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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 IN RELATION TO TENCENT STRATEGIC COOPERATION AND MARKETING PROMOTION FRAMEWORK AGREEMENT

Reference is made to the announcements of the Company dated August 30, 2019 and October 11, 2020 in relation to the Marketing Services Framework Agreement and the Supplemental Marketing Services Framework Agreement.

The Board is pleased to announce that on July 30, 2021 (after trading hours), Tencent Computer and the Company entered into the Tencent Strategic Cooperation and Marketing Promotion Framework Agreement, pursuant to which, (i) Tencent Computer (and/or any of its subsidiaries or associates) has agreed to provide traffic support to the Company (and/or any of its subsidiaries or Contractual Affiliated Entities), and (ii) Tencent Computer and the Company have agreed to engage in various advertising and marketing promotion services with each other for a term of three years from August 1, 2021 to July 31, 2024. In addition, the parties agreed that after the expiry of the initial term of the Tencent Strategic Cooperation and Marketing Promotion Framework Agreement, the parties will consider cooperating with each other for a term of three years in priority to other providers if the terms and quality of products offered by the Company are comparable to those offered by such other providers. Pursuant to the Tencent Strategic Cooperation and Marketing Promotion Framework Agreement, Tencent Computer and the Company have also agreed to terminate the Marketing Services Framework Agreement and the Supplemental Marketing Services Framework Agreement with effect from the effective date of the Tencent Strategic Cooperation and Marketing Promotion Framework Agreement, which expanded the scope of services to be provided under the Marketing Services Framework Agreement and the Supplemental Marketing Services Framework Agreement.

The Tencent Strategic Cooperation and Marketing Promotion Framework Agreement shall take effect upon the approval of the agreement and the proposed annual caps thereunder having been obtained from the relevant authoritative bodies (including the Board and/or the Shareholders as necessary) in accordance with the applicable Listing Rules.

Listing Rules Implications

As Tencent Computer is a subsidiary of Tencent, a substantial shareholder of the Company which holds approximately 21.53% 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. Hence, the Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since the highest of the applicable ratios (as defined in Rule 14.07 of the Listing Rules) of the proposed annual caps in respect of the continuing connected transactions contemplated under the Tencent Strategic Cooperation and Marketing Promotion Framework Agreement is more than 5%, the Transactions and the proposed annual caps thereunder are subject to reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Voting at the Extraordinary General Meeting

The Extraordinary General Meeting will be convened to consider and, if thought fit, to approve the Tencent Strategic Cooperation and Marketing Promotion Framework Agreement and the Transactions thereunder.

An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in respect of the Transactions. In this respect, First Shanghai Capital Limited has been appointed as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

A circular containing, among others, further information on the continuing connected transactions contemplated under the Tencent Strategic Cooperation and Marketing Promotion Framework Agreement, a letter from the Independent Board Committee to the Independent Shareholders containing its recommendation, a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, together with a notice to convene the Extraordinary General Meeting to approve the continuing connected transactions contemplated under the Tencent Strategic Cooperation and Marketing Promotion Framework Agreement, will be dispatched to the Shareholders.

1. BACKGROUND

Reference is made to the announcements of the Company dated August 30, 2019 and October 11, 2020 in relation to the Marketing Services Framework Agreement and the Supplemental Marketing Services Framework Agreement.

The Board is pleased to announce that on July 30, 2021 (after trading hours), Tencent Computer and the Company entered into the Tencent Strategic Cooperation and Marketing Promotion Framework Agreement, pursuant to which, (i) Tencent Computer (and/or any of its subsidiaries or associates) has agreed to provide traffic support to the Company (and/or its subsidiaries or Contractual Affiliated Entities) and (ii) Tencent Computer and the Company have agreed to engage in various advertising and marketing promotion services with each other for a term of three years from August 1, 2021 to July 31, 2024. In addition, the parties agreed that after the expiry of the initial term of the Tencent Strategic Cooperation and Marketing Promotion Framework Agreement, the parties will consider cooperating with each other for a term of three years in priority to other providers if the terms and quality of products offered by the Company are comparable to those offered by such other providers. Pursuant to the Tencent Strategic Cooperation and Marketing Promotion Framework Agreement, Tencent Computer and the Company have also agreed to terminate the Marketing Services Framework Agreement and the Supplemental Marketing Services Framework Agreement with effect from the effective date of the Tencent Strategic Cooperation and Marketing Promotion Framework Agreement, which expanded the scope of services to be provided under the Marketing Services Framework Agreement and the Supplemental Marketing Services Framework Agreement.

The Tencent Strategic Cooperation and Marketing Promotion Framework Agreement shall take effect upon the approval of the agreement and the proposed annual caps thereunder having been obtained from the relevant authoritative bodies (including the Board and/or the Shareholders as necessary) in accordance with the applicable Listing Rules.

The principal terms of the Tencent Strategic Cooperation and Marketing Promotion Framework Agreement are summarized below.

2. TENCENT STRATEGIC COOPERATION AND MARKETING PROMOTION FRAMEWORK AGREEMENT

Date:

July 30, 2021

Parties:

(1) Tencent Computer

(2) The Company

Term

The Tencent Strategic Cooperation and Marketing Promotion Framework Agreement has an initial term of three years from August 1, 2021 to July 31, 2024. In addition, the parties agreed that after the expiry of the initial term of the Tencent Strategic Cooperation and Marketing Promotion Framework Agreement, the parties will consider cooperating with each other for a term of three years in priority to other providers if the terms and quality of products offered by the Company are comparable to those offered by such other providers.

Nature of transactions

Pursuant to the Tencent Strategic Cooperation and Marketing Promotion Framework Agreement, (i) Tencent Computer (and/or any of its subsidiaries or associates) has agreed to provide the Company (and/or any of its subsidiaries or Contractual Affiliated Entities) with traffic support via, among others, its key services, channels, products and tools, including but not limited to authorizing the Company to utilize the Tencent's Key Services, software and intellectual property rights of Tencent Computer, and provision of certain professional technology services, (ii) Tencent Computer (and/or any of its subsidiaries or associates) has agreed to provide advertising and marketing promotion services to the Company (and/or any of its subsidiaries or Contractual Affiliated Entities), including but not limited to advertisement promotion, membership and video benefits and product operation services; and (iii) the Company (and/or any of its subsidiaries or Contractual Affiliated Entities) has agreed to provide advertising and marketing promotion services to Tencent Computer (and/or any of its subsidiaries or associates), including but not limited to advertisement promotion and membership and video benefits. The precise scope of service, service fee calculation and other details of the service arrangement under the Tencent Strategic Cooperation and Marketing Promotion Framework Agreement shall be agreed between the relevant parties separately.

Further, as the Tencent Strategic Cooperation and Marketing Promotion Framework Agreement has expanded the scope of services to be provided under the Marketing Services Framework Agreement and the Supplemental Marketing Services Framework Agreement, Tencent Computer and the Company also agreed to terminate the Marketing Services Framework Agreement and the Supplemental Marketing Services Framework Agreement with effect from the effective date of the Tencent Strategic Cooperation and Marketing Promotion Framework Agreement. The annual cap for the year ending December 31, 2021 under the Supplemental Marketing Services Framework Agreement has not been exceeded as of the date of this announcement.

Pricing basis

The prices and/or services fees of each definitive agreement to be entered into under the Tencent Strategic Cooperation and Marketing Promotion Framework Agreement shall be based on (1) the standard prices published on the official websites of (i) the Company or any of its subsidiaries or Contractual Affiliated Entities, if applicable, and (ii) Tencent Computer or any of their subsidiaries or associates, if applicable, or (2) the prices and terms offered to independent third parties. The Company (and/or any of its subsidiaries or Contractual Affiliated Entities) will enter into arm's length negotiation with Tencent Computer (and/or any of its subsidiaries or associates) and the definitive agreement to be entered into under the Tencent Strategic Cooperation and Marketing Promotion Framework Agreement shall be on normal commercial terms and 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.

Before entering into definitive agreement under the Tencent Strategic Cooperation and Marketing Promotion Framework Agreement, the Group will take into account a number of factors including (i) the effectiveness of the services offered by different online advertising and marketing promotion services providers, and (ii) the breadth of user base of various online advertising platforms.

The Group will review and re-assess the service fees semi-annually (where applicable) and make adjustments if necessary. Such review and adjustment (if any) will be made by the independent non-executive Directors. If there is any change in pricing policy in the future, the Group shall fully comply with the relevant requirements under Chapter 14A of the Listing Rules (if applicable).

Proposed annual caps and basis of determination

The Company estimates that the annual caps for the Tencent Strategic Cooperation and Marketing Promotion Framework Agreement for the term of three years from August 1, 2021 to July 31, 2024 are as follows:

	For the five months ending December 31, 2021 (RMB'000)	For the year ending December 31, 2022 (RMB'000)	For the year ending December 31, 2023 (RMB'000)	For the seven months ending July 31, 2024 (RMB'000)
Service fees payable by the Group in relation to traffic support	210,000	540,000	580,000	360,000
Service fees payable by the Tencent Group in relation to advertising and marketing promotion services	23,000	66,000	79,000	55,000
Service fees payable by the Group in relation to advertising and marketing promotion services	213,333	608,000	776,800	512,113

In arriving at the above proposed annual caps, the Group has taken into account the following factors:

- (i) the historical amounts paid to the Tencent Group pursuant to the Marketing Services Framework Agreement and the Supplemental Marketing Services Framework Agreement;
- (ii) the Group's effective and stable traffic channels from the Tencent's Key Services;
- (iii) the increasing demand for and revenue generated from the transportation ticketing and accommodation reservation services provided by the Group through its operation of the Tencent's Key Services, based on the Group's internal business forecast and analysis; and
- (iv) the future recovery and growth opportunities of the online travel agent industry in the PRC, having taken into account the impact of COVID-19.

In relation to the factor (i) above, the historical transaction amount paid by the Group to the Tencent Group under the Marketing Services Framework Agreement and the Supplemental Marketing Services Framework Agreement for the years ended December 31, 2019 and 2020 and the six months ended June 30, 2021 was approximately RMB14,179,000, RMB75,332,000 and RMB24,108,000 (unaudited), respectively. The historical transaction amount paid by the Tencent Group to the Group under the Marketing Services Framework Agreement for the years ended December 31, 2019 and 2020 and the six months ended June 30, 2021 was approximately RMB24,963,000, RMB7,589,000 and RMB6,035,000 (unaudited), respectively.

In relation to the factor (ii) above, the Group has been deepening its cooperation with the Tencent Group with respect to the Tencent's Key Services. In particular, the Group has experienced a change in Weixin Pay interface layout in the fourth quarter of 2020. The new layout presents the Group's entry points under a separate category of "Travel & Transportation", enhancing the visibility and recognition of the Group's entry points. The Group deepened its cooperation with Weixin by further exploring the potential of the "Search+Travel" ecosystem which allows users to have quick access to our transportation ticketing services by conducting keyword search on Weixin. In the first quarter of 2021, approximately 83.0% of the Group's average MAUs was contributed from Weixin Mini Program with the majority of the traffic from Weixin Pay interface/entry points and the drop-down list of users' favorite or most frequently used Weixin Mini Programs.

In relation to the factor (iii) above, the Group further reinforced its leading position in China's OTA market, especially in lower-tier cities. The Group continues to anticipate a stable growth rate of paying user acquisition from such lower-tier cities in China. As of March 31, 2021, the Group's registered users residing in non-first-tier cities in China accounted for approximately 86.4% of the total registered users. For the three months ended March 31, 2021, approximately 59.7% of the Group's new paying users on Weixin were from tier-3 or below cities in China. Currently, the online penetration rate of travel business in lower-tier cities is relatively low, signifying immense opportunities for the Group. With the Group's strategic focus on lower-tier cities and efforts in offline user acquisition, the Group has successfully captured the rebound opportunities in lower-tier cities market and gained more market shares in the major business segments, including accommodation and transportation.

In relation to the factor (iv) above, since COVID-19 has reached its peak in China in the first quarter of 2020, the Group's business continued to improve quarter by quarter and has achieved a recovery which outpaced the industry. The Company also observed that the Chinese economy has greatly restored and continued its rapid rebound momentum in the first half of 2021.

Reasons for and benefits of entering into the Tencent Strategic Cooperation and Marketing Promotion Framework Agreement

Given that Tencent is a leading provider of Internet value-added services in the PRC, the cooperation with the Tencent Group and the utilization of its traffic support and advertising and marketing promotion services would enable us to leverage Tencent's large user base and attract more consumers and merchants to our platform in order to enlarge our user base and enhance our business growth. We believe that the traffic support and advertising and marketing promotion services provided by the Tencent Group will enable us to increase our users and potential new users' awareness of and familiarity with our platform, mobile apps and services which will be crucial to the success of our business. Further, the provision of advertising and marketing promotion services by the Group to the Tencent Group will bring synergies to both the Group and the Tencent Group, thereby providing the Group with a steady revenue stream and broadening return to the Shareholders as a whole.

Listing Rules implications

As Tencent Computer is a subsidiary of Tencent, a substantial shareholder of the Company which holds approximately 21.53% 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. Hence, the Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since the highest of the applicable ratios (as defined in Rule 14.07 of the Listing Rules) of the proposed annual caps in respect of the continuing connected transactions contemplated under the Tencent Strategic Cooperation and Marketing Promotion Framework Agreement is more than 5%, the Transactions and the proposed annual caps thereunder are subject to reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

3. INTERNAL CONTROL MEASURES

The Group has a comprehensive internal control system to ensure that the Tencent Strategic Cooperation and Marketing Promotion Framework Agreement is fair and reasonable, conducted in accordance with the terms of the agreement, on normal commercial terms that are no less favorable to the independent parties and in accordance with the respective pricing policy.

The Group has designated a team of senior management from the business operations, legal, risk control and finance departments to continuously monitor continuing connected transactions. The team of senior management continuously traces and regularly monitors the progress of continuing connected transactions and reports to the Board. In particular, the business department of the Company will conduct regular checks on the market fee rates for the purpose of considering if the fees charged and paid for the continuing connected transactions are fair and reasonable and in accordance with the pricing basis for the Tencent Strategic Cooperation and Marketing Promotion Framework Agreement. The team of senior management together with the finance department of the Group regularly monitor the actual amounts incurred or received for each type of continuing connected transactions for the purpose of ensuring the relevant annual caps are not exceeded.

4. DIRECTORS' CONFIRMATION

The Tencent Strategic Cooperation and Marketing Promotion Framework Agreement has been negotiated and agreed on an arms' length basis by the parties thereto. The Directors (including the independent non-executive Directors) are of the view that the Tencent Strategic Cooperation and Marketing Promotion Framework Agreement is entered into in the ordinary and usual course of business, on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The independent non-executive Directors will form their views in respect of the proposed annual caps under the Tencent Strategic Cooperation and Marketing Promotion Framework Agreement after receiving advice from the Independent Financial Adviser.

From the perspective of good corporate governance, Mr. Cheng Yun Ming Matthew and Mr. Brent Richard Irvin abstained from voting on the resolutions approving the Tencent Strategic Cooperation and Marketing Promotion Framework Agreement in relation to the Tencent Group at the relevant board meeting due to their positions at the Tencent Group.

Saved as disclosed above, no other Director has any material interests or is required to abstain from voting on the Board resolutions.

5. APPROVAL BY INDEPENDENT SHAREHOLDERS

The Extraordinary General Meeting will be convened to consider and, if thought fit, to approve the Tencent Strategic Cooperation and Marketing Promotion Framework Agreement and the Transactions (including the proposed annual caps).

An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in respect of the Transactions (including the proposed annual caps). In this respect, First Shanghai Capital Limited has been appointed as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

A circular containing, among others, further information on the Tencent Strategic Cooperation and Marketing Promotion Framework Agreement and the Transactions, a letter from the Independent Board Committee to the Independent Shareholders containing its recommendation, a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, together with a notice to convene the Extraordinary General Meeting to consider and, if thought fit, approve the Transactions (including the proposed annual caps) will be dispatched to the Shareholders.

6. 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 China-based technology Company. Tencent Holdings Limited and its subsidiaries are principally engaged in the businesses of communication and social, games, digital content, online advertising, FinTech and business services. Shares of Tencent (00700.HK) are listed on the Main Board of the Stock Exchange.

Tencent Computer is a subsidiary of Tencent and principally engages in the provision of value-added services and Internet advertising services in the PRC.

7. DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it or them 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 or them under the Listing Rules
“Contractual Affiliated Entities”	the entities the Company controls through certain contractual arrangements
“continuing connected transaction(s)”	has the meaning ascribed to it or them under the Listing Rules
“Director(s)”	director(s) of the Company
“Extraordinary General Meeting”	the extraordinary general meeting of the Company to be held to consider and, if thought fit, approve the Tencent Strategic Cooperation and Marketing Promotion Framework Agreement and the Transactions contemplated thereunder, or any adjournment thereof
“Group”	the Company and its subsidiaries and Contractual Affiliated Entities from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, namely Mr. Wu Haibing, Mr. Dai Xiaojing and Ms. Han Yuling, established to advise the Independent Shareholders on the Transactions
“Independent Financial Adviser”	First Shanghai Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activities under the SFO, and the independent financial adviser to the Independent Board Committee and Independent Shareholders in relation to the Transactions
“Independent Shareholders”	has the meaning ascribed to them under the Listing Rules; and in relation to approving the Tencent Strategic Cooperation and Marketing Promotion Framework Agreement and the Transactions at the Extraordinary General Meeting
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“MAUs”	monthly active users who access the Group’s platforms at less once during a calendar month
“Marketing Services Framework Agreement”	the marketing services framework agreement entered into between the Company and Tencent Computer on August 29, 2019 (as amended on October 11, 2020)
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“OTA”	online travel agency
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Shareholder(s)”	holder(s) of the Shares
“Share(s)”	ordinary share(s) in the share capital of the Company with nominal value of US\$0.0005 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it or them under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it or them under 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 to amend certain annual caps of the continuing connected transactions under the Marketing Services Framework Agreement
“Tencent”	Tencent Holdings Limited, a company 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 subsidiary of Tencent
“Tencent Group”	Tencent, its subsidiaries and controlled entities
“Tencent Strategic Cooperation and Marketing Promotion Framework Agreement”	the strategic cooperation and marketing promotion framework agreement entered into between Tencent Computer and the Company on July 30, 2021
“Tencent’s Key Services”	Tencent’s Weixin and Mobile QQ
“Transactions”	the transactions contemplated under the Tencent Strategic Cooperation and Marketing Promotion Framework Agreement, brief particulars of which are set out in the section headed “Nature of transactions” of this announcement
“%”	per cent

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

Hong Kong, July 30, 2021

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