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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 YEAR ENDED DECEMBER 31, 2022

The Board of the Company is pleased to announce the audited consolidated results of the Group for the year ended December 31, 2022, together with comparative figures for the same periods of 2021.

FOR THE THREE MONTHS ENDED DECEMBER 31, 2022

- Revenue decreased by 18.8% year-to-year to RMB1,500.1 million in the fourth quarter of 2022 from RMB1,846.4 million in the same period of 2021.
- Adjusted EBITDA decreased by 41.3% from RMB416.5 million in the fourth quarter of 2021 to RMB244.3 million in the same period of 2022. Adjusted EBITDA margin decreased to 16.3% in the fourth quarter of 2022 from 22.6% in the fourth quarter of 2021.
- Adjusted net profit dropped by 84.7% from RMB245.1 million in the fourth quarter of 2021 to RMB37.5 million in the fourth quarter of 2022. Adjusted net margin decreased from 13.3% in the fourth quarter of 2021 to 2.5% in the fourth quarter of 2022.
- Average MAUs decreased by 11.5% year-to-year from 238.6 million in the fourth quarter of 2021 to 211.1 million in the fourth quarter of 2022.
- Average MPUs decreased by 21.1% year-to-year from 30.8 million in the fourth quarter of 2021 to 24.3 million in the fourth quarter of 2022.

1. Key Financial Metrics for the three months ended December 31, 2022

	Unaudited		Year-to-year change
	Three months ended December 31,		
	2022	2021	
	<i>(in RMB'000)</i>		
Revenue	1,500,066	1,846,385	(18.8)%
(Loss)/profit before income tax	(32,577)	60,568	(153.8)%
(Loss)/profit for the period	(31,663)	26,847	(217.9)%
Adjusted EBITDA	244,324	416,513	(41.3)%
Adjusted net profit for the period	37,455	245,081	(84.7)%
Revenue (decrease)/growth (year-to-year)	(18.8)%	1.8%	
Adjusted EBITDA margin	16.3%	22.6%	
Adjusted net margin	2.5%	13.3%	

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 December 31, 2022

	Three months ended		Year-to-year change
	December 31,		
	2022	2021	
GMV (in RMB billion)	25.4	31.9	(20.4)%
Number of average MAUs (in million)	211.1	238.6	(11.5)%
Number of average MPUs (in million)	24.3	30.8	(21.1)%
Paying ratio	11.5%	12.9%	(1.4)%

FOR THE YEAR ENDED DECEMBER 31, 2022

- Revenue decreased by 12.6% year-to-year to RMB6,584.7 million from RMB7,537.6 million in 2021.
- Adjusted EBITDA decreased by 24.6% year-to-year from RMB1,906.9 million in 2021 to RMB1,437.2 million in 2022. Adjusted EBITDA margin decreased from 25.3% in 2021 to 21.8% in 2022.
- Adjusted net profit decreased by 50.6% from RMB1,307.8 million in 2021 to RMB646.2 million in 2022. Adjusted net margin decreased from 17.4% in 2021 to 9.8% in 2022.
- Average MAUs decreased by 9.0% year-to-year from 256.9 million in 2021 to 233.8 million in 2022.
- Average MPUs decreased by 5.1% year-to-year from 31.3 million in 2021 to 29.7 million in 2022.
- APUs decreased by 5.7% year-to-year from 198.9 million in 2021 to 187.5 million in 2022.

3. Key Financial Metrics for the year ended December 31, 2022

	Year ended December 31,		Year-to-year change
	2022	2021	
	<i>(in RMB'000)</i>		
Revenue	6,584,666	7,537,556	(12.6)%
(Loss)/profit before income tax	(117,080)	874,899	(113.4)%
(Loss)/profit for the year	(163,570)	713,525	(122.9)%
Adjusted EBITDA	1,437,175	1,906,922	(24.6)%
Adjusted net profit for the year	646,172	1,307,822	(50.6)%
Revenue (decrease)/growth (year-to-year)	(12.6)%	27.1%	
Adjusted EBITDA margin	21.8%	25.3%	
Adjusted net margin	9.8%	17.4%	

Note:

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

4. Operating Metrics for the year ended December 31, 2022

	Year ended December 31,		Year-to-year change
	2022	2021	
GMV (in RMB billion)	122.7	150.2	(18.3)%
Number of average MAUs (in million)	233.8	256.9	(9.0)%
Number of average MPUs (in million)	29.7	31.3	(5.1)%
APUs (in million)	187.5	198.9	(5.7)%
Paying ratio	12.7%	12.2%	0.5%

BUSINESS REVIEW AND OUTLOOK

2022 was another challenging year for Chinese travel industry. The pandemic caused tremendous disruptions to the travel market in China throughout the whole year. The rapid spread of Omicron variant started in the first quarter of 2022, and the situation worsened in the second quarter. The massive infection led to the implementation of strict control measures such as mass testing and mass lockdowns. Although the market experienced a slight recovery in early July, the situation deteriorated again at the end of August. Travel demand continued to be dampened in the fourth quarter of 2022 as the strictest-ever travel restrictions were imposed nationwide to fight against the highly transmissible Omicron.

As a leading Chinese OTA, we reacted swiftly to market changes, implemented stringent cost control and adhered to our light operating model, which helped us weather the storm under the challenging pandemic period. At the same time, we adopted flexible operations strategy and proactively seized market opportunities. During 2022, we continued to optimize products and services and persistently penetrated lower-tier cities. Moreover, we diversified our businesses so as to build a stronger foothold in the travel industry. We further developed our hotel management business and tapped into package tour business through acquisitions. Although China's travel market experienced extreme difficulties brought by the pandemic during the year, we remained resilient and grew even stronger, leveraging our advantages in solid market position, diversified traffic sources, outstanding innovation capabilities, and acute market insight.

Despite the negative impacts caused by the pandemic during the year, we still achieved outstanding business performance and received 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 innovation capability.

Results Highlights

During the past year, China's travel industry went through massive fluctuations. Entering into the fourth quarter of 2022, China's travel industry continued to experience drastic turbulences and travel sentiment was down to a new low in November. Nonetheless, our business remained resilient and recovered faster than the industry.

For the fourth quarter of 2022, our average MAUs decreased by 11.5% year-to-year from 238.6 million in the same period of 2021 to 211.1 million. For the fourth quarter of 2022, our average MPUs decreased by 21.1% year-to-year from 30.8 million in the same period of 2021 to 24.3 million. Our paying ratio decreased from 12.9% in the fourth quarter of 2021 to 11.5% in the fourth quarter of 2022. Our GMV decreased by 20.4% year-to-year from RMB31.9 billion in the fourth quarter of 2021 to RMB25.4 billion. On a yearly basis, our average MAUs decreased by 9.0% year-to-year from 256.9 million in 2021 to 233.8 million in 2022. Our average MPUs slightly decreased by 5.1% year-to-year from 31.3 million in 2021 to 29.7 million in 2022 as travel restrictions and pandemic control measures hindered travel demand. Our paying ratios increased from 12.2% in 2021 to 12.7% in 2022. Our APUs for the twelve months ended December 31, 2022 decreased by 5.7% from 198.9 million by the end of 2021 to 187.5 million. Our GMV decreased by 18.3% year-to-year from RMB150.2 billion in 2021 to RMB122.7 billion in 2022.

For the fourth quarter of 2022, our revenue decreased by 18.8% year-to-year to RMB1,500.1 million. Our adjusted net profit for the period decreased by 84.7% year-to-year to RMB37.5 million. Our adjusted margin was 2.5% in the fourth quarter of 2022. For the full year of 2022, our total revenue decreased by 12.6% from RMB7,537.6 million in 2021 to RMB6,584.7 million in 2022. Our adjusted net profit for the year decreased by 50.6% from RMB1,307.8 million in 2021 to RMB646.2 million in 2022. Our adjusted net margin decreased from 17.4% in 2021 to 9.8% in 2022. Although the virus outbreak has caused massive disturbances to the overall travel industry, we successfully seized market opportunities and remained profitable in terms of adjusted net profit during the whole pandemic period.

Business Review

During the period under review, we maintained stable and effective traffic channels in Weixin mini program and consistently deepened cooperation with Tencent. In 2022, around 80% of our average MAUs was contributed from Weixin mini program. We continued to explore various scenarios within the Tencent ecosystem to better interact with our users and improve our brand awareness. We cooperated with QQ Browser and obtained an entry point that can direct users to our mini-program. We also sponsored a professional e-sports game to promote our brand to the younger population. Moreover, we cooperated with tourist attractions by utilizing a famous game IP right entitled by Tencent, to expand our user reach.

We continued to work on various online and offline traffic channels to further expand our traffic sources. We maintained solid cooperation with major handset vendors in China and provide comprehensive products and services to our users through our quick APPs on mobile phones and other mobile devices. Through strengthening cooperation with various hotels and tourist attractions, we enriched our products and services on short-video platforms to provide users with more travel options and convenience. Furthermore, we worked with location-based apps to attain more users. In addition, we continued to develop our offline user acquisition channels under various consumption scenarios to expand our user base and further penetrate lower-tier cities in China. We joined hands with hotels to bring more users to our mini-program, utilizing the QR code scanning function. We also emphasized the efficient deployment of bus ticketing equipment and cooperated with urban and rural bus operators to expand our business coverage. In addition, we continued to cultivate alternative channels by further exploring mobility scenarios such as metro and intra-city buses.

We strived to improve our brand awareness and user engagement in the past year. We invested in advertisements on both online and offline channels. For instance, we sponsored several popular online drama series and movies. We placed offline advertisements in various travel scenarios to have our brand consistently exposed among targeted users. Besides, we launched more versions of our Blackwhale Membership to cater to different users' needs during their travels. We optimized our operations and enriched the core benefits of the program to improve customer loyalty to our platform. The accumulated number of Black Whale members grew significantly in 2022. Furthermore, we continued to enrich our campus card project and launched various marketing activities to gain younger users.

We further strengthened our leading position in the Chinese OTA market, especially in lower-tier cities that remained resilient amid the pandemic and outpaced the overall market recovery. Since lower-tier cities are under-penetrated yet contain colossal potential, we strived to grasp more opportunities and reinforced our presence in this growing market. As of December 31, 2022, our registered users residing in non-first-tier cities in China accounted for approximately 86.5% of the total registered users. For the year ended December 31, 2022, about 60.3% of our new paying users on the Weixin platform were from tier-3 or below cities in China.

We strengthened long-term and sustainable relationships with various TSPs and continued to provide our users with excellent one-stop-shop products and services. As of December 31, 2022, our online platforms offered over 9,200 domestic routes, around 2.5 million hotels selections and alternative accommodation options, approximately 400,000 bus routes, over 810 ferry routes and about 8,000 domestic tourist attractions ticketing services. During the reporting period, we strived to enhance the traffic efficiency across different business segments by promoting cross-selling. We also enriched our one-stop products and services to better satisfy users' needs during their journeys and enhance their stickiness to our platform.

We continued advancing our technological capability to transform from OTA to ITA, aiming to obtain higher efficiency and contribute to the digitalization of the travel industry. Given the transportation supply shortage during the pandemic and holiday travel rush, we further optimized our Huixing system which provides intelligent travel solutions to our users. We continued to introduce our self-developed AI system into more customer service scenarios to further improve customer service efficiency and thus enhance customer satisfaction. Besides, we utilized our outstanding technological innovation and solid partnership with upstream suppliers to enhance the efficiency of the travel industry. In addition to the strategic partnerships we established with various airports across China, we further joined hands with Guizhou Airports Group to help improve its digital marketing capability and operational efficiencies. Moreover, we developed and applied comprehensive SaaS solutions to help more individual, small and medium-sized chain hotels and alternative accommodations improve their operational efficiencies and monetization potentials.

We are dedicated to the sustainable development of the Company. In the past year, we put more effort into improving our ESG performance and have achieved outstanding improvements in governance and social responsibility. Our achievements have brought us notable market recognition. In September 2022, our MSCI ESG rating was upgraded from "A" to "AA". As a socially responsible enterprise, we are fully devoted to social activities to contribute to the well-being of society. To help facilitate the recovery of the travel market as well as local economies, we joined hands with different local governments to distribute digital coupon. We also launched a cultural heritage tourism initiative to build an innovative marketplace that integrates cultural heritage into tourism. Leveraging this successful experience, we aim to reinvigorate hundreds of tourism destinations through this initiative in the near future. With an aim to giving back to the society, we offered preferential air tickets to thousands of graduates to facilitate their job seeking. Besides, we provided university and college students with several privileges, such as free pick-up and drop-off services during the winter break to ensure they make a safe and smooth trip home.

Business Outlook and Strategies

At the end of 2022, the Chinese government issued new guidelines easing COVID-prevention policies. Testing requirements have been scrapped and travel restrictions have been relaxed nationwide, bringing positive signs to the China travel industry. The recovery trend has turned strong since the Chinese New Year travel rush. We are optimistic about the recovery of China's travel industry and believe it will show a significant rebound in 2023. We have accumulated abundant users and industry experience as well as having established solid market position and brand influence over the past few years. We have enhanced our competitive advantages especially in lower-tier city market, which laid a solid foundation for the Company to further penetrate the travel industry. In addition, we have expanded our business coverage in hotel management and package tour so as to create additional growth driver for the company in the mid-to-long run. Furthermore, we have restarted the exploration of international market to grasp more growth opportunities for our business.

The pandemic has accelerated the digitalization process of the travel industry and has brought immense opportunities for OTAs. In the post-pandemic era, we are well-positioned to capture the market opportunities by leveraging our competitive advantages in diversified traffic sources, sturdy market position, flexible operation strategy, and advanced technological capabilities. We will continue developing our traffic channels with a strong focus on untapped markets such as lower-tier cities. We will also leverage our outstanding innovation capabilities to optimize our products and services so as to transform from OTA to ITA. In addition, we will seek investment opportunities which align with our strategies to drive the future growth of our business. Lastly, we will continue to focus on corporate governance, environmental protection, and social responsibility in our operations to generate long-term sustainable value for our stakeholders and communities.

MANAGEMENT DISCUSSION AND ANALYSIS

Year ended December 31, 2022 compared to Year ended December 31, 2021

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Revenue	6,584,666	7,537,556
Cost of revenue	(1,806,640)	(1,889,681)
Gross profit	4,778,026	5,647,875
Service development expenses	(1,414,134)	(1,344,468)
Selling and marketing expenses	(2,801,244)	(3,036,456)
Administrative expenses	(701,141)	(571,656)
Net provision for impairment loss on financial assets	(28,361)	(90,728)
Fair value changes on investments measured at fair value through profit or loss	102,437	123,890
Other income	153,768	97,597
Other (losses)/gains – net	(113,541)	69,236
Operating (loss)/profit	(24,190)	895,290
Finance income	57,973	38,975
Finance costs	(136,737)	(26,497)
Share of results of associates	(14,126)	(32,869)
(Loss)/profit before income tax	(117,080)	874,899
Income tax expense	(46,490)	(161,374)
(Loss)/profit for the year	(163,570)	713,525
(Loss)/profit attributable to:		
Equity holders of the Company	(146,009)	723,404
Non-controlling interests	(17,561)	(9,879)
	(163,570)	713,525
Adjusted net profit for the year ^(a)	646,172	1,307,822

Note:

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

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 years indicated:

	Year ended December 31,			
	2022		2021	
	RMB'000		RMB'000	
Accommodation reservation services	2,414,747	36.7%	2,408,729	32.0%
Transportation ticketing services	3,378,934	51.3%	4,457,737	59.1%
Others	790,985	12.0%	671,090	8.9%
Total revenue	6,584,666	100.0%	7,537,556	100.0%

Revenue decreased by 12.6% from RMB7,537.6 million for the year ended December 31, 2021 to RMB6,584.7 million for the year ended December 31, 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 was almost flattened at RMB2,414.7 million for the year ended December 31, 2022, compared to RMB2,408.7 million for the year ended December 31, 2021.

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 24.2% from RMB4,457.7 million for the year ended December 31, 2021 to RMB3,378.9 million for the year ended December 31, 2022. The decrease was mainly due to the resurgence of COVID-19 with declined demand of transportation ticketing services.

Others

Revenue from others mainly includes revenue 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 by 17.9% from RMB671.1 million for the year ended December 31, 2021 to RMB791.0 million for the year ended December 31, 2022. The increase was mainly due to the increase in revenue from (i) membership services; and (ii) advertising 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) cost of pre-purchased travel related products, representing the prices we pay to TSPs to purchase travel products for which we take inventory risk; (v) bandwidth and servers custody fee; (vi) depreciation of property, plant and equipment and right-of-use assets; 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 years ended December 31, 2022 and 2021:

	Year ended December 31,			
	2022		2021	
	<i>RMB'000</i>		<i>RMB'000</i>	
Order processing cost	723,387	40.0%	875,079	46.3%
Employee benefit expenses	327,419	18.1%	265,468	14.0%
Procurement costs	205,484	11.4%	164,436	8.7%
Cost of pre-purchased travel related products	154,906	8.6%	219,656	11.6%
Bandwidth and servers custody fee	136,838	7.6%	146,281	7.7%
Depreciation of property, plant and equipment, and right-of-use assets	121,678	6.7%	97,071	5.1%
Others	136,928	7.6%	121,690	6.6%
Total cost of revenue	<u>1,806,640</u>	<u>100.0%</u>	<u>1,889,681</u>	<u>100.0%</u>

Cost of revenue decreased by 4.4% from RMB1,889.7 million for the year ended December 31, 2021 to RMB1,806.6 million for the year ended December 31, 2022. The decrease was mainly due to a decrease in order processing cost from RMB875.1 million for the year ended December 31, 2021 to RMB723.4 million for the year ended December 31, 2022, as a result of decreased GMV. The decrease in cost of pre-purchased travel related products for the year ended December 31, 2022 was balanced out by an increase in employee benefit expenses for the year ended December 31, 2022. The decrease was also partially offset by an increase in procurement cost from RMB164.4 million for the year ended December 31, 2021 to RMB205.5 million for the year ended December 31, 2022. Excluding share-based compensation charges, cost of revenue accounted for 27.2% of revenue for the year ended December 31, 2022, which increased from 24.9% for the year ended December 31, 2021.

Service development expenses

Service development expenses increased by 5.2% from RMB1,344.5 million for the year ended December 31, 2021 to RMB1,414.1 million for the year ended December 31, 2022. The increase was mainly due to the increased number of IT employees and relevant increased employee benefits. Excluding share-based compensation charges, service development expenses accounted for 19.8% of revenue for the year ended December 31, 2022, which increased from 16.6% for the year ended December 31, 2021.

Selling and marketing expenses

Selling and marketing expenses decreased by 7.7% from RMB3,036.5 million for the year ended December 31, 2021 to RMB2,801.2 million for the year ended December 31, 2022, which was mainly due to: (i) the decrease in advertising and promotion expenses; (ii) the decrease in agency commission expenses; and (iii) partially offset by the increase in employee benefit expenses and amortization expense. Excluding share-based compensation charges, selling and marketing expenses accounted for 41.8% of revenue for the year ended December 31, 2022 compared with 39.8% for the year ended December 31, 2021.

Administrative expenses

Administrative expenses increased by 22.7% from RMB571.7 million for the year ended December 31, 2021 to RMB701.1 million for the year ended December 31, 2022, which was mainly due to the increase in employee benefits. Excluding share-based compensation charges, administrative expenses accounted for 6.6% of revenue for the year ended December 31, 2022, which increased from 5.2% for the year ended December 31, 2021.

Net provision for impairment loss on financial assets

Net provision for impairment loss on financial assets decreased to RMB28.4 million for the year ended December 31, 2022 from RMB90.7 million for the year ended December 31, 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 RMB102.4 million for the year ended December 31, 2022, which was mainly attributable to the fair value gains on our investments in wealth management products. In the same period in 2021, a fair value gains of RMB123.9 million was recorded.

Other income

Other income increased from RMB97.6 million for the year ended December 31, 2021 to RMB153.8 million for the year ended December 31, 2022. The increase primarily reflected the increase in government subsidies received.

Other (losses)/gains – net

We recorded net other losses of RMB113.5 million primarily due to the foreign exchange loss for the year ended December 31, 2022, compared to the net other gains of RMB69.2 million for the year ended December 31, 2021.

Income tax expense

We recorded an income tax expense of RMB46.5 million and RMB161.4 million for the years ended December 31, 2022 and 2021, respectively. The decrease in income tax expense was primarily due to the decreased current income tax charge and recognition of deferred income tax credit for tax losses and other temporary differences for the year ended December 31, 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 profit of RMB723.4 million for the year ended December 31, 2021 to a loss RMB146.0 million for the year ended December 31, 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Fourth Quarter of 2022 compared to Fourth Quarter of 2021

	Unaudited Three Months ended December 31,	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue	1,500,066	1,846,385
Cost of revenue	(448,929)	(468,562)
Gross profit	1,051,137	1,377,823
Service development expenses	(366,508)	(384,390)
Selling and marketing expenses	(652,322)	(746,874)
Administrative expenses	(195,230)	(221,288)
Net provision for impairment loss on financial assets	(10,843)	(36,419)
Fair value changes on investments measured at fair value through profit or loss	58,092	28,762
Other income	48,712	18,582
Other gains – net	72,450	28,815
Operating profit	5,488	65,011
Finance income	21,040	9,126
Finance costs	(55,468)	(8,976)
Share of results of associates	(3,637)	(4,593)
(Loss)/profit before income tax	(32,577)	60,568
Income tax credit/(expense)	914	(33,721)
(Loss)/profit for the period	(31,663)	26,847
(Loss)/profit attributable to:		
Equity holders of the Company	(24,627)	31,231
Non-controlling interests	(7,036)	(4,384)
	(31,663)	26,847
Adjusted net profit for the period ^(a)	37,455	245,081

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 December 31,			
	2022		2021	
	RMB'000		RMB'000	
Accommodation reservation services	509,430	34.0%	562,360	30.5%
Transportation ticketing services	755,548	50.4%	1,074,837	58.2%
Others	235,088	15.6%	209,188	11.3%
Total revenue	1,500,066	100.0%	1,846,385	100.0%

Revenue decreased by 18.8% from RMB1,846.4 million for the three months ended December 31, 2021 to RMB1,500.1 million for the three months ended December 31, 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 decreased by 9.4% from RMB562.4 million for the three months ended December 31, 2021 to RMB509.4 million in the same period of 2022. The decrease was mainly due to the resurgence of COVID-19 in the fourth quarter of 2022 with declined demand of accommodation reservation services.

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 29.7% from RMB1,074.8 million for the three months ended December 31, 2021 to RMB755.5 million for the three months ended December 31, 2022, which was mainly due to the resurgence of COVID-19 in the fourth quarter of 2022 with declined demand of air and train tickets.

Others

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

Revenue from others increased by 12.4% from RMB209.2 million for the three months ended December 31, 2021 to RMB235.1 million for the three months ended December 31, 2022, which was mainly due to (i) the increase in revenue contributed by hotel management services; (ii) the increase in revenue from membership services; (iii) the increase in advertising services; and (iv) partially offset by the decrease in revenue from attraction ticketing 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) cost of pre-purchased travel related products, representing the prices we pay to TSPs to purchase travel products for which we take inventory risk; (v) bandwidth and servers custody fee; (vi) depreciation of property, plant and equipment and right-of-use assets; 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 December 31, 2022 and 2021:

	Unaudited			
	Three months ended December 31,			
	2022		2021	
	<i>RMB'000</i>		<i>RMB'000</i>	
Order processing cost	147,803	32.9%	189,278	40.4%
Employee benefit expenses	94,928	21.1%	83,318	17.8%
Procurement costs	65,730	14.6%	56,223	12.0%
Cost of pre-purchased travel related products	41,035	9.1%	46,014	9.8%
Bandwidth and servers custody fee	31,868	7.1%	32,647	7.0%
Depreciation of property, plant and equipment and right-of-use assets	29,162	6.5%	27,127	5.8%
Others	38,403	8.7%	33,955	7.2%
Total cost of revenue	448,929	100.0%	468,562	100.0%

Cost of revenue decreased by 4.2% from RMB468.6 million for the three months ended December 31, 2021 to RMB448.9 million for the three months ended December 31, 2022. The decrease was mainly due to: (i) a decrease in order processing cost from RMB189.3 million for the three months ended December 31, 2021 to RMB147.8 million for the three months ended December 31, 2022, as a result of declined GMV; (ii) a decrease in cost of pre-purchased travel related products from RMB46.0 million for the three months ended December 31, 2021 to RMB41.0 million for the three months ended December 31, 2022; and (iii) partially offset by an increase in employee benefit expenses and an increase in procurement costs due to the increased sales of ancillary value-added travel products and services. Excluding share-based compensation charges, cost of revenue accounted for 29.7% of revenue for the three months ended December 31, 2022, compared with 25.0% for the same period of 2021.

Service development expenses

Service development expenses decreased by 4.7% from RMB384.4 million for the three months ended December 31, 2021 to RMB366.5 million for the three months ended December 31, 2022. The decrease was mainly due to the decreased share-based compensation charges. Excluding share-based compensation charges, service development expenses accounted for 22.8% of revenue for the three months ended December 31, 2022, compared with 18.4% for the same period of 2021.

Selling and marketing expenses

Selling and marketing expenses decreased by 12.7% from RMB746.9 million for the three months ended December 31, 2021 to RMB652.3 million for the three months ended December 31, 2022. The decrease was mainly due to the decrease in advertising and promotion expenses. Excluding share-based compensation charges, selling and marketing expenses accounted for 42.8% of revenue for the three months ended December 31, 2022 compared with 39.4% for the same period of 2021.

Administrative expenses

Administrative expenses decreased from RMB221.3 million for the three months ended December 31, 2021 to RMB195.2 million for the three months ended December 31, 2022, which was mainly due to the decrease in employee benefit expenses. Excluding share-based compensation charges, administrative expenses accounted for 8.2% of revenue for the three months ended December 31, 2022, which increased from 7.3% for the same period of 2021.

Net provision for impairment loss on financial assets

Net provision for impairment loss on financial assets decreased to RMB10.8 million for the three months ended December 31, 2022 from RMB36.4 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 RMB58.1 million for the three months ended December 31, 2022, compared with RMB28.8 million for the three months ended December 31, 2021. The fair value gains in fiscal year 2022 was mainly derived from represented the realized and unrealized fair value gains on investment in funds and wealth management products.

Other income

We recorded other income of RMB48.7 million for the three months ended December 31, 2022, compared with RMB18.6 million for the three months ended December 31, 2021. The increase was mainly due to more government subsidies received.

Other gains – net

We recorded other gains in net value of RMB72.5 million for the three months ended December 31, 2022 and RMB28.8 million for the three months ended December 31, 2021. The increase was mainly due to (i) increase in foreign exchange gains; and (ii) the increase in investment income from our investments in wealth management products measured at amortized cost.

Income tax expense

We recorded an income tax credit of RMB0.9 million and income expense of RMB33.7 million for the three months ended December 31, 2022 and 2021, respectively. The decrease in income tax expense was primarily due to the net impact of the increased taxable income and the utilization of previously unrecognized tax losses and temporary differences for the three months ended December 31, 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 profit of RMB31.2 million for the three months ended December 31, 2021 to a loss of RMB24.6 million for the three months ended December 31, 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/year, 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; (ii) amortization of intangible assets; (iii) depreciation of property, plant and equipment, and right-of-use assets; (iv) foreign exchange (gain)/loss; (v) net (gains)/losses on investees; and (vi) others, including acquisition-related cost and net loss on foreign currency financial instruments. Adjusted net profit for the period/year is defined as (loss)/profit for the period/year adjusted for (i) share-based compensation; (ii) the amortization of acquired intangible assets; (iii) foreign exchange (gain)/loss; (iv) net (gains)/losses 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/year measures because these items are either non-cash in nature, or are not driven by core operations which render comparisons with prior periods/years and competitors less meaningful. We believe the adjusted EBITDA and adjusted net profit for the period/year 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/years 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:

	Three months ended		Year ended	
	December 31,		December 31,	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Operating profit/(loss)	5,488	65,011	(24,190)	895,290
Add/(less):				
Share-based compensation, gross ^(a)	110,466	158,956	441,091	330,028
Amortization of intangible assets	166,100	152,161	639,776	500,006
Depreciation of property, plant and equipment and right-of-use assets	48,060	45,579	200,412	169,836
Foreign exchange loss/(gain) ^(b)	(47,989)	(16,288)	215,356	(10,796)
Net losses/(gains) on investees ^(c)	(41,066)	11,019	(43,009)	22,187
Others	3,265	75	7,739	371
Adjusted EBITDA	<u>244,324</u>	<u>416,513</u>	<u>1,437,175</u>	<u>1,906,922</u>

Notes:

- (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/(gain) which is the result of macro-economic factors and can vary significantly from one period to the next.
- (c) Include dividend income, fair value changes on equity investments, and gains on disposal of investees.

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

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

	Three months ended		Year ended	
	December 31,		December 31,	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
(Loss)/profit for the period/year	(31,663)	26,847	(163,570)	713,525
Add/(less):				
Share-based compensation, net ^(a)	94,482	171,205	409,300	333,199
Amortization of intangible assets from acquisition ^(b)	59,830	52,219	219,111	249,332
Foreign exchange loss/(gain) ^(c)	(47,989)	(16,288)	215,356	(10,796)
Net losses/(gains) on investees ^(d)	(41,066)	11,019	(43,009)	22,187
Others	3,861	79	8,984	375
Adjusted net profit for the period/year	<u>37,455</u>	<u>245,081</u>	<u>646,172</u>	<u>1,307,822</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/(gain) 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.

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

	Three months ended December 31,		Year ended December 31,	
	2022	2021	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost of revenue	3,569	7,157	17,239	14,984
Service development expenses	24,155	45,152	112,945	95,192
Selling and marketing expenses	10,817	19,645	46,799	38,373
Administrative expenses	71,925	87,002	264,108	181,479
Total share-based compensation, gross	110,466	158,956	441,091	330,028
Tax effect of temporary difference	(15,984)	12,249	(31,791)	3,171
Total share-based compensation, net	94,482	171,205	409,300	333,199

Liquidity and Financial Resources

We fund our liquidity needs mainly from (i) the net proceeds received from the Global Offering; (ii) the proceeds received from bank borrowings; and (iii) net cash generated from our business operations.

We had cash and cash equivalents of RMB3,547.0 million and RMB2,045.6 million as of December 31, 2022 and 2021, respectively.

The following table sets forth our cash flows for the years indicated:

	Year ended December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from operating activities	302,315	1,837,680
Net cash used in investing activities	(397,031)	(1,562,569)
Net cash generated from/(used in) financing activities	1,535,489	(20,424)
Net increase in cash and cash equivalents	1,440,773	254,687
Cash and cash equivalents at beginning of the year	2,045,604	1,804,484
Effect of exchange rate changes on cash and cash equivalents	60,611	(13,567)
Cash and cash equivalents at end of the year	3,546,988	2,045,604

Net cash generated from operating activities

For the year ended December 31, 2022, net cash generated from operating activities was RMB302.3 million, which was primarily attributable to the loss before income tax of RMB117.1 million, as adjusted by (i) amortization of intangible assets of RMB639.8 million, depreciation of property, plant and equipment and right-of-use assets of RMB200.4 million, share-based compensation of RMB441.1 million, net foreign exchange loss of RMB215.4 million, fair value gains on investments measured at fair value through profit or loss of RMB102.4 million, net other gain of RMB95.1 million, and finance cost of RMB136.7 million; and (ii) changes in working capital, which primarily consisted of an increase trade receivable of RMB190.7 million, an increase in trade payables of RMB315.4 million, an increase in prepayment and other receivables of RMB1,435.0 million, and an increase in accrued expenses and current liabilities of RMB309.7 million. We also paid income tax of RMB50.0 million and received interest income of RMB53.9 million.

Net cash used in investing activities

For the year ended December 31, 2022, net cash used in investing activities was RMB397.0 million, which was primarily attributable to (i) net cash received from time deposits and wealth management products of RMB758.5 million, (ii) payment for purchases of property, plant and equipment of RMB515.3 million; and (iii) payment for long-term investments in equity interests of RMB900.1 million.

Net cash generated from financing activities

For the year ended December 31, 2022, net cash generated from financing activities was RMB1,535.5 million, which was primarily due to (i) net proceeds from long-term and short-term borrowings of RMB1,924.1 million; (ii) proceeds from exercise of share options of RMB100.4 million; and (iii) partially offset by payment for settlement of long-term payable in respect of intangible assets of RMB458.4 million.

Gearing ratio

As of December 31, 2022, our gearing ratio, calculated as total borrowings and lease liabilities divided by total equity attributable to equity holders of the Company was approximately 15.3%.

Pledge of assets

In October 2017, we entered into a loan agreement with the lending bank to borrow RMB196.9 million to finance our purchase of office premises. The loan was secured by our property and will expire on October 23, 2027. As of December 31, 2022, the carrying amount of such secured property was RMB336.6 million. The outstanding balance of the loan was fully repaid in February 2023.

In December 2022, we entered into a short-term loan agreement with the financial institution and borrowed RMB100.0 million to support general working capital. The loan was secured by our term deposit of RMB115.0 million and was fully repaid on March 2, 2023.

Capital Expenditure

	Year ended	
	December 31, 2022 <i>RMB'000</i>	December 31, 2021 <i>RMB'000</i>
Purchase of property, plant and equipment	515,308	310,022
Purchase of intangible assets	476,155	159,486
Placement of long-term investments ^(a)	900,107	1,705,007
Total capital expenditure	1,891,570	2,174,515

Note:

- (a) Placement of long-term investments represents investments accounted for using the equity method, investments measured at fair value through profit or loss and business combination.

Our capital expenditures primarily include purchases of property and equipment, intangible assets, investments accounted for using the equity method, investments measured at fair value through profit or loss and business combination. We fund our capital expenditure requirements mainly from cash generated from our operations as well as bank borrowings.

Long-term Investments

	As at December 31,	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Investments accounted for using the equity method	1,379,267	1,127,921
Investments measured at fair value through profit or loss	758,307	828,414
Investments measured at amortized cost	1,843,160	2,010,674
Total long-term investments	3,980,734	3,967,009

Our long-term investments as of December 31, 2022 was RMB3,980.7 million, as compared to RMB3,967.0 million as of December 31, 2021. The increase in our investments accounted for using the equity method was caused by more investments in certain private companies that we have significant influences. The decrease in our long-term investments measured at fair value through profit or loss was caused by disposal of investment in certain private companies that we have no significant influence. Long-term investments measured at fair value through profit or loss also consists of wealth management products with terms of more than one year, denominated in RMB, with expected rates of return ranging from -0.21% to 4.25% per annum for the year ended December 31, 2022. The returns on all of these wealth management products are not guaranteed, hence their contractual cash flow do not qualify for solely payments of principal and interest. Therefore, they are measured at fair value through profit or loss. Investments measured at amortized cost represents investments in term deposits with terms from 3 years to 5 years which bear interests at fixed interest rates ranging from 3.55% to 4.50% per annum, denominated in RMB. The decrease in our long-term investment measured at amortized cost was caused by less term deposits. As of December 31, 2022 and 2021, total long-term investments as a percentage to the Group's total assets is 15.9% and 18.4%, respectively. We made long-term investments in accordance with our general strategy of investing or acquiring businesses that are supplement and benefit our business. As of December 31, 2022, none of these individual investments is regarded as material. We plan to fund our long-term investments using cash flows generated from our operations and the net proceeds received from the Global Offering.

Short-term Investments

	<u>As at December 31,</u>	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Short-term investments measured at amortized cost	493,951	–
Short-term investments measured at fair value through profit or loss	2,669,201	3,343,317
Total short-term investments	<u>3,163,152</u>	<u>3,343,317</u>

Short-term investments measured at amortized cost in 2022 were time deposits within one year with fixed interest rates, denominated in USD or HKD. The investments were held for collection of contractual cash flow and the contractual cash flows of these investments qualify for solely payments of principal and interest, hence they were measured at amortized cost. Short-term investment measured at fair value through profit or loss include wealth management products, denominated in RMB, HKD or USD, with expected rates of return ranging from -4.61% to 5.85% per annum for the year ended December 31, 2022. The returns on all of these wealth management products are not guaranteed, hence their contractual cash flow do not qualify for solely payments of principal and interest. Therefore, they are measured at fair value through profit or loss. As of December 31, 2022 and 2021, total short-term investments as a percentage to the Group's total assets is 12.6% and 15.5%, respectively. There is no individual investment having a percentage of over 5% to the Group's total assets. In view of an upside of earning with a more attractive return than current saving or fixed deposit are under the low interest rate trend, as well as the risk nature and the relatively short-term of maturity or flexible redemption terms of those financial products, the Group selected products with strong liquidity, safety feature and reasonable returns issued by reputable licensed banks and financial institutions.

Material Acquisition and Disposals

On February 18, 2022, the Company acquired the remaining 53.5% equity interest in a PMS company, Beijing MIOT Technology Co., Ltd. (北京米天下科技股份有限公司, “MIOT”), from third parties independent of the Company and its connected persons, and which in turn, upon completion, was accounted for as a business combination and started to consolidate the financial statements of MIOT from February 18, 2022. This acquisition enables the Company to further enhance technological and service capabilities and also to build closer ties with supply end by providing comprehensive solutions to more small and medium-sized hotels in lower-tier cities to improve their daily operational efficiency.

On September 3, 2022, the Company acquired 49% equity interest in a hotel management company, Shanghai Mehood Business Management Co., Ltd. (上海美豪商業管理有限公司, “Mehood”), from third parties independent of the Company and its connected persons. By entering into a concerted action agreement with Mehood’s another shareholder, the Company and the party acting in concert collectively held the majority seats in the board of Mehood. Therefore, the Company accounted for such acquisition as a business combination and started to consolidate the financial statements of Mehood from September 3, 2022.

On October 8, 2022, the Company entered into a concerted action agreement with another shareholder which was holding 16% equity interest in Hunan Bolin Hotel Management Co., Ltd. (湖南珀林酒店管理有限公司, “Bolin”). The Company and the party acting in concert with it collectively held majority seats in the board of Hunan Bolin and the Company started to consolidate the financial statements of Bolin from October 8, 2022.

In addition to the aforesaid, further reference is made to the announcements of the Company dated December 29, 2022 and March 9, 2023 in relation to, inter alia, a discloseable transaction of the Company for the investments of the Group in certain target companies during the twelve (12) months preceding December 29, 2022. Further details of the said investments, have been set forth in the announcement of the Company dated December 29, 2022 and March 9, 2023.

Save for the aforesaid matters referred to in this section headed “Material Acquisition and Disposals”, there were no other material acquisitions and disposals of subsidiaries, associates and joint ventures during the year ended December 31, 2022.

Foreign Exchange Risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not our functional currency. We manage our foreign exchange risk by performing regular reviews of our net foreign exchange exposures.

Our subsidiaries and Consolidated Affiliated Entities in the PRC operate mainly in the PRC with most of the transactions settled in RMB. There are certain financial assets or liabilities of our Group are denominated in the currencies other than the respective functional currencies of our Group’s subsidiaries and Consolidated Affiliated Entities operating in the PRC, and as of December 31, 2022, the Group entered into certain derivative contracts with financial institutions which are used for economic hedging purposes. These derivative contracts are accounted for as financial assets/(liabilities) at fair value through profit or loss.

Employee

As of December 31, 2022, we had a total of 6,134 full-time employees. As of the same date, approximately 42.45% and 9.96% of our full-time employees were based in Suzhou and Beijing, respectively, while remaining 47.59% of them were based in the rest of the PRC and overseas.

We primarily recruit our employees through on-campus job fairs, recruitment agencies and online channels, including our corporate websites and social networking platforms. We have adopted robust internal training policies, pursuant to which management, technology and other training is regularly provided to our employees by in-house trainers or third-party consultants. We have also adopted 2016 Share Incentive Plan, 2018 Share Incentive Plan, 2019 RSU Plan, 2019 Share Option Plan, 2022 RSU Plan and 2022 Share Option Plan.

As required by PRC laws, we participate in various statutory employee benefit plans, including social insurance funds, namely a pension contribution plan, a medical insurance plan, an unemployment insurance plan, a work-related injury insurance plan, a maternity insurance plan, and a housing provident fund. We are required under PRC laws to contribute to employee benefit plans at specified percentages of salaries, bonuses and certain allowances of our employees up to a maximum amount specified by the local governments from time to time.

We believe that we maintain good working relationship with our employees and we did not experience any significant labor disputes or any material difficulty in recruiting employees for our operations in the year ended December 31, 2022.

CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2022

	Notes	Year ended December 31,	
		2022 RMB'000	2021 RMB'000
Revenue	2	6,584,666	7,537,556
Cost of revenue	3	(1,806,640)	(1,889,681)
Gross profit		4,778,026	5,647,875
Service development expenses	3	(1,414,134)	(1,344,468)
Selling and marketing expenses	3	(2,801,244)	(3,036,456)
Administrative expenses	3	(701,141)	(571,656)
Net provision for impairment loss on financial assets		(28,361)	(90,728)
Fair value changes on investments measured at fair value through profit or loss	9(e)	102,437	123,890
Other income		153,768	97,597
Other (losses)/gains – net	4	(113,541)	69,236
Operating (loss)/profit		(24,190)	895,290
Finance income		57,973	38,975
Finance costs		(136,737)	(26,497)
Share of results of associates		(14,126)	(32,869)
(Loss)/profit before income tax		(117,080)	874,899
Income tax expense	5	(46,490)	(161,374)
(Loss)/profit for the year		(163,570)	713,525
(Loss)/profit attributable to:			
– Equity holders of the Company		(146,009)	723,404
– Non-controlling interests		(17,561)	(9,879)
		(163,570)	713,525
(Losses)/earnings per share (expressed in RMB per share):			
– Basic	6	(0.07)	0.33
– Diluted	6	(0.07)	0.32

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2022

	Year ended December 31,	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
(Loss)/profit for the year	(163,570)	713,525
Other comprehensive income/(loss)		
<i>Items that may not be subsequently reclassified to profit or loss:</i>		
– Currency translation differences	<u>101,634</u>	<u>(39,170)</u>
Other comprehensive income/(loss) for the year, net of tax	<u>101,634</u>	<u>(39,170)</u>
Total comprehensive (loss)/income for the year	<u>(61,936)</u>	<u>674,355</u>
Total comprehensive (loss)/income for the year attributable to:		
– Equity holders of the Company	<u>(44,375)</u>	684,234
– Non-controlling interests	<u>(17,561)</u>	<u>(9,879)</u>
	<u>(61,936)</u>	<u>674,355</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2022

		As at December 31,	
	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		1,598,381	1,364,262
Right-of-use assets		111,329	217,064
Investments accounted for using the equity method	8	1,379,267	1,127,921
Investments measured at fair value through profit or loss	9	758,307	828,414
Investments measured at amortized cost	9	1,843,160	2,010,674
Intangible assets		8,580,738	8,347,850
Deferred income tax assets		209,486	174,680
Trade receivables	11	48,455	53,491
Prepayment and other receivables	10	121,488	8,764
		<u>14,650,611</u>	<u>14,133,120</u>
Current assets			
Trade receivables	11	888,475	670,324
Prepayment and other receivables	10	2,697,038	1,259,433
Short-term investments measured at amortized cost	9	493,951	–
Short-term investments measured at fair value through profit or loss	9	2,669,201	3,343,317
Restricted cash		88,436	54,600
Cash and cash equivalents		3,546,988	2,045,604
		<u>10,384,089</u>	<u>7,373,278</u>
Total assets		<u><u>25,034,700</u></u>	<u><u>21,506,398</u></u>
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		7,710	7,634
Share premium		19,877,004	19,570,778
Other reserves		(2,685,813)	(3,038,281)
Accumulated losses		(1,466,989)	(1,320,980)
		<u>15,731,912</u>	<u>15,219,151</u>
Non-controlling interests		<u>258,344</u>	<u>39,455</u>
Total equity		<u><u>15,990,256</u></u>	<u><u>15,258,606</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at December 31, 2022

	<i>Notes</i>	As at December 31,	
		2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
LIABILITIES			
Non-current liabilities			
Borrowings	13	1,857,903	93,537
Lease liabilities		88,391	181,979
Derivative financial instrument	12	11,187	–
Other payables		327,446	764,336
Contract liabilities		37,904	–
Deferred income tax liabilities		605,011	496,526
		<u>2,927,842</u>	<u>1,536,378</u>
Current liabilities			
Borrowings	13	443,310	19,692
Trade payables	14	2,521,790	2,206,560
Other payables and accruals		3,039,846	2,289,497
Lease liabilities		25,038	34,185
Contract liabilities		51,420	147,101
Current income taxes liabilities		35,198	14,379
		<u>6,116,602</u>	<u>4,711,414</u>
Total liabilities		<u>9,044,444</u>	<u>6,247,792</u>
Total equity and liabilities		<u>25,034,700</u>	<u>21,506,398</u>

EXTRACT OF CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2022

	Year ended December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from operating activities	302,315	1,837,680
Net cash used in investing activities	(397,031)	(1,562,569)
Net cash generated from/(used in) financing activities	1,535,489	(20,424)
Net increase in cash and cash equivalents	1,440,773	254,687
Cash and cash equivalents at beginning of the year	2,045,604	1,804,484
Effect of exchange rate changes on cash and cash equivalents	60,611	(13,567)
Cash and cash equivalents at end of the year	3,546,988	2,045,604

NOTES

1. Basis of preparation

Tongcheng Travel Holdings Limited (the “Company”) is an exempted company with limited liability incorporated under the laws of the Cayman Islands on January 14, 2016.

The Company’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since November 26, 2018.

The Company is an investment holding company. The Company and its subsidiaries (together, the “Group”) are principally engaged in the provision of travel related services, including accommodation reservation services, transportation ticketing services, other travel-related products and services, and hotel management services in the PRC.

The consolidated financial statements of the Group has been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by International Accounting Standard Board (“IASB”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) which are carried at fair value.

Due to the outbreak of the Coronavirus Disease 2019 Omicron and other variants (collectively the “COVID”) and also the subsequent governmental control measures in certain cities in the PRC, the Group’s business volume and financial performance have been significantly deteriorated for several months in 2022 and this is the root cause for the Group’s operating loss for the year ended December 31, 2022. Since most of governmental control measures (in particular for those with implications on travel restrictions) have been relaxed in late December 2022, the Group’s business volume have been substantially recovered starting from January 2023. Management of the Company will continue to pay close attention on the COVID development and dedicate resources to take any necessary measures on a timely manner to minimize the unfavorable impact on the Group’s businesses and operations in subsequent periods (if any).

(a) Amended standards and annual improvements adopted by the Group

The Group has applied the following amendments and annual improvements for the first time for the Group’s financial year beginning on January 1, 2022:

- Reference to the Conceptual Framework – Amendments to IFRS 3
- Covid-19-related Rent Concessions – Amendments to IFRS 16
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37
- Annual Improvements to IFRS Standards 2018-2020 cycle

The above amendments and annual improvements did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

(b) New and amended standards not yet adopted

Certain new and amended accounting standards have been published that are not mandatory for December 31, 2022 reporting periods and have not been early adopted by the Group.

	Effective date
• Insurance Contracts – IFRS 17	January 1, 2023
• Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2	January 1, 2023
• Definition of Accounting Estimates – Amendments to IAS 8	January 1, 2023
• Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	January 1, 2023
• Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2024
• Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	January 1, 2024
• Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28	To be determined

These new and amended standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2. Revenue and segment information

The Chief Operating Decision-Maker (“CODM”) assesses the performance of the operating segment mainly based on the measure of operating (loss)/profit, excluding those items which are not directly related to the segment performance like the other income/expenses – net, fair value gains/losses on investments measured at fair value through profit or loss, and other gains/losses – net (the “core operating results”). The CODM reviews the core operating results when making decisions about allocating resources and assessing performance of the Group as a whole. The Group has only one reportable segment which mainly operates its businesses in the PRC and earns substantially all of the revenues from customers attributed to the PRC. As at December 31, 2022 and 2021, substantially all of the non-current assets of the Group were located or arised from transactions as conducted in the PRC. Therefore, no geographical segments are presented. No analysis of segment assets or segment liabilities is presented as they are not used by the CODM when making decisions about allocating resources and assessing performance of the Group.

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Operating (loss)/profit per consolidated income statement	(24,190)	895,290
Less: Other income	(153,768)	(97,597)
Fair value changes on investments measured at fair value through profit or loss	(102,437)	(123,890)
Other losses/(gains) – net	113,541	(69,236)
Operating (loss)/profit presented to the CODM	(166,854)	604,567

Revenue by service type for the years ended December 31, 2022 and 2021 are as follows:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Accommodation reservation services	2,414,747	2,408,729
Transportation ticketing services	3,378,934	4,457,737
Others	790,985	671,090
Total revenue	6,584,666	7,537,556

3. Expenses by nature

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
Employee benefit expense	2,308,771	2,020,066
Advertising and promotion expenses	1,700,635	2,053,472
Depreciation and amortization expense	840,188	669,842
Order processing cost	723,387	875,079
Commission expenses	282,395	350,139
Procurement costs	205,484	164,436
Cost of pre-purchased travel related products	154,906	219,656
Bandwidth and servers custody fee	136,838	146,281
Professional service fees and subcontractor charges	112,271	85,590
Travelling and entertainment expenses	63,447	68,680
Short-term rental and utility fees	48,370	58,376
Tax and surcharges	34,145	33,976
Telephone and communication	10,923	8,216
Audit fees	7,264	8,491
Others	94,135	79,961
	6,723,159	6,842,261

4. Other (losses)/gains-net

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
Investment income from investments measured at amortized cost	85,394	70,232
Foreign exchange (losses)/gains, net	(215,356)	10,796
Donation	(725)	(4,019)
Net gain on disposal/partial disposal of investments accounted using the for equity method	17,024	–
Net (loss)/gain on disposal of property, plant and equipment and right-of-use assets	(86)	281
Net loss on derivative financial instruments	(7,305)	–
Others	7,513	(8,054)
	(113,541)	69,236

5. Income tax expense

The income tax expense of the Group for the years ended December 31, 2022 and 2021 is analyzed as follows:

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
Current income tax	64,577	161,231
Deferred income tax	(18,087)	143
	46,490	161,374

(a) Cayman Islands income tax

Under the current laws of the Cayman Islands, the Company is not subject to tax on the Company's income or capital gains. In addition, no Cayman Islands withholding tax is imposed upon any payments of dividends.

(b) Hong Kong income tax

Entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 8.25% on assessable profits up to HKD2 million and 16.5% on any part of assessable profits over HKD2 million for the years ended December 31, 2022 and 2021.

(c) PRC corporate income tax ("CIT")

CIT provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC for the years ended December 31, 2022 and 2021, calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The general PRC CIT rate is 25% during the years ended December 31, 2022 and 2021.

Three of the Company's directly hold subsidiaries incorporated in the PRC are qualified as High and New Technology Enterprise, and accordingly, they are subject to a reduced preferential CIT rate of 15% for the years ended December 31, 2022 and 2021, according to the applicable CIT law.

Other subsidiaries of the Company incorporated in the PRC are subject to the general PRC CIT rate of 25% during the years ended December 31, 2022 and 2021.

(d) PRC Withholding Tax ("WHT")

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after January 1, 2008 are generally subject to a 10% WHT. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

As of December 31, 2022 and 2021, the Group does not have any plan to require its PRC subsidiaries to distribute their retained earnings and intends to retain them to operate and expand its business in the PRC. Accordingly, no deferred income tax liability on WHT was provided as at December 31, 2022 and 2021.

6. (Losses)/earnings per share

(a) Basic

Basic (losses)/earnings per share for the years ended December 31, 2022 and 2021 are calculated by dividing the (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the respective years.

	Year ended December 31,	
	2022	2021
(Loss)/profit attributable to equity holders of the Company (RMB'000)	(146,009)	723,404
Weighted average numbers of ordinary shares in issue (thousand shares)	2,221,973	2,201,516
Basic (losses)/earnings per share (RMB)	(0.07)	0.33

(b) Diluted

Diluted (losses)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

The Company has two categories of dilutive potential ordinary shares – share options and restricted share units (“RSUs”). As the Company incurred losses for the year ended December 31, 2022, the dilutive potential ordinary shares were not included in the calculation of diluted losses per share as their inclusion would be anti-dilutive. Accordingly, diluted losses per share for the year ended December 31, 2022 was the same as basic losses per share.

The diluted earnings per share for the year ended December 31, 2021 are calculated a below:

	Year ended December 31, 2021
Profit attributable to equity holders of the Company (RMB'000)	<u>723,404</u>
Weighted average number of ordinary shares in issue (thousand shares)	2,201,516
Adjustments for RSUs granted to employees (thousand shares)	4,388
Adjustments for share options granted to employees (thousand shares)	<u>41,419</u>
Weighted average number of ordinary shares for calculation of diluted earnings per share (thousand shares)	2,247,323
Diluted earnings per share (RMB)	<u><u>0.32</u></u>

7. Dividend

No dividend has been paid or declared by the Company or the companies now comprising the Group during the years ended December 31, 2022 and 2021.

8. Investments accounted for using the equity method

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
At the beginning of the year	1,127,921	220,891
Additions (Note)	424,250	939,688
Disposal/partical disposal	(88,098)	–
Transfer to investment in subsidiaries	(70,415)	–
Share-based compensation to employees of the associates	772	850
Shares of losses	(14,126)	(32,869)
Currency translation differences and others	(1,037)	(639)
	<u>1,379,267</u>	<u>1,127,921</u>

Note:

During the years ended December 31, 2022 and 2021, the Group invested equity interests in certain unlisted companies/investment funds with an aggregate amount of approximately RMB424 million and RMB940 million, respectively. These companies/investment funds are principally engaged in travel industry investments, air travel, hotel management, software development and other travel-related business. The Group does not have control over these companies/investment funds and only has significant influence on them through its representative in the board of directors of these companies/investment funds.

9. Investments

	As at December 31,	
	2022 RMB'000	2021 RMB'000
Current assets		
Short-term investments measured at		
– Amortized cost (a)	493,951	–
– Fair value through profit or loss (b)	2,669,201	3,343,317
	<u>3,163,152</u>	<u>3,343,317</u>
Non-current assets		
Long-term investments measured at		
– Amortized cost (c)	1,843,160	2,010,674
– Fair value through profit or loss (d)	758,307	828,414
	<u>2,601,467</u>	<u>2,839,088</u>

(a) Short-term investments measured at amortized cost

Short-term investments measured at amortized cost are time deposits within one year with fixed interest rates, denominated in USD or HKD. The investments are held for collection of contractual cash flow and the contractual cash flows of these investments qualify for solely payments of principal and interest, hence they are measured at amortized costs. None of these investments are past due.

(b) Short-term investments measured at fair value through profit or loss

The short-term investments measured at fair value through profit or loss include wealth management products, denominated in RMB, HKD or USD, with expected rates of return ranging from -4.61% to 5.85% (2021: 2.7% to 5.5%), per annum for the year ended December 31, 2022. The returns on all these wealth management products are not guaranteed, hence their contractual cash flows do not qualify for solely payments of principal and interest. Therefore, they are measured at fair value through profit or loss. None of these investments are past due. The fair values are based on cash flow discounted using the expected return based on management judgment and are within level 3 of the fair value hierarchy.

(c) Long-term investments measured at amortized cost

Long-term investments measured at amortized cost are time deposits with terms from 3 years to 5 years which bear interests at fixed interest rates ranging from 3.55% to 4.50% per annum (2021:3.55% to 4.50%), and are all denominated in RMB. The investments are held for collection of contractual cash flow and the contractual cash flows of these investments qualify for solely payments of principal and interest, hence they are measured at amortized costs. None of these investments are past due.

(d) Long-term investments measured at fair value through profit or loss

As of December 31, 2022 and 2021, long-term investments measured at fair value through profit or loss represented equity interests held by the Group in several private and listed companies, funds as well as investments in wealth management products with terms of more than one year.

The equity interests held by the Group in the private and listed companies are (i) less than 20% of each entity and the Group does not have control nor significant influence over each of these entities, or (ii) not considered to be substantively the same as ordinary share due to the investment having a substantive liquidation preference or redemption rights. Therefore, these investments are classified as long-term investments measured at fair value through profit or loss. The fair values of the long-term investments are measured using a valuation technique with unobservable inputs and hence classified as level 3 of the fair value hierarchy for equity interests in private companies. For equity interests in listed companies, they are measured based on the quoted market prices in active markets and hence classified as level 1 of the fair value hierarchy.

The Group's long-term investments measured at fair value through profit or loss are not considered as material on individual basis as none of them individually exceeds 5% of the Group's total assets as at December 31, 2022 and 2021.

The wealth management products with terms of more than one year are denominated in RMB, with expected rates of return ranging from -0.21% to 4.25% (2021: 4.15% to 4.25%) per annum for the year ended December 31, 2022. The returns on all of these wealth management products are not guaranteed, hence their contractual cash flow do not qualify for solely payments of principal and interest. Therefore, they are measured at fair value through profit or loss. None of these investments are past due. The fair values are based on cash flow discounted using the expected return based on management judgment and are within level 3 of the fair value hierarchy.

(e) Amounts recognized in profit or loss

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Fair value changes in long-term investments measured at fair value through profit or loss	32,816	(9,599)
Fair value changes in short-term investments measured at fair value through profit or loss	69,621	133,489
	102,437	123,890

10. Prepayment and other receivables

	As at December 31,	
	2022	2021
	<i>RMB '000</i>	<i>RMB '000</i>
Non-current		
Prepayment to suppliers	8,938	6,242
Prepayment for property, plant and equipment	109,015	–
Prepayment to related parties	106	–
	<u>118,059</u>	<u>6,242</u>
Total non-financial assets		
Deposits	2,196	2,193
Others	1,233	329
	<u>3,429</u>	<u>2,522</u>
Total financial assets		
	<u>121,488</u>	<u>8,764</u>
Non-current, total		
Current		
Prepayment to accommodation suppliers	70,795	84,452
Prepaid taxation	144,063	134,743
Prepayment to tickets suppliers	399,448	339,223
Prepayment for advertising	39,350	22,754
Prepayment for office rental	1,374	825
Prepayment to related parties	32,973	40,690
Others	107,857	77,777
	<u>795,860</u>	<u>700,464</u>
Total non-financial assets		
Designated deposit account with restrictive use	1,184,342	–
Deposits	194,109	184,597
Receivable from related parties	419,158	390,281
Others	205,893	59,995
Less: provision for impairment	(102,324)	(75,904)
	<u>1,901,178</u>	<u>558,969</u>
Total financial assets		
	<u>2,697,038</u>	<u>1,259,433</u>
Current, total		

11. Trade receivables

The Group normally allows a credit period of 30 days to its customers. An aging analysis of trade receivables based on invoice date is as follows:

	As at December 31,	
	2022 RMB'000	2021 RMB'000
Up to 6 months	861,467	646,352
Over 6 months	258,025	246,270
	<u>1,119,492</u>	<u>892,622</u>
Less: allowance for impairment of trade receivables	(182,562)	(168,807)
	<u>936,930</u>	<u>723,815</u>
Trade receivables:		
– included in non-current assets	48,455	53,491
– included in current assets	888,475	670,324
Total	<u>936,930</u>	<u>723,815</u>

12. Derivative financial instruments

The group has the following derivative financial instrument which is accounted for as financial liability at fair value through profit or loss:

	As at December 31,	
	2022 RMB'000	2021 RMB'000
Non-current liability:		
Capped foreign exchange forward contract	<u>11,187</u>	<u>–</u>

Amount recognized in profit or loss

The following amounts were recognized in profit or loss in relation to derivative financial instruments:

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
Net realized gains on foreign exchange forward contracts recognized in other (losses)/gains – net	3,300	–
Unrealized loss on foreign exchange forward contract recognized in other (losses)/gains – net	(10,605)	–
	<u>(7,305)</u>	<u>–</u>

13. Borrowings

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Non-current:		
Long-term secured bank borrowing (a)	73,845	93,537
Long-term unsecured loan bank borrowing (b)	1,784,058	—
	<u>1,857,903</u>	<u>93,537</u>
Current:		
Current portion of long-term secured bank borrowing (a)	19,692	19,692
Current portion of long-term unsecured bank borrowing (b)	323,525	—
Short-term secured bank borrowing (c)	100,093	—
	<u>443,310</u>	<u>19,692</u>
	<u>2,301,213</u>	<u>113,229</u>

Notes:

- (a) The bank borrowings denominated in RMB are secured by property, plant and equipment of the Group, and bear interest at China Interbank Offered Rate with 10% increase per annum from January 1, 2021 to September 15, 2021 and at a fixed rate 4.8% per annum from September 16, 2021 onwards.
- (b) In January 2022, the Company has drawn down a long-term bank borrowing of USD296 million (equivalent to approximately RMB1,893.2 million, translated at the exchange rate at date of drawdown). The bank borrowing is unsecured, denominated in USD and bears interest at London Interbank Offered Rate plus a margin of 1.5% per annum.
- (c) In December 2022, the Group has drawn down a 110-day term bank borrowing of RMB100 million. The bank borrowing is denominated in RMB, secured by long-term investments measured at amortized cost with principal amount of RMB115 million and bears interests at a fixed rate of 3.05% per annum.

14. Trade payables

An aging analysis of trade payables based on invoice date is as follows:

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Up to 6 months	2,379,632	2,077,323
Over 6 months	142,158	129,237
	<u>2,521,790</u>	<u>2,206,560</u>

USE OF PROCEEDS

The Shares of the Company were listed on the Main Board of the Stock Exchange on November 26, 2018 by way of Global Offering, raising total net proceeds of approximately RMB1,319.3 million after deducting professional fees, underwriting commissions and other related listing expenses. For the year ended December 31, 2022, the Group has used RMB34.0 million to fund equity interest investments, RMB100.4 million to enhance our products and services offerings and our TSPs and user bases, RMB137.7 million to enhance overall technology capabilities, and RMB39.0 million for working capital and general corporate purposes. For details of the breakdown of the use of proceeds, please refer to the 2022 Annual Report to be published in due course.

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 year ended December 31, 2022.

Model Code for Securities Transactions

The Company has adopted the Model Code. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the Model Code for the year ended December 31, 2022.

The Company's employees, who are likely to be in possession of inside information of the Company, have also been subject to the Model Code for securities transactions. No incident of non-compliance of the Model Code by the employees was noted by the Company for the year ended December 31, 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 year ended December 31, 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 consolidated annual financial results of the Group for the year ended December 31, 2022. The Audit Committee considers that the annual financial results for the year ended December 31, 2022 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

Auditor-Scope of Work of PricewaterhouseCoopers

The figures in respect of the Group's consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, extract consolidated statement of cash flows and the related notes thereto for the year ended December 31, 2022 as set forth in this announcement have been agreed by the Company's auditor, PricewaterhouseCoopers, to the amounts set forth in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standard on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on this announcement.

Event After December 31, 2022

Save for the completion of the acquisition of 100% equity interests in Tongcheng International Travel Service Co., Ltd. which took place on January 31, 2023 (details of which had been disclosed in the announcements of the Company dated December 29, 2022 and March 9, 2023), there are no other events affecting the Group which have occurred since December 31, 2022, being the end of the financial year for the Company.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the year ended December 31, 2022.

CLOSURE OF REGISTER OF MEMBERS AND RECORD DATE

The register of members of the Company will be closed from May 22, 2023 (Monday) to May 29, 2023 (Monday), both days inclusive, in order to determine the eligibility of the Shareholders to attend and vote at the AGM. The Shareholders whose names appear on the register of members of the Company at the close of business on May 19, 2023 (Friday) will be eligible to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on May 19, 2023 (Friday).

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.tongchengir.com).

The Company's annual report for the year ended December 31, 2022 (the "2022 Annual Report") containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

DEFINITION

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

“2016 Share Incentive Plan”	the share incentive plan adopted and approved by the Company on August 26, 2016
“2018 Share Incentive Plan”	the share incentive plan adopted and approved by the Company on March 9, 2018
“2019 RSU Plan”	the 2019 restricted share unit plan adopted and approved by the Company on July 2, 2019
“2019 Share Option Plan”	the 2019 share option plan approved by an ordinary resolution passed by shareholders of the Company at the extraordinary general meeting of the Company on August 2, 2019
“2022 RSU Plan”	the 2022 restricted share unit plan adopted and approved by the Company on March 22, 2022
“2022 Share Option Plan”	the 2022 share option plan approved by an ordinary resolution passed by shareholders of the Company at the annual general meeting of the Company on May 31, 2022
“AGM”	the 2022 annual general meeting of the Company to be held on May 29, 2023 or any adjournment thereof
“AI”	artificial intelligence
“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

“Global Offering”	the offering of the Company’s shares as described in the prospectus dated November 14, 2018 issued by the Company
“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
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“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
“PMS”	Property Management System
“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)
“Tencent-based platforms”	(i) our proprietary Weixin-based mini programs, which can be accessible by Weixin users through entry points under a separate category of “Travel & Transportation” in Weixin Pay, the mobile payment interface of Tencent’s Weixin or from the drop-down list of the favorite or most frequently used mini programs in Weixin; and (ii) the “Rail & Flight” and “Hotel” in QQ Wallet, the mobile payment interface of Tencent’s Mobile QQ and certain other portals in Mobile QQ
“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, March 21, 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