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Tongcheng-Elong Holdings Limited

同程藝龍控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 0780)

CONTINUING CONNECTED TRANSACTIONS REVISION OF ANNUAL CAPS UNDER THE MARKETING SERVICES FRAMEWORK AGREEMENT IN RESPECT OF 2020 AND 2021

Reference is made to the announcement of the Company dated August 30, 2019 in relation to the Marketing Services Framework Agreement.

The Company has closely monitored the progress of its continuing connected transactions with Tencent Computer contemplated under the Marketing Services Framework Agreement. With a view to deepening the collaboration between the Group and the Tencent Group, the Board considers that the existing annual caps in respect of 2020 and 2021 for the provision of the User Virtual Products and/or Interests by Tencent Computer (and/or any of its subsidiaries or associates) to the Company (and/or any of its subsidiaries) will not be able to satisfy the business needs of the Group for the two years ending December 31, 2020 and 2021.

On October 11, 2020, the Company entered into the Supplemental Marketing Services Framework Agreement with Tencent Computer to revise the existing annual caps in respect of 2020 and 2021 for the provision of the User Virtual Products and/or Interests by Tencent Computer (and/or any of its subsidiaries or associates) to the Company (and/or any of its subsidiaries).

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) with respect to the annual caps for the continuing connected transactions contemplated under the Marketing Services Framework Agreement (as supplemented by the Supplemental Marketing Services Framework Agreement) will, on an annual basis, be more than 0.1% but less than 5%, the continuing connected transactions contemplated under the Marketing Services Framework Agreement (as supplemented by the Supplemental Marketing Services Framework Agreement) are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

I. REVISION OF ANNUAL CAPS FOR THE PROVISION OF THE USER VIRTUAL PRODUCTS AND/OR INTERESTS BY TENCENT COMPUTER (AND/OR ANY OF ITS SUBSIDIARIES OR ASSOCIATES) TO THE COMPANY (AND/OR ANY OF ITS SUBSIDIARIES) CONTEMPLATED UNDER THE SUPPLEMENTAL MARKETING SERVICES FRAMEWORK AGREEMENT

1. BACKGROUND

Reference is made to the announcement of the Company dated August 30, 2019 in relation to the Marketing Services Framework Agreement.

The Company has closely monitored the progress of its continuing connected transactions with Tencent Computer contemplated under the Marketing Services Framework Agreement. With a view to deepening the collaboration between the Group and the Tencent Group, the Board considers that the existing annual caps in respect of 2020 and 2021 for the provision of the User Virtual Products and/or Interests by Tencent Computer (and/or any of its subsidiaries or associates) to the Company (and/or any of its subsidiaries) will not be able to satisfy the business needs of the Group for the two years ending December 31, 2020 and 2021.

2. SUPPLEMENTAL MARKETING SERVICES FRAMEWORK AGREEMENT

On October 11, 2020, the Company entered into the Supplemental Marketing Services Framework Agreement with Tencent Computer to revise the existing annual caps in respect of 2020 and 2021 for the provision of the User Virtual Products and/or Interests by Tencent Computer (and/or any of its subsidiaries or associates) to the Company (and/or any of its subsidiaries).

The existing annual caps for the continuing connected transactions contemplated under the Marketing Services Framework Agreement in relation to the provision of the User Virtual Products and/or Interests by Tencent Computer (and/or any of its subsidiaries or associates) to the Company (and/or any of its subsidiaries) are RMB35,000,000, RMB47,000,000 and RMB44,400,000 for the year ended December 31, 2019 and the two years ending December 31, 2020 and 2021, respectively. The actual transaction amounts for such continuing connected transactions are currently anticipated to exceed the existing annual cap by the end of 2020.

Save for the revision of the above-mentioned annual caps, all the terms and conditions of the Marketing Services Framework Agreement shall remain unchanged and shall continue to be in full force and effect.

Details of the Marketing Services Framework Agreement are set out below:

3. MARKETING SERVICES FRAMEWORK AGREEMENT

Date: August 29, 2019

Parties: (1) The Company; and
(2) Tencent Computer.

Major terms and conditions: Tencent Computer (and/or any of its subsidiaries or associates) agreed to provide the Company (and/or any of its subsidiaries) with (1) Tencent’s User Virtual Products and/or Interests, and (2) advertising resources and intellectual property interests or services. The Company (and/or any of its subsidiaries) agreed to provide Tencent Computer (and/or any of its subsidiaries or associates) with (3) the Group’s User Virtual Products and/or Interests, and (4) the advertising resources or services.

Basis for determining the terms of the definitive agreements: The Company and Tencent Computer agreed that the terms of each single transaction under the Marketing Services Framework Agreement shall be set out in the relevant definitive agreement to be entered into between the Company (and/or any of its subsidiaries) and Tencent Computer (and/or any of its subsidiaries or associates).

The Company and Tencent Computer agreed that the terms of each definitive agreement to be entered into pursuant to the Marketing Services Framework Agreement shall be consistent with the principles set out in the Marketing Services Framework Agreement and shall be based on normal commercial terms which are no less favorite than terms offered to independent third parties.

Consideration:

The prices and/or services fees of each definitive agreement to be entered into under the Marketing Services Framework Agreement shall be based on (1) standard prices published on the official websites of (i) the Company or any of its subsidiaries and (ii) Tencent Computer or any of its subsidiaries or associates, if applicable, and (2) the prices offered to independent third parties. The Company (and/or any of its subsidiaries) will enter into arm's length negotiation with Tencent Computer (and/or any of its subsidiaries or associates) in accordance with market principles including voluntariness, equality, fairness and good faith and consideration will be given to the reasonableness of the cost structure of the products and/or services to be provided.

Term:

The Market Services Framework Agreement is effective from August 29, 2019 to January 1, 2022.

4. HISTORICAL AMOUNTS, EXISTING AND PROPOSED REVISED CAPS AND REASONS FOR REVISING THE ANNUAL CAPS IN RESPECT OF 2020 AND 2021

4.1. Historical amounts, existing annual caps and proposed revised annual caps

The table below sets out the historical transaction amounts paid by the Group in relation to the provision of the User Virtual Products and/or Interests by Tencent Computer (and/or any of its subsidiaries or associates) to the Company (and/or any of its subsidiaries) pursuant to the Marketing Services Framework Agreement during the periods indicated below:

	For the year ended December 31, 2019 (audited) RMB'000	Six months ended June 30, 2020 (unaudited) RMB'000
Types of products		
Tencent's User Virtual Products and/or Interests	8,768	33,859

For the reasons detailed below, the Board proposes that the existing annual caps for the continuing connected transactions in relation to the provision of the User Virtual Products and/or Interests by Tencent Computer (and/or any of its subsidiaries or associates) to the Company (and/or any of its subsidiaries) in respect of 2020 and 2021 be revised for the two years ending December 31, 2020 and 2021. The table below sets out the existing annual caps and the proposed revised annual caps for such continuing connected transactions for the two years ending December 31, 2020 and 2021.

	For the years ending December 31, 2020		2021	
	Original annual cap <i>RMB'000</i>	Proposed revised annual cap <i>RMB'000</i>	Original annual cap <i>RMB'000</i>	Proposed revised annual cap <i>RMB'000</i>
Type of products				
Tencent's User Virtual Products and/or Interests	47,000	90,000	44,400	180,000

4.2. Reasons for revising the existing annual caps and basis of determination

With a view to deepening the collaboration between the Group and Tencent Group, the Board considers that the existing annual caps in respect of 2020 and 2021 for the continuing connected transactions in relation to the provision of the User Virtual Products and/or Interests by Tencent Computer (and/or any of its subsidiaries or associates) to the Company (and/or any of its subsidiaries) will not be able to satisfy the business needs of the Group for the two years ending December 31, 2020 and 2021. In arriving at the above proposed revised annual caps, the Company has taken into account the following factors:

- (i) the historical transaction amounts;
- (ii) internal estimates of the significant increase in demand for and interests in Tencent's User Virtual Products and/or Interests from the Group's users; and
- (iii) recovery and growth opportunities of the online travel industry.

II. REVISED ANNUAL CAPS UNDER THE SUPPLEMENTAL MARKETING SERVICES FRAMEWORK AGREEMENT

Due to the entering into of the Supplemental Marketing Services Framework Agreement and the revision of annual caps for the provision of the User Virtual Products and/or Interests by Tencent Computer (and/or any of its subsidiaries or associates) to the Company (and/or any of its subsidiaries) as stated above, the revised annual caps for the continuing connected transactions under the Marketing Services Framework Agreement (as supplemented by the Supplemental Marketing Services Framework Agreement) for the two years ending December 31, 2020 and 2021 are as follows:

- (A) The amount payable by the Company (and/or any of its subsidiaries) shall be subject to the following annual caps:

	For the years ending December 31,			
	2020		2021	
	Original annual cap <i>RMB'000</i>	Proposed revised annual cap <i>RMB'000</i>	Original annual cap <i>RMB'000</i>	Proposed revised annual cap <i>RMB'000</i>
Types of products and services				
Tencent's User Virtual Products and/or Interests	47,000	90,000	44,400	180,000
Advertising resources and intellectual property interests or services	<u>20,400</u>	<u>20,400</u>	<u>30,600</u>	<u>30,600</u>
Total	<u>67,400</u>	<u>110,400</u>	<u>75,000</u>	<u>210,600</u>

- (B) The total amount payable by Tencent Computer (and/or any of its subsidiaries or associates) remain subject to the original annual caps as follows:

	For the years ending December 31,			
	2020		2021	
	Original annual cap <i>RMB'000</i>	Proposed revised annual cap <i>RMB'000</i>	Original annual cap <i>RMB'000</i>	Proposed revised annual cap <i>RMB'000</i>
Types of products and services				
Group's User Virtual Products and/or Interests	12,000	/	14,400	/
Advertising resources or services	<u>27,000</u>	<u>/</u>	<u>40,000</u>	<u>/</u>
Total	<u>39,000</u>	<u>/</u>	<u>54,400</u>	<u>/</u>

III. REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS CONTEMPLATED UNDER THE MARKETING SERVICES FRAMEWORK AGREEMENT AS SUPPLEMENTED BY THE SUPPLEMENTAL MARKETING SERVICES FRAMEWORK AGREEMENT

The Company believes that the deepened collaboration with Tencent Group will provide the Group's users with a more enriched synergetic, value-adding product experience and thus enhance user stickiness. In addition, such collaboration would enable the Group to further leverage the large user base of Tencent Group and enlarge the user base of the Group. Therefore, the Company believes that such expanded collaboration is fair and reasonable, beneficial for the Group's user retention, acquisition and monetization in the future and is in the interests of the Company and the shareholders as a whole.

The Directors (including the independent non-executive Directors) are of the view that the transactions contemplated under the Marketing Services Framework Agreement (as supplemented by the Supplemental Marketing Services Framework Agreement), which have been and will be entered into in the ordinary and usual course of business of the Group, are on normal commercial terms, fair and reasonable and in the interests of the Company and the shareholders as a whole. The Directors (including all of the independent non-executive Directors) are of the view that the revised annual caps for the continuing connected transactions under the Marketing Services Framework Agreement (as supplemented by the Supplemental Marketing Services Framework Agreement) for the two years ending December 31, 2020 and 2021 are fair and reasonable and in the interests of the Company and the shareholders as a whole.

IV. INFORMATION ON THE PARTIES

The Group is a market leader in China's online travel industry. The Group offers a comprehensive and innovative selection of products and services covering nearly all aspects of travel, including transportation ticketing, accommodation reservation, attraction ticketing services and various ancillary value-added travel products and services designed to meet users' evolving travel needs.

Tencent is a leading provider of Internet services and mobile value-added services in China, with the largest instant messaging community in China. Tencent Computer is a wholly-owned subsidiary of Tencent and principally engages in the provision of value-added services and Internet advertising services in the PRC.

V. LISTING RULES IMPLICATIONS

As Tencent Computer is a wholly-owned subsidiary of Tencent, a substantial shareholder of the Company which holds approximately 21.98% of the shares in the Company as at the date hereof, Tencent Computer is a connected person of the Company pursuant to Rule 14A.07(4) of the Listing Rules. Accordingly, the transactions contemplated under the Marketing Services Framework Agreement (as supplemented by the Supplemental Marketing Services Framework Agreement) constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) with respect to the annual caps for the continuing connected transactions contemplated under the Marketing Services Framework Agreement (as supplemented by the Supplemental Marketing Services Framework Agreement) will, on an annual basis, be more than 0.1% but less than 5%, the continuing connected transactions contemplated under the Marketing Services Framework Agreement (as supplemented by the Supplemental Marketing Services Framework Agreement) are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

VI. GENERAL

From the perspective of good corporate governance, Mr. Cheng Yun Ming Matthew and Mr. Brent Richard Irvin abstained from voting on the resolution approving the Supplemental Marketing Services Framework Agreement at the relevant board meeting of the Company due to their positions at Tencent Group. Save as disclosed above, no other Director has any material interest in the Supplemental Marketing Services Framework Agreement.

VII. DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Tongcheng-Elong Holdings Limited (同程藝龍控股有限公司), an exempted company with limited liability incorporated under the laws of the Cayman Islands on January 14, 2016
“connected person(s)”	has the meaning ascribed to it by the Listing Rules
“Consolidated Affiliated Entities”	the entities the Company controls through certain contractual arrangements
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries and Consolidated Affiliated Entities from time to time

“Group’s User Virtual Products and/or Interests”	means user virtual products and/or interests of the Group, including but not limited to the black whale membership cards and the relevant interests of the Group
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Marketing Services Framework Agreement”	the marketing services framework agreement entered into between the Company and Tencent Computer on August 29, 2019
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed to it in the Listing Rules
“substantial shareholder”	has the meaning ascribed to it in the Listing Rules
“Supplemental Marketing Services Framework Agreement”	the supplemental marketing services framework agreement dated October 11, 2020 entered into between the Company and Tencent Computer, pursuant to which the existing annual caps of the continuing connected transactions in relation to the provision of the User Virtual Products and/or Interests by Tencent Computer (and/or any of its subsidiaries or associates) to the Company (and/or any of its subsidiaries) in respect of 2020 and 2021 were revised for the two years ending December 31, 2020 and 2021
“Tencent”	Tencent Holdings Limited, a company incorporated in the British Virgin Islands on November 23, 1999 and subsequently redomiciled to the Cayman Islands on February 27, 2004 as an exempted company under the laws of the Cayman Islands, whose shares are listed on the Main Board of the Stock Exchange (stock code: 700)

“Tencent Computer”	Shenzhen Tencent Computer Systems Company Limited (深圳市騰訊計算機系統有限公司), a wholly-owned subsidiary of Tencent
“Tencent Group”	Tencent, its subsidiaries and controlled entities
“Tencent’s User Virtual Products and/or Interests”	means the user virtual products and/or interests of the Tencent Group, including but not limited to the Tencent video membership cards, QQ music membership cards and user traffic space
“User Virtual Products and/or Interests”	means the Group’s User Virtual Products and/or Interests and Tencent’s User Virtual Products and/or Interests

By Order of the Board
Tongcheng-Elong Holdings Limited
Ma Heping
*Executive Director and
Chief Executive Officer*

Hong Kong, October 11, 2020

As at the date of this announcement, the Board comprises the following:

Executive Directors

Wu Zhixiang (*Co-Chairman*)
Ma Heping (*Chief Executive Officer*)

Independent Non-executive Directors

Wu Haibing
Dai Xiaojing
Han Yuling

Non-executive Directors

Liang Jianzhang (*Co-Chairman*)
Jiang Hao
Cheng Yun Ming Matthew
Brent Richard Irvin