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Tongcheng Travel Holdings Limited

同程旅行控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0780)

ANNOUNCEMENT OF THE RESULTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2022

The Board of the Company is pleased to announce the unaudited consolidated results of the Group for the three months ended September 30, 2022, together with comparative figures for the same periods of 2021.

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2022

- Revenue increased by 5.6% year-to-year to RMB2,048.0 million from RMB1,939.4 million in the same period of 2021.
- Adjusted EBITDA decreased by 10.7% from RMB517.7 million in the third quarter of 2021 to RMB462.2 million in the third quarter of 2022. Adjusted EBITDA margin decreased to 22.6% in the third quarter of 2022 from 26.7% in the third quarter of 2021.
- Adjusted net profit dropped by 26.6% from RMB342.9 million in the third quarter of 2021 to RMB251.7 million in the third quarter of 2022. Adjusted net margin decreased from 17.7% in the third quarter of 2021 to 12.3% in the third quarter of 2022.
- Average MAUs increased by 1.7% year-to-year from 276.9 million in the third quarter of 2021 to 281.5 million in the third quarter of 2022.
- Average MPUs increased by 9.5% year-to-year from 33.6 million in the third quarter of 2021 to 36.8 million in the third quarter of 2022.

1. Key Financial Metrics for the three months ended September 30, 2022

	Unaudited		Year-to-year change
	Three months ended September 30,		
	2022	2021	
	<i>(in RMB'000)</i>		
Revenue	2,047,951	1,939,431	5.6%
(Loss)/profit before income tax	(64,711)	281,790	(123.0)%
(Loss)/profit for the period	(93,940)	226,316	(141.5)%
Adjusted EBITDA	462,180	517,708	(10.7)%
Adjusted net profit for the period	251,724	342,943	(26.6)%
Revenue growth (year-to-year)	5.6%	1.3%	
Adjusted EBITDA margin	22.6%	26.7%	
Adjusted net margin	12.3%	17.7%	

Note:

Please refer to “Other Financial Information” below for the meaning of “adjusted EBITDA” and “adjusted net profit for the period”.

2. Operating Metrics for the three months ended September 30, 2022

	Three months ended		Year-to-year change
	September 30,		
	2022	2021	
GMV (in RMB billion)	40.6	41.1	(1.2)%
Number of average MAUs (in million)	281.5	276.9	1.7%
Number of average MPUs (in million)	36.8	33.6	9.5%
APUs (in million)	200.5	196.1	2.2%

Business Review and Outlook

Results Highlights

In the third quarter of 2022, the pandemic continued to cause fluctuations and uncertainties for China's travel industry. Although the travel industry rebounded decently in July and August 2022, the pandemic situation deteriorated and the highly contagious COVID-19 virus spread further in various areas of China since the end of August 2022, causing stringent control measures such as mass-scale COVID-19 testing and lockdowns. As a result, the travel industry stagnated again.

As an experienced player in the industry, we reacted swiftly to market changes and maintained business resilience. Although the pandemic has brought significant challenges to our business, we continued to outperform the travel industry by leveraging our competitive advantages in our solid market position, diversified traffic sources, outstanding innovation capabilities, and flexible operation strategies. For the three months ended September 30, 2022, our average MAUs increased by 1.7% year-to-year and reached a historical high of 281.5 million, driven by our continuous exploration in traffic sources and outstanding capability to seize market rebound opportunities. For the three months ended September 30, 2022, our average MPUs increased by 9.5% year-to-year and reached a historical high of 36.8 million, mainly attributable to the increase in conversion from our online traffic channels and our excellent capability to explore alternative offline traffic sources. Compared with the same period last year, our paying ratio increased to 13.1% for the third quarter of 2022. Our APUs for the twelve months ended September 30, 2022 increased by 2.2% year-to-year to 200.5 million, signifying our outstanding operation capability in the market.

For the third quarter of 2022, we continued to consolidate our leading position in lower-tier cities and seize market opportunities. We regained growth for our domestic room nights sold and registered 10% year-on-year increase in lower-tier cities, thanks to our offline user acquisition initiative and our solid market position in lower-tier cities. In addition, we have registered rapid growth of over 100% for our bus ticketing volume, leveraging the accelerated online penetration of bus ticketing industry and our effective user acquisition strategies. However, due to the decline of air ticket and train ticket volume, our GMV slightly decreased by 1.2% year-to-year to RMB40.6 billion for the three months ended September 30, 2022. For the period under review, our total revenue increased by 5.6% year-to-year to RMB2,048.0 million even though our transportation business was under the pressure of strict COVID control measures. Our revenue growth was mainly driven by the excellent growth of our accommodation business with its segment revenue achieving historical high, as well as the diversified revenue streams from other businesses. In view of the fluctuating market situation, we adjusted our marketing strategies, while proactively seizing business opportunities when the market rebounded. We also emphasized internal cost control measures to reduce other variable costs under the challenging environment so as to achieve a more optimized cost structure. We continued to maintain solid profitability in terms of adjusted net profit amid the challenging environment, mainly attributable to our outstanding execution of business strategies and cost control measures. Our adjusted net profit for the three months ended September 30, 2022 was RMB251.7 million, representing an adjusted net margin of 12.3%.

Business Review

During the period under review, we maintained effective and stable traffic channels from Weixin mini program and continued to deepen cooperation with Tencent. In the third quarter of 2022, around 80% of our average MAUs was contributed from Weixin mini program. We continued to explore different scenarios within the Tencent ecosystem to enhance our brand awareness and strengthen interactions with our users. We organized several e-Sports events utilizing popular intellectual property rights entitled by Tencent. Furthermore, we cooperated with Weixin Video Account (視頻號) and launched live-streaming events to strengthen interactions with users. These initiatives increased our brand exposure among the younger generation and helped to attract more users to our platform. Moreover, our innovative efforts have brought us notable market recognition. We received “Best of the Year” for the second consecutive year in the 2022 Tencent IN Innovative Marketing Award, in appreciation of our innovative capability and outstanding accomplishment in acquiring more traffic in the Weixin ecosystem.

We strived to diversify our traffic sources by exploring more online and offline traffic channels. We continued to cooperate with China’s major handset vendors to provide users with one-stop products and services through our quick APPs on mobile phones and other mobile devices. Moreover, we joined hands with location-based apps to expand our user reach. We also continued to cooperate with various hotels and tourist attractions to enrich our products and services on short-video platforms to provide users with more travel options and easy access to our products and services. In addition, we continued to execute a series of offline user acquisition initiatives under various scenarios, especially in lower-tier cities with great potential. We cooperated with hotels and tourist attractions and used QR code scanning function to bring more users to our mini-program. We also conducted precise deployment of bus ticketing equipment and expanded our business coverage through strategic cooperation with urban and rural bus operators. In addition, we continued to cultivate alternative user acquisition channels by further exploring mobility scenarios and tapping into public transit such as metro and intra-city bus in several cities.

We launched several marketing initiatives in the third quarter of 2022 to enhance our brand awareness and user engagement. We routinely rolled out advertisements both online and offline in a cost-effective way, for example, we sponsored several trendy TV shows and online dramas and placed offline advertisement on airplanes. We also further enriched our Blackwhale membership by providing users with more benefits and privileges and have successfully gained more paid members during the market turbulence. In addition, we launched e-Sports-themed membership cards, intending to gain higher popularity among younger generations. Furthermore, we cooperated with Shanxi provincial tourism bureau and co-launched a series of “blind box” themed marketing activities to enrich our campus card project and provide university students with more benefits and privileges.

We further solidified our leading position in the China OTA market, especially in lower-tier cities that remained resilient amid the pandemic, and outpaced the overall market. We strived to seize more opportunities given the enormous potentiality in the under-penetrated lower-tier city market. We further penetrated the lower-tier cities leveraging our strategic cooperation with urban and rural bus operators. As of September 30, 2022, our registered users residing in non-first-tier cities in China accounted for approximately 86.7% of the total registered users. For the three months ended September 30, 2022, around 60.0% of our new paying users on the Weixin platform were from tier-3 and below cities in China.

We fortified long-term and sustainable relations with various TSPs and continued to provide first-rate one-stop-shop products and services to our users. As of September 30, 2022, our online platforms offered over 9,600 domestic routes, more than 2.1 million hotel selections and alternative accommodation options, approximately 400,000 bus routes, over 790 ferry routes, and about 8,000 domestic tourist attractions ticketing services. During the third quarter of 2022, we further enriched our one-stop services and better utilized our traffic to satisfy our users' needs during their journeys, aiming at enhancing user stickiness on our platform. With our continuous efforts and accumulated experience, our car-hailing business made remarkable progress and recorded a strong growth in order volume. We also continued to provide marketing tools to our merchants and help them acquire more traffic amid the pandemic.

We leveraged our outstanding technological capability to transform from OTA to ITA. We further optimized and utilized our Huixing system to provide intelligent travel solutions, especially when the transportation ticketing supply was in shortage amid the pandemic. We advanced our technology and optimized the Huixing system's display interface by consolidating route recommendations of other transportation businesses, such as air ticketing and car-hailing, aiming to fulfill our users' travel demands under different scenarios. On the other hand, we strived to enhance the digitalization of the travel industry, leveraging our technological innovation and strengthened partnership with our upstream suppliers. We deepened cooperation with more airports to help improve their operational efficiencies. In the third quarter of 2022, in addition to Xi'an international airport, we further expanded strategic cooperation with four more airports under China West Airport Group to explore cooperation on digitalization construction, product and service development as well as marketing activities. Moreover, we further developed comprehensive hotel Software-as-a-Service (SaaS) solutions not only to assist more individual, small and medium-sized chain hotels in lower-tier cities, but also to alternative accommodations, so as to help enhance their operational efficiencies. Besides, we contributed to the digitalization of the bus ticketing industry by deploying our bus ticketing system and smart ticketing equipment nationwide.

We stepped up efforts to enhance our ESG performance and have obtained significant improvements in terms of governance and social responsibility. Our ESG commitments and performance were well-recognized by the market. In September 2022, our MSCI ESG rating was elevated from “A” to “AA”, demonstrating our outstanding improvements in corporate governance and labor management. This is the highest MSCI ESG rating received by global hotel and travel industry players as of the reporting date. As a socially responsible enterprise, we endeavored to give back to the society and proactively take part in social activities. As one of our initiatives to contribute to the society, we cooperated with hotels to provide shelters and related services to outdoor workers to protect them from the harm of extreme heat in the past summer. We also proactively played a part in promoting rural revitalization. We utilized our industry resources and worked with local government in Suzhou to build a rural resort destination which is well recognized by the industry. We also deepened our cooperation with local governments in Yan’an and other cities in China to promote local produce leveraging our industry expertise and traffic so as to support local economy.

Business Outlook and Strategies

The intensified COVID-19 pandemic situation has brought more uncertainties to the China travel market, and the trend will remain fluctuating in the short run. However, the Chinese government has renewed the COVID-related policies. In mid-November, the State Council of PRC (中華人民共和國國務院) optimized its COVID measures to improve the COVID prevention efficiency. Quarantine time was cut by two days for inbound travelers and close contacts of COVID infections. Besides, identification and tracking of secondary close contacts are no longer required. Moreover, medium risk areas were removed from the risk areas categorization. We are confident that the travel market will overcome disruptions and resume robust growth once the pandemic is under control.

During the pandemic, the travel industry sped up the digitalization process, and the accelerated online penetration rate has brought substantial opportunities for OTAs. We are confident in outperforming the market leveraging our competitive advantages in diversified traffic sources, sturdy market position, flexible operation strategy, and advanced technological capabilities. We will continue to expand our traffic channels with more emphasis on the untapped travel market, especially in lower-tier cities. We will also utilize our innovation capabilities to enhance our products and services, aiming to transform from OTA to ITA. Furthermore, we will search for investment opportunities according to our company’s strategies to support the future growth of our business. Lastly, we will put more emphasis on corporate governance, environmental protection, and social responsibility in our operations so as to generate long-term sustainable value for our stakeholders and communities.

MANAGEMENT DISCUSSION AND ANALYSIS

Third Quarter of 2022 compared to Third Quarter of 2021

	Unaudited Three months ended September 30,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	2,047,951	1,939,431
Cost of revenue	(502,871)	(506,590)
Gross profit	1,545,080	1,432,841
Service development expenses	(370,926)	(322,924)
Selling and marketing expenses	(937,280)	(786,927)
Administrative expenses	(182,789)	(115,779)
Net provision for impairment loss on financial assets	(4,474)	(25,579)
Fair value changes on investments measured at fair value through profit or loss	11,921	38,570
Other income	25,595	41,044
Other (losses)/gains – net	(126,173)	18,867
Operating (loss)/profit	(39,046)	280,113
Finance income	19,487	12,602
Finance costs	(40,895)	(8,190)
Share of results of associates	(4,257)	(2,735)
(Loss)/profit before income tax	(64,711)	281,790
Income tax expense	(29,229)	(55,474)
(Loss)/profit for the period	(93,940)	226,316
(Loss)/profit attributable to:		
Equity holders of the Company	(90,388)	231,274
Non-controlling interests	(3,552)	(4,958)
	(93,940)	226,316
Adjusted net profit for the period ^(a)	251,724	342,943

Note:

- (a) Please see “Other Financial Information – Non-IFRS Financial Measures” below for more information about adjusted net profit for the period.

Revenue

Our revenue was generated primarily from accommodation reservation business and transportation ticketing business. The following table sets forth a breakdown of our revenue in absolute amount and as a percentage of the total revenue for the periods indicated:

	Unaudited			
	Three months ended September 30,			
	2022		2021	
	RMB'000		RMB'000	
Accommodation reservation services	818,709	40.0%	644,940	33.3%
Transportation ticketing services	986,646	48.2%	1,124,724	58.0%
Others	242,596	11.8%	169,767	8.7%
Total revenue	2,047,951	100.0%	1,939,431	100.0%

Revenue increased by 5.6% from RMB1,939.4 million for the three months ended September 30, 2021 to RMB2,048.0 million for the three months ended September 30, 2022

Accommodation reservation services

We present accommodation reservation revenue on a net basis in circumstances where we do not assume inventory risk, and on a gross basis in circumstances where we pre-purchase accommodation room nights for which we take inventory risk. Revenue recognized on a gross basis represents the amounts billed to the users for the room nights sold, while the prices at which we pre-purchase the room nights from the accommodation suppliers are recorded as cost of revenue.

Revenue from accommodation reservation services increased by 26.9% from RMB644.9 million for the three months ended September 30, 2021 to RMB818.7 million in the same period of 2022. The increase was mainly due to (i) the increased demand in accommodation reservation services; and (ii) increase in commission rates.

Transportation ticketing services

We generated transportation ticketing revenue primarily from commissions received from suppliers of transportation tickets, travel insurance and other ancillary value-added travel products and services. In these transactions, we acted primarily as an agent, assumed no inventory risk and no obligations for cancelled ticket reservations, and therefore recorded the majority of our revenue on a net basis.

Revenue from transportation ticketing services decreased by 12.3% from RMB1,124.7 million for the three months ended September 30, 2021 to RMB986.6 million for the three months ended September 30, 2022, which was mainly due to the resurgence of COVID-19 with declined demand of transportation ticketing services.

Others

Revenue from others mainly includes revenues generated from: (i) advertising services; (ii) membership services; (iii) ancillary value-added user services; (iv) corporate travel services; (v) attraction ticketing services; and (vi) hotel management services.

Revenue from others increased from RMB169.8 million for the three months ended September 30, 2021 to RMB242.6 million for the three months ended September 30, 2022. The increase was mainly due to (i) increase in revenue from advertising services; (ii) increase in revenue from membership services; (iii) increase in revenue from corporate travel services; and (iv) increase in revenue generated from ancillary value-added user services.

Cost of revenue

Our cost of revenue consists primarily of: (i) order processing cost, representing the fees we pay to banks and payment channels for processing user payments; (ii) employee benefit expenses, representing the wages, salaries and other benefits (including share-based compensation) for our user services and TSP services employees; (iii) procurement costs, which represent the costs for sourcing ancillary value-added travel products and services from service providers; (iv) bandwidth and servers custody fee; (v) depreciation of property, plant and equipment and right-of-use assets; (vi) cost of pre-purchased travel related products, representing the prices we pay to TSPs to purchase travel products for which we take inventory risk; and (vii) others, which primarily include telephone and communication costs, tax and surcharges, travel and entertainment expense, professional fees, user fulfilment fees (which represent compensation paid to users due to user and customers complaints), and rental and utility fees.

The following table sets forth a breakdown of our cost of revenue in absolute amount and as a percentage of total cost of revenue for the three months ended September 30, 2022 and 2021:

	Unaudited			
	Three months ended September 30,			
	2022		2021	
	RMB'000		RMB'000	
Order processing cost	232,616	46.3%	239,662	47.3%
Employee benefit expenses	83,591	16.6%	66,466	13.1%
Procurement costs	53,060	10.6%	38,880	7.7%
Bandwidth and servers custody fee	32,599	6.5%	32,909	6.5%
Depreciation of property, plant and equipment and right-of-use assets	31,214	6.2%	24,127	4.8%
Cost of pre-purchased travel related products	28,053	5.6%	76,250	15.1%
Others	41,738	8.2%	28,296	5.5%
Total cost of revenue	502,871	100.0%	506,590	100.0%

Cost of revenue remains stable at RMB502.9 million for the three months ended September 30, 2022, compared with the amount of RMB506.6 million for the three months ended September 30, 2021. The increase in employee benefit expenses and procurement costs was balanced out by the decrease in cost of pre-purchased travel related products. Excluding share-based compensation charges, cost of revenue accounted for 24.3% of revenue for the three months ended September 30, 2022, which decreased from 26.0% for the same period of 2021.

Service development expenses

Service development expenses increased from RMB323.0 million for the three months ended September 30, 2021 to RMB370.9 million for the three months ended September 30, 2022. The increase was mainly due to employee benefit expenses driven by the increased number of IT employees. Excluding share-based compensation charges, service development expenses accounted for 16.6% of revenue for the three months ended September 30, 2022, which increased from 15.7% for the same period of 2021.

Selling and marketing expenses

Selling and marketing expenses increased by 19.1% from RMB786.9 million for the three months ended September 30, 2021 to RMB937.3 million for the three months ended September 30, 2022, which was mainly due to (i) the increased advertising and promotion expenses; and (ii) the increased employee benefits due to the increased numbers of sales employees. Excluding share-based compensation charges, selling and marketing expenses accounted for 45.1% of revenue for the three months ended September 30, 2022 compared with 40.2% for the same period of 2021.

Administrative expenses

Administrative expenses increased from RMB115.8 million for the three months ended September 30, 2021 to RMB182.8 million for the three months ended September 30, 2022, which was mainly due to the increase in share-based compensation charges. Excluding share-based compensation charges, administrative expenses accounted for 4.8% of revenue for the three months ended September 30, 2022, which increased from 4.2% for the same period of 2021.

Net provision for impairment loss on financial assets

Net provision for impairment loss on financial assets decreased to RMB4.5 million for the three months ended September 30, 2022 from RMB25.6 million for the same period of 2021, which was mainly due to the decrease in expected credit loss of trade and other receivables.

Fair value changes on investments measured at fair value through profit or loss

We recorded fair value gains on investments measured at fair value through profit or loss of RMB11.9 million for the three months ended September 30, 2022, which was mainly arise from the fair value gains in wealth management products and partially offset by the loss on investments in certain public companies. For the same period of 2021, a net fair value gain of RMB38.6 million was recognized.

Other income

We recorded other income of RMB25.6 million for the three months ended September 30, 2022, compared with RMB41.0 million for the three months ended September 30, 2021. The decrease was mainly due to less government subsidies were received.

Other (losses)/gains – net

We recorded other losses – net of RMB126.2 million primarily due to the foreign exchange loss for the three months ended September 30, 2022, compared with other gains – net of RMB18.9 million for the three months ended September 30, 2021.

Income tax expense

We recorded an income tax expense of RMB29.2 million for the three months ended September 30, 2022 and RMB55.5 million for the three months ended September 30, 2021, respectively, as a result of the decrease in current income tax charge and the realization of deferred income tax assets for the three months ended September 30, 2022.

(Loss)/profit attributable to equity holders of the Company

As a result of the foregoing, (loss)/profit attributable to equity holders of the Company decreased from a profit of RMB231.3 million for the three months ended September 30, 2021 to a loss of RMB90.4 million for the three months ended September 30, 2022.

OTHER FINANCIAL INFORMATION

Non-IFRS Financial Measures

To supplement our consolidated results, which are presented in accordance with IFRS, we also use certain non-IFRS measures, namely adjusted EBITDA and adjusted net profit for the period, as additional financial metrics. These non-IFRS financial measures are not required by or presented in accordance with IFRS.

Adjusted EBITDA is defined as operating (loss)/profit adjusted for (i) share-based compensation, gross; (ii) amortization of intangible assets; (iii) depreciation of property, plant and equipment, and right-of-use assets; (iv) foreign exchange loss; (v) net losses/(gain) on investees; and (vi) others, including acquisition-related cost and net loss on foreign currency financial instruments. Adjusted net profit for the period is defined as (loss)/profit for the period adjusted for (i) share-based compensation, net; (ii) the amortization of intangible assets from acquisition; (iii) foreign exchange loss; (iv) net losses/(gains) on investees; and (v) others, including acquisition-related cost, net loss on foreign currency financial instruments and depreciation of property, plant and equipment and right-of-use assets from acquisition.

The above items are excluded from our adjusted EBITDA and adjusted net profit for the period measures because these items are either non-cash in nature, or are not driven by core operations which render comparisons with prior periods and competitors less meaningful. We believe the adjusted EBITDA and adjusted net profit for the period are useful measures for the analysts and investors as basis for evaluation of our future on-going operating performance as these measures allow more meaningful comparison of our performance and projected cash earnings with our historical results from prior periods and to the results of our competitors. Moreover, management uses these measures internally to evaluate the performance of our business as a whole. However, our presentation of such non-IFRS measures may not be comparable to similarly titled measures presented by other companies. The use of these non-IFRS measures has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRS.

a. Reconciliation of adjusted EBITDA from operating (loss)/profit

The following table reconciles adjusted EBITDA to operating (loss)/profit, its most directly comparable financial measure calculated and presented in accordance with IFRS for the periods presented:

	Unaudited	
	Three months ended	
	September 30,	
	2022	2021
	RMB'000	RMB'000
Operating (loss)/profit	(39,046)	280,113
Add/(less):		
Share-based compensation, gross ^(a)	133,825	63,505
Amortization of intangible assets	159,749	139,676
Depreciation of property, plant and equipment and right-of-use assets	50,759	42,734
Foreign exchange loss ^(b)	163,287	929
Net losses/(gains) on investees ^(c)	5,450	(9,480)
Others	(11,844)	231
Adjusted EBITDA	462,180	517,708

(a) Represents gross expense related to equity-settled share-based payment transactions. This is a non-cash item and the value is determined by valuation techniques involving a few parameters out of the management's control such as macro economy index and retention rate of grantees.

(b) Represents foreign exchange loss which is the result of macro-economic factors and can vary significantly from one period to the next.

(c) Includes dividend income, fair value changes on equity investments, and gains on disposal of investees or subsidiaries.

b. Reconciliation of adjusted profit for the period from (loss)/profit for the period

The following table reconciles our adjusted net profit for the period to (loss)/profit for the period, its most directly comparable financial measure calculated and presented in accordance with IFRS, for the periods presented:

	Unaudited	
	Three months ended	
	September 30,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
(Loss)/profit for the period	(93,940)	226,316
Add/(less):		
Share-based compensation, net ^(a)	133,745	67,441
Amortization of intangible assets from acquisition ^(b)	54,401	57,506
Foreign exchange loss ^(c)	163,287	929
Net losses/(gains) on investees ^(d)	5,450	(9,480)
Others	(11,219)	231
Adjusted net profit for the period	<u>251,724</u>	<u>342,943</u>

Notes:

- (a) Represents expense related to equity-settled share-based payment transactions, net of the tax effect of temporary difference arises between the share-based compensation recognized in profit or loss and the tax deduction to be obtained in the future.
- (b) Represents amortization of intangible assets in relation to business combinations.
- (c) Represents foreign exchange loss which is the result of macro-economic factors and can vary significantly from one period to the next.
- (d) Includes dividend income, fair value changes on equity investments, and gains on disposal of investees or subsidiaries.

Share-based compensation included in cost of revenue and expense items as follows:

	Unaudited Three months ended September 30,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Cost of revenue	4,615	2,857
Service development expenses	30,736	18,313
Selling and marketing expenses	13,770	7,091
Administrative expenses	84,704	35,244
Total share-based compensation, gross	133,825	63,505
Tax effect of temporary difference	(80)	3,936
Total share-based compensation, net	133,745	67,441

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months ended September 30, 2022

	Unaudited	
	Three months ended	
	September 30,	
	2022	2021
	RMB'000	RMB'000
Revenue	2,047,951	1,939,431
Cost of revenue	(502,871)	(506,590)
Gross profit	1,545,080	1,432,841
Service development expenses	(370,926)	(322,924)
Selling and marketing expenses	(937,280)	(786,927)
Administrative expenses	(182,789)	(115,779)
Net provision for impairment loss on financial assets	(4,474)	(25,579)
Fair value changes on investments measured at fair value through profit or loss	11,921	38,570
Other income	25,595	41,044
Other (losses)/gains – net	(126,173)	18,867
Operating (loss)/profit	(39,046)	280,113
Finance income	19,487	12,602
Finance costs	(40,895)	(8,190)
Share of results of associates	(4,257)	(2,735)
(Loss)/profit before income tax	(64,711)	281,790
Income tax expense	(29,229)	(55,474)
(Loss)/profit for the period	(93,940)	226,316
(Loss)/profit attributable to:		
– Equity holders of the Company	(90,388)	231,274
– Non-controlling interests	(3,552)	(4,958)
	(93,940)	226,316

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended September 30, 2022

	Unaudited Three months ended September 30,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
(Loss)/profit for the period	(93,940)	226,316
Other comprehensive income		
<i>Items that may not be subsequently reclassified to profit or loss:</i>		
– Currency translation differences	<u>57,686</u>	<u>6,527</u>
Other comprehensive income for the period, net of tax	<u>57,686</u>	<u>6,527</u>
Total comprehensive (loss)/income for the period	<u>(36,254)</u>	<u>232,843</u>
Total comprehensive (loss)/income for the period attributable to:		
– Equity holders of the Company	(32,702)	237,801
– Non-controlling interests	<u>(3,552)</u>	<u>(4,958)</u>
	<u>(36,254)</u>	<u>232,843</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at September 30, 2022

	Unaudited As at September 30, 2022 <u>RMB'000</u>	Audited As at December 31, 2021 <u>RMB'000</u>
ASSETS		
Non-current assets		
Property, plant and equipment	1,614,874	1,364,262
Right-of-use assets	132,733	217,064
Investments accounted for using the equity method	1,443,322	1,127,921
Investments measured at fair value through profit or loss	930,219	828,414
Investments measured at amortized cost	1,995,556	2,010,674
Intangible assets	8,604,402	8,347,850
Deferred income tax assets	175,459	174,680
Trade receivables	48,455	53,491
Prepayment and other receivable	123,623	8,764
	<u>15,068,643</u>	<u>14,133,120</u>
Current assets		
Trade receivables	1,343,608	670,324
Prepayment and other receivables	2,690,595	1,259,433
Investments measured at amortized cost	509,009	–
Investments measured at fair value through profit or loss	2,269,952	3,343,317
Derivative financial instruments	28,490	–
Restricted cash	82,588	54,600
Cash and cash equivalents	2,657,103	2,045,604
	<u>9,581,345</u>	<u>7,373,278</u>
Total assets	<u>24,649,988</u>	<u>21,506,398</u>
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital	7,666	7,634
Share premium	19,702,616	19,570,778
Other reserves	(2,679,139)	(3,038,281)
Accumulated losses	(1,442,362)	(1,320,980)
	<u>15,588,781</u>	<u>15,219,151</u>
Non-controlling interests	<u>220,164</u>	<u>39,455</u>
Total equity	<u>15,808,945</u>	<u>15,258,606</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at September 30, 2022

	Unaudited As at September 30, 2022	Audited As at December 31, 2021
	<u><i>RMB'000</i></u>	<u><i>RMB'000</i></u>
LIABILITIES		
Non-current liabilities		
Borrowings	2,101,613	93,537
Lease liabilities	106,297	181,979
Derivative financial instruments	3,417	–
Other payables	862,936	764,336
Contract liabilities	39,235	–
Deferred income tax liabilities	582,420	496,526
	<u>3,695,918</u>	<u>1,536,378</u>
Current liabilities		
Borrowings	126,360	19,692
Trade payables	2,245,025	2,206,560
Other payables and accruals	2,691,658	2,289,497
Lease liabilities	35,195	34,185
Contract liabilities	20,455	147,101
Current income taxes liabilities	26,432	14,379
	<u>5,145,125</u>	<u>4,711,414</u>
Total liabilities	<u>8,841,043</u>	<u>6,247,792</u>
Total equity and liabilities	<u>24,649,988</u>	<u>21,506,398</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended September 30, 2022

	Unaudited Three months ended September 30,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash flows (used in)/generated from operating activities	(1,199,338)	112,901
Net cash flows generated from investing activities	1,018,414	284,816
Net cash flows generated from financing activities	10,409	42,791
Net (decrease)/increase in cash and cash equivalents	(170,515)	440,508
Cash and cash equivalents at beginning of the period	2,813,915	2,297,985
Effect of exchange rate changes on cash and cash equivalents	13,703	2,631
Cash and cash equivalents at end of the period	2,657,103	2,741,124

CORPORATE GOVERNANCE AND OTHER INFORMATION

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the three months ended September 30, 2022.

Compliance with the Corporate Governance Code

The Company has adopted and applied the principles and code provisions as set out in the Corporate Governance Code. During the three months ended September 30, 2022, the Company has complied with the code provisions in the Corporate Governance Code.

Audit Committee

The Audit Committee has three members comprising two independent non-executive Directors, Mr. Yang Chia Hung (chairman of the Audit Committee) and Ms. Han Yuling, and one non-executive Director, being Mr. Cheng Yun Ming Matthew, with terms of reference in compliance with the Listing Rules.

The Audit Committee has considered and reviewed the accounting principles and practices adopted by the Group and has discussed matters in relation to internal controls and financial reporting with the management, including the review of the unaudited financial results of the Group for the three months ended September 30, 2022. The Audit Committee considers that the financial results for the three months ended September 30, 2022 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

DEFINITION

In this announcement, unless the context otherwise require, the following expressions shall have the following meaning:

“APUs”	annual paying users
“Audit Committee”	the audit committee of the Board
“Board”	the board of directors of the Company
“China” or “PRC”	People's Republic of China

“Company”	Tongcheng Travel Holdings Limited (同程旅行控股有限公司) (formerly known as 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
“Consolidated Affiliated Entities”	the entities we control through certain contractual arrangements
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
“Director(s)”	the director(s) of the Company
“ESG”	environmental, social, and governance
“GMV”	gross merchandise volume, the total value of merchandise sold in the specified market or through a specified platform during a given period
“Group”, “we”, “us”, or “our”	the Company, its subsidiaries and Consolidated Affiliated Entities from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“IFRS”	International Financial Reporting Standards, amendments, and interpretations, as issued from time to time by the International Accounting Standards Board
“ITA”	intelligent travel assistant
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“MAUs”	monthly active users who access our platforms at least once during a calendar month
“MPUs”	monthly paying users who make purchases on our platforms at least once during a calendar month
“OTA”	online travel agency
“paying ratio”	the ratio calculated as average MPUs divided by average MAUs

“RMB”	Renminbi, the lawful currency of China
“Share(s)”	ordinary share(s) in the share capital of the Company, currently of nominal value USD0.0005 each
“Shareholder(s)”	holder(s) of the Share(s)
“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 of Hong Kong Limited (stock code: 700)
“TSP(s)”	travel service provider(s)
“USD”	United States dollars, the lawful currency of the United States of America

APPRECIATION

The Board would like to express its sincere gratitude to the Shareholders, management team, employees, business partners and customers of the Company for their support and contribution to the Group.

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

Hong Kong, November 22, 2022

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

Yang Chia Hung
Dai Xiaojing
Han Yuling

Non-executive Directors

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