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Tongcheng Travel Holdings Limited

同程旅行控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0780)

ANNOUNCEMENT OF THE RESULTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2023

The Board of the Company is pleased to announce the unaudited consolidated results of the Group for the three months ended September 30, 2023, together with comparative figures for the same periods of 2022.

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2023

- Revenue increased by 61.1% year-to-year from RMB2,048.0 million in the third quarter of 2022 to RMB3,299.3 million in the third quarter of 2023.
- Adjusted EBITDA increased by 88.2% from RMB462.2 million in the third quarter of 2022 to RMB870.0 million in the third quarter of 2023. Adjusted EBITDA margin increased to 26.4% in the third quarter of 2023 from 22.6% in the third quarter of 2022.
- Adjusted net profit increased by 146.5% from RMB251.7 million in the third quarter of 2022 to RMB620.6 million in the third quarter of 2023. Adjusted net margin increased from 12.3% in the third quarter of 2022 to 18.8% in the third quarter of 2023.
- Average MPUs increased by 20.1% year-to-year from 36.8 million in the third quarter of 2022 to 44.2 million in the third quarter of 2023.

1. Key Financial Metrics for the three months ended September 30, 2023

	Unaudited Three months ended September 30,		Year-to-year change
	2023	2022	
	(in RMB'000)		
Revenue	3,299,290	2,047,951	61.1%
Profit/(loss) before income tax	597,856	(64,711)	NA
Profit/(loss) for the period	515,488	(93,940)	NA
Adjusted EBITDA	869,999	462,180	88.2%
Adjusted net profit for the period	620,569	251,724	146.5%
Revenue growth (year-to-year)	61.1%	5.6%	
Adjusted EBITDA margin	26.4%	22.6%	
Adjusted net margin	18.8%	12.3%	

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 September 30, 2023

	Three months ended September 30,		Year-to-year change
	2023	2022	
GMV (in RMB billion)	71.1	40.6	75.1%
Number of average MPUs (in million)	44.2	36.8	20.1%
APUs (in million)	224.7	200.5	12.1%

Business Review and Outlook

Results Highlights

China's travel industry in the third quarter of 2023 sustained its strong recovery momentum from the previous quarters and marked a significant revival. The travel market continued to thrive with increased activity and consumption, as diverse demands were further unleashed during the summer season.

As a prominent OTA in the industry, we demonstrated our flexibility and adaptability in responding to the surging travel demand and executed our strategy effectively to seize opportunities in the recovering industry. We leveraged our competitive advantages, such as strengthened market position, diversified traffic sources, exceptional innovation capabilities, and flexible operation strategies, and continuously outshined the industry as a whole.

During the period under review, our MAUs and MPUs once again registered record highs, mainly attributable to our effective strategies of user acquisition and retention, as well as our exceptional operational capabilities. For the three months ended September 30, 2023, our average MPUs increased by 20.1% year-to-year to 44.2 million. Our APUs for the twelve months ended September 30, 2023 reached a record high of 224.7 million, demonstrating the excellence of our execution capability.

For the third quarter of 2023, we continued to seize on the industry revitalization and expanded our core businesses, while actively penetrating the untapped markets. As a result, we attained significant business growth which outpaced the industry. Our total GMV increased by 75.1% year-to-year to RMB71.1 billion for the three months ended September 30, 2023, thanks to the surging business volume during the quarter. Our total revenue increased by 61.1% year-to-year to RMB3,299.3 million for the three months ended September 30, 2023, fueled by the booming travel demand and our ability to capture market opportunities. Our adjusted profit increased by 146.5% to RMB620.6 million for three months ended September 30, 2023, representing an adjusted net margin of 18.8%.

Business Review

Amid the vigorous travel enthusiasm, we grasped every opportunity to enhance user engagement across various channels. We continued our strategic partnership with Tencent and delved deeper into its diverse scenarios to broaden our access to users. We consistently invest in major channels within the Tencent ecosystem. Furthermore, we deepened our cooperation with QQ Browser and provided its users with convenient access to our travel products on Weixin mini-program during the period under review. Additionally, we partnered with Tencent Docs (騰訊文檔) and delivered customized travel-related content targeting younger users. For the third quarter of 2023, around 80% of our average MAUs were contributed by the Weixin mini-program.

We persisted in exploring various online and offline traffic channels to diversify our sources of traffic. We officially launched a strategic collaboration with one of the top handset vendors in China to conveniently provide our transportation ticketing and accommodation reservation services to its users. We also initiated our cooperation with several major handset vendors to pre-install our APPs on mobile phones, thereby widening our user reach. By further optimizing our APP, we aim to increase popularity and enhance user stickiness, particularly among high-value users. We were again selected by App Store as Editors' Choice for the second time. We also continued our cooperation with location-based APPs to drive additional user growth. On the other hand, we continuously carried out offline user acquisition initiatives under various scenarios. Given the significant traffic volume of metro and intra-city buses, our public transit channel remained an effective instrument to enlarge our user base and amplify our footprints in lower-tier cities. The offline user acquisition initiatives contributed meaningfully to our MPUs for the third quarter of 2023.

Through profound analysis and precise operations, we endeavor to boost user value and foster user loyalty on our platform. We further enhanced our Black Whale membership program and provided more exclusive entertainment benefits, such as movies and music festivals, to our members. We also offered our high-value users complimentary concert tickets with premium facilities to elevate their experience. Over the past quarter, the cumulative number of our Black Whale members sustained rapid growth.

As a leading OTA in China, we strive to create a travel platform that resonates with the mindset of younger generations. We have been at the forefront of innovation and creativity in our marketing strategies for the past years. We were the first OTA that integrated e-sports games into our user engagement program. We collaborated with local tourism bureaus to co-host music festivals and open-door marketplace. We also joined hands with Luoyang Museum and initiated events that showcased traditional Chinese costume culture, which sparked tremendous enthusiasm among the younger generation. Through these innovative campaigns, we aim to establish a fun and youthful brand identity.

We capitalized on the opportunities in the lower-tier cities market and increased our market share there, mainly owing to our strategic concentration on lower-tier cities and effective offline user acquisition. During the quarter under review, we pursued our expansion strategy in lower-tier cities, where we identified immense growth potential for the Company. As of September 30, 2023, our registered users residing in non-first-tier cities in China accounted for approximately 87% of the total registered users. For the three months ended September 30, 2023, over 71% of our new paying users on the Weixin platform were from non-first-tier cities in China.

By reinforcing mutually beneficial partnerships with various TSPs, we continued to provide outstanding one-stop-shop products and services to our users. As of September 30, 2023, our online platforms offered over 420,000 routes operated by more than 810 airlines and agencies, over 2.3 million hotel selections and alternative accommodation options, approximately 430,000 bus routes, over 890 ferry routes, and over 10,000 domestic tourist attractions ticketing services.

During the period under review, we continued to achieve unprecedented highs in volume and revenue for our transportation ticketing and accommodation reservation businesses. For the three months ended September 30, 2023, our revenue from transportation ticketing services increased by 70.3% year-to-year from RMB986.6 million to the record high of RMB1,679.9 million, mainly attributable to the increase in total ticketing volume and enriched value-added products and services offerings. Regarding the air ticketing business, we remained focused on diversifying our user base and attracting more business travelers and younger users to our platform. Our air ticket volume increased by more than 30% compared to the same period in 2019, with international air ticket volume recovered significantly and surpassed the level of 2019. Our train ticketing business maintained robust revenue growth as we consistently focused on enhancing user value and satisfaction. Moreover, we seized the opportunity of the rising demand for short-haul travel and boosted the monetization capability of our bus ticketing and car-hailing businesses.

Our accommodation business also demonstrated strong vitality and achieved another record high in volume and revenue. For the three months ended September 30, 2023, our revenue from the accommodation business increased by 37.7% year-to-year from RMB818.7 million to RMB1,127.4 million. Our room nights sold grew by 100% compared to the same period of 2019. Amidst the soaring travel sentiment, we consistently explored various hotel stay scenarios, catering to users' emerging interest in music festivals, concerts, and e-sports events. To implement our cross-sale strategy effectively, we carried out more precise operations and marketing initiatives based on our profound insights of our users' core needs. Moreover, we stepped up efforts to re-build our international business. On the supply end, we continued to bring in more international hotel supplies, while on the user end, we launched more marketing campaigns to strengthen interaction with users.

We have pursued sustainable growth by implementing core strategies that involve diversifying our business and gaining stronger foothold across the travel industry. We further expanded our hotel management business by adding more franchise hotels to our network. We utilize our massive traffic, advanced technology, and brand influence to empower more hotels and further increase our presence in the hotel industry. On the other hand, we remained focused on re-establishment of the local and global supply chain for our packaged tour business. We have started to establish online and offline channels to better reach out to our targeted users. We are confident that these new businesses will gradually contribute more to our future growth.

We endeavor to transform from an OTA to an ITA and contribute to the advancement of the travel industry. To enhance user satisfaction and experience, we further optimized our Huixing system, which provides our users with customized and accessible travel solutions to meet their travel demands. Besides, we made concrete progress in applying Artificial Intelligence Generated Content (AIGC) in our customer service. It helped improve operational efficiency and provide users with great convenience. On the other hand, we leveraged our profound internet expertise and outstanding technologies to empower the travel industry. We established a comprehensive portfolio of hotel PMS brands. We offered Software-as-a-Service (SaaS) solutions to more individual and chain hotels, as well as alternative accommodation, to boost operational efficiency. Additionally, we established strategic cooperation with Henan Airport Group in the past quarter and helped build its Weixin mini-program to offer its customers various airport services, facilitating its digital transformation. Moreover, we joined hands with a county government in Shanxi province to assist in developing an intelligent travel platform that offers tourists easy access to tourism-related information, aiming to foster the growth of the local tourism industry.

As a socially responsible enterprise, we are fully aware of our social obligations and aim to contribute to the travel industry and society. In early September, we collaborated with hotels in Guangdong province and provided resting areas and emergency supplies to those affected by a severe typhoon in the region. We place emphasis on ESG and continuously strive for excellence in our ESG practice. Our MSCI ESG rating was given AA grade for the second consecutive year in recognition of our outstanding ESG performance. Looking ahead, we will continue engaging in initiatives that promote sustainable development of the travel industry and society.

Business Outlook and Strategies

The domestic travel market in China has witnessed a phenomenal recovery since the beginning of 2023 with various travelers eager to explore diverse travel destinations and experience. The robust travel enthusiasm has immensely benefited our businesses as well as the industry as a whole.

We maintain an optimistic and confident outlook regarding the resilience and growth potential of China's travel sector. There is ample room for lower-tier cities in China to enhance their tourism-related infrastructure and digitalization, which will catalyze the domestic travel market. In addition, the rising demand for short-haul travel and staycations will also create new opportunities for the industry. Besides, the demand for outbound travel is set to unfold steadily in the coming year, which we believe will also present additional growth for the sector.

Going forward, we will continue to capitalize on our competitive advantages in diversified traffic sources, solidified market position, adaptable operation strategy, and advanced technological capabilities. We will persist in enhancing users' value and loyalty while incessantly enlarging our user base. We will endeavor to refine our products and services so as to provide users with more delightful experiences. We will also capture market opportunities and tap into international markets. Besides, we will continue to leverage our technology to evolve from an OTA to an ITA. Furthermore, we will pursue investment opportunities consistent with our strategic goals to enhance our future business growth. Lastly, we will emphasize corporate governance, environmental protection, and social responsibility in our operations to create long-term sustainable value for our stakeholders and communities.

MANAGEMENT DISCUSSION AND ANALYSIS

Third Quarter of 2023 compared to Third Quarter of 2022

	Unaudited Three months ended September 30,	
	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Revenue	3,299,290	2,047,951
Cost of revenue	(839,728)	(502,871)
Gross profit	2,459,562	1,545,080
Service development expenses	(466,330)	(370,926)
Selling and marketing expenses	(1,271,545)	(937,280)
Administrative expenses	(196,536)	(182,789)
Net provision for impairment loss on financial assets	(7,189)	(4,474)
Fair value changes on investments measured at fair value through profit or loss	16,331	11,921
Other income	27,328	25,595
Other gains/(losses) – net	37,262	(126,173)
Operating profit/(loss)	598,883	(39,046)
Finance income	55,954	19,487
Finance costs	(38,712)	(40,895)
Share of results of associates	(18,269)	(4,257)
Profit/(loss) before income tax	597,856	(64,711)
Income tax expense	(82,368)	(29,229)
Profit/(loss) for the period	515,488	(93,940)
Profit/(loss) attributable to:		
Equity holders of the Company	510,198	(90,388)
Non-controlling interests	5,290	(3,552)
	515,488	(93,940)
Adjusted net profit for the period ^(a)	620,569	251,724

Note:

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

Revenue

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

	Unaudited			
	Three months ended September 30,			
	2023		2022	
	RMB'000		RMB'000	
Accommodation reservation services	1,127,401	34.2%	818,709	40.0%
Transportation ticketing services	1,679,948	50.9%	986,646	48.2%
Others	491,941	14.9%	242,596	11.8%
Total revenue	3,299,290	100.0%	2,047,951	100.0%

Revenue increased by 61.1% from RMB2,048.0 million for the three months ended September 30, 2022 to RMB3,299.3 million for the three months ended September 30, 2023.

Accommodation reservation services

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

Revenue from accommodation reservation services increased by 37.7% from RMB818.7 million for the three months ended September 30, 2022 to RMB1,127.4 million in the same period of 2023. The increase was mainly due to the increased demand of accommodation services as a result of the continuous recovery of the travel industry.

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 increased by 70.3% from RMB986.6 million for the three months ended September 30, 2022 to RMB1,679.9 million for the three months ended September 30, 2023, which was mainly attributable to the increase in total ticketing volume and enriched value-added products and services offerings.

Others

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

Revenue from others increased from RMB242.6 million for the three months ended September 30, 2022 to RMB491.9 million for the three months ended September 30, 2023. The increase was mainly due to the increases in revenue from (i) advertising services; (ii) hotel management services; (iii) tourism services; and (iv) corporate travel 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) procurement costs, which represent the costs for sourcing ancillary value-added travel products and services from service providers; (iii) employee benefit expenses, representing the wages, salaries and other benefits (including share-based compensation) for our user services and TSP services employees; (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) depreciation of property, plant and equipment and right-of-use assets; (vi) bandwidth and servers custody fee; and (vii) others, which primarily include telephone and communication costs, tax and surcharges, travel and entertainment expense, professional fees, user fulfilment fees (which represent compensation paid to users due to user and customers complaints), and rental and utility fees.

The following table sets forth a breakdown of our cost of revenue in absolute amount and as a percentage of total cost of revenue for the three months ended September 30, 2023 and 2022:

	Unaudited			
	Three months ended September 30,			
	2023		2022	
	RMB'000		RMB'000	
Order processing cost	393,774	46.9%	232,616	46.3%
Procurement costs	129,857	15.5%	53,060	10.6%
Employee benefit expenses	124,773	14.9%	83,591	16.6%
Cost of pre-purchased travel related products	71,108	8.5%	28,053	5.6%
Depreciation of property, plant and equipment and right-of-use assets	35,498	4.2%	31,214	6.2%
Bandwidth and servers custody fee	34,960	4.2%	32,599	6.5%
Others	49,758	5.8%	41,738	8.2%
Total cost of revenue	839,728	100.0%	502,871	100.0%

Cost of revenue increased from RMB502.9 million for the three months ended September 30, 2022 to RMB839.7 million for the three months ended September 30, 2023. The increase was mainly due to (i) the increase in order processing cost due to increased GMV; (ii) the increase in procurement cost due to increased value-added user services; (iii) the increase in cost of pre-purchased travel related products due to the increase in cost of pre-purchased room nights; and (iv) the increase in employee benefit expenses driven by the increased number of our user service and TSP services employees. Excluding share-based compensation charges, cost of revenue accounted for 25.4% of revenue for the three months ended September 30, 2023, which increased from 24.3% for the same period of 2022.

Service development expenses

Service development expenses increased from RMB370.9 million for the three months ended September 30, 2022 to RMB466.3 million for the three months ended September 30, 2023. The increase was mainly due to employee benefit expenses driven by the increased number of IT employees. Excluding share-based compensation charges, service development expenses accounted for 13.8% of revenue for the three months ended September 30, 2023, which decreased from 16.6% for the same period of 2022.

Selling and marketing expenses

Selling and marketing expenses increased by 35.7% from RMB937.3 million for the three months ended September 30, 2022 to RMB1,271.5 million for the three months ended September 30, 2023, which was mainly due to (i) the increased advertising and promotion expenses; and (ii) the increased employee benefits due to the increased numbers of sales employees. Excluding share-based compensation charges, selling and marketing expenses accounted for 38.3% of revenue for the three months ended September 30, 2023, which decreased from 45.1% for the same period of 2022.

Administrative expenses

Administrative expenses increased from RMB182.8 million for the three months ended September 30, 2022 to RMB196.5 million for the three months ended September 30, 2023, which was mainly due to (i) the increase in professional services fees; and (ii) the increase in employee benefit expenses due to increased number of administrative employees. Excluding share-based compensation charges, administrative expenses accounted for 4.6% of revenue for the three months ended September 30, 2023, which decreased from 4.8% for the same period of 2022.

Net provision for impairment loss on financial assets

Net provision for impairment loss on financial assets increased to RMB7.2 million for the three months ended September 30, 2023 from RMB4.5 million for the same period of 2022, which was mainly due to the increase in expected credit losses on trade and other receivables.

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

We recorded net fair value gains on investments measured at fair value through profit or loss of RMB16.3 million for the three months ended September 30, 2023, which was mainly arise from the fair value gains in investments in certain public companies and partially offset by the decrease of gains in wealth management products. For the same period of 2022, a net fair value gain of RMB11.9 million was recognized.

Other income

Other income remains flatten at RMB27.3 million for the three months ended September 30, 2023, compared with RMB25.6 million for the same period of 2022.

Other gains/(losses) – net

We recorded other gains – net of RMB37.3 million primarily due to the foreign exchange gains for the three months ended September 30, 2023, compared with other losses – net of RMB126.2 million for the same period of 2022.

Income tax expense

We recorded an income tax expense of RMB82.4 million and RMB29.2 million for the three months ended September 30, 2023 and 2022, respectively, as a result of the increased taxable income and the realization of deferred income tax assets for the three months ended September 30, 2023.

Profit/(loss) attributable to equity holders of the Company

As a result of the foregoing, profit/(loss) attributable to equity holders of the Company increased from a loss of RMB90.4 million for the three months ended September 30, 2022 to a profit of RMB510.2 million for the three months ended September 30, 2023.

OTHER FINANCIAL INFORMATION

Non-IFRS Financial Measures

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

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

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

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

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

	Unaudited	
	Three months ended	
	September 30,	
	2023	2022
	RMB'000	RMB'000
Operating profit/(loss)	598,883	(39,046)
Add/(less):		
Share-based compensation, gross ^(a)	62,900	133,825
Amortization of intangible assets	169,090	159,749
Depreciation of property, plant and equipment and right-of-use assets	57,455	50,759
Foreign exchange (gain)/loss ^(b)	(7,456)	163,287
Net (gains)/losses on investees ^(c)	(8,209)	5,450
Others	(2,664)	(11,844)
Adjusted EBITDA	869,999	462,180

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

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

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

	Unaudited	
	Three months ended	
	September 30,	
	2023	2022
	RMB'000	RMB'000
Profit/(loss) for the period	515,488	(93,940)
Add/(less):		
Share-based compensation, net ^(a)	59,393	133,745
Amortization of intangible assets from acquisition ^(b)	63,112	54,401
Foreign exchange (gain)/loss ^(c)	(7,456)	163,287
Net (gains)/losses on investees ^(d)	(8,209)	5,450
Others	(1,759)	(11,219)
Adjusted net profit for the period	620,569	251,724

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

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

	Unaudited	
	Three months ended	
	September 30,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Cost of revenue	1,276	4,615
Service development expenses	11,475	30,736
Selling and marketing expenses	6,718	13,770
Administrative expenses	43,431	84,704
	<hr/>	<hr/>
Total share-based compensation, gross	62,900	133,825
Tax effect of temporary differences	(3,507)	(80)
	<hr/>	<hr/>
Total share-based compensation, net	<u>59,393</u>	<u>133,745</u>

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months ended September 30, 2023

	Unaudited	
	Three months ended	
	September 30,	
	2023	2022
	RMB'000	RMB'000
Revenue	3,299,290	2,047,951
Cost of revenue	(839,728)	(502,871)
Gross profit	2,459,562	1,545,080
Service development expenses	(466,330)	(370,926)
Selling and marketing expenses	(1,271,545)	(937,280)
Administrative expenses	(196,536)	(182,789)
Net provision for impairment loss on financial assets	(7,189)	(4,474)
Fair value changes on investments measured at fair value through profit or loss	16,331	11,921
Other income	27,328	25,595
Other gains/(losses) – net	37,262	(126,173)
Operating profit/(loss)	598,883	(39,046)
Finance income	55,954	19,487
Finance costs	(38,712)	(40,895)
Share of results of associates	(18,269)	(4,257)
Profit/(loss) before income tax	597,856	(64,711)
Income tax expense	(82,368)	(29,229)
Profit/(loss) for the period	515,488	(93,940)
Profit/(loss) attributable to:		
Equity holders of the Company	510,198	(90,388)
Non-controlling interests	5,290	(3,552)
	515,488	(93,940)
Adjusted net profit for the period ^(a)	620,569	251,724

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended September 30, 2023

	Unaudited	
	Three months ended	
	September 30,	
	2023	2022
	RMB'000	RMB'000
Profit/(loss) for the period	515,488	(93,940)
Other comprehensive income		
<i>Items that may not be subsequently reclassified to profit or loss:</i>		
– Currency translation differences	<u>(7,234)</u>	<u>57,686</u>
Other comprehensive (loss)/income for the period, net of tax	<u>(7,234)</u>	<u>57,686</u>
Total comprehensive income/(loss) for the period	<u>508,254</u>	<u>(36,254)</u>
Total comprehensive income/(loss) for the period attributable to:		
– Equity holders of the Company	502,964	(32,702)
– Non-controlling interests	<u>5,290</u>	<u>(3,552)</u>
	<u>508,254</u>	<u>(36,254)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at September 30, 2023

	Unaudited As at September 30, 2023 <u>RMB'000</u>	Audited As at December 31, 2022 <u>RMB'000</u>
ASSETS		
Non-current assets		
Property, plant and equipment	1,780,392	1,598,381
Right-of-use assets	353,586	111,329
Investments accounted for using the equity method	1,397,684	1,379,267
Investments measured at fair value through profit or loss	818,846	758,307
Investments measured at amortized cost	2,337,340	1,843,160
Derivative financial instruments	24,381	–
Intangible assets	8,468,698	8,580,738
Deferred income tax assets	221,099	209,486
Trade receivables	–	48,455
Prepayment and other receivable	170,642	121,488
	<u>15,572,668</u>	<u>14,650,611</u>
Current assets		
Trade receivables	1,446,705	888,475
Prepayment and other receivables	4,511,442	2,697,038
Investments measured at amortized cost	997,412	493,951
Investments measured at fair value through profit or loss	1,922,757	2,669,201
Restricted cash	133,538	88,436
Cash and cash equivalents	5,281,623	3,546,988
	<u>14,293,477</u>	<u>10,384,089</u>
Total assets	<u>29,866,145</u>	<u>25,034,700</u>
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital	7,755	7,710
Share premium	20,066,326	19,877,004
Other reserves	(2,561,130)	(2,685,813)
Accumulated losses	(222,959)	(1,466,989)
	<u>17,289,992</u>	<u>15,731,912</u>
Non-controlling interests	<u>284,090</u>	<u>258,344</u>
Total equity	<u>17,574,082</u>	<u>15,990,256</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at September 30, 2023

	Unaudited As at September 30, 2023 <u>RMB'000</u>	Audited As at December 31, 2022 <u>RMB'000</u>
LIABILITIES		
Non-current liabilities		
Borrowings	1,079,034	1,857,903
Lease liabilities	329,800	88,391
Derivative financial instruments	–	11,187
Other payables	347,095	327,446
Contract liabilities	33,388	37,904
Deferred income tax liabilities	601,318	605,011
	<u>2,390,635</u>	<u>2,927,842</u>
Current liabilities		
Borrowings	870,372	443,310
Trade payables	3,979,410	2,521,790
Other payables and accruals	4,701,891	3,039,846
Lease liabilities	32,138	25,038
Contract liabilities	179,956	51,420
Current income taxes liabilities	137,661	35,198
	<u>9,901,428</u>	<u>6,116,602</u>
Total liabilities	<u><u>12,292,063</u></u>	<u><u>9,044,444</u></u>
Total equity and liabilities	<u><u>29,866,145</u></u>	<u><u>25,034,700</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended September 30, 2023

	Unaudited Three months ended September 30,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash flows generated/(used in) from operating activities	706,376	(1,199,338)
Net cash flows (used in)/generated from investing activities	(607,904)	1,018,414
Net cash flows (used in)/generated from financing activities	(216,395)	10,409
Net decrease in cash and cash equivalents	(117,923)	(170,515)
Cash and cash equivalents at beginning of the period	5,404,726	2,813,915
Effect of exchange rate changes on cash and cash equivalents	(5,180)	13,703
Cash and cash equivalents at end of the period	<u>5,281,623</u>	<u>2,657,103</u>

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the three months ended September 30, 2023.

Other information

Pursuant to an investment agreement reached in November 2018, the Group has appointed a fund manager (a licensed corporation regulated by the SFC in Hong Kong) to manage certain principal-guaranteed fund investments of the Group in the amount of US\$30 million. The Company has commenced civil proceedings against the aforesaid fund manager in the High Court of Hong Kong and made a claim against the fund manager to recover its investments in full for the reason that the fund manager did not properly fulfil its obligations under the investment agreement. As the date of this announcement, the fund manager has not responded to any of the Company's claims in the civil proceedings and the carrying amount of the investments equated to approximately RMB204 million. Accordingly, the Group has sought to obtain a judgment in the High Court of Hong Kong against the fund manager. The Directors believe that, upon obtaining the judgement, the Company will be in a position to determine the legal steps to recover its investments and assess the impact of the civil proceedings on the Company.

Compliance with the Corporate Governance Code

The Company has adopted and applied the principles and code provisions as set out in the Corporate Governance Code. During the three months ended September 30, 2023, 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. Xie Qing Hua, with terms of reference in compliance with the Listing Rules.

The Audit Committee has considered and reviewed the accounting principles and practices adopted by the Group and has discussed matters in relation to internal controls and financial reporting with the management, including the review of the unaudited financial results of the Group for the three months ended September 30, 2023. The Audit Committee considers that the financial results for the three months ended September 30, 2023 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

DEFINITION

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

“APUs”	annual paying users
“Audit Committee”	the audit committee of the Board
“Board”	the board of directors of the Company
“China” or “PRC”	People’s Republic of China
“Company”	Tongcheng Travel Holdings Limited (同程旅行控股有限公司), an exempted company with limited liability incorporated under the laws of the Cayman Islands on January 14, 2016
“Consolidated Affiliated Entities”	the entities we control through certain contractual arrangements
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
“Director(s)”	the director(s) of the Company
“ESG”	environmental, social, and governance
“GMV”	gross merchandise volume, the total value of merchandise sold in the specified market or through a specified platform during a given period
“Group”, “we”, “us”, or “our”	the Company, its subsidiaries and Consolidated Affiliated Entities from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“IFRS”	International Financial Reporting Standards, amendments, and interpretations, as issued from time to time by the International Accounting Standards Board
“ITA”	intelligent travel assistant
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“MAUs”	monthly active users who access our platforms at least once during a calendar month

“MPUs”	monthly paying users who make purchases on our platforms at least once during a calendar month
“OTA”	online travel agency
“RMB”	Renminbi, the lawful currency of China
“SFC”	The Securities and Futures Commission of Hong Kong
“Share(s)”	ordinary share(s) in the share capital of the Company, currently of nominal value USD0.0005 each
“Shareholder(s)”	holder(s) of the Share(s)
“Tencent”	Tencent Holdings Limited, a company redomiciled to the Cayman Islands on February 27, 2004 as an exempted company under the laws of the Cayman Islands, whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 700)
“TSP(s)”	travel service provider(s)
“USD”	United States dollars, the lawful currency of the United States of America

APPRECIATION

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

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

Hong Kong, November 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*)

Independent Non-executive Directors

Yang Chia Hung
Dai Xiaojing
Han Yuling

Non-executive Directors

Liang Jianzhang (*Co-Chairman*)
Jiang Hao
Xie Qing Hua
Brent Richard Irvin