

eLong Reports First Quarter 2005 Unaudited Financial Results

BEIJING, China – May 24, 2005 - eLong, Inc. (NASDAQ: LONG), a leading online travel service provider in China, today reported unaudited financial results for the first quarter ended March 31, 2005.

Business Highlights

Highlights for the first quarter 2005:

- Total revenues increased 46% year-over-year to RMB39.0 million (US\$4.7 million) and travel revenues increased 63% year-over-year to RMB37.2 million (US\$4.5 million)
- Hotel revenues increased 42% year-over-year to RMB29.8 million (US\$3.6 million)
- Air ticketing revenues increased 137% year-over-year to RMB3.7 million (US\$450,000); air ticketing represented 10% of total revenue in the first quarter as compared to 6% in the same period one year ago as the company continues to diversify from its lodging revenue base
- As of March 31, 2005, the Company's cash balance and restricted cash and cash equivalents were US\$130.3 million, including restricted cash and cash equivalents of US\$12.4 million; and
- In January 2005 IAC/InterActiveCorp (NASDAQ: IACI) exercised its warrant to acquire additional eLong shares for \$108 million. The transaction increased IAC's ownership to approximately 52% of the Company's outstanding capital stock (on a fully diluted basis), representing approximately 96% of the total voting power of eLong

"We are pleased to report these first quarter results that point toward healthy year-over-year growth in all of our travel-related business lines, providing us with a solid foundation for the remainder of 2005. eLong is focused on developing services that make it easier for Chinese consumers to plan and purchase travel, and we're making solid progress on building out our product and services, growing a loyal customer base and developing a financially strong business," remarked Justin Tang, Chairman and Chief Executive Officer of eLong.

Business Results

Total revenues for the first quarter ended March 31, 2005, were RMB39.0 million (US\$4.7 million), an increase of 46% from RMB26.7 million (US\$3.2 million) reported in the same period in 2004, and a decrease of 3% from RMB40.3 million (US\$4.9 million) reported in the previous quarter.

The Company recorded a net loss of RMB7.0 million (US\$850,000) for the quarter. The US GAAP loss per ADS for the first quarter was RMB0.30 (US\$0.036). Adjusted loss for the quarter (a non-GAAP measure), which excludes amortization of stock-based compensation and intangibles, was RMB3.5 million (US\$424,000). Adjusted loss per ADS for the quarter (also a non-GAAP measure) was RMB0.07 (US\$0.009). Please refer to the attached table for a reconciliation of net loss and loss per ADS under US GAAP to adjusted loss and adjusted loss per ADS.

Revenue from hotel commissions for the first quarter of 2005 totaled RMB29.8 million (US\$3.6 million), an increase of 42% year-over-year and a decrease of 10% sequentially. The

42% increase from the first quarter of 2004 was primarily due to higher room volume with 513,000 hotel room nights booked through eLong in the first quarter as compared to 375,000 in the corresponding period a year ago. The sequential decrease in revenue from hotel reservations was primarily due to the traditionally low season in business travel around and during the Chinese New Year holidays in the first quarter, which resulted in fewer hotel bookings compared to the fourth quarter.

Hotel commissions per room night were RMB58 in the first quarter of 2005, slightly up from RMB57 in the fourth quarter and RMB56 in the first quarter of 2004. As of March 31, 2005, eLong offered its customers a choice of hotel rooms at discounted rates in more than 2,660 hotels in 220 cities across China.

Revenues from air ticketing during the first quarter of 2005 totaled RMB3.7 million (US\$450,000), a 137% increase year-over-year and 29% sequentially. Volume in air ticket sales continued to grow with 103,000 air tickets sold in the first quarter, compared with 38,000 in the first quarter of 2004 and 83,000 in the fourth quarter of 2004. Growth in air ticketing revenues was primarily driven by the continued development of eLong's infrastructure and increased sales of air tickets to eLong's customer base.

Other travel revenue in the first quarter of 2005 was RMB3.7 million (US\$448,000), an increase of 157% from the fourth quarter of 2004 and a 1,587% increase from the first quarter of 2004 as a result of revenues from Raytime being included for the entire first quarter of 2005 and only one month and a half in the fourth quarter of 2004. eLong acquired Raytime in mid November 2004.

Gross margins in the first quarter were 76% as compared to 79% in the fourth quarter of 2004 and 85% in the first quarter of 2004. The sequential reduction in gross margin was a result of additional investment during the first quarter in the call center to prepare for higher transaction volumes in the second quarter and a reduction in non-travel revenue consisting of wireless and online advertising services, without material corresponding reductions in non-travel cost of revenue. The year over year reduction in gross margin was a result of additional investment in the air business which has lower gross margins than the hotel business, additional investment in eLong's hotel call center and a reduction in high-margin non-travel revenue.

Operating expenses for the first quarter of 2005, excluding business taxes, stock-based compensation and amortization of intangibles, of RMB36.7 million (US\$4.4 million) were unchanged from RMB36.8 million (US\$4.5 million) in the fourth quarter of 2004 and increased RMB17.5 million (US\$2.1 million) from RMB19.2 million (US\$2.3 million) in the first quarter of 2004.

Service development expenses of RMB7.9 million (US\$949,000) increased sequentially by RMB3.4 million (US\$416,000) and RMB5.8 million (US\$707,000) year over year as eLong increased its investment in technology, the eLong.com website and the Company's air, hotel and vacation package products.

Sales and marketing expenses of RMB20.9 million (US\$2.5 million) in the first quarter of 2005 were RMB0.8 million (US\$101,000) lower than the fourth quarter due to a reduction in customer acquisition spending because of the seasonally slower Chinese New Year period, lower sales expenses consistent with the sequential decline in hotel commission revenue and reduced spending in our corporate travel business, which were partly offset by additional sales and marketing expenses of RMB1.4 million (US\$169,000) associated with Raytime. Sales and marketing expenses increased year over year by RMB6.0 million (US\$724,000) due to increases in business volume. Sales and marketing expenses in the first quarter of 2004

were 56% of revenues as compared to 54% in the first quarter of 2005 and the fourth quarter of 2004.

General and administrative expenses of RMB8.0 million (US\$962,000) were RMB2.8 million (US\$333,000) lower than the fourth quarter due to a reduction in bad debts and professional fees. General and administrative expenses increased year over year by RMB5.7 million (US\$683,000) due to additional professional fees and headcount expenses associated with being a public company and additional expenditures associated with the growth in our business.

During the first quarter of 2005 we had other income of RMB5.4 million (US\$647,000) as compared with other income of RMB1.7 million (US\$204,000) in the fourth quarter of 2004 and other expense of Rmb28,000 (US\$3,400) in the first quarter of 2004. The sequential and year-over-year improvements were primarily due to increased interest income on higher cash deposits related to IAC's investment and the initial public offering.

Adjusted loss, a non-GAAP measure that excludes amortization of stock-based compensation and intangibles, in the first quarter of 2005 was RMB3.5 million (US\$424,000), compared with an adjusted loss of RMB5.2 million (US\$629,000) in the previous quarter and adjusted income of Rmb1.8 million (US\$214,000) in the first quarter of 2004.

As of March 31, 2005, the Company's cash and cash equivalents balance was US\$130.3 million, including restricted cash and cash equivalents of US\$12.4 million.

"We now have one of the strongest balance sheets in China's online travel industry. We will continue to use our cash balance to enhance our organic growth and consider strategic acquisitions," said Derek Palaschuk, eLong's Chief Financial Officer.

Business Outlook

eLong expects total revenues for the second quarter 2005 within the range of RMB46 million (US\$5.6 million) to RMB47.0 million (US\$ 5.7 million), an increase of 38% to 41% from the second quarter of 2004. We expect a small reduction in operating loss in the second quarter of 2005 compared to the first quarter of 2005.

Notes to the Financial Statements

1) The preliminary unaudited financial results for the fourth quarter of 2004, released on March 2, 2005 included a RMB3.0 million (US\$362,000) provision made against an investment ("investment provision"). Subsequent to March 2, 2005, eLong recovered RMB2.6 million (US\$314,000) related to the RMB3.0 million investment provision. As the audit of the 2004 financial statements and related notes to be included in our annual report on Form 20-F for the year ended December 31, 2004 is still in progress, RMB2.6 million (US\$314,00) of the RMB3.0 million (US\$362,000) investment provision has now been adjusted in the fourth quarter 2004 unaudited financial statements with the adjusted investment provision being RMB0.4 million. After the RMB2.6 million (US\$314,000) adjustment, the unaudited US GAAP net loss for the three months ended December 31, 2004 was RMB8.3 million (US\$1.0 million) as compared to RMB10.9 million (US\$1.3 million) as shown in the unaudited financial statements included in the March 2, 2005 earnings release. The revised fourth quarter results appear on the income statement included in this release.

2) Certain of the prior year comparative figures have been reclassified to conform with the current year's presentation.

Safe Harbor Statement

Statements in this press release concerning eLong's 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, and Section 21E of the Securities Exchange Act of 1934, as amended, and as defined in the Private Securities Litigation Reform Act of 1995. These statements are based upon management's current views and expectations with respect to future events and are not a guarantee of future performance. Furthermore, these statements are, by their nature, subject to a number of risks and uncertainties that could cause actual performance and results to differ materially from those discussed in the forward-looking statements as a result of a number of factors. Factors that could affect the Company's actual results and cause actual results to differ materially from those included in any forward-looking statement include, but are not limited to, eLong's historical operating losses, its limited operating history, declines or disruptions in the travel industry, the recurrence of SARS, eLong's reliance on having good relationships with hotel suppliers and airline ticket suppliers, collection risk with respect to eLong's corporate travel accounts receivable, the possibility that eLong will be unable to timely comply with Section 404 of the Sarbanes-Oxley Act of 2002, the risk that eLong will not be successful in competing against new and existing competitors, risks associated with IAC's investment in eLong and the integration of eLong's business with that of IAC's, changes in eLong's management team and other key personnel and other risks outlined in eLong's filings with the U.S. Securities and Exchange Commission (or SEC), including eLong's registration statement on Form F-1 filed with SEC in connection with eLong's IPO and eLong's Form 6-K filed with the SEC in connection with this press release. eLong undertakes no obligation to publicly update any forward-looking statements whether as a result of new information, future events or otherwise.

Conference Call

eLong will host a conference call to discuss the first quarter 2005 earnings at 8:00pm Eastern Time, May 24, 2005 (Beijing/Hong Kong time: May 25, 2005 at 8:00am). The management team will be on the call to discuss quarterly results and highlights and to answer questions. The toll-free number for U.S. participants is 1-877-697-2796 and the dial-in number for Hong Kong participants is 852-2258-4102. The passcode for all participants is 5374665.

A replay of the call will be available for 1 day between 9:15 pm Eastern Time on May 24, 2005 and 9:15 pm Eastern Time on May 25, 2005. The toll-free number for U.S callers is 1-800-395-8571 and the dial-in number for international callers is 852-2802-5151. The passcode for the replay is 759850.

Additionally, a live and archived web cast of this call will be available on the Investor Relations section of the eLong web site at <http://ir.elong.net>.

About eLong, Inc.

Founded in 1999, eLong is an independent travel service company headquartered in Beijing with a national presence across China. The Company uses web-based distribution technologies and a 24-hour nationwide call center to provide consumers with consolidated travel information and the ability to access hotel reservations at discounted rates at over 2,600 hotels in major cities across China. The Company also offers air ticketing and other travel related services, such as rental cars, vacation packages and corporate travel services.

eLong operates the websites <http://www.elong.com> and <http://www.elong.net>

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eLong, Inc. CONSOLIDATED STATEMENT OF OPERATIONS
(UNAUDITED, IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

	Three Months Ended			
	Mar. 31, 2004	Dec. 31, 2004	Mar. 31, 2005	Mar. 31, 2005
	RMB	RMB	RMB	US\$
Revenues				
Hotel commissions	21,015	33,254	29,801	3,601
Airticketing commissions	1,572	2,882	3,723	450
Other travel revenue	220	1,446	3,712	448
Total travel revenue	22,807	37,582	37,236	4,499
Non travel	3,905	2,731	1,727	209
Total revenues	26,712	40,313	38,963	4,708
Cost of services	4,095	8,319	9,516	1,150
Gross profit	22,617	31,994	29,447	3,558
Operating expenses				
Service development	2,002	4,412	7,853	949
Sales and marketing	14,885	21,716	20,880	2,523
General and administrative	2,308	10,717	7,962	962
Stock-based compensation	103	2,966	3,279	396
Amortization of intangibles	60	121	245	30
Business tax and surcharges	1,338	2,098	1,925	233
Total operating expenses	20,696	42,030	42,144	5,093
Profit/(loss) from operations	1,921	(10,036)	(12,697)	(1,535)
Other income/(expenses)	(28)	1,687	5,354	647
Income/(loss) before income tax expense	1,893	(8,349)	(7,343)	(888)
Income tax expense	284	14	-	-
Minority interest	-	(66)	(314)	(38)
Net income/(loss)	1,609	(8,297)	(7,029)	(850)
Less: Amortization of options to preferred shareholder	-	414	-	-
Net income/ (loss) available for common shareholders	1,609	(8,711)	(7,029)	(850)
Basic income/(loss) per share	0.10	(0.34)	(0.15)	(0.018)
Diluted income/(loss) per share	0.05	(0.34)	(0.15)	(0.018)
Basic income/(loss) per ADS	0.20	(0.68)	(0.30)	(0.036)
Diluted income/(loss) per ADS	0.10	(0.68)	(0.30)	(0.036)
Shares used in computing basic net income/(loss) per share	16,788	25,258	48,279	48,279
Shares used in computing diluted net income/(loss) per share	29,548	25,258	48,279	48,279

Note 1: The conversion of Renminbi (RMB) into United States dollars (USD) is based on the noon buying rate of USD1.00 = RMB8.2765 on March 31, 2005 in The City of New York for cable transfers of Renminbi as certified for customs purposes by the Federal Reserve. No representation is intended to imply that the RMB amounts could have been, or could be, converted, realized or settled into U.S.dollars at that rate on March 31, 2005.

eLong, Inc. CONSOLIDATED SUMMARY BALANCE SHEET DATA
(UNAUDITED, IN THOUSANDS)

	<u>Dec. 31, 2004</u>	<u>Mar. 31, 2005</u>	<u>Mar. 31, 2005</u>
	RMB	RMB	US\$
ASSETS			
Current assets			
Cash and cash equivalents	610,047	975,890	117,911
Cash held in escrow and restricted cash equivalents	35,735	102,703	12,409
Accounts receivable from non-corporate travel, net	18,222	21,859	2,641
Accounts receivable from corporate travel, net	18,490	11,466	1,385
Total Accounts receivable, net	<u>36,712</u>	<u>33,325</u>	<u>4,026</u>
Investment securities	432	300	36
Prepaid expenses and other current assets	15,902	16,779	2,027
Total current assets	698,828	1,128,997	136,409
Equipment and software, net	15,428	23,220	2,806
Goodwill	20,333	24,461	2,955
Intangibles	4,579	4,333	524
Other non-current assets	1,321	2,047	247
Deferred tax assets	586	586	71
Total assets	<u>741,075</u>	<u>1,183,644</u>	<u>143,012</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable, accrued expenses and other payables	57,645	55,994	6,764
Advances from customers	341	243	29
Business and other taxes payable	1,114	923	112
Total current liabilities	<u>59,100</u>	<u>57,160</u>	<u>6,905</u>
Total liabilities	59,100	57,160	6,905
Minority interest	2,457	2,147	259
Shareholders' equity			
Stock warrant	84,906	-	-
Ordinary shares	3,298	4,088	494
Additional paid-in capital	672,684	1,204,105	145,485
Other equity items	(38,620)	(33,946)	(4,101)
Accumulated deficit and other comprehensive income	(42,750)	(49,910)	(6,030)
Total shareholders' equity	<u>679,518</u>	<u>1,124,337</u>	<u>135,848</u>
Total liabilities and shareholders' equity	<u>741,075</u>	<u>1,183,644</u>	<u>143,012</u>

**eLong, Inc RECONCILIATION OF US GAAP INCOME/(LOSS) AND EPS TO
NON-GAAP ADJUSTED INCOME/(LOSS) AND EPS
(UNAUDITED, IN THOUSANDS EXCEPT PER SHARE AMOUNTS)**

	Three Months Ended			
	Mar. 31, 2004	Dec. 31, 2004	Mar. 31, 2005	Mar. 31, 2005
	RMB	RMB	RMB	US\$
Net income/ (loss) available for common shareholders	1,609	(8,711)	(7,029)	(850)
Amortization of non-cash stock-based compensation	103	3,380	3,279	396
Amortization of intangibles	60	121	245	30
Adjusted income/ (loss) available for common shareholders	1,772	(5,210)	(3,505)	(424)
Basic adjusted income/(loss) per share	0.11	(0.21)	(0.07)	(0.009)
Diluted adjusted income/(loss) per share	0.06	(0.21)	(0.07)	(0.009)
Basic adjusted income/(loss) per ADS	0.22	(0.42)	(0.14)	(0.018)
Diluted adjusted income/(loss) per ADS	0.12	(0.42)	(0.14)	(0.018)
Shares used in computing adjusted basic income/loss per share	16,788	25,258	48,279	48,279
Shares used in computing adjusted diluted income/loss per share	29,548	25,258	48,279	48,279

Use of Non-GAAP Financial Information

To supplement our consolidated financial statements presented herein in accordance with accounting principles generally accepted in the United States ("US GAAP"), the Company also uses non-GAAP measures of adjusted net income/(loss) and adjusted diluted income/(loss) per ADS, which are adjusted from results based on US GAAP to exclude the impact of non-cash charges related to certain stock-based compensation, as well as the impact of charges related to intangibles. Management believes these non-GAAP financial measures enhance the user's overall understanding of our current financial performance and our prospects for the future and, additionally, uses these non-GAAP financial measures for the general purpose of analyzing and managing the Company's business. Specifically, we believe the non-GAAP financial measures provide useful information to both management and investors by excluding certain charges that we believe are not indicative of our core operating results. The presentation of this additional information is not meant to be considered superior to, in isolation from or as a substitute for results prepared in accordance with US GAAP.