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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)

COMPLETION OF THE DISCLOSEABLE TRANSACTION IN RELATION TO THE INVESTMENTS IN THE TARGET COMPANIES AND SUPPLEMENTAL ANNOUNCEMENT

Reference is made to the announcement of the Company dated December 29, 2022 (the “**Announcement**”) in relation to a discloseable transaction for the investments of the Group in the Target Companies during the preceding twelve (12) months and as at the date of the Announcement. Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as those defined in the Announcement.

(1) COMPLETION OF THE EQUITY TRANSFER E

The Board is pleased to report that all conditions precedent set out in the Equity Transfer Agreement E have been fulfilled, and completion of the Equity Transfer E has taken place as at the date of this announcement. Following the aforesaid completion, Target Company E has become an indirectly wholly-owned subsidiary of the Company.

The Company would also like to provide the Shareholders and potential investors of the Company with additional information in relation to the Transactions as follows:

(2) ADDITIONAL INFORMATION ON THE BASIS OF CONSIDERATION AND NET ASSET VALUE OF THE RELEVANT TARGET COMPANIES

Capital Contribution Agreement A

As disclosed in the Announcement, the consideration of RMB450,000,000 under the Capital Contribution Agreement A was determined after arm’s length negotiation among the parties to the Capital Contribution Agreement A based on (i) the overall valuation of the Target Company A in the amount of RMB2.8 billion; and (ii) the financial position of the Target Company A, in each case as at December 31, 2020. The Company wishes to further elaborate that (i) the overall valuation of the Target Company A was determined with reference to the pre-money valuation of not less than RMB2.795 billion (after making the necessary adjustments to the post-money valuation of the Target Company in 2020 based on recent financial performance of the Target Company A and the price-to-earnings multiple of comparable companies in similar line of business); and (ii) the net asset value of the Target Company A, which was approximately RMB1,306,000,000 as at December 31, 2020.

Share Subscription Agreement B

As disclosed in the Announcement, the total subscription amount of approximately RMB299,999,999.60 under the Share Subscription Agreement B was determined after arm's length negotiation among the parties to the Share Subscription Agreement B based on (i) the overall valuation of the Target Company B in the amount of approximately RMB4,686,956,520.40; and (ii) the financial position of the Target Company B, as at December 31, 2020. The Company wishes to further elaborate that (i) the overall valuation of the Target Company B was determined with reference to the pre-money valuation of not less than RMB4.68 billion (after making the necessary adjustments to the post-money valuation of the Target Company B in 2019 having taken into account (i) the expansion of the size of its air fleet from nine (9) to sixteen (16) aircrafts; and (ii) the optimization and adjustment of air routes); and (ii) the net asset value of the Target Company B, which was RMB592,400,000 as at December 31, 2021.

Equity Transfer Agreement C

As disclosed in the Announcement, the consideration of the Equity Transfer Agreement C was determined after arm's length negotiation between the Transferee and the Transferor, after considering various factors, including among others, the value attributable to the core assets held by Target Company C, its business capabilities, and the financial performance of the Target Company C as at March 31, 2022. The factors taking into account by the Company in determining the consideration of the Equity Transfer Agreement C are further elaborated as follows:

Core assets held by the Target Company C : The core assets held by the Target Company C, which include, among others, the rich customer base in North China and a Travel Agency Business License (旅行社經營許可證) enabling it to handle domestic, inbound and outbound tourism and vacation services such as escorted tours in North China.

Business capabilities of the Target Company C : As disclosed in the Announcement, the Target Company C is principally engaged in tourism business, ticket agency service, hotel management, and catering management. The acquisition of the Target Equity C is expected to enable the Group to tap into the tourism and vacation business. Upon completion of the Equity Transfer Agreement C, the Target Company C will become a subsidiary of the Group. Accordingly, the Company can (i) gain access to the tourism customers in North China and thereby enrich its tourism product supply chain in North China as well as increase its market share and brand influence and reputation in the region; (ii) re-package and combine its travel-related products with those offered by the Target Company C; (iii) leverage on the existing customer base of the Group and that of the Target Company C by offering full-service tourism-related products, and thereby improving user stickiness.

Financial performance of the Target Company C as at March 31, 2022 : Set out below is the unaudited net assets value and total assets value of the Target Company C as at March 31, 2022:

	As at March 31, 2022 (unaudited) (RMB'000)
Net assets value	1,058
Total assets	1,061

Equity Transfer Agreement D

As disclosed in the Announcement, the consideration under the Equity Transfer Agreement D was determined after arm's length negotiation between the Transferee and the Transferor, after considering various factors, including among others, the value attributable to the core assets held by Target Company D, its business capabilities, and the financial performance of the Target Company D as at March 31, 2022. The factors taking into account by the Company in determining the consideration of the Equity Transfer Agreement D are further elaborated as follows:

Core assets held by the Target Company D : The core assets held by the Target Company D which include, among others, the rich customer base in Southern China and a Travel Agency Business License (旅行社經營許可證) enabling it to handle domestic, inbound and outbound travel-related services.

Business capabilities of the Target Company D : As disclosed in the Announcement, the Target Company D is principally engaged in tourism development project planning and consulting, conference and exhibition service, ticket agency service. The acquisition of the Target Equity D is expected to enable the Group to tap into the area of business travel. Upon completion of the Equity Transfer Agreement D, the Target Company D will become a subsidiary of the Group. Accordingly, the Company can (i) gain access to business travelers in Southern China and thereby enrich its travel product supply chain, as well as increase its market share and brand influence and reputation in the region; (ii) re-package and combine travel-related products of the Group with those offered by the Target Company D, including offering a leisure extension to the business trip of the customers; (iii) leverage on the existing customer base of the Group and that of the Target Company D by offering full-service travel-related products, and thereby improving user stickiness.

Financial performance of the Target Company D as at March 31, 2022 : Set out below is the unaudited net assets value and total assets value of the Target Company D as at March 31, 2022:

	As at March 31, 2022 (unaudited) (Approximately RMB'000)
Net assets value	1,738
Total assets	1,754

Equity Transfer Agreement E

As disclosed in the Announcement, the consideration of the Equity Transfer Agreement E was determined after arm's length negotiation between the Transferee and the Transferor based on the valuation of the Target Company E of RMB200,000,000 as appraised by an independent third party valuer (the "**Valuation**"), having considered various factors, including amongst others, the financial performance of the Target Company E as at September 30, 2022. The factors taken into account by the Company in determining the consideration of the Equity Transfer Agreement E are further elaborated as follows:

Methodologies, inputs and assumptions in relation to the overall valuation of the Target Company E : The Valuation was prepared by Jiangsu Wan Long Yong Ding Real Estate Land Assets Evaluation Co., Ltd.* (江蘇萬隆永鼎房地產土地資產評估有限公司) (the "**Independent Valuer**"), an independent professional valuer by adopting the comparable companies method under the market approach. Under such method, the Independent Valuer assessed the value of 100% shareholders' value of the Target Company E based on the nine months' revenue of the Target Company E for the period ended September 30, 2022 (the "**Historical Revenue**", in the amount of approximately RMB80.67 million for the purpose of the Valuation), and the price-to-sales multiple (the "**P/S multiple(s)**") of an exhaustive list of comparable companies identified by the Independent Valuer based on the following principal selection criteria:

- (i) being engaged in principal business and the size of which is similar to that of the Target Company E;
- (ii) principal activities mainly conducted in China;
- (iii) being listed on major exchange markets in China; and
- (iv) financial information of which being available to the public.

The Independent Valuer has employed the adjusted median P/S multiple of 4.91x of the comparable companies in the Valuation and the value of 100% shareholders' value of the Target Company E derived therefrom was approximately RMB396,067,000. Given that shares traded on the public market are marketable non-controlling interest, while the valuation of the Target Company E, for acquisition purpose, represent non-marketable controlling interest, a "Discount for Lack of Marketability" ("DLOM") was further applied to adjust the P/S multiple of the comparable companies for the Valuation on a non-marketable basis.

Restricted stock study is a source of reference for DLOM by valuation practitioners. The discount was calculated by dividing the difference between the price-to-earnings multiples of listed issuers and of non-public companies. According to the data published by the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Wind Financial Terminal and the CVSource Financial Terminal, the average discount observed for the commerce industry is approximately 48.5%. The Independent Valuer thus have adopted a DLOM of 48.5% in arriving at the equity value of the Target Company E.

Based on the valuation methodology and inputs considered by the Independent Valuer as set out above, the Independent Valuer has come to the conclusion that the 100% equity value of the Target Company E is approximately RMB200,397,460.

In view of the conclusion of the Valuation as set out above which serves as a primary reference, the Company considered that the consideration of the Equity Transfer Agreement E was suitably determined based on the Valuation, and was fair and reasonable despite the Target Company E recorded (i) unaudited net liabilities of approximately RMB145,617,000 as at September 30, 2022; and (ii) unaudited net losses for the two years ended December 31, 2021.

Total assets and net asset value of the Target Company E : The unaudited and consolidated net assets value and the total assets of the Target Company E, in each case, as at September 30, 2022 are set forth below:

	As at September 30, 2022 (unaudited) (Approximately RMB'000)
Net asset value	(145,617)
Total assets	106,164

INFORMATION ON ULTIMATE BENEFICIAL OWNERS TO CERTAIN COUNTERPARTIES IN THE TRANSACTIONS

In addition to the information disclosed in the Announcement, the Company would like to provide further information in respect of the ultimate beneficial owners of Existing Shareholders A1, B1, B2 and B4. As at the date of the Announcement, to the best of the Directors' knowledge, information and belief after having made all reasonable enquiries:

- Existing Shareholder A1, B1 and B4** : (i) The ultimate beneficial owner of Guangdong Pearl River Investments Co., Ltd.* (廣東珠江投資股份有限公司) is Mr. Zhu Weihang* (朱偉航), an Independent Third Party; and
- (ii) the ultimate beneficial owner of Shenzhen Overseas Chinese Town Capital Investment Management Co., Ltd.* (深圳華僑城資本投資管理有限公司) is the State-owned Assets Supervision and Administration Commission of the State Council* (國務院國有資產監管管理委員會), an Independent Third Party.
- Existing Shareholder B2** : The ultimate beneficial owner of Hunan Emerging Industry Guided Investment Partnership (Limited Partnership)* (湖南省新興產業引導投資合夥企業(有限合夥)) is The Office of the People's Government of Hunan Province* (湖南省人民政府辦公廳), an Independent Third Party.

Save as the information set out above, all the information set out in the Announcement remain unchanged and shall continue to be valid for all purposes. This announcement is supplemental to and should be read in conjunction with the Announcement.

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

Hong Kong, March 9, 2023

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

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

Yang Chia Hung
Dai Xiaojing
Han Yuling

* For identification purpose only