategies;
- our future business development, results of operations and financial condition;
- our ability to control costs and/or return to profitability;
- our ability to attract customers; and
- trends and competition in the travel industry in China and globally.

Furthermore, these statements are, by their nature, subject to a number of risks and uncertainties that could cause our actual performance and results to differ materially from those discussed in the forward-looking statements. Factors that could affect our actual results and cause our actual results to differ materially from those referred in any forward-looking statements include, but are not limited to:

- declines or disruptions in the travel industry;
- international financial, political or economic crises;
 - a slowdown in the PRC economy;
- an outbreak of bird flu or other disease;

our reliance on maintaining good relationships with, and stable supply of hotel and air inventory from, hotel suppliers and airline ticket suppliers, and on establishing new relationships with suppliers on commercially acceptable terms;

our reliance on the TravelSky GDS system for our air business and Baidu, Inc. (“Baidu”) (including its subsidiary Qunar Cayman Islands Limited (“Qunar”) and Qihoo360 Technology Co., Ltd. (“Qihoo”) for our search engine marketing;

- the risk that we will continue to incur substantial losses and be unable to return to profitability;
 - the risk that we will not be able to increase our brand recognition;

the possibility that we will be unable to continue timely compliance with the Sarbanes-Oxley Act of 2002 (the “Sarbanes Oxley Act”) or other regulatory requirements;

- the risk that we will not be successful in competing against new or existing competitors;

the risk that our infrastructure and technology are hacked, compromised, damaged, fail or become unstable or obsolete;

- risks associated with Expedia’s majority ownership interest and Tencent’s shareholding in us;
- risks relating to our investments in, and acquisitions of, other businesses and assets;

risks relating to our cash, restricted cash and short-term investments, including risks related to financial institutions in China, Hong Kong, Macau and the United States;

- fluctuation in the value of the Renminbi;

- inflation in China;
- changes in our management team and other personnel;

risks relating to uncertainties in the PRC legal system, including but not limited to, risks relating to our consolidated affiliated entities, risks relating to the application of preferential tax policies, and risks relating to litigation and arbitration in China; and

other risks mentioned in this annual report, including but not limited to risks and other factors mentioned in “*Item 3: Key Information-Risk Factors*,” “*Item 4: Information on the Company*” and “*Item 5: Operating and Financial Review and Prospects*.”

If one or more of these risks or uncertainties occur, or if our underlying assumptions prove to be incorrect, actual events or results may vary significantly from those implied or projected by the forward-looking statements. No forward-looking statement is a guarantee of future performance. New risk factors may emerge from time to time, and it is not possible for our management to predict all risk factors, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

You should not rely on forward-looking statements as predictions of future events, and should read these statements in conjunction with the full content of this annual report. Except as may be required by law, we undertake no obligation to update or revise any forward-looking statements. All forward-looking statements in this annual report are qualified by reference to this cautionary statement.

PART I

Item 1: Identity of Directors, Senior Management and Advisers.

Not applicable.

Item 2: Offer Statistics and Expected Timetable.

Not applicable.

Item 3: Key Information.

Selected Financial Data

You should read the following information in conjunction with our consolidated financial statements and related notes included in this annual report and “*Item 5: Operating and Financial Review and Prospects.*”

The selected consolidated statements of comprehensive income/loss (other than ADS data) and selected consolidated cash flow data for the years ended December 31, 2012, 2013 and 2014, and the selected consolidated balance sheet data as of December 31, 2013 and 2014, are derived from our audited consolidated financial statements included in this annual report and should be read in conjunction with our consolidated financial statements and the notes to our consolidated financial statements. The selected consolidated statements of comprehensive income/loss (other than ADS data) and selected consolidated cash flow data for the years ended December 31, 2010 and 2011 and the selected consolidated balance sheet data as of December 31, 2010, 2011 and 2012 are derived from our audited consolidated financial statements which are not included in this annual report. The selected consolidated financial data should be read in conjunction with, and are qualified in their entirety by reference to, our audited consolidated financial statements and related notes and “*Item 5: Operating and Financial Review and Prospects*” in this annual report.

Our consolidated financial statements are prepared in accordance with U.S. GAAP. Our consolidated financial statements are expressed in Renminbi, the legal currency of China.

SELECTED CONSOLIDATED FINANCIAL DATA

	eLong, Inc.					
	Year ended December 31,					
	2010	2011	2012	2013	2014	2014
	RMB	RMB	RMB	RMB	RMB	US\$
	(in thousands, except for per share and per ADS data)					
Selected Consolidated Statements of Comprehensive Income/Loss Data						
Net revenues	481,917	586,177	744,244	1,009,705	1,086,153	175,056
Gross profit	345,027	431,313	539,921	748,862	735,575	118,553
Total operating expenses	(297,956)	(381,981)	(606,073)	(927,045)	(1,081,470)	(174,301)
Other operating income	-	-	-	-	30,000	4,835
Income/(loss) from operations	47,071	49,332	(66,152)	(178,183)	(315,895)	(50,913)
Net income/(loss)	20,628	39,270	471	(168,205)	(274,623)	(44,261)
Net income/(loss) attributable to eLong, Inc.	20,628	39,270	471	(167,730)	(268,943)	(43,346)
Basic net income/(loss) per share	0.43	0.65	0.01	(2.41)	(3.79)	(0.61)
Diluted net income/(loss) per share	0.40	0.63	0.01	(2.41)	(3.79)	(0.61)
Basic net income/(loss) per ADS	0.86	1.30	0.02	(4.82)	(7.58)	(1.22)
Diluted net income/(loss) per ADS	0.80	1.26	0.02	(4.82)	(7.58)	(1.22)

	eLong, Inc.					
	As of December 31,					
	2010	2011	2012	2013	2014	2014
	RMB	RMB	RMB	RMB	RMB	US\$
	(in thousands)					
Selected Consolidated Balance Sheet Data						
Cash and cash equivalents	381,426	411,676	311,140	367,061	504,890	81,373
Short-term investments	580,005	1,433,425	1,581,502	1,485,800	1,306,634	210,591
Working capital ⁽¹⁾	944,903	1,850,229	1,762,887	1,651,160	1,351,194	217,773
Property and equipment, net	41,896	44,230	72,362	87,980	112,356	18,108
Total assets	1,269,197	2,210,718	2,470,633	2,628,676	3,046,051	490,934
Long-term obligations	499	1,045	1,045	45	44	7
Ordinary shares	1,991	2,864	2,864	2,864	2,908	469
High-vote ordinary shares	2,363	2,691	2,691	2,691	2,691	434
Accumulated deficit	(172,481)	(148,154)	(152,562)	(340,895)	(626,810)	(101,023)
eLong, Inc. shareholders' equity	1,094,869	2,005,983	2,036,874	1,951,988	1,780,322	286,936
Shareholders' equity	1,094,869	2,005,983	2,036,874	1,971,084	1,856,972	299,290

(1) Represents the amount of total consolidated current assets less total consolidated current liabilities.

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	eLong, Inc.					
	Year ended December 31,					
	2010	2011	2012	2013	2014	2014
	RMB	RMB	RMB	RMB	RMB	US\$
	(in thousands)					
Selected Consolidated Cash Flow Data						
Net cash provided by operating activities	85,387	98,037	134,324	51,637	131,383	21,175
Net cash provided by (used in) investing activities	(324,676)	(911,246)	(235,721)	(16,799)	5,645	910
Net cash provided by (used in) financing activities	(5,446)	(851,419)	1,281	21,638	1,608	259

Exchange Rate Information

We conduct substantially all of our business in China, and our revenues and expenses are primarily denominated in Renminbi. Solely for the convenience of the reader, this annual report contains translations of Renminbi amounts into U.S. dollar amounts at specified rates. Translations of Renminbi amounts into U.S. dollar amounts are based on the noon buying rate in the City of New York for cable transfers of Renminbi as published by the Federal Reserve Bank of New York. Unless otherwise noted, all translations from Renminbi amounts to U.S. dollar amounts and from U.S. dollar amounts to Renminbi amounts in this annual report were made at a rate of RMB6.2046 to US\$1.00, the rate in effect as of December 31, 2014. The rate as of February 28, 2015 was RMB6.2695 to US\$1.00. We make no representation that any Renminbi or U.S. dollar amounts could have been, or could be, converted into U.S. dollar or Renminbi amounts at any particular rate, the rates stated herein, or at all. The Chinese government imposes controls over the conversion of Renminbi into foreign currencies. For discussion of the effects of currency controls and fluctuating exchange rates on the value of our shares and ADSs, see *“Item 3: Key Information-Risk Factors-Risks Related to Doing Business in the People’s Republic of China-Fluctuation in the value of the Renminbi may adversely affect our financial results and the value of our ADSs”* and *“Item 3: Key Information-Risk Factors-Risks Related to Doing Business in the People’s Republic of China-Governmental control of currency conversion may affect the value of our ADSs and our ability to pay dividends.”*

The table below sets forth the average exchange rates between Renminbi and U.S. dollars for each of the past five years, calculated by averaging the rates on the last day of each month.

Average Exchange Rates of Renminbi per U.S. Dollar

	Average
Year ended December 31, 2010	6.7603
Year ended December 31, 2011	6.4475
Year ended December 31, 2012	6.2990
Year ended December 31, 2013	6.1412
Year ended December 31, 2014	6.1704

The table below sets forth the high and low exchange rates between Renminbi and U.S. dollars for each of the six months from September 2014 through February 2015.

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Recent Exchange Rates of Renminbi per U.S. Dollar

	High	Low
September 2014	6.1266	6.1495
October 2014	6.1107	6.1385
November 2014	6.1117	6.1429
December 2014	6.1490	6.2256
January 2015	6.1870	6.2535
February 2015	6.0591	6.2695

Risk Factors

You should carefully consider each of the following risks and uncertainties associated with our company and the ownership of our securities. You should pay particular attention to the fact that we conduct substantially all of our operations in China and are governed by a legal and regulatory environment that differs significantly from that of the United States. Additional risks referred to elsewhere in this annual report, and other risks which are not currently known to us or that we currently deem immaterial may also have a material adverse impact on our business operations and financial condition.

Risks Related to Our Business

We may continue to incur large losses, and may not be profitable in 2015 or any future period.

We sustained substantial net losses in 2013 and 2014. In 2014, we reported a loss from operations of RMB315.9 million (US\$50.9 million) and net loss attributable to eLong, Inc. of RMB268.9 million (US\$43.3 million), which were the largest annual operating and net losses in our history. In 2013, we reported a loss from operations of RMB178.2 million (US\$29.4 million) and net loss attributable to eLong, Inc. of RMB167.7 million (US\$27.7 million). Due to the fiercely competitive PRC online and mobile travel market, we cannot assure you that we will report operating or net income during 2015 or any future period. If we continue to incur large losses our cash balance may significantly decline, and we may require additional sources of capital to fund our business.

A significant factor contributing to our large operating and net losses in 2013 and 2014 was growth of our service development as well as sales and marketing expenses. In 2014, our service development expenses increased by 55% year-on-year from RMB178.2 million to 275.2 million (US\$44.4 million), and in 2013 our sales and marketing expenses increased by 58% year-on-year from RMB412.3 million to RMB652.3 million. We currently intend to

continue to invest in our service development as well as our sales and marketing, and thus our expenses are likely to continue to increase in the future. Other factors contributing to our higher costs include higher employee compensation (including share-based compensation charges) and benefit costs. At the same time, our margins have decreased due to growth of our eCoupon program and other promotions, declining commissions from our hotel and air suppliers, and an increasing proportion of lower-priced transactions. These and other factors will likely cause us to incur additional losses in future periods, and such losses may be substantial.

We may not be able to compete successfully against our current or future competitors.

We face a highly dynamic and fiercely competitive market with rapid technological innovation and change and numerous sources of competition, including online travel agencies such as Ctrip.com International, Ltd. (“Ctrip”), online travel agency and travel-search firm Qunar, and groupbuy companies which provide hotel booking such as Meituan. Some of our current and future competitors have competitive advantages over us, including more well-known brands, lower cost sources of internet traffic, larger mobile download application install bases, larger customer bases and greater financial, marketing, technology and other expertise and resources. Some of our competitors may offer a broader selection of travel-related products and services than we do, as we focus on lodging rather than being a “one-stop shop” for all travel-related services. In addition, some of our competitors may use new and different business models, which may have technology, cost structure and other competitive advantages over us.

New entrants to the market, such as Alitrip, a business unit of Alibaba Group Holding Limited, may further increase the competition in the market. In addition, our current and future competitors may enter into mergers and acquisitions, alliances, equity investments or commercial arrangements with one another or with travel suppliers or marketing channels, which may limit our ability to reach commercial arrangements with such parties. For example, Baidu, China's largest search engine, is the controlling shareholder and has exclusive cooperation and financing agreements with Qunar, and Ctrip is a large shareholder, with representation on the boards of directors, of two of China's largest budget hotel chains, Home Inns & Hotels Management Inc. and China Lodging Group Ltd., as well as investments in several other travel companies, including Tuniu Corporation and Tongcheng Network Technology Share Co., Ltd.

We do not have long-term arrangements with our suppliers and our business involves relatively low fixed costs; accordingly, we also face a dynamic market and the threat of new competitors. Large state-owned companies, internet search engines, e-commerce companies and/or international travel companies may choose to enter our market, either as sole entrants or in cooperation with our current or future competitors. We cannot assure you that we will be able to successfully compete against our current or future competitors. If we are unable to compete successfully with our current or future competitors, our business and financial results will be materially and adversely affected.

A slow-down of economic growth in China may adversely affect our growth and financial performance.

Our financial results have been and will likely continue to be significantly affected by the condition of the economy and the travel industry in China. Travel expenditures are sensitive to business and personal discretionary spending levels and tend to decline during economic downturns. In recent years, the PRC economy has seen a slowdown related to the international financial crisis in 2008, and slower growth in 2012, 2013 and 2014. In 2015, economic conditions remain uncertain and unpredictable, with a lowering of the government's economic growth target, and some forecasters predicting a significant slowdown. In addition, China is affected by global economic conditions, which have been volatile in recent years. The global financial markets have experienced significant disruptions since 2008, and currently face slow growth in Japan, a European debt crisis and a multitude of other uncertainties, including the long-term effects of expansionary monetary and fiscal policy. There have also been concerns over regional tensions, including those between China and Japan, between Russia and Ukraine, with regards to Iran and North Korea's nuclear programs, as well as relating to other countries including those in the Middle East and Africa, which have resulted in volatility in oil and other markets. We believe that demand for travel services in China will continue to be linked to the condition of the broader PRC economy in the future. A slow-down of economic growth in China is likely to reduce expenditures for travel, which would have a material adverse effect on our revenues and results of operations.

We depend on our senior executives and other employees, and our business may be severely disrupted if we lose their services.

Our business operations depend on the continuing performance and service of our senior executive officers and other key employees. We rely on their expertise in operations, finance, technology and travel services, as well as their

relationships with suppliers and regulators. In recent years, we have experienced substantial turnover at all levels of our company including our senior management. If our CEO and Director, Guangfu Cui, or other senior executives or key employees are unable or unwilling to continue in their present positions, we may not be able to easily replace them, and may incur additional expenses to recruit and train replacement personnel. Moreover, if any of our senior executives joins or forms a competitor, we may lose customers, relationships and suppliers. In addition, if any disputes arise between our departing senior executives or employees and us, we cannot assure you that the non-compete and confidentiality provisions in our employment agreements would be enforced in a manner which prevents those former senior executives or other employees from causing us competitive harm, or at all, due to uncertainties in the PRC legal system.

Conflicts of interest may arise between Expedia, Tencent and us.

As of February 28, 2015, through ownership of ordinary shares and high-vote ordinary shares by its subsidiary Expedia Asia Pacific, Expedia controls approximately 82% of our voting power, and thus has the power to control the election and appointment of our board of directors. Accordingly, we are a “controlled company” as defined in the Nasdaq Listing Rules. Expedia is generally able to exercise control over all matters requiring approval by our board of directors or our shareholders. In addition, Tencent, through ownership of ordinary shares and high-vote ordinary shares by its subsidiary TCH Sapphire, owns approximately 15% of our voting power. Conflicts of interest may arise between Expedia or its affiliates, Tencent or its affiliates, and us, including corporate opportunities, potential acquisitions as well as other types of transactions or matters. For example, Expedia could initiate a sale of our company, or of all or a portion of its controlling ownership interest in our company, in order to raise capital or to acquire other assets, or could prevent a sale of our company or cause the removal or replacement of any or all of our board of directors or senior executive officers, even if such actions would not be beneficial to our other shareholders. Similarly, Tencent could choose to sell its equity stake in us in a manner which would not be beneficial to our other shareholders. We may be adversely affected by any conflicts of interest between Expedia, Tencent and us.

We do not have comprehensive off-site backup systems or business insurance.

Substantially all of our information technology and communications systems are located in our headquarters in Beijing, China and our customer service center in Hefei, China. Our infrastructure and systems are vulnerable to damage, instability or interruption from human error, equipment failure or other incidents, including computer viruses; electricity, internet or telecommunications outages; sabotage, hacker attack, terrorism, or vandalism; and natural disasters or other man-made or natural causes. We do not have comprehensive disaster recovery plans or systems, and do not carry business interruption insurance. In addition, we depend on our systems and information infrastructure to support all aspects of our business. If we are unable to maintain and upgrade our systems, experience hardware or software failures, or have our systems compromised due to employee or third-party error or malicious conduct, we may experience system outages, disruptions or slowdowns which may impair our customer service, or lead to inaccurate reporting or processing of information, and we may be unable to promptly restore our system operations and performance. Any of these factors may result in substantial losses and may materially and adversely affect our operations and results.

We may incur substantial losses if we are unable to sell prepurchased hotel inventory for which we have inventory risk.

Beginning in 2014, we have increased prepurch