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If you have sold or transferred all your shares in **Tongcheng Travel Holdings Limited**, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or other transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

**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)

**(1) RENEWAL OF ANNUAL CAPS FOR CONTINUING CONNECTED
TRANSACTIONS IN RESPECT OF 2024 TO 2026;
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**



**INDEPENDENT FINANCIAL ADVISER
TO THE INDEPENDENT BOARD COMMITTEE AND
THE INDEPENDENT SHAREHOLDERS**

A notice convening the EGM of Tongcheng Travel Holdings Limited to be held at Meeting Room Zhuozheng, 2/F, Four Points by Sheraton Suzhou, No. 8 Moon Bay Road, Suzhou Industrial Park, Suzhou, China at 3:00 p.m., on December 28, 2023 is set out on pages 68 to 70 of this circular. The letter of recommendation from the Independent Board Committee, the full text of which is set out on page 36 of this circular. The letter of advice issued by South China Capital Limited, being the Independent Financial Adviser, the full text of which is set out on pages 37 to 61 of this circular.

A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.tongchengir.com). Whether or not you are able to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the EGM (or any adjournment thereof) if they so wish.

December 11, 2023

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DEFINITIONS

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

“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
“2018 Tencent Payment Services Framework Agreement”	the payment services framework agreement dated November 6, 2018 entered into between the Company and Tencent Computer, in relation to the provision of payment and settlement services by the Tencent Group through its payment channels to the Group in return for certain fees
“2019 Share Option Plan”	the share option plan adopted and approved by the Company on August 2, 2019
“2020 Tencent Payment Services Framework Agreement”	the payment services framework agreement dated December 8, 2020 entered into between the Company and Tencent Computer, in relation to the provision of payment and settlement services by the Tencent Group through its payment channels to the Group in return for certain fees, details of which are set out in the circular of the Company dated December 11, 2020
“2020 Trip.com Main Travelling Services”	collectively, transportation services (including transportation ticketing and car rental), attraction ticketing services and accommodation booking services
“2020 Trip.com Travelling Resources Provision Framework Agreement”	the travelling resources provision framework agreement dated December 8, 2020 entered into between the Company and C-Travel, in relation to the provision of access to the Group’s platforms for the offering of 2020 Trip.com Main Travelling Services by Trip.com Group and/or its associates, details of which are set out in the circular of the Company dated December 11, 2020
“2023 Tencent Payment Services Framework Agreement”	the payment services framework agreement dated December 5, 2023 entered into between the Company and Tencent Computer, in relation to the provision of payment and settlement services by the Tencent Group through its payment channels to the Group in return for certain fees

DEFINITIONS

“2023 Trip.com Main Travelling Services”	collectively, accommodation booking services, transportation ticketing services, vacation products and attraction ticketing services
“2023 Trip.com Travelling Resources Provision Framework Agreement”	the travelling resources provision framework agreement dated December 5, 2023 entered into between the Company and C-Travel, in relation to the provision of access to the Group’s platforms for the offering of 2023 Trip.com Main Travelling Services by Trip.com Group and/or its associates
“AI”	artificial intelligence
“APUs”	annual paying users
“Articles of Association”	the articles of association of the Company, as amended and supplemented from time to time
“associate(s)”	has the meaning ascribed to it or them under the Listing Rules
“Beijing E-dragon”	Beijing eLong Information Technology Co., Ltd. (北京藝龍信息技術有限公司), a limited liability company established under the laws of the PRC on November 28, 2000, which is one of the Contractual Arrangement Entities
“Board”	the board of Directors
“C-Travel”	C-Travel International Limited, a limited liability company incorporated under the laws of the Cayman Islands on March 3, 2006 and a wholly-owned subsidiary of Trip.com Group
“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
“connected person(s)”	has the meaning ascribed to it or them under the Listing Rules
“continuing connected transaction(s)”	has the meaning ascribed to it or them under the Listing Rules

DEFINITIONS

“Contractual Arrangement Entities”	the entities the Company controls through certain contractual arrangements
“Ctrip Hong Kong”	Ctrip.com (Hong Kong) Limited
“Ctrip Travelling Resources Provision Framework Agreement”	the travelling resources provision framework agreement dated November 7, 2018, as supplemented by a supplemental agreement dated December 30, 2019, entered into between the Company and C-Travel, in relation to the provision of certain accommodation and transportation ticketing services to Trip.com Group and/or its associates and the provision of access to the Group’s platforms to Trip.com Group and/or its associate for the offering of its accommodation booking and car rental services
“Director(s)”	director(s) of the Company
“Extraordinary General Meeting” or “EGM”	the extraordinary general meeting of the Company to be held on December 28, 2023 to consider and, if thought fit, approve the Tongcheng Continuing Connected Transactions, or any adjournment thereof
“GMV”	gross merchandise volume, the total value of merchandise sold in the specified market or through a specified platform during a given period
“Group”	the Company and its subsidiaries and consolidated affiliated entities from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Image Frame”	Image Frame Investment (HK) Limited
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, namely Mr. Yang Chia Hung, Mr. Dai Xiaojing and Ms. Han Yuling, established to advise the Independent Shareholders on the Tongcheng Continuing Connected Transactions

DEFINITIONS

“Independent Financial Adviser” or “South China”	South China Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activities under the SFO, and the independent financial adviser to the Independent Board Committee and Independent Shareholders in relation to the Tongcheng Continuing Connected Transactions
“Independent Shareholders”	(a) for the purpose of the 2023 Tencent Payment Services Framework Agreement, Shareholders other than any Shareholder who has a material interest in the 2023 Tencent Payment Services Framework Agreement; and (b) for the purpose of the 2023 Trip.com Travelling Resources Provision Framework Agreement, Shareholders other than any Shareholder who has a material interest in the 2023 Trip.com Travelling Resources Provision Framework Agreement
“independent third party(ies)”	party(ies) not connected with any of the Directors, chief executive, substantial shareholders of the Company or any of its subsidiaries or any of their respective associates
“Latest Practicable Date”	December 4, 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“MAUs”	monthly active users who access the Group’s platforms at least once during a calendar month
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“MPUs”	monthly paying users who make purchases on the Group’s platforms at least once during a calendar month
“NASDAQ”	NASDAQ Global Select Market
“OTA”	online travel agency

DEFINITIONS

“PRC”	the People’s Republic of China
“Q2 Announcement”	the announcement of the results of the Company for the three and six months ended June 30, 2023 published on August 22, 2023
“Q3 Announcement”	the announcement of the results of the Company for the three months ended September 30, 2023 published on November 21, 2023
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance, (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) in the share capital of the Company with nominal value of US\$0.0005 each
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it or them under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it or them under the Listing Rules
“Suzhou Chengyi”	Suzhou Chengyi Internet Technology Limited (蘇州程藝網絡科技有限公司), a limited liability company established under the laws of the PRC on March 21, 2018, which is one of the Contractual Arrangement Entities
“TCH Sapphire”	TCH Sapphire Limited
“Tencent”	Tencent Holdings Limited, a company re-domiciled to the Cayman Islands on February 27, 2004 as an exempted company under the laws of the Cayman Islands, whose shares are listed on the Main Board of the Stock Exchange (stock code: 700)

DEFINITIONS

“Tencent Computer”	Shenzhen Tencent Computer Systems Company Limited (深圳市騰訊計算機系統有限公司), a subsidiary of Tencent
“Tencent Group”	Tencent, its subsidiaries and controlled entities
“Tencent-based Platforms”	collectively, (i) proprietary Weixin-based mini programs, which can be accessible by Weixin users through the “Rail & Flight” and “Hotel” portals in Weixin Wallet, 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
“Tongcheng Continuing Connected Transactions”	collectively, (i) the provision of the payment and settlement services by Tencent Group to the Group, pursuant to the 2023 Tencent Payment Services Framework Agreement; and (ii) the provision of access to the Group’s platforms for the offering of the 2023 Trip.com Main Travelling Services by Trip.com Group and/or its associates, pursuant to the 2023 Trip.com Travelling Resources Provision Framework Agreement
“Tongcheng International Travel”	Tongcheng International Travel Service Co., Ltd.* (同程國際旅行社有限公司), an indirectly wholly-owned subsidiary of the Company, further details of which are set forth in the announcements of the Company dated December 29, 2022 and March 9, 2023
“Tongcheng Network”	Tongcheng Network Technology Limited* (同程網絡科技股份有限公司), a joint stock limited company established under the laws of the PRC on March 10, 2004, which is one of the Contractual Arrangement Entities
“Tongcheng Tourism”	Beijing Tongcheng Tourism Investment Group Co., Ltd.* (北京同程旅業投資集團有限公司), a limited liability company established in the PRC, further details of which are set forth in the announcements of the Company dated February 19, 2023 and October 23, 2023

DEFINITIONS

“Trip.com Group” Trip.com Group Limited, previously known as Ctrip.com International, Ltd. (“**Ctrip**”), a limited liability company incorporated under the laws of the Cayman Islands on March 3, 2000, the American depositary shares of which are listed on the NASDAQ and the ordinary shares of which are listed on the Stock Exchange (NASDAQ: TCOM; Stock Exchange: 9961)

“TSPs” travel service providers

“%” per cent

* *for identification purpose only*

LETTER FROM THE BOARD



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)

Executive Directors:

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

Non-executive Directors:

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

Independent Non-executive Directors:

Mr. Yang Chia Hung
Mr. Dai Xiaojing
Ms. Han Yuling

Registered office:

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Principal place of business in Hong Kong:

31/F, Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

December 11, 2023

To the Shareholders

Dear Sir or Madam,

**(1) RENEWAL OF ANNUAL CAPS FOR CONTINUING CONNECTED
TRANSACTIONS IN RESPECT OF 2024 TO 2026;**

AND

(2) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

The purpose of this circular is to provide you with information in connection with the following proposals to be put forward at the EGM to consider and approve:

- (i) the provision of the payment and settlement services by the Tencent Group to the Group, pursuant to the 2023 Tencent Payment Services Framework Agreement; and
- (ii) the provision of access to the Group's platforms for the offering of 2023 Trip.com Main Travelling Services by Trip.com Group and/or its associates, pursuant to the 2023 Trip.com Travelling Resources Provision Framework Agreement.

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For further details regarding the pre-existing framework agreements, being (i) the 2020 Tencent Payment Services Framework Agreement and 2020 Trip.com Travelling Resources Provision Framework Agreement, please refer to the circular of the Company dated December 11, 2020; and (ii) the 2018 Tencent Payment Services Framework Agreement and the Ctrip Travelling Resources Provision Framework Agreement, please refer to the prospectus of the Company dated November 14, 2018.

As the Group intends to continue carrying out transactions of similar nature under the 2020 Tencent Payment Services Framework Agreement and 2020 Trip.com Travelling Resources Provision Framework Agreement in the ordinary and usual course of business of the Group, the Company has agreed to enter into (i) the 2023 Tencent Payment Services Framework Agreement with Tencent Computer; and (ii) the 2023 Trip.com Travelling Resources Provision Framework Agreement with C-Travel, respectively, for a term of three years commencing from January 1, 2024 to December 31, 2026. The 2020 Tencent Payment Services Framework Agreement and 2020 Trip.com Travelling Resources Provision Framework Agreement will thus cease to be in effect from December 31, 2023.

This circular contains the explanatory statement in compliance with the Listing Rules and gives all the information reasonably necessary to enable Shareholders to make an informed decision on whether to vote for or against the resolutions. A notice convening the EGM is set out on pages 68 to 70 of this circular. The letter of recommendation from the Independent Board Committee, the text of which is set out on page 36 of this circular. The letter of advice issued by South China, being the Independent Financial Adviser, the text of which is set out on pages 37 to 61 of this circular.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

A. 2023 Tencent Payment Services Framework Agreement

(I) *Provision of Payment and Settlement Services to the Group*

Background

Reference is made to the announcement of the Company dated December 5, 2023 in relation to the renewal of annual caps for continuing connected transactions in respect of 2024 to 2026.

Continuing connected transactions under the 2023 Tencent Payment Services Framework Agreement

On December 5, 2023, Tencent Computer and the Company entered into the 2023 Tencent Payment Services Framework Agreement, pursuant to which the Tencent Group will provide payment and settlement services through its payment channels to the Group for a term of three years from January 1, 2024 to December 31, 2026. The principal terms of the 2023 Tencent Payment Services Framework Agreement are summarized below.

LETTER FROM THE BOARD

The 2023 Tencent Payment Services Framework Agreement

Date

December 5, 2023

Parties

- (1) Tencent Computer
- (2) The Company

Term

The 2023 Tencent Payment Services Framework Agreement has an initial term of three years from January 1, 2024 to December 31, 2026. Subject to compliance with the Listing Rules and applicable laws and regulations and mutual agreement among parties, the 2023 Tencent Payment Services Framework Agreement may be renewed for a further term of three years upon the mutual consent of both parties, unless the parties agree in writing to terminate the 2023 Tencent Payment Services Framework Agreement during its term.

Nature of the transactions

Pursuant to the terms of the 2023 Tencent Payment Services Framework Agreement, Tencent Group agrees to provide payment and settlement services through its payment channels to the Group. The precise scope of service, service fee calculation and the method of payment and settlement will be specified in each of the implementation payment services agreements to be entered into between the parties under the 2023 Tencent Payment Services Framework Agreement.

Pricing basis

The service fee rates charged by Tencent Group will be determined based on official prices published on the official websites of Tencent Group that will provide payment and settlement services to different independent counterparties from different industries on normal commercial terms.

The Group will only enter into an implementation payment service agreement with Tencent Group when the service fee rates published by Tencent Group are in line with or lower than the market rates and thus it is in the best interests of the Company and its Shareholders as a whole. In making such a determination, the Group takes into account a number of factors, including but not limited to (i) historical service fees charged by Tencent Group, (ii) service fees charged by the other comparable third-party online and mobile payment service providers, and (iii) the quality and stability of the payment and settlement services provided by the other comparable third-party online and mobile payment service providers.

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

Historical amounts

Due to the intermittent resurgence of the COVID-19 pandemic in China between 2020 to 2022, the travel industry went through massive fluctuations, and travel sentiment was severely impacted at the material time. Accordingly, the Group recorded an overall year-to-year decline trend in its revenue for the three years ended December 31, 2022.

Against the above context, we set forth below the historical amounts under the 2020 Tencent Payment Services Framework Agreement for the two years ended December 31, 2022 and the ten months ended October 31, 2023 and the annual cap for the year ending December 31, 2023:

	For the year ended December 31, 2021	For the year ended December 31, 2022	For the ten months ended October 31, 2023	Annual cap for the year ended December 31, 2023
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i> <i>(unaudited)</i>	<i>(RMB'000)</i>
Transaction amounts paid by the Group	702,263	606,639	968,737	2,100,000

As shown above, the annualized actual transaction amount incurred under the 2020 Tencent Payment Services Framework Agreement for the two years ended December 31, 2022 fell short of the corresponding annual cap set at the time (being RMB1,500,000,000 and RMB1,800,000,000, respectively). Due to unpredictable market changes attributed to travel restrictions and policy changes during the pandemic, the annual cap was not as utilized as the Company had anticipated when such annual cap was formulated.

As at the Latest Practicable Date, the actual transaction amount has not exceeded the annual cap for the year ending December 31, 2023. Despite soaring travel enthusiasm in China, global macro-economic environment has proven to be another undercurrent affecting travel sentiment and is expected to continue to reshape travel spending behaviors. As a result, despite the continued increasing trend in transaction amounts paid by the Group to Tencent Group, the 2023 annual cap for the ten months ended October 31, 2023 was not utilized as the Company had anticipated when the 2023 annual cap was formulated.

LETTER FROM THE BOARD

Proposed annual caps and basis of determination

The Company estimates that the annual caps for the 2023 Tencent Payment Services Framework Agreement for the three years ending December 31, 2026 are as follows:

	For the year ending December 31, 2024 (RMB'000)	For the year ending December 31, 2025 (RMB'000)	For the year ending December 31, 2026 (RMB'000)
Service fees payable by the Group	2,200,000	2,800,000	3,600,000

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

- (i) Increasing demand for payment and settlement services provided by Tencent Group from the Group's users, based on the Group's internal business forecast and analysis.

The China travel industry has sustained strong recovery momentum in 2023 and marked its significant post-pandemic revival. As a prominent OTA in the industry, through leveraging competitive advantages such as strengthened market position, diversified traffic sources and excellent execution and operational capabilities, the Group and its businesses have shown strong vitality which outpaced other industry players.

As disclosed in the Q3 Announcement, major financial metrics of the Group have shown remarkable year-to-year increase for the third quarter of 2023 (including (1) revenue, which recorded a 61.1% year-to-year increase; (2) adjusted EBITDA, which recorded a 88.2% year-to-year increase; and (3) adjusted net profit, which recorded a 146.5% year-to-year increase). During the same period, key operational metrics of the Group have also shown excellent growth. The MAUs and MPUs have each registered record high. In particular, the GMV for the third quarter of 2023 has recorded a 75.1% year-to-year increase, which reflects the strong and surging business volume for the Group.

Amid soaring travel enthusiasm which underpins the recent excellent financial performance of the Group, the Group continues its deep cooperation with Tencent Group with respect to the Tencent-based Platforms. As disclosed in the Q3 Announcement, the cooperation with QQ Browser provided its users with convenient access to the travel products of the Group on Weixin mini-program. The partnership with Tencent Docs has also delivered customized travel-related content targeting younger users. For the third quarter of 2023, 80% of

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the Group's MAUs was contributed from the Tencent-based Platforms with a majority of the traffic came from the Weixin mini programs. The aforementioned strategic collaborations between the Group and those top handset vendors in China have assisted and will continue to assist the Group to diversify its online and offline traffic channels.

Furthermore, as disclosed in the Q2 Announcement, the Group has successfully captured various opportunities in the lower-tier cities market and gained market share after implementing a number of strategies and efforts in lower-tier cities and offline user acquisitions, unravelling more business opportunities for the Company. As of September 30, 2023, the registered users of the Group 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 the Group's new paying users on the Weixin platform were from non-first-tier cities in China. It is believed that the implemented offline user acquisition initiatives (including but not limited to (i) forging a strategic alliance with one of the leading handset vendors in China and integrating our products and services into its ecosystem, (ii) maintaining our collaboration with location-based APPs to broaden our user reach, and (iii) partnering with hotels and leveraging our QR code scanning function to acquire users) will continue to contribute meaningfully to the MPUs of the Group in the future.

For the above reasons, the Group anticipates a stable growth rate of paying user acquisition from lower-tier cities in China, who are most likely users of the Tencent Group. The Group expects that the transactions attributed to the traffic on the Tencent-based Platforms would increase proportionately for the years 2024 to 2026 and considers that the yearly growth rates of the proposed annual caps for the years 2024 to 2026 reasonably track such projected increase in traffic on its Tencent-based Platforms.

(ii) Future landscape and potential growth opportunities of the OTA industry in the PRC.

When determining the proposed annual cap, the Company has also taken into account, in this post-pandemic era, (1) the launch of various policies by the Chinese government to encourage domestic tourism consumption and advance the development of China's travel industry in 2023 (including but not limited to the notice of recovery and expansion of consumption released by the State Council of the PRC, measures for high quality development of tourism released by the State Council of the PRC, and notice of the resumption of travel agencies to operate outbound group tours for Chinese citizens to the relevant countries and regions released by the Ministry of Culture and Tourism of the People's Republic of China); and (2) as disclosed above, the rapid growth in Group's business and financial performance indicators, such as MPUs, APUs

LETTER FROM THE BOARD

and GMV reaching unprecedented heights, demonstrating the market demand and appetite for the services of the Group (and, as a result, our growing demand for the payment and settlement services provided by Tencent Group).

(iii) Future strategic development plans of the Group.

Since late 2022, the Company has been exploring potential acquisition and investment opportunities which it believes to align with the overall business strategies of the Group. During 2023, the Group announced its acquisition of the entire equity interest in Tongcheng International Travel and Tongcheng Tourism (subject to completion), both of which focus on domestic, inbound and outbound tourism business. In particular, Tongcheng Tourism is able to cover major tourist destinations and client sources located in Jiangsu, Zhejiang, Guangdong, Fujian, Jiangxi, Shandong, Anhui, Beijing, Hubei, and Hunan through its travel agencies, and currently has over 500 offline stores spanned across Mainland China. The consolidation of the aforesaid newly acquired businesses enables the Group to further expand its scale of business and achieve further offline user acquisition.

Additionally, the Group has also established long-term and sustainable business relationship with certain selected hotel partners that offer, *inter alia*, accommodation products as well as comprehensive auxiliary services across multiple disciplines, including hotel management services, such that the Group can diversify its existing product offering and increase hotel selection coverage for its platform users. As a result, the Company anticipates that the increased number of end-users will also attract a higher demand for payment and settlement services provided by Tencent Group.

On the other hand, coupled with the enhanced collaboration between the Group and Tencent Group, the Group's user acquisition strategies, including an emphasis on the integration of technology and innovation into the Group's product offering and user experience, and the Group's market expansion strategy, it is believed that the successful implementation of such strategies will contribute to the Group's GMV, including payment and settlement transaction amounts, and achieve modest growth for the years 2024 to 2026.

Furthermore, as explained in the Q2 Announcement and the Q3 Announcement, the Group is optimistic about the recovery and growth opportunities of the OTA industry in China. The Company noted a significant boost in market confidence and demand since the second quarter of 2023, as evidenced by the improvement in the search volume on the Group's online and mobile platforms, especially during the summer holiday.

During the third quarter of 2023, the Group has continued to achieve unprecedented highs in volume and revenue for its transportation ticketing and accommodation reservation businesses. For the three months ended September

LETTER FROM THE BOARD

30, 2023, revenue from transportation ticketing services increased by 70.3% year-to-year 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. The air ticket sales volume of the Group, during the same period, 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. The train ticketing business maintained robust revenue growth as the Group 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 the bus ticketing and car-hailing businesses of the Group. The accommodation business also demonstrated strong vitality and achieved another record high in volume and revenue. For the three months ended September 30, 2023, revenue from the accommodation business increased by 37.7% year-to-year to RMB1,127.4 million. The room nights sold by the Group grew by over 100% compared to the same period of 2019.

- (iv) Historical transaction amounts for the two years ended December 31, 2022 and the ten months ended October 31, 2023.

Such transaction amounts reflected the recovery and increasing trend of market demand and transactions volume in the post-pandemic era.

(II) Reasons for and Benefits of Entering into the 2023 Tencent Payment Services Framework Agreement

There are not many payment service providers in the PRC and among those, Tencent Group is one of the leading payment services provider. The continued collaboration with Tencent Group would enhance user experience to the benefits of the Group's users. The Group believes that such collaboration with Tencent Group is fair and reasonable, beneficial for the operational stability and business growth of the Group and in the interests of the Company and the Shareholders as a whole.

(III) Information of the Parties

The Group is a market leader in China's online travel industry. The Group offers a comprehensive and innovative selection of products and services covering nearly all aspects of travel, including transportation ticketing, accommodation reservation, attraction ticketing services and various ancillary value-added travel products and services designed to meet users' evolving travel needs.

Tencent Group is principally engaged in the provision of value-added services, online advertising services and FinTech and business services. The shares of Tencent are listed on the Main Board of the Stock Exchange (stock code: 700).

LETTER FROM THE BOARD

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

(IV) Listing Rules Implications

As Tencent Computer is a subsidiary of Tencent, a substantial shareholder of the Company which holds approximately 21.12% of the Shares as at the Latest Practicable Date, Tencent Computer is a connected person of the Company pursuant to Rule 14A.07(4) of the Listing Rules.

Accordingly, the transactions contemplated under the 2023 Tencent Payment Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Since the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the transactions are more than 5%, the proposed annual caps under the 2023 Tencent Payment Services Framework Agreement are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(V) Directors' Confirmation in Relation to 2023 Tencent Payment Services Framework Agreement

The Directors (including the independent non-executive Directors but excluding Mr. Xie Qing Hua and Mr. Brent Richard Irvin) are of the view that the 2023 Tencent Payment Services Framework Agreement has been and will be entered into in the ordinary and usual course of business of the Group, is on normal commercial terms and is fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors (including the independent non-executive Directors but excluding Mr. Xie Qing Hua and Mr. Brent Richard Irvin) are of the view that the proposed annual caps under the 2023 Tencent Payment Services Framework Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

From the perspective of good corporate governance, Mr. Xie Qing Hua and Mr. Brent Richard Irvin (each, a non-executive Director) abstained from voting on the resolution approving the 2023 Tencent Payment Services Framework Agreement at the relevant Board meeting(s) due to their positions at Tencent Group. Save as disclosed above, no other Director has any material interest in the 2023 Tencent Payment Services Framework Agreement.

(VI) Approval by Independent Shareholders

The Company will seek the Independent Shareholders' approval at the EGM for, among others, the 2023 Tencent Payment Services Framework Agreement on the condition that:

1. the annual transaction amount of the 2023 Tencent Payment Services Framework Agreement shall not exceed the respective annual caps;

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2. (i) the 2023 Tencent Payment Services Framework Agreement will be entered into in the ordinary and usual course of business of the Group and either (a) on normal commercial terms or better; or (b) if there is no available comparison, on terms no less favorable than terms available to the Group from independent third parties; and
- (ii) the transactions will be entered into in accordance with the 2023 Tencent Payment Services Framework Agreement and on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company will comply with relevant provisions of the Listing Rules in relation to the transactions under the 2023 Tencent Payment Services Framework Agreement.

B. 2023 Trip.com Travelling Resources Provision Framework Agreement

(I) Provision of Access of the Group's Platforms to Trip.com Group and/or its Associates for the Offering of Travelling Resources

Background

Reference is made to the announcement of the Company dated December 5, 2023 in relation to the renewal of annual caps for continuing connected transactions in respect of 2024 to 2026.

Continuing Connected Transactions under the 2023 Trip.com Travelling Resources Provision Framework Agreement

On December 5, 2023, C-Travel and the Company entered into the 2023 Trip.com Travelling Resources Provision Framework Agreement, pursuant to which the Group will provide Trip.com Group and/or its associates with access to the Group's platforms for the offering of 2023 Trip.com Main Travelling Services by Trip.com Group and/or its associates for a term of three years from January 1, 2024 to December 31, 2026.

The principal terms of the 2023 Trip.com Travelling Resources Provision Framework Agreement are summarized below.

The 2023 Trip.com Travelling Resources Provision Framework Agreement

Date

December 5, 2023

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Parties

- (1) C-Travel
- (2) The Company

Term

The 2023 Trip.com Travelling Resources Provision Framework Agreement has a term of three years from January 1, 2024 to December 31, 2026. Subject to compliance with the Listing Rules and applicable laws and regulations and mutual agreement among parties, the 2023 Trip.com Travelling Resources Provision Framework Agreement may be automatically renewed for a further term of three years upon the mutual consent of both parties, unless the parties agree in writing to terminate the 2023 Trip.com Travelling Resources Provision Framework Agreement during its term.

Nature of the transactions

- (a) Provision of access to the Group's platforms for the offering of 2023 Trip.com Main Travelling Services by Trip.com Group and/or its associates

Pursuant to the terms of the 2023 Trip.com Travelling Resources Provision Framework Agreement, Trip.com Group and/or its associates will provide 2023 Trip.com Main Travelling Services to the Group. For each valid order confirmed ultimately by the user on the online and mobile platforms of the Group, the Group will receive commissions from Trip.com Group and/or its associates or the third-party TSPs which provide the accommodation booking services, transportation ticketing services, vacation products and attraction ticketing services.

- (b) Offering of the wide variety of travelling resources on the Group's platform

In return for offering of the wide variety of travelling resources by Trip.com Group and/or its associates on the Group's platforms, the Group will pay system maintenance fees to Trip.com Group and/or its associates.

The precise scope of the calculation of commissions receivable by the Group for each type of services provided by Trip.com Group and/or its associates and the service maintenance fees payable by the Group for each type of services offered by Trip.com Group and/or its associates on the Group's platforms will be specified in the implementation agreements to be entered into under the 2023 Trip.com Travelling Resources Provision Framework Agreement.

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Pricing basis

- (a) Provision of access to the Group's platforms for the offering of 2023 Trip.com Main Travelling Services by Trip.com Group and/or its associates

For the provision of access to the Group's platform for the offering of 2023 Trip.com Main Travelling Services by Trip.com Group and/or its associates, the commissions receivable from Trip.com Group and/or its associates or the third-party TSPs is determined based on the prevailing market rates. Generally, in determining the market rates, the Group considers (i) the historical commission rates, (ii) the commission rates charged by the other comparable third-party online and mobile platforms in connection with the similar types of travelling resources, and (iii) the procurement, selling and administrative expenses. The Group will also adjust the commissions receivable if there is any significant change in the cost of sales and expenses incurred.

Specific considerations taken into account in the pricing of the each of the 2023 Trip.com Main Travelling Services offered by Trip.com Group and/or its associates to the Group are set out below:

- (i) *Accommodation booking services*

For the provision of accommodation booking services offered on the Group's platform, the Group leverages its own data capabilities to help users choose the best products. For the determination of the mark-up rate of each hotel accommodation to be offered on the Group's platforms, the Group takes into account a number of factors, including (a) location and (b) historical sales amounts of each hotel accommodation, which are determined with reference to the market research conducted by the Company's procurement team to ascertain the basis and calculation methods of the mark-up rates charged by other independent third party online and/or mobile platforms offering similar accommodation booking services. In addition, the identical mark-up rates are, in any event, charged indiscriminately to all of the Group's suppliers of hotel accommodations. This demonstrates that the transactions with Trip.com Group and/or its associates are on normal commercial terms and not preferential to Trip.com Group.

- (ii) *Transportation ticketing services*

For the provision of transportation ticketing services offered on the Group's platforms, the Group leverages its own data capabilities to help users book the most valued-added transportation products and services. For each valid order confirmed ultimately by the user on the Group's platform, the Group will receive a commission, which shall be determined having taken into account factors, including (x) prevailing market rates and (y) historical sales amounts of each transportation products and services.

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(iii) Vacation products

The commissions of vacation products receivable from Trip.com Group and/or its associates is determined with reference to the commission rates of similar vacation products charged to other comparable third-party travel agency companies. For the provision of vacation products offered on the Group's platforms, the Group leverages its own data capabilities and takes into account factors, including (w) scarcity of product resources, (x) commission rates offered by relevant supplier, (y) evaluation and feedbacks from our users and customers, and (z) refund and change policy.

(iv) Attraction ticketing services

For the provision of attraction ticketing services offered on the Group's platforms, the Group leverages its own data capabilities to help users choose the best products, and in selecting the most suitable suppliers, the Group takes into account factors, including (w) reservation capabilities, (x) flexibility in reservation amendment and cancellation, (y) quotation price and (z) historical user demand.

(b) Offering of the wide variety of travelling resources on the Group's platform

In return for the offering of the wide variety of travelling resources by Trip.com Group and/or its associates on the Group's platforms, the system maintenance fees payable to Trip.com Group and/or its associates are determined based on a pre-determined formula after arm's length negotiation between the parties with reference to (i) the historical fees payable, (ii) the expenses that would have been incurred by the Group in search for and to procure for the listing of the various travelling resources on the Group's platforms and (iii) commissions receivable by the Group from providing the travelling resources of Trip.com Group and/or its associates to the user.

The "prevailing market rates" of the commission for each type of travelling resources offered on the Group's platforms are charged indiscriminately to both Trip.com Group and/or its associates and the other independent suppliers of travelling resources, in the event that the end consumer confirms the order for the travelling resources offered on the Group's Platforms. The determination of the specific "prevailing market rates" charged to its suppliers for each type of the travelling resources, is specific to the nature of the type of travelling resources. The Company's procurement team is responsible to conduct market research to ascertain the basis and calculation method of the commission rates charged by the other online and/or mobile platforms with the offerings of travelling resources.

The pre-determined formula for the system maintenance fees payable by the Group is mainly determined by the factors of (i) the expenses that would have been incurred by the Group in search for and to procure for the listing of the various travelling resources on the Group's platforms and (ii) commissions receivable by the Group from providing

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the travelling resources of Trip.com Group and/or its associates to the users. For example, for the accommodation booking services, the Company compares the cost of searching and procuring the substantially similar types of accommodation resources from at least two other independent suppliers and the commission rates charged, in the determination of the system maintenance fees payable in each individual transaction for the offering of travelling resources.

In the event that no comparable independent third party is available, the team of senior management of the Group designated to monitor continuing connected transactions is required to explain the reasonableness and necessity of the relevant transactions of the offering of travelling resources by Trip.com Group and/or its associates and why it is in the interests of the Group as a whole, in terms of the background of the cooperation, cooperation considerations and reasonableness of pricing. In other words, if the fees in the subsequent implementation agreements of the 2023 Trip.com Travelling Resources Provision Framework Agreement are not on normal commercially favourable terms, the Group would negotiate with Trip.com Group and/or its associates in order to ensure that the arrangements will not be detrimental to the interests of the Group. The Group will not enter into any agreements with Trip.com Group and/or its associates if such agreements are not on normal commercial terms.

The Company has established a comprehensive and cross-department internal control system, which is further elaborated in the section headed “*Internal Control Measures*” in the Letter from the Board to this circular and it has in place a sophisticated AI and information technology infrastructure, including a supplier management system, which automatize the management of the offering of travelling resources on the Group’s platform (including that by Trip.com Group and/or its associates), including the calculation and application of commission rates and system maintenance fees on each individual transaction with Trip.com Group and/or its associates to ensure that the transactions will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its Shareholders as a whole.

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

Historical amounts

Due to the intermittent resurgence of the COVID-19 pandemic in China between 2020 to 2022, the travel industry went through massive fluctuations, and travel sentiment was severely impacted at the material time. Accordingly, the Group recorded an overall year-to-year decline trend in its revenue for the three years ended December 31, 2022.

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The table below sets forth the historical amounts under the 2020 Trip.com Travelling Resources Provision Framework Agreement for the two years ended December 31, 2022 and the ten months ended October 31, 2023 and the annual cap for the year ending December 31, 2023:

	For the year ended December 31, 2021 <i>(RMB'000)</i>	For the year ended December 31, 2022 <i>(RMB'000)</i>	For the ten months ended October 31, 2023 <i>(RMB'000)</i> <i>(unaudited)</i>	Annual cap for the year ended December 31, 2023 <i>(RMB'000)</i>
Commissions to be received by the Group from Trip.com Group and/or its associates and third-party TSPs for the provision of access to the Group's platforms for the offering of Trip.com Group transportation services, attraction ticketing services, and accommodation booking services	1,574,612	1,686,781	2,115,403	6,000,000
System maintenance fees payable to Trip.com Group and/or its associates for offering its travelling resources (including the accommodation services and car rental services) on the Group's platforms	150,565	143,649	216,423	650,000
Total	1,725,177	1,830,430	2,331,826	6,650,000

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The historical amounts set out above included the commissions to be received by the Group from third-party TSPs in relation to the 2020 Trip.com Main Travelling Services that Trip.com Group and/or its associates offered on the Group's platforms. Although such commissions were not directly received from Trip.com Group and/or its associates, as the underlying Trip.com Main Travelling Services formed part of the Group's cooperation with Trip.com Group and the Group did not enter into direct contracts with the relevant third party TSPs, such commissions were deemed to also constitute amounts arising from the same connected transactions under the 2020 Trip.com Travelling Resources Provision Framework Agreement.

As shown above, the annualized actual transaction amount incurred under the 2020 Trip.com Travelling Resources Provision Framework Agreement for the two years ended December 31, 2022 fell short of the corresponding annual cap set at the time (being RMB3,575,000,000 and RMB4,760,000,000, respectively). Due to unpredictable market changes attributed to travel restrictions and policy changes during the pandemic, the annual cap was not as utilized as the Company had anticipated when such annual cap was formulated.

The Group's commissions received from Trip.com Group and/or its associates for the years ended December 31, 2021 and 2022 accounted for 20.89% (on a combined basis) and 25.62% of the Group's total revenue for the years ended December 31, 2021 and 2022, respectively.

As at the Latest Practicable Date, the actual transaction amount has not exceeded the annual cap for the year ending December 31, 2023. Despite soaring travel enthusiasm in China, global macro-economic environment has proven to be another undercurrent affecting travel sentiment and is expected to continue to reshape travel spending behaviors. As a result, the amounts of commission receivable from its suppliers of travelling resources on the Group's platforms, including Trip.com Group and/or its associates proportionally decreased, thus, the 2023 annual cap for the ten months ended October 31, 2023 was not utilized as the Company had anticipated when the 2023 annual cap was formulated.

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Proposed annual caps and basis of determination

The Company estimates that the annual caps for the 2023 Trip.com Travelling Resources Provision Framework Agreement for the three years ending December 31, 2026 are as follows:

	For the year ending December 31, 2024 <i>(RMB'000)</i>	For the year ending December 31, 2025 <i>(RMB'000)</i>	For the year ending December 31, 2026 <i>(RMB'000)</i>
Commissions to be received by the Group from Trip.com Group and/or its associates and third-party TSPs for providing access to the Group's platforms for the offering of Trip.com Group's accommodation booking services, transportation ticketing services, vacation products and attraction ticketing services	4,550,000	5,770,000	7,300,000
System maintenance fees payable to Trip.com Group and/or its associates for offering its travelling resources on the Group's platforms	494,000	627,000	795,000
Total	5,044,000	6,397,000	8,095,000

The annual caps as set out above include the commissions to be received by the Group from third-party TSPs in relation to the 2023 Trip.com Main Travelling Services that Trip.com Group and/or its associates may offer on the Group's platforms. Although such commissions will not be directly received from Trip.com Group and/or its associates, as the underlying accommodation booking services, transportation ticketing services, vacation products and attraction ticketing services will form part of the Group's cooperation with Trip.com Group and the Group will not enter into direct contracts with the relevant third-party TSPs, such commissions are deemed to also constitute amounts arising from the same connected transactions under the 2023 Trip.com Travelling Resources Provision Framework Agreement.

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

- (i) *Estimated increasing market demand for the accommodation booking services, transportation ticketing services, vacation products and attraction ticketing services in the next three years based on the Group's internal business forecast.*

More particularly, the Company has taken into account the expected increase in domestic and outbound tourism demand for accommodation booking services, transportation ticketing services, vacation products and attraction ticketing services, as evidenced by the notable increases in such demand in the golden week holiday in October 2023, and the expected significant increase in the online ticketing segment due to the Group's efforts in (i) enhanced collaboration with Tencent-based Platforms which are likely to attract more users of the Group's platforms; (ii) offline user acquisition through the successful consolidation of businesses of Tongcheng International Travel and Tongcheng Tourism; and (iii) capturing registered users in lower-tier cities markets in Mainland China. The proposed annual caps for the years 2024 to 2026 are in line with Group's forecast of business outlooks of all of the travelling resource segments. For example, during the golden week of National Holiday in 2023, the accommodation booking orders from the third-tier cities in China recorded a higher increase comparing to the same period last year, while the transportation ticket volume from the third-tier or below cities in the PRC has also recorded a higher increase comparing to the same period last year.

- (ii) *Expected annual increase of the Group's user base.*

As a result of the diverse strategies implemented, the Group has successfully increased its market share by penetrating into the untitled markets in the PRC to serve the localized demands of various lower-tier cities.

As of the third quarter of 2023, the Group's registered users residing in non-first-tier cities in China accounted for approximately 87% of the total registered users. For the third quarter of 2023, over 71% of the Group's new paying users on its Weixin-based platform were from non-first-tier cities in China, which increased significantly from the same period of 2019. Such growth of the Group's user base has contributed to the Group's increase in GMV and revenues. Therefore, the Group believes that the increased proposed annual caps for the years 2024 to 2026 reasonably reflect the increase in transaction amounts as a result of the forecasted gradually increasing penetration rates, user base and market share in the lower-tier cities.

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- (iii) *Future landscape and potential growth opportunities of the OTA industry in the PRC.*

When determining the proposed annual cap, the Company has taken into account, in this post-pandemic era, (1) the launch of various policies by the Chinese government to encourage domestic tourism consumption and advance the development of China's travel industry in 2023 (including but not limited to the notice of recovery and expansion of consumption released by the State Council of the PRC, measures for high quality development of tourism released by the State Council of the PRC, and notice of the resumption of travel agencies to operate outbound group tours for Chinese citizens to the relevant countries and regions released by the Ministry of Culture and Tourism of the People's Republic of China); and (2) rapid growth in Group's business and financial performance indicators, such as MPUs, APUs and GMV, reaching unprecedented heights, demonstrating the market demand and appetite for the services of the Group (and, as a result, the increased traffic on the Group's platforms and thus increased expected commissions to be received by the Group from Trip.com Group and/or its associates and third-party TSPs for providing access to the Group's platforms).

- (iv) *Historical transaction amounts for the two years ended December 31, 2022 and the ten months ended October 31, 2023, which reflected the recovery and increasing trend of market demand and transactions volume in the post-pandemic era, compared to the historical transaction amounts for the two years ended December 31, 2022.*

The Group's optimistic business outlook of the OTA industry supports the Group's forecast that the Group's GMV will reach the pre-COVID-19 level and achieve healthy growth for the three years from 2024 to 2026. Therefore, the commissions receivable by the Group and the system maintenance fees payable by the Group would also increase proportionately.

(II) Reasons for and Benefits of Entering into the 2023 Trip.com Travelling Resources Provision Framework Agreement

The Group believes that utilizing Trip.com Group's resources would expand the variety of travel products and services offered on the Group's online and mobile platforms, provide a more comprehensive portfolio of product and service offerings to the Group's users covering nearly all of their travel needs, and therefore provide the Group's users with a more enriched and seamless user experience on the Group's platforms. The Group could further consolidate its market positioning as a one-stop platform for travelers.

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(III) No Undue Reliance on Trip.com Group

The Group believes that the 2023 Trip.com Travelling Resources Provision Framework Agreement does not constitute undue reliance on Trip.com Group on the following grounds:

(a) Trip.com Group and the Group has a complementary and mutually-beneficial relationship

Although Trip.com Group is currently Asia's largest online travel agency, the online travel agency industry, in particular the upstream supplier market, is of a fragmented nature with no player dominating the supply of any types of travelling resources. In the context of the industry landscape, the relationship between Trip.com Group and the Group is complementary and mutually beneficial in the following ways:

- Strategic partnerships and sharing of travel resources for offering to the consumers among participants in the online travel agency industry are very common as such allows the participants to improve operational efficiency and expand product coverage. Similarly, the strategic partnership between the Group and Trip.com Group enables both the Group and Trip.com Group to devote more resources to non-price competition through customer service improvement and product innovation in order to distinguish each other from the other competitors. For example, pursuant to the 2023 Trip.com Travelling Resources Provision Framework Agreement, by having direct access to the booking system of Trip.com and/or its associates, the Group is able to efficiently put up offering of the travelling resources that Trip.com and/or its associates have in stock. As a result, the Group can save the expenses that would have been incurred by the Group in search for and to procure for the listing of the various travelling resources on the Group's platforms, in particular the additional costs to hire personnel engaging in such research and procurement.
- Pursuant to the 2023 Trip.com Travelling Resources Provision Framework Agreement, Trip.com Group is granted access to offer its travelling resources on the Group's exclusive Tencent-based platforms, which have market-leading user traffic. Since the beginning of 2023, the Company has recorded excellent growth in our traffic with both MAUs and MPUs reaching unprecedented heights. For the three months ended September 30, 2023, the average MPUs increased by 20.1% year-to-year to 44.2 million and the average APUs for the twelve months ended September 30, 2023 reached a record high of 224.7 million. In addition, Trip.com Group is able to offer its travelling resources to the Group's wide user group, such that a wider variety of products and services are available to users in order to satisfy their changing travelling needs. In the second quarter of 2023, the Group has further advanced our Black Whale membership program by introducing more exclusive benefits and privileges to our members, unveiled new membership versions to accommodate diverse

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travel occasions, and provided more exclusive entertainment benefits, such as movies and music festivals, to our members. The Group also offered our high-value users complimentary concert tickets with premium facilities to elevate their experience. We also collaborated with the Jiangsu Provincial Department of Culture and Tourism (江蘇省文化和旅遊廳) and co-launched a digital membership that grants free access to all tourist attractions and several entertainment facilities within Jiangsu Province. Over the past third quarter, the cumulative number of our Black Whale members sustained rapid growth.

- The 2023 Trip.com Travelling Resources Provision Framework Agreement and the 2023 Trip.com Travelling Resources Sales Framework Agreement (as defined in the announcement of the Company dated December 5, 2023 in relation to the renewal of annual caps for continuing connected transactions in respect of 2024 to 2026) together provide a full picture to the complementary and collaborative relationship between the Group and the Trip.com Group. Pursuant to the 2023 Trip.com Travelling Resources Sales Framework Agreement, Trip.com Group provides access to the Group for the Group's offering of its travelling resources. The Group's niche focus in the lower-tier cities in China enriches the offering of travelling resources that Trip.com Group can offer to its users on its platforms.

(b) The Group's efforts and initiatives that would diversify and reduce its reliance on Trip.com Group

The Company aims to develop and maintain long-term and strategic relationship with all of its suppliers, which represents the Group's efforts and initiatives that would diversify and reduce its reliance on Trip.com Group in the following ways:

- The Group has an extensive and fast-growing supplier network. The Group's supplier network is now covering 23 provinces, 5 autonomous administrative regions, 4 municipalities and a special administrative region of the PRC.
- The Group has in place a rigorous supplier selection process. When determining whether to introduce a prospective supplier to its platforms, the Group takes into account various factors, including reputation, industry expertise and know-how, price competitiveness, and a history of delivering high-quality products and services. Measures taken by the Group include contracting with regional travel agents, launching joint-marketing campaigns and directly linking the Group's platforms to booking systems operated by the suppliers.

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- The Group launched various initiatives to deepen the cooperation by strengthening the Group's value propositions to them. For example, as part of the ancillary value-added services the Group provides to the suppliers, the Group uses data analytic capabilities to help them develop innovative services to meet travelers' evolving needs and to optimize the pricing of such products.
 - The Group believes this helps to build stronger ties with existing TSPs and attract potential TSPs. 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 hotels selections and alternative accommodation options, approximately 430,000 bus routes, over 890 ferry routes and more than 10,000 domestic tourist attractions ticketing services.
- (c) *The Group's ability to mitigate its exposure to any material adverse impact despite its material reliance*
- There is not a supplier reliance issue between the Group and Trip.com Group in the traditional sense that there is a high level of supplier concentration, i.e., the commissions receivable from Trip.com Group accounting for a high proportion of the total revenue of the Group does not point to the conclusion that if Trip.com Group ceases to supply its travelling resources to the Group, the operation and performance of the Group will be inevitably materially affected. This is because the role of Trip.com Group in the strategic partnership with the Group is more to enrich the Group's offering of travelling resources so that the Group can more easily provide with its user with highly reliable and suitable travel solutions.
 - In any event, in order to ensure operation independence, the Group maintains an in-house procurement team independent of the Trip.com Group to obtain travel resources for sale on the Group's platforms directly from suppliers, and to negotiate partnerships with travel agents and other OTA. The Group will continue to tailor its products and services that better suit the needs of its users and business strategies.
- (d) *No indication that the relationship between the Group and Trip.com Group would terminate or materially adversely change*

The strategic partnership between the Group and the Trip.com Group began in 2015. The Directors do not see any material red flags indicating any material adverse changes to the established relationship between Trip.com Group and the Group.

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(IV) Information of the Parties

The Group is a market leader in China's online travel industry. The Group offers a comprehensive and innovative selection of products and services covering nearly all aspects of travel, including transportation ticketing, accommodation reservation, attraction ticketing services and various ancillary value-added travel products and services designed to meet users' evolving travel needs.

Trip.com Group (NASDAQ: TCOM; Stock Exchange: 9961) is a leading global one-stop travel platform, integrating a comprehensive suite of travel products and services and differentiated travel content, founded in 1999 and listed on the NASDAQ in 2003 and the Stock Exchange in 2021.

C-Travel is a limited liability company incorporated under the laws of the Cayman Islands, and is wholly-owned by Trip.com Group.

(V) Listing Rules Implications

As at the Latest Practicable Date, C-Travel is one of the substantial shareholders of the Company which held approximately 18.24% of the Shares, and as such, C-Travel is a connected person of the Company under the Listing Rules. Therefore, the transactions contemplated under the 2023 Trip.com Travelling Resources Provision Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the aggregated transactions are more than 5%, the proposed annual caps under the 2023 Trip.com Travelling Resources Provision Framework Agreement are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(VI) Directors' Confirmation in Relation to the 2023 Trip.com Travelling Resources Provision Framework Agreement

The Directors (including the independent non-executive Directors but excluding Mr. Liang Jianzhang and Mr. Jiang Hao) are of the view that the 2023 Trip.com Travelling Resources Provision Framework Agreement has been and will be entered into in the ordinary and usual course of business of the Group, is on normal commercial terms and is fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors (including the independent non-executive Directors but excluding Mr. Liang Jianzhang and Mr. Jiang Hao) are of the view that the proposed annual caps under the 2023 Trip.com Travelling Resources Provision Framework Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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From the perspective of good corporate governance, Mr. Liang Jianzhang and Mr. Jiang Hao (each, a non-executive Director) abstained from voting on the resolution approving the 2023 Trip.com Travelling Resources Provision Framework Agreement at the relevant Board meeting(s) due to their positions at Trip.com Group. Save as disclosed above, no other Director was deemed to have any material interest in the 2023 Trip.com Travelling Resources Provision Framework Agreement and the transactions contemplated thereunder and accordingly, no other Directors were required to abstain from the relevant Board resolution(s).

(VII) Approval by Independent Shareholders

The Company will seek the Independent Shareholders' approval at the EGM for, among others, the 2023 Trip.com Travelling Resources Provision Framework Agreement on the condition that:

1. the annualized transaction amount of the 2023 Trip.com Travelling Resources Provision Framework Agreement shall not exceed the proposed annual caps for each of the three years ending December 31, 2026;
2. (i) the 2023 Trip.com Travelling Resources Provision Framework Agreement will be entered into in the ordinary and usual course of business of the Group and either (a) on normal commercial terms or better; or (b) if there is no available comparison, on terms no less favourable than terms available to the Group from independent third parties; and

(ii) the transactions will be entered into in accordance with the 2023 Trip.com Travelling Resources Provision Framework Agreement and on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company will comply with relevant provisions of the Listing Rules in relation to the transactions under the 2023 Trip.com Travelling Resources Provision Framework Agreement.

INTERNAL CONTROL MEASURES

The Group has a comprehensive internal control system to ensure that (a) the terms of the 2023 Tencent Payment Services Framework Agreement and the 2023 Trip.com Travelling Resources Provision Framework Agreement are fair and reasonable, and (b) the 2023 Tencent Payment Services Framework Agreement and the 2023 Trip.com Travelling Resources Provision Framework Agreement and the transaction contemplated thereunder are conducted on normal commercial terms or better and in the ordinary course of business of the Group, and in the interests of the Company and the Shareholders as a whole. Relevant internal control measures include the following:

- (i) The Group has designated a team of senior management from the business operations, legal, risk control and finance departments to continuously monitor continuing connected transactions. The team of senior management continuously traces and regularly monitors the progress of continuing connected transactions and reports to the Board.

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- (ii) With respect to the 2023 Trip.com Travelling Resources Provision Framework Agreement, the relevant personnel of the business department of the Company (including the manager of business department) will conduct quarterly checks on the market fee rates for the purpose of considering if the commission charged for a specific type of transaction is fair and reasonable and in accordance with the pricing basis for the relevant continuing connected transactions. The marketing team will from time to time (on a quarterly basis and/or prior to price negotiation) gather market intelligence by way of research, investigation and obtaining quotations from independent third-party TSPs and online and mobile platforms to ascertain the reference market fee rates of each type of the travelling resources. The benchmark market fee rates of each type of the travelling resources will be entered into the computer system of the Group.
- (iii) With respect to the 2023 Tencent Payment Services Framework Agreement, the relevant personnel of the business department of the Company (including the manager of business department) will conduct quarterly checks on the payment and settlement fees payable to the Tencent Group for the purpose of considering if the service fees payable under each implementation agreement is fair and reasonable and in accordance with the pricing basis for the relevant continuing connected transactions.
- (iv) The team of senior management together with the finance department of the Group quarterly monitor the actual amounts incurred for each type of continuing connected transactions for the purpose of ensuring the relevant annual caps are not exceeded.
- (v) To ensure the Company is complying with the applicable rules in relation to the continuing connected transactions under the Listing Rules, the in-house legal department reviews and implements the above internal procedures quarterly.
- (vi) The team of senior management of the Group organizes and runs internal control tests quarterly to evaluate the completeness and effectiveness of the internal control measures in relation to continuing connected transactions.
- (vii) The Board conducts an annual review of the implementation of continuing connected transactions and conducts a review of financial statements which include the disclosure of continuing connected transactions semi-annually. The review mainly includes a review of whether the Group and the connected persons have fulfilled the terms of the agreements in relation to continuing connected transactions during the relevant year or semi-annually and whether the actual transaction amounts incurred between the Group and the connected persons are within the annual caps.
- (viii) The team of senior management of the Group collects and reviews continuing connected transactions each month in order to guarantee (i) the connected persons have fulfilled the terms of the agreements in relation to continuing connected

LETTER FROM THE BOARD

transactions during the relevant month and (ii) the actual transaction amounts incurred and estimated to be incurred between the Company and the connected persons are within the annual caps.

- (ix) The independent non-executive Directors conduct annual review of continuing connected transactions and provide annual confirmations in the Company's annual report on whether the continuing connected transactions are conducted (i) in the Group's ordinary course of business, (ii) in accordance with normal commercial terms or better and on terms that are fair and reasonable, (iii) in accordance with the terms of the relevant agreements, and (iv) in the interests of the Company and the Shareholders as a whole.
- (x) The Company's external auditors will also conduct an annual review of the continuing connected transactions of the Group in accordance with Rule 14A.56 of the Listing Rules, including the pricing policies and the annual caps thereof.

CLOSURE OF REGISTER OF MEMBERS

Reference is made to the announcement of the Company dated December 5, 2023 in relation to the renewal of annual caps for continuing connected transactions for 2024 to 2026, the register of members of the Company will be closed from December 21, 2023 (Thursday) to December 28, 2023 (Thursday), both days inclusive, in order to determine the eligibility of Shareholders to attend the above meeting, during which period no share transfers will be registered. To be eligible to attend the above meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on December 20, 2023 (Wednesday).

EXTRAORDINARY GENERAL MEETING

As set out in the notice of the EGM (pages 68 to 70 of this circular), ordinary resolutions will be proposed to the Shareholders to consider and approve (i) the 2023 Tencent Payment Services Framework Agreement and the consummation of transactions contemplated thereunder, and (ii) the 2023 Trip.com Travelling Resources Provision Framework Agreement and the consummation of transactions contemplated thereunder.

A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.tongchengir.com). Whether or not you are able to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for

LETTER FROM THE BOARD

the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the EGM (or any adjournment thereof) if they so wish.

In accordance with the Listing Rules, Tencent and its associates (holding 476,215,740 Shares, representing 21.12% of the Shares, as of the Latest Practicable Date) are considered to have a material interest in the 2023 Tencent Payment Services Framework Agreement while Trip.com Group and its associates (holding 560,234,960 Shares, representing 24.84% of the Shares, as of the Latest Practicable Date) are considered to have a material interest in the 2023 Trip.com Travelling Resources Provision Framework Agreement. Therefore, Tencent and its associates will, at the EGM, abstain from voting on the ordinary resolution to approve the 2023 Tencent Payment Services Framework Agreement (including the proposed annual caps) while Trip.com and its associates will, at the EGM, abstain from voting on the ordinary resolution to approve the 2023 Trip.com Travelling Resources Provision Framework Agreement (including the proposed annual caps). Except as disclosed, no other Shareholder has any material interest in the proposed resolutions and is required to abstain from voting on such resolutions at the EGM.

Pursuant to Rule 13.39(4) of the Listing Rules and Article 66(1) of the Articles of Association, a resolution put to the vote at any general meeting shall be decided on a poll save that the Chairman may, in good faith, allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

On a poll, every Shareholder present in person or by proxy or (being a corporation) by its duly authorized representative shall have one vote for each share registered in their name in the register of members. A Shareholder entitled to more than one vote need not use up all his/her/its votes nor cast all the votes in the same way.

RECOMMENDATION OF THE BOARD

The Directors are of the opinion that the terms of the 2023 Tencent Payment Services Framework Agreement and the 2023 Trip.com Travelling Resources Provision Framework Agreement (including the respective proposed annual caps) are fair and reasonable, on normal commercial terms or better, and the Tongcheng Continuing Connected Transactions are carried out in the ordinary and usual course of business. They are also of the opinion that the Tongcheng Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that the Independent Shareholders vote in favour of all the relevant ordinary resolutions to be proposed at the EGM.

LETTER FROM THE BOARD

RECOMMENDATION OF THE INDEPENDENT FINANCIAL ADVISER AND THE INDEPENDENT BOARD COMMITTEE

An Independent Board Committee has been formed to advise the Independent Shareholders in connection with the Tongcheng Continuing Connected Transactions (including the respective proposed annual caps), and South China has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders.

The Independent Financial Adviser considers the 2023 Tencent Payment Services Framework Agreement and the 2023 Trip.com Travelling Resources Provision Framework Agreement (including the respective proposed annual caps) are on normal commercial terms and in the ordinary and usual course of business of the Group. The Independent Financial Adviser also considers that the 2023 Tencent Payment Services Framework Agreement and the 2023 Trip.com Travelling Resources Provision Framework Agreement (including the respective proposed annual caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The full text of the letter from the Independent Financial Adviser issued by South China containing its recommendation in respect of the 2023 Tencent Payment Services Framework Agreement and the 2023 Trip.com Travelling Resources Provision Framework Agreement (including the respective proposed annual caps) is set out on pages 37 to 61 of this circular.

The Independent Board Committee, having taken into account the advice of South China, considers the terms of the 2023 Tencent Payment Services Framework Agreement and the 2023 Trip.com Travelling Resources Provision Framework Agreement (including the respective proposed annual caps) are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends that the Independent Shareholders vote in favour of the relevant ordinary resolutions to be proposed at the EGM to approve the 2023 Tencent Payment Services Framework Agreement and the 2023 Trip.com Travelling Resources Provision Framework Agreement (including the respective proposed annual caps). The full text of the letter from the Independent Board Committee is set out on page 36 of this circular.

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



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)

December 11, 2023

To the Independent Shareholders

Dear Sir or Madam,

**(1) RENEWAL OF ANNUAL CAPS FOR CONTINUING CONNECTED
TRANSACTIONS IN RESPECT FOR 2024 TO 2026;
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

We have been appointed as the Independent Board Committee to advise you in connection with the 2023 Tencent Payment Services Framework Agreement and the 2023 Trip.com Travelling Resources Provision Framework Agreement (including the respective proposed annual caps), details of which are set out in the letter from the Board contained in the circular issued by the Company to the Shareholders dated December 11, 2023, of which this letter forms part. We wish to draw your attention to the letter from the Independent Financial Adviser as set out on pages 37 to 61 of the circular. Terms defined in the circular shall have the same meanings when used herein, unless the context otherwise requires.

Having considered the information set out in the letter from the Board, the terms of the 2023 Tencent Payment Services Framework Agreement and the 2023 Trip.com Travelling Resources Provision Framework Agreement and the advice of South China in relation thereto as set out on pages 37 to 61 of the circular, we are of the view that the 2023 Tencent Payment Services Framework Agreement and the 2023 Trip.com Travelling Resources Provision Framework Agreement (including the respective proposed annual caps) are on normal commercial terms and conducted in the ordinary and usual course of the business of the Group. We are also of the view that the 2023 Tencent Payment Services Framework Agreement and the 2023 Trip.com Travelling Resources Provision Framework Agreement (including the proposed annual caps) are in the interests of the Company and the Shareholders as a whole, and are fair and reasonable so far as the Independent Shareholders are concerned.

Accordingly, we recommend that the Independent Shareholders vote in favour of the relevant ordinary resolutions to be proposed at the EGM to approve the 2023 Tencent Payment Services Framework Agreement and the 2023 Trip.com Travelling Resources Provision Framework Agreement (including the respective proposed annual caps).

Yours faithfully,

For and on behalf of the Independent Board Committee

Tongcheng Travel Holdings Limited

YANG Chia Hung DAI Xiaojing HAN Yuling

Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice to the Independent Board Committee and the Independent Shareholders from the Independent Financial Adviser setting out its opinion regarding the Tongcheng Continuing Connected Transactions (including the proposed respective annual caps) for the purpose of inclusion in this circular.



South China Capital Limited

28/F., Bank of China Tower

No. 1 Garden Road, Central

Hong Kong

December 11, 2023

To the Independent Board Committee and the Independent Shareholders

Tongcheng Travel Holdings Limited

Tongcheng Mansion

No. 188 Yuxin Road

Suzhou Industrial Park

Suzhou City

Jiangsu Province

China

Dear Sirs,

**RENEWAL OF ANNUAL CAPS FOR CONTINUING CONNECTED
TRANSACTIONS IN RESPECT OF 2024 TO 2026**

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Tongcheng Continuing Connected Transactions (including the proposed respective annual caps) contemplated under each of (i) the 2023 Tencent Payment Services Framework Agreement; and (ii) the 2023 Trip.com Travelling Resources Provision Framework Agreement (collectively, the “**2023 Non-exempt Framework Agreements**”), details of which are contained in the letter from the Board (the “**Letter from the Board**”) as set out in the circular dated December 11, 2023 (the “**Circular**”). Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those ascribed in the Circular.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Reference is made to the announcement of the Company dated December 5, 2023 in relation to the entering into of (i) the 2023 Tencent Payment Services Framework Agreement by the Company with the Tencent Group; and (ii) the 2023 Trip.com Travelling Resources Provision Framework Agreement by the Company with C-Travel, for a term of three years commencing on January 1, 2024 and ending on December 31, 2026 (both days inclusive).

IMPLICATIONS UNDER THE LISTING RULES

2023 Tencent Payment Services Framework Agreement

Tencent Computer is a subsidiary of Tencent, a substantial shareholder of the Company which holds approximately 21.12% of the Shares as at the Latest Practicable Date, therefore Tencent Computer is a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the 2023 Tencent Payment Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since the applicable percentage ratios (as defined under the Listing Rules) in respect of the transactions contemplated under the 2023 Tencent Payment Services Framework Agreement are more than 5%, the proposed annual caps under the 2023 Tencent Payment Services Framework Agreement are subject to the reporting, annual review, announcement, and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

2023 Trip.com Travelling Resources Provision Framework Agreement

C-Travel is one of the substantial shareholders of the Company which holds approximately 18.24% of the Shares as at the Latest Practicable Date, therefore C-Travel is a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the 2023 Trip.com Travelling Resources Provision Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since the applicable percentage ratios (as defined under the Listing Rules) in respect of the transactions contemplated under the 2023 Trip.com Travelling Resources Provision Framework Agreement are more than 5%, the proposed annual caps under the 2023 Trip.com Travelling Resources Provision Framework Agreement are subject to the reporting, annual review, announcement, and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the three independent non-executive Directors, namely Mr. Yang Chia Hung, Mr. Dai Xiaojing and Ms. Han Yuling, has been established to make recommendation to the Independent Shareholders regarding the Tongcheng Continuing Connected Transactions (including the proposed respective annual caps) contemplated under the 2023 Non-exempt Framework Agreements.

As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to whether the Tongcheng Continuing Connected Transactions (including the proposed respective annual caps) contemplated under the 2023 Non-exempt Framework Agreements are (i) conducted in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; (iii) fair and reasonable so far as the Independent Shareholders are concerned; and (iv) in the interests of the Company and the Shareholders as a whole, and to further give independent advice to the Independent Board Committee and the Independent Shareholders as to whether they should vote in favour of the Tongcheng Continuing Connected Transactions (including the proposed respective annual caps) contemplated under the 2023 Non-exempt Framework Agreements.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interests in the Company that could reasonably be regarded as relevant to our independence. Apart from normal professional fees payable to us in connection with this engagement, no arrangements exist whereby we had received any fees or benefits from the Company or any other party to the transactions that could reasonably be regarded as relevant to our independence. During the past two years, we did not have any engagement with the Company or the Directors, chief executives of the Company and substantial Shareholders or any of their associates. Therefore, we consider that we are independent from the Company pursuant to the Listing Rules.

BASIS OF OUR OPINION

In arriving at our recommendation, we have reviewed, among other things, each of the 2023 Non-exempt Framework Agreements, the Company's annual report for the financial year ended December 31, (the "FY(s)") 2021 (the "**2021 Annual Report**"), the Company's annual report for the FY 2022 (the "**2022 Annual Report**"), the Company's interim report for the six months ended June 30, 2023 (the "**2023 Interim Report**"), the results announcement of the Company dated May 24, 2023 (the "**Q1 Announcement**"), the results announcement of the Company dated August 22, 2023 (the "**Q2 Announcement**") and the results announcement of the Company dated November 21, 2023 (the "**Q3 Announcement**"). We have also discussed with the management of the Group (the "**Management**") regarding the commercial implications of the Tongcheng Continuing Connected Transactions (including the proposed respective annual caps). In addition, we have relied on the information and facts provided by the Company and have assumed that any representations made to us are true, accurate and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

complete. We have also relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and the Management. We have assumed that all information, representations and opinions contained or referred to in the Circular and all information, representations and opinions which have been provided by the Directors and the Management for which they are solely responsible, are true and accurate at the time they were made and will continue to be accurate at the date of the despatch of the Circular.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular the omission of which would make any such statement contained in the Circular misleading. We consider that we have been provided with sufficient information which forms a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. Having made all reasonable enquiries, the Directors have further confirmed that, to the best of their knowledge, they believe there are no other facts or representations whose omission would make any statement in the Circular, including this letter, misleading. We have not, however, carried out any independent verification of the information provided by the Directors and the Management, nor have we conducted an independent investigation into the business and affairs of the Group, Tencent, Tencent Computer, Trip.com Group and C-Travel.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation regarding the Tongcheng Continuing Connected Transactions (including the proposed respective annual caps) contemplated under the 2023 Non-exempt Framework Agreements, we have taken into consideration the following principal factors and reasons:

1. Information of the Group

The Company is an investment holding company incorporated in the Cayman Islands, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 0780).

The Group is a market leader in China's online travel industry. The Group is principally engaged in the provision of travel related services, including accommodation reservation services, transportation ticketing services, and other travel-related products and services in the PRC. The Group offers a comprehensive and innovative selection of products and services covering nearly all aspects of travel, including transportation ticketing, accommodation reservation, attraction ticketing services and various ancillary value-added travel products and services designed to meet users' evolving travel needs.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. The 2023 Tencent Payment Services Framework Agreement

2.1 *Information of the Tencent Computer*

Tencent Computer is a subsidiary of Tencent, and principally engaged in the provision of value-added services and internet advertising services in the PRC.

The Tencent Group is primarily engaged in the provision of value-added services, online advertising services and FinTech and business services. The shares of Tencent are listed on the Main Board of the Stock Exchange (stock code: 0700).

2.2 *Reasons for entering into the 2023 Tencent Payment Services Framework Agreement*

As set out in the Letter from the Board, there are not many payment service providers in the PRC and among those, Tencent Group is one of the leading payment service providers. The continued collaboration with Tencent Group would enhance user experience to the benefits of the Group's users. The Group believes that such collaboration with Tencent Group is fair and reasonable, beneficial for the operational stability and business growth of the Group and in the interests of the Company and the Shareholders as a whole.

2.3 *Principal terms of the 2023 Tencent Payment Services Framework Agreement*

On December 5, 2023, Tencent Computer and the Company entered into the 2023 Tencent Payment Services Framework Agreement, pursuant to which the Tencent Group will provide payment and settlement services through its payment channels to the Group for a term of three years from January 1, 2024 to December 31, 2026.

The principal terms of the 2023 Tencent Payment Services Framework Agreement are summarized below.

Terms

The 2023 Tencent Payment Services Framework Agreement has an initial term of three years from January 1, 2024 to December 31, 2026. Subject to compliance with the Listing Rules and applicable laws and regulations, the 2023 Tencent Payment Services Framework Agreement may be renewed for a further term of three years upon the mutual consent of both parties, unless the parties agree in writing to terminate the 2023 Tencent Payment Services Framework Agreement during its term.

Nature of the transactions

Pursuant to the terms of the 2023 Tencent Payment Services Framework Agreement, the Tencent Group agrees to provide payment and settlement services through its payment channels to the Group. The precise scope of service, service fee calculation and the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

method of payment and settlement will be specified in each of the implementation payment services agreements to be entered into between the parties under the 2023 Tencent Payment Services Framework Agreement.

Pricing basis

The service fee rates charged by the Tencent Group will be determined based on official prices published on the official websites of the Tencent Group that will provide payment and settlement services to different independent counterparties from different industries on normal commercial terms.

The Group will only enter into an implementation payment service agreement with the Tencent Group when the service fee rates published by the Tencent Group are in line with or lower than the market rates, and thus it is in the best interests of the Company and the Shareholders as a whole. In making such a determination, the Group takes into account a number of factors, including but not limited to (i) historical service fees charged by the Tencent Group; (ii) the service fees charged by the other comparable third-party online and mobile payment service providers; and (iii) the quality and stability of the payment and settlement services provided by the other comparable third-party online and mobile payment service providers.

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

We have independently researched from Tencent's official website at <https://kf.qq.com> to ascertain the general service fee charging rate for merchants using the payment and settlement services provided by Tencent. We noted that Tencent usually charges a common market commission rate on transactions made through WeChat payment system in China, which is exactly consistent with the service fee charging rate in relation to the provision of payment and settlement services by the Tencent Group to each of the Group and other independent third party merchants (the "**Independent Merchants**") engaging in the similar business nature. In addition, we have, on a random basis, obtained and reviewed a total of 200 transaction records with the Group's clients for the two FYs 2022 and 2023. Given that the selected transaction records were selected on a random basis and distributed over the period spanning the two FYs 2022 and 2023 (based on the unaudited transaction amount for ten months ended October 31, 2023) (collectively the "**Historical CCT Period**"), we consider the selected transaction records are relevant, sufficient and comparable. We note that the service fee rate charged by the Tencent Group was in line with the common market commission rate as mentioned above.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On such basis, we understand that the service charge rate of similar payment and settlement services is comparable among each other and no less favourable to the Group than the terms for similar transactions between Tencent Group and such Independent Merchants.

Having considered the pricing basis as set out in the Letter from the Board and the review of the transaction records as mentioned above, we are of the view that the pricing basis of the 2023 Tencent Payment Services Framework Agreement is on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

2.4 Proposed annual caps and basis of determination

The below table sets out (i) the historical transaction amounts in relation to the provision of payment and settlement by Tencent Group pursuant to the 2020 Tencent Payment Services Framework Agreement for the Historical CCT Period; (ii) the existing annual caps for each of the three FYs from 2021 to 2023; and (iii) the proposed annual caps in respect of the transactions contemplated under the 2023 Tencent Payment Services Framework Agreement for the each of the three FYs from 2024 to 2026 (the “CCT Period”):

	For the FY		
	2021	2022	2023
	(RMB'000) (Audited)	(RMB'000) (Audited)	(RMB'000) (Unaudited)
Transaction amounts paid by the Group	702,263	606,639	968,737 <i>(Note 1)</i>
Historical annual caps	1,500,000	1,800,000	2,100,000
Utilisation rates	46.8%	33.7%	46.1% <i>(Note 1)</i>

	For the FY		
	2024	2025	2026
	(RMB'000)	(RMB'000)	(RMB'000)
Proposed annual caps	2,200,000	2,800,000	3,600,000

Note:

- The actual transaction amounts for the year 2023 paid by the Group were for the ten months ended 31 October 2023. As at the Latest Practicable Date, the actual transaction amounts paid by the Group have not exceeded the annual caps for the year ending 31 December 2023.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We understand from the Management that, (i) due to the intermittent resurgence of the COVID-19 pandemic in China between 2020 and 2022, the travel industry went through massive fluctuations, and travel sentiment was severely impacted at the material time. Accordingly, the Group recorded an overall year-to-year decline trend in its revenue for the three years ended December 31, 2022; (ii) the annual actual transaction amount incurred under the 2020 Tencent Payment Services Framework Agreement for the two years ended December 31, 2022 fell short of the corresponding annual cap set at the time (being RMB1,500,000,000 and RMB1,800,000,000, respectively). Due to the unpredictable market changes attributed to travel restrictions and policy changes during the COVID-19 pandemic, the annual caps were not as utilized as the Company had anticipated when such annual caps were formulated; and (iii) in determining the above proposed annual caps in respect of the 2023 Tencent Payment Services Framework Agreement, the Group has taken into account the following factors:

- (i) *Increasing demand for payment and settlement services provided by Tencent Group from the Group's users, based on the Group's internal business forecast and analysis.* The China travel industry has sustained strong recovery momentum in 2023 and marked its significant post-pandemic revival. As a prominent OTA in the industry, through leveraging competitive advantages such as strengthened market position, diversified traffic sources and excellent execution and operational capabilities, the Group and its businesses have shown strong vitality which outpaced other industry players. As disclosed in the Q3 Announcement, major financial metrics of the Group have shown remarkable year-to-year increase for the third quarter of 2023 (including (1) revenue, which recorded a 61.1% year-to-year increase; (2) adjusted EBITDA, which recorded a 88.2% year-to-year increase; and (3) adjusted net profit, which recorded a 146.5% year-to-year increase). During the same period, key operational metrics of the Group have also shown excellent growth. The MAUs and MPUs have each registered record high. In particular, the GMV for the third quarter of 2023 has recorded a 75.1% year-to-year increase, which reflects the strong and surging business volume for the Group. Amid soaring travel enthusiasm which underpins the recent excellent financial performance of the Group, the Group continues its deep cooperation with Tencent Group with respect to the Tencent-based Platforms. As disclosed in the Q3 Announcement, the cooperation with QQ Browser provided its users with convenient access to the travel products of the Group on Weixin mini-program. The partnership with Tencent Docs has also delivered customized travel-related content targeting younger users. For the third quarter of 2023, about 80% of the Group's MAUs was contributed from the Tencent-based Platforms with a majority of the traffic came from the Weixin mini programs. The aforementioned strategic collaborations between the Group and those top handset vendors in China have assisted and will continue to assist the Group to diversify its online and offline traffic channels. Furthermore, as disclosed in the Q2 Announcement, the Group has successfully captured various opportunities in the lower-tier cities market and gained market share after implementing a number of strategies and efforts in lower-tier cities and offline user acquisitions, unravelling more business opportunities for the Company. As of September 30, 2023, the registered users of the Group residing in non-first-tier cities in China accounted for

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

approximately 87% of the total registered users. For the three months ended September 30, 2023, over 71% of the Group's new paying users on the Weixin platform were from non-first-tier cities in China. It is believed that the implemented offline user acquisition initiatives (including but not limited to (i) forging a strategic alliance with one of the leading handset vendors in China and integrating the Group's products and services into its ecosystem, (ii) maintaining the Group's collaboration with location-based APPs to broaden the Group's user reach, and (iii) partnering with hotels and leveraging the Group's QR code scanning function to acquire users) will continue to contribute meaningfully to the MPUs of the Group in the future. For the above reasons, the Group anticipates a stable growth rate of paying user acquisition from lower-tier cities in China, who are most likely users of the Tencent Group. The Group expects that the transactions attributed to the traffic on the Tencent-based Platforms would increase proportionately for the years 2024 to 2026 and considers that the yearly growth rates of the proposed annual caps for the years 2024 to 2026 reasonably track such projected increase in traffic on its Tencent-based Platforms.

- (ii) *Future landscape and potential growth opportunities of the OTA industry in the PRC.* When determining the proposed annual cap, the Company has also taken into account, in this post-pandemic era, (1) the launch of various policies by the Chinese government to encourage domestic tourism consumption and advance the development of China's travel industry in 2023 (including but not limited to the notice of recovery and expansion of consumption released by the State Council of the PRC, measures for high quality development of tourism released by the State Council of the PRC, and notice of the resumption of travel agencies to operate outbound group tours for Chinese citizens to the relevant countries and regions released by the Ministry of Culture and Tourism of the People's Republic of China); and (2) as disclosed above, the rapid growth in Group's business and financial performance indicators, such as MPUs, APUs and GMV reaching unprecedented heights, demonstrating the market demand and appetite for the services of the Group (and, as a result, the Group's growing demand for the payment and settlement services provided by Tencent Group).
- (iii) *Future strategic development plans of the Group.* Since late 2022, the Company has been exploring potential acquisition and investment opportunities which it believes to align with the overall business strategies of the Group. During 2023, the Group announced its acquisition of the entire equity interest in Tongcheng International Travel and Tongcheng Tourism (subject to completion), both of which focus on domestic, inbound and outbound tourism business. In particular, Tongcheng Tourism is able to cover major tourist destinations and client sources located in Jiangsu, Zhejiang, Guangdong, Fujian, Jiangxi, Shandong, Anhui, Beijing, Hubei, and Hunan through its travel agencies, and currently has over 500 offline stores spanned across Mainland China. The consolidation of the aforesaid newly acquired businesses enables the Group to further expand its scale of business and achieve further offline user acquisition. Additionally, the Group has also established long-term and

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sustainable business relationship with certain selected hotel partners that offer, inter alia, accommodation products as well as comprehensive auxiliary services across multiple disciplines, including hotel management services, such that the Group can diversify its existing product offering and increase hotel selection coverage for its platform users. As a result, the Company anticipates that the increased number of end-users will also attract a higher demand for payment and settlement services provided by Tencent Group. On the other hand, coupled with the enhanced collaboration between the Group and Tencent Group, the Group's user acquisition strategies, including an emphasis on the integration of technology and innovation into the Group's product offering and user experience, and the Group's market expansion strategy. It is believed that the successful implementation of such strategies will contribute to the Group's GMV, including payment and settlement transaction amounts, and achieve modest growth for the years from 2024 to 2026. Furthermore, as explained in the Q2 Announcement and the Q3 Announcement, the Group is optimistic about the recovery and growth opportunities of the OTA industry in China. The Company noted a significant boost in market confidence and demand since the second quarter of 2023, as evidenced by the improvement in the search volume on the Group's online and mobile platforms improved, especially during the summer holiday. During the third quarter of 2023, the Group has continued to achieve unprecedented highs in volume and revenue for its transportation ticketing and accommodation reservation businesses. For the three months ended September 30, 2023, revenue from transportation ticketing services increased by 70.3% year-to-year 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. The air ticket sales volume of the Group, during the same period, 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. The train ticketing business maintained robust revenue growth as the Group consistently focused on enhancing user value and satisfaction. Moreover, the Group seized the opportunity of the rising demand for short-haul travel and boosted the monetization capability of the Group's bus ticketing and car-hailing businesses. The accommodation business also demonstrated strong vitality and achieved another record high in volume and revenue. For the three months ended September 30, 2023, revenue from the accommodation business increased by 37.7% year-to-year to RMB1,127.4 million. The room nights sold by the Group grew by over 100% compared to the same period of 2019.

- (iv) *Historical transaction amounts for the two years ended December 31, 2022 and the ten months ended October 31, 2023.* Such transaction amounts reflected the recovery and increasing trend of market demand and transactions volume in the post-pandemic era.

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In assessing the fairness and reasonableness of the proposed annual caps for the provision of payment and settlement services from Tencent Group to the Group pursuant to the 2023 Tencent Payment Services Framework Agreement, we have reviewed the schedule of forecasted expenses for the relevant payment services to the Tencent Group prepared and provided by the Company for each of the coming three FYs from 2024 to 2026.

Based on our discussion with the Management, we understand that the proposed annual caps of RMB2,200 million, RMB2,800 million and RMB3,600 million for Tencent Group's provision of payment and settlement services to the Group for each of the coming three FYs from 2024 to 2026 respectively, which are determined based on (i) the Group's historical actual payment amount for the FY 2022 which was in a full year basis; (ii) the Management's past experience in online travel booking operations in the PRC; and (iii) the forecasted growth of online travel booking activities in the coming three FYs from 2024 to 2026. Benefiting from the "Revenge Travel" in the PRC after the three years of COVID curbs, the Management has anticipated a tremendous demand for online travel booking operations thereafter, and the transaction amounts for the Tencent Group's provision of payment and settlement services to the Group will further be growing for each of the coming three FYs from 2024 to 2026.

Based on our independent review of the 2021 Annual Report, the 2022 Annual Report, the Q1 Announcement, the Q2 Announcement, the Q3 Announcement and our independent research from public website, we noted that (i) the Group's revenue, which are mainly derived through online platform, had been increasing rapidly from (a) approximately RMB1,718 million for the first quarter of 2022 to RMB2,586 million for the first quarter of 2023; (b) approximately RMB1,319 million for the second quarter of 2022 to RMB2,866 million for the second quarter of 2023; and (c) approximately RMB2,048 million for the third quarter of 2022 to RMB3,299 million for the third quarter of 2023, representing a significant growth of about 51%, 117% and 61% respectively; (ii) the compound annual growth rate (the "CAGR") between the actual payment amount for the FY 2022 and the proposed annual cap of 2026, being RMB3,600 million, is about 56%; (iii) the GMV had been increasing rapidly from (a) approximately RMB57 billion for the first half of 2022 to RMB117 billion for the first half of 2023, representing an increase of about 106%; and (b) approximately RMB41 billion for the third quarter of 2022 to RMB71 billion for the third quarter of 2023, representing an increase of about 75%; (iv) about 80% of Group's average MAUs was contributed by Weixin mini program in FY 2022; (v) according to the data released by the Ministry of Culture And Tourism of the People's Republic of China, there were approximately 3.674 billion domestic tourist trips made by Chinese residents in the first three quarters of 2023, representing a year-on-year increase of about 76%; (vi) according to an article from China Briefing issued on August 22, 2023 (<https://www.china-briefing.com/news/chinas-tourism-in-2023-outlook-trends-and-opportunities/>), the total revenue from domestic tourism in 2023 is expected to exceed RMB4 trillion, representing a year-on-year increase of about 96%. Having considered (1) the significant growth in the Group's revenue in the first three quarters of 2023; (2) the CAGR as mentioned above; (3) the growth in the Group's GMV in the first three quarters of 2023; (4) the majority of Group's average MAUs was contributed by Weixin mini program in FY 2022; (5) the recent increasing trends of the number of domestic tourist trips and revenue from domestic tourism in China, we are of the view that the proposed annual caps for the Tencent Group's provision of payment and settlement services to the Group up to approximately RMB2,200 million, RMB2,800 million and RMB3,600 million for the FYs from 2024 to 2026, respectively, shall be justifiable, fair and reasonable.

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Having considered the above factors and analysis, we are of the view that the rationale behind and basis adopted by the Management in determining the proposed annual caps for the payment amounts to the Tencent Group are justifiable, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

3. The 2023 Trip.com Travelling Resources Provision Framework Agreement

3.1 Information of C-Travel

C-Travel is a limited liability company incorporated under the laws of the Cayman Islands, and is wholly-owned by Trip.com Group.

Trip.com Group (NASDAQ: TCOM; HKEX: 9961) is a leading one-stop travel service provider of accommodation reservation, transportation ticketing, packaged tours, and corporate travel management.

3.2 Reasons for entering into the 2023 Trip.com Travelling Resources Provision Framework Agreement

As set out in the Letter from the Board, the Group believes that utilizing Trip.com Group's resources would expand the variety of travel products and services offered on the Group's online and mobile platforms, provide a more comprehensive portfolio of product and service offerings to the Group's users covering nearly all of their travel needs, and therefore provide the Group's users with a more enriched and seamless user experience on the Group's platforms. The Group could further consolidate its market positioning as a one-stop shop for travelers.

3.3 Principal terms of the 2023 Trip.com Travelling Resources Provision Framework Agreement

On December 5, 2023, C-Travel and the Company entered into the 2023 Trip.com Travelling Resources Provision Framework Agreement, pursuant to which the Group will provide Trip.com Group and/or its associates with access to the Group's platforms for the offering of 2023 Trip.com Main Travelling Services by Trip.com Group and/or its associates for a term of three years from January 1, 2024 to December 31, 2026.

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The principal terms of the 2023 Trip.com Travelling Resources Provision Framework Agreement are summarized below.

Terms

The 2023 Trip.com Travelling Resources Provision Framework Agreement has an initial term of three years from January 1, 2024 to December 31, 2026. Subject to compliance with the Listing Rules and applicable laws and regulations, the 2023 Trip.com Travelling Resources Provision Framework Agreement may be renewed automatically for a further term of three years upon the mutual consent of both parties, unless the parties agree in writing to terminate the 2023 Trip.com Travelling Resources Provision Framework Agreement during its term.

Nature of the transactions

- (a) Provision of access to the Group's platforms for the offering of 2023 Trip.com Main Travelling Services by Trip.com Group and/or its associates

Pursuant to the terms of the 2023 Trip.com Travelling Resources Provision Framework Agreement, Trip.com Group and/or its associates will provide 2023 Trip.com Main Travelling Services to the Group. For each valid order confirmed ultimately by the user on the online and mobile platforms of the Group, the Group will receive commissions from Trip.com Group and/or its associates or the third-party TSPs which provide the accommodation booking services, transportation ticketing services, vacation products and attraction ticketing products.

- (b) Offering of the wide variety of travelling resources on the Group's platform

In return for offering of the wide variety of travelling resources by Trip.com Group and/or its associates on the Group's platforms, the Group will pay system maintenance fees to Trip.com Group and/or its associates.

The precise scope of the calculation of commissions receivable by the Group for each type of services provided by Trip.com Group and/or its associates and the service maintenance fees payable by the Group for each type of services offered by Trip.com Group and/or its associates on the Group's platforms will be specified in the implementation agreements to be entered into under the 2023 Trip.com Travelling Resources Provision Framework Agreement.

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Pricing basis

- (a) Provision of access to the Group's platforms for the offering of 2023 Trip.com Main Travelling Services by Trip.com Group and/or its associates

For the provision of access to the Group's platform for the offering of 2023 Trip.com Main Travelling Services by Trip.com Group and/or its associates, the commissions receivable from Trip.com Group and/or its associates or the third-party TSPs is determined based on prevailing market rates. Generally, in determining the market rates, the Group considers (i) the historical commission rates, (ii) the commission rates charged by the other comparable third-party online and mobile platforms in connection with the similar types of travelling resources, and (iii) the procurement, selling and administrative expenses. The Group will also adjust the commissions receivable if there is any significant change in the cost of sales and expenses incurred.

The "prevailing market rates" of the commissions for each type of travelling resources offered on the Group's platforms are charged indiscriminately to both Trip.com Group and/or its associates and the other independent suppliers of travelling resources, in the event that the end consumer confirms the order for the travelling resources offered on the Group's Platforms. The determination of the specific 'prevailing market rates' charged to its suppliers for each type of the travelling resources, is specific to the nature of the type of travelling resources. The Company's procurement team is responsible to conduct market research to ascertain the basis and calculation method of the commission rates charged by the other online and/or mobile platforms with the offerings of travelling resources.

Please refer to the Letter from the Board for more details of the specific considerations taken into account in the pricing of the each of the 2023 Trip.com Main Travelling Services offered by Trip.com Group and/or its associates to the Group.

We have independently, on a random basis, reviewed total of 10 sample orders or contracts, regarding the provision of accommodation booking services, transportation ticketing services, vacation products and attraction ticketing services, entered into between (i) the Group and the Trip.com Group and/or its associates; and (ii) the Group and the independent third party suppliers of the Group (the "**Independent Suppliers**") for the Historical CCT Period or which were effective in the Historical CCT Period. Given that the selected samples were selected on a random basis and distributed over the period spanning the Historical CCT Period, we consider the selected samples are relevant, sufficient and comparable. We note that (1) the scope of services are similar in nature as the 2023 Trip.com Main Travelling Services; (2) the service charge rate charged to the Independent Suppliers are generally in line with pricing basis for the provision of access to the Group's platform for the offering of 2023 Trip.com Main Travelling Services by Trip.com Group and/or its associates as set out in the Letter from the Board; and (3) the service charge rate of similar services are comparable among each other and no less favourable to the Group than the terms for similar transactions between the Trip.com Group and/or its associates and such Independent Suppliers.

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Having considered the pricing basis as set out in the Letter from the Board and the review of the samples as mentioned above, we are of the view that the pricing basis for the provision of access to the Group's platform for offering 2023 Trip.com Main Travelling Services by Trip.com Group and/or its associates is on normal commercial terms, have been and will be conducted in the ordinary and usual course of business of the Group, and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

(b) Offering of the wide variety of travelling resources on the Group's platform

In return for the offering of the wide variety of travelling resources by Trip.com Group and/or its associates on the Group's platforms, the system maintenance fees payable to Trip.com Group and/or its associates are determined based on a pre-determined formula after arm's length negotiation between the parties with reference to (i) the historical fees payable, (ii) the expenses that would have been incurred by the Group in search for and to procure for the listing of the various travelling resources on the Group's platforms, and (iii) commissions receivable by the Group from providing the travelling resources of Trip.com Group and/or its associates to the user.

The pre-determined formula for the system maintenance fees payable by the Group is mainly determined by the factors of (i) the expenses that would have been incurred by the Group in search for and to procure for the listing of the various travelling resources on the Group's platforms; and (ii) commissions receivable by the Group from providing the travelling resources of Trip.com Group and/or its associates to the user. For example, for the accommodation booking services, the Company compares the cost of searching and procuring the substantially similar types of accommodation resources from at least two other independent suppliers and the commission rates charged, in the determination of the system maintenance fees payable in each individual transaction for the offering of travelling resources.

In the event that no comparable independent third party is available, the team of senior management of the Group designated to monitor continuing connected transactions is required to explain the reasonableness and necessity of the relevant transactions of the offering of travelling resources by Trip.com and/or its associates and why it is in the interests of the Group as a whole, in terms of the background of the co-operation, co-operation considerations and reasonableness of pricing. In other words, if the fees in the subsequent implementation agreements of the 2023 Trip.com Travelling Resources Provision Framework Agreement are not on normal commercially favourable terms, the Group would negotiate with Trip.com Group and/or its associates in order to ensure that the arrangements will not be detrimental to the interests of the Group. The Group will not enter into any agreements with Trip.com Group and/or its associates if such agreements are not on normal commercial terms.

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The Company has established a comprehensive and cross-department internal control system, which is further elaborated in the Letter from the Board and has in place a sophisticated AI and information technology infrastructure, including a supplier management system, which automatize the management of the offering of travelling resources on the Group's platform (including that by Trip.com Group and/or its associates), including the calculation and application of commission rates and system maintenance fees on each individual transaction with Trip.com Group and/or its associates to ensure that the transactions will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders as a whole.

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

We have reviewed the calculation schedule and discussed with the Management regarding the pricing policy in respect of system maintenance fee paid by the Group to Trip.com Group under 2023 Trip.com Travelling Resources Provision Framework Agreement, and understand that the fee charging rate was negotiated at arm's-length basis and then agreed to a fixed rate per booking order. As advised by and understood from the Management, it would incur huge cost if the Group sets up its own procurement team to approach individual hotels and service providers of other travelling resources (the "**Independent Service Providers**") for booking orders. The Management has estimated that such fee charging rate from Independent Service Providers shall be higher than the above fixed rate per booking order payable to Trip.com Group, because the procurement cost (including but not limited to cost for procurement staff, customer service and system development, etc) has continuously increased over the years. On such basis, we consider that the system maintenance fee charging rate shall be no less favourable to the Group.

Having considered the above mechanism for setting the pricing policy thereunder, we are of the view that the provision of offering the wide variety of travelling resources on the Group's platform is on normal commercial terms, have been and will be conducted in the ordinary and usual course of business of the Group, and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

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3.4 Proposed annual caps and basis of determination

The below table sets out (i) the historical transaction amounts under the 2020 Trip.com Travelling Resources Provision Framework Agreement for Historical CCT Period; (ii) the existing annual caps for each of the three FYs from 2021 to 2023; and (iii) the proposed annual caps in respect of the transactions contemplated under the 2023 Trip.com Travelling Resources Provision Framework Agreement for the CCT Period:

	2021	For the FY 2022	2023
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>
<u>Historical transaction amounts</u>			
Commissions to be received by the Group from Trip.com Group and/or its associates and third-party TSPs for the provision of access to the Group's platforms for the offering of Trip.com Group transportation services, attraction ticketing services, and accommodation booking services	1,574,612	1,686,781	2,115,403 <i>(Note 1)</i>
System maintenance fees payable to Trip.com Group and/or its associates for offering its travelling resources (including the accommodation services and car rental services) on the Group's platforms	150,565	143,649	216,423 <i>(Note 1)</i>
<u>Historical annual caps</u>			
Commissions to be received by the Group from Trip.com Group and/or its associates and third-party TSPs for the provision of access to the Group's platforms for the offering of Trip.com Group transportation services, attraction ticketing services, and accommodation booking services	3,250,000	4,300,000	6,000,000
System maintenance fees payable to Trip.com Group and/or its associates for offering its travelling resources (including the accommodation services and car rental services) on the Group's platforms	325,000	460,000	650,000

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	2021	For the FY 2022	2023
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>
<u>Utilisation rates</u>			
Commissions to be received by the Group from Trip.com Group and/or its associates and third-party TSPs for the provision of access to the Group's platforms for the offering of Trip.com Group transportation services, attraction ticketing services, and accommodation booking services	48.4%	39.2%	35.3% <i>(Note 1)</i>
System maintenance fees payable to Trip.com Group and/or its associates for offering its travelling resources (including the accommodation services and car rental services) on the Group's platforms	46.3%	31.2%	33.3% <i>(Note 1)</i>
	2024	For the FY 2025	2026
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
<u>Proposed annual caps</u>			
Commissions to be received by the Group from Trip.com Group and/or its associates and third-party TSPs for the provision of access to the Group's platforms for the offering of 2023 Trip.com Main Travelling Services	4,550,000	5,770,000	7,300,000
System maintenance fees payable to Trip.com Group and/or its associates for offering its travelling resources on the Group's platforms	494,000	627,000	795,000

Note:

- The actual transaction amounts for the year 2023 of commissions received from Trip.com Group and/or its associates and third-party TSPs and system maintenance fees payable to Trip.com Group and/or its associates were for the ten months ended 31 October 2023. As at the Latest Practicable Date, the actual transaction amounts of commissions received from Trip.com Group and/or its associates and third-party TSPs and system maintenance fees payable to Trip.com Group and/or its associates have not exceeded the respective annual caps for the year ending 31 December 2023.

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We understand from the Management that (i) the historical amounts set out above included the commissions to be received by the Group from third-party TSPs in relation to the 2020 Trip.com Main Travelling Services that Trip.com Group and/or its associates offered on the Group's platforms. Although such commissions were not directly received from Trip.com Group and/or its associates, as the underlying 2020 Trip.com Main Travelling Services formed part of the Group's cooperation with Trip.com Group and the Group did not enter into direct contracts with the relevant third party TSPs, such commissions were deemed to also constitute amounts arising from the same connected transactions under the 2020 Trip.com Travelling Resources Provision Framework Agreement; (ii) due to the intermittent resurgence of the COVID-19 pandemic in China between 2020 and 2022, the travel industry went through massive fluctuations, and travel sentiment was severely impacted at the material time. Accordingly, the Group recorded an overall year-to-year decline trend in its revenue for the three years ended December 31, 2022; (iii) the annualized actual transaction amount incurred under the 2020 Trip.com Travelling Resources Provision Framework Agreement for the two years ended December 31, 2022 fell short of the corresponding annual cap set at the time (being RMB3,575,000,000 and RMB4,760,000,000, respectively). Due to unpredictable market changes attributed to travel restrictions and policy changes during the pandemic, the annual cap was not as utilized as the Company had anticipated when such annual cap was formulated; and (iv) in determining the above proposed annual caps in respect of the 2023 Trip.com Travelling Resources Provision Framework Agreement, the Group has taken into account the following factors:

- (i) *Estimated increasing market demand for the accommodation booking services, transportation ticketing services, vacation products and attraction ticketing services in the next three years based on the Group's internal business forecast.* More particularly, the Company has taken into account the expected increase in domestic and outbound tourism demand for accommodation booking services, transportation ticketing services, vacation products and attraction ticketing services, as evidenced by the notable increases in such demand in the golden week holiday in October 2023, and the expected significant increase in the online ticketing segment due to the Group's efforts in (i) enhanced collaboration with Tencent-based Platforms which are likely to attract more users of the Group's platforms; (ii) offline user acquisition through the successful consolidation of businesses of Tongcheng International Travel and Tongcheng Tourism; and (iii) capturing registered users in lower-tier cities markets in Mainland China. The proposed annual caps for the years 2024 to 2026 are in line with Group's forecast of business outlooks of all of the travelling resource segments. For example, during the golden week of National Holiday in 2023, the accommodation booking orders from the third-tier cities in China recorded a higher increase comparing to the same period last year, while the transportation ticket volume from the third-tier or below cities in the PRC has also recorded a higher increase comparing to the same period last year;

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- (ii) *Expected annual increase of the Group's user base.* As a result of the diverse strategies implemented, the Group has successfully increased its market share by penetrating into the untilled markets in the PRC to serve the localized demands of various lower-tier cities. As of the third quarter of 2023, the Group's registered users residing in non-first-tier cities in China accounted for approximately 87% of the total registered users. For the third quarter of 2023, over 71% of the Group's new paying users on the Weixin platform were from non-first tier cities in China, which increased significantly from the same period of 2019. Such growth of the Group's user base has contributed to the Group's increase in GMV and revenues. Therefore, the Group believes that the increased proposed annual caps for the years 2024 to 2026 reasonably reflect the increase in transaction amounts as a result of the forecasted gradually increasing penetration rates, user base and market share in the non-first tier cities.
- (iii) *Future landscape and potential growth opportunities of the OTA industry in the PRC.* When determining the proposed annual cap, the Company has taken into account, in this post-pandemic era, (x) the launch of various policies by the Chinese government to encourage domestic tourism consumption and advance the development of China's travel industry in 2023 (including but not limited to the notice of recovery and expansion of consumption released by the State Council of the PRC, measures for high quality development of tourism released by the State Council of the PRC, and notice of the resumption of travel agencies to operate outbound group tours for Chinese citizens to the relevant countries and regions released by the Ministry of Culture and Tourism of the People's Republic of China); and (y) rapid growth in Group's business and financial performance indicators, such as MPUs, APUs and GMV, reaching unprecedented heights, demonstrating the market demand and appetite for the services of the Group (and, as a result, the increased traffic on the Group's platforms and thus increased expected commissions to be received by the Group from Trip.com Group and/or its associates and third-party TSPs for providing access to the Group's platforms).
- (iv) *Historical transaction amounts for the two years ended December 31, 2022 and the ten months ended October 31, 2023, which reflected the recovery and increasing trend of market demand and transactions volume in the post-pandemic era, compared to the historical transaction amounts for the two years ended December 31, 2022.* The Group's optimistic business outlook of the OTA industry supports the Group's forecast that the Group's GMV will reach the pre-COVID-19 level and achieve healthy growth for the three years from 2024 to 2026. Therefore, the commissions receivable by the Group and the system maintenance fees payable by the Group would also increase proportionately.

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In assessing the fairness and reasonableness of the proposed annual caps for the provision of access to the Group's platforms for offering 2023 Trip.com Main Travelling Services by Trip.com Group and/or its associates and the provision of offering the wide variety of travelling resources on the Group's platform under 2023 Trip.com Travelling Resources Provision Framework Agreement, we have reviewed the schedule of forecasted commission and payment regarding the aforesaid provision of services which are prepared and provided by the Company for each of the coming three FYs from 2024 and 2026.

Based on our discussion with the Management, we understand that the proposed annual caps of (a) commissions to be received from Trip.com Group and/or its associates and third-party TSPs for the provision of access to the Group's platforms for the offering of 2023 Trip.com Main Travelling Services of approximately RMB4,550 million, RMB5,770 million and RMB7,300 million for each of the coming three FYs from 2024 to 2026, respectively; and (b) system maintenance fees payable to Trip.com Group and/or its associates for offering its travelling resources on the Group's platforms of approximately RMB494 million, RMB627 million and RMB795 million for each of the coming three FYs from 2024 to 2026 respectively, which are determined based on (i) the Group's historical actual commission/payment amount for the FY 2022 which was on a full year basis; (ii) the Management's past experience in online travel booking operations in the PRC; and (iii) the forecasted growth of online travel booking activities in each of the coming three FYs from 2024 to 2026. Benefiting from the significant improvement in the PRC travelling activities following the resurgence of both domestic and outbound tourism, the Management has anticipated a tremendous demand for 2023 Trip.com Main Travelling Services, and the transaction amounts for the mutual provision of travelling resources for each of the Group and Trip.com Group will further be growing for each of the coming three FYs from 2024 to 2026.

Based on our independent review of the 2021 Annual Report, the 2022 Annual Report, the Q1 Announcement, the Q2 Announcement, the Q3 Announcement and our independent research from public website, we noted that (i) the Group's revenue had been increasing rapidly from (a) approximately RMB1,718 million for the first quarter of 2022 to RMB2,586 million for the first quarter of 2023; (b) approximately RMB1,319 million for the second quarter of 2022 to RMB2,866 million for the second quarter of 2023; and (c) approximately RMB2,048 million for the third quarter of 2022 to RMB3,299 million for the third quarter of 2023, representing a significant growth of about 51%, 117% and 61% respectively; (ii) the average MPUs increased by (a) about 31% year-to-year from approximately 32 million in the first quarter of 2022 to 41 million in the first quarter of 2023; (b) about 62% year-to-year from approximately 26 million in the second quarter of 2022 to 42 million in the second quarter of 2023 and (c) about 20% year-to-year from approximately 37 million in the third quarter of 2022 to 44 million in the third quarter of 2023; (iii) the GMV had been increasing rapidly from (a) approximately RMB57 billion for the first half of 2022 to RMB117 billion for the first half of 2023, representing an increase of about 106%; and (b) approximately RMB41 billion for the third quarter of 2022 to RMB71 billion for the third quarter of 2023, representing an increase of about 75%; (iv) according to the data released by the Ministry of Culture And Tourism of the People's Republic of China, there were approximately 3.674 billion domestic tourist trips made by Chinese residents in the first three quarters of 2023, representing a year-on-year increase of about 76%; and (v) according to an article from China Briefing issued on August 22, 2023 (<https://www.china-briefing.com/news/chinas-tourism-in-2023-outlook-trends-and-opportunities/>), the total revenue from domestic tourism in 2023 is expected to exceed RMB4 trillion, representing a year-on-year increase of about 96%.

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Having taken into account the facts that (i) the Group's continuous stable growth in commission amount from Trip.com Group for provision of travelling resource services of approximately RMB1,390 million, RMB1,575 million and RMB1,687 million for each of three FYs from 2020 to 2022, respectively, with a CAGR of about 10% for the three FYs from 2020 to 2022; (ii) the strong growth in the Group's revenue in the first quarter, the second quarter and the third quarter of 2023 as compared to the corresponding period in 2022 (as illustrated above) of about 51%, 117% and 61%, respectively; (iii) the significant growth in the Group's GMV and average MPUs in the three quarters of 2023 as mentioned above; (iv) the proposed annual caps for the coming three FYs from 2024 to 2026 represents a CAGR of about 44% from FYs 2022 to 2026; and (v) the recent increasing trends of the number of domestic tourist trips and revenue from domestic tourism in China as mentioned above, we are of the view that the proposed annual caps for commissions to be received from Trip.com Group and/or its associates and third-party TSPs for the provision of access to the Group's platforms for the offering of 2023 Trip.com Main Travelling Services for the coming three FYs from 2024 to 2026 shall be justifiable, fair and reasonable.

Having taken into account the facts that (i) the Group's historical system maintenance fees payable to Trip.com Group and/or its associates of approximately RMB117 million, RMB151 million and RMB144 million for each of three FYs from 2020 to 2022, respectively; (ii) such system maintenance fees is directly related to the number of booking orders; (iii) the significant growth in the Group's GMV and average MPUs in the three quarters of 2023 as mentioned above; (iv) the proposed annual cap of approximately RMB494 million for FY 2024 represents a CAGR of about 85% from FYs 2022 to 2024; (v) the proposed annual caps for system maintenance fees payable to Trip.com Group and/or its associates for the coming three FYs from 2024 to 2026 represents a CAGR of about 53% from FYs 2022 to 2026; (vi) the significant growth in the Group's revenue in the first quarter, the second quarter and the third quarter of 2023 as compared to the corresponding period in 2022 (as illustrated above) of about 51%, 117% and 61%, respectively, which, on the other hand, will increase the cost/expenses proportionately; and (vii) the recent increasing trends of the number of domestic tourist trips and revenue from domestic tourism in China as mentioned above, we are of the view that the proposed annual caps for system maintenance fees payable to Trip.com Group and/or its associates for the coming three FYs from 2024 to 2026 shall be justifiable, fair and reasonable.

Having considered the above factors and analysis, we are of the view that the rationale behind and basis adopted by the Management in determining the proposed annual caps for the commissions from and payment to the Trip.com Group and/or its associates, as the case maybe, are justifiable, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. Assessment of the Group's reliance on Trip.com Group

We notice that the proposed annual caps in respect of the 2023 Trip.com Travelling Resources Provision Framework Agreement may pose concern on the Group's undue reliance on Trip.com Group. We have enquired with the Management in this regard and were advised that:

- (i) given that the Group's commissions received from Trip.com Group and/or its associates for the three FYs from 2020 to 2022 accounted for approximately 23.4%, 20.9% and 25.6% of its total revenue, respectively, and the Group generated the majority of its revenue for each of the three FYs from 2020 to 2022 from the independent third parties, which evinces that the Group is able to generate substantial revenue from other parties other than Trip.com Group and does not have undue reliance on its substantial Shareholder;
- (ii) the significant portions of the Group's total revenue for each of the three FYs from 2024 to 2026 is expected to be contributed by independent third parties by taken into account its users' past consumption patterns;
- (iii) the Group continues to take steps to develop and maintains long-term strategic relationships with its travel service providers; and
- (iv) the Group's business and operation are independent from Trip.com Group because
 - (i) the management of the Company is distinct and separate from Trip.com Group. Save as Mr. Liang Jianzhang and Mr. Jiang Hao, none of other Directors holds any directorship or senior management role in Trip.com Group. Mr. Liang Jianzhang and Mr. Jiang Hao are not responsible for the daily management and operations of the Group.

In view of the above, we are of the view that the proposed annual caps in respect of the 2023 Trip.com Travelling Resources Provision Framework Agreement would not increase the Group's reliance on Trip.com Group and the Group is able to carry our independent business operations without under reliance on Trip.com Group

5. Internal control procedures of the Group

Pursuant to the Rules 14A.55 to 14A.59 of the Listing Rules, the Company has to establish appropriate and adequate internal control measures to govern the implementation of the Tongcheng Continuing Connected Transactions, which are subject to annual review requirements. According to the Letter from Board and the 2022 Annual Report, the Group has established a comprehensive internal control system to ensure that the Tongcheng Continued Connected Transactions to be conducted in fair and reasonable manner. The Company has established a comprehensive and cross-department internal control system, which is further elaborated in the following.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In addition, the Company has in place a sophisticated AI and information technology infrastructure, including a supplier management system, which automatize the management of the offering of travelling resources on the Group's platform (including that by Trip.com Group and/or its associates), including the calculation and application of commission rates and system maintenance fees on each individual transaction with Trip.com Group and/or its associates. On such basis, we concur with the Management's view that the pricing methods and procedures can ensure that the Tongcheng Continued Connected Transactions are and will be conducted on normal commercial terms and not prejudicial to the interests of the Group and its minority Shareholders.

Please refer to the section headed "Internal Control Measures" in the Letter from the Board for the details of internal control measures of the Group. With the internal control measures as mentioned in the Letter from the Board, the independent non-executive Directors could therefore assess and give the confirmations in the preceding paragraph. In view of the above, the Board considers that sufficient and effective internal control measures are in place to ensure that the Tongcheng Continuing Connected Transactions have been and will be conducted on normal commercial terms or better, and at prices not more favourable to the relevant members of the Tencent Group and the Trip.com Group than transactions entered into with independent third parties, and hence will not prejudicial to the interests of the Group and the Shareholders as a whole.

As disclosed in the 2022 Annual Report, the independent non-executive Directors have confirmed that the continuing connected transactions contemplated under the 2020 Tencent Payment Services Framework Agreement and the 2020 Trip.com Travelling Resources Provision Framework Agreement for the FY 2022 were entered into by the Group: (i) in the ordinary and usual course of its business; (ii) on normal commercial terms or better; and (iii) in accordance with the relevant agreement (including the pricing principles and guidelines set out therein) governing them and on terms that were fair and reasonable and in the interests of the Company and the Shareholders as a whole and the Group's auditors had reviewed such continuing connected transactions for the FY 2022 and confirmed to the Board that such continuing connected transactions: (i) have received the approval of the Board; (ii) were in accordance with the pricing policies of the Group; (iii) were entered into in accordance with the relevant agreement governing the transactions; and (iv) have not exceeded the relevant annual caps.

RECOMMENDATION

Having taken into account the principal factors and reasons as referred to the above, we are of the view that the Tongcheng Continuing Connected Transactions (including the proposed respective annual caps) contemplated under each of the 2023 Tencent Payment Services Framework Agreement; and the 2023 Trip.com Travelling Resources Provision Framework Agreement are conducted in the ordinary and usual course of business of the Group and on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Shareholders, as well as the Independent Board Committee to

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

recommend the Independent Shareholders, to vote in favour of the resolution(s) to be proposed at the EGM to approve the Tongcheng Continuing Connected Transactions (including the proposed respective annual caps) contemplated under each of the 2023 Tencent Payment Services Framework Agreement and the 2023 Trip.com Travelling Resources Provision Framework Agreement.

Yours faithfully,
For and on behalf of
South China Capital Limited

Nicholas Cheng
Managing Director

Felix Leung
Associate Director

Note:

Mr. Nicholas Cheng and Mr. Felix Leung are licensed persons registered with the Securities and Futures Commission to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. Mr. Nicholas Cheng has extensive experience in corporate finance industry and has participated in, and completed, the provision of independent financial advisory services for numerous connected transactions involving listed companies in Hong Kong. Mr. Felix Leung has over ten years of experience in corporate finance industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

As of the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company and their respective associates in the Shares, underlying Shares or debentures of the Company or any of the associated corporations of the Company (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Interests in the Shares

Name of Director	Capacity/nature of interest	Number of Ordinary Shares	Approximate percentage of shareholding in the total issued share capital
Mr. Wu Zhixiang ⁽¹⁾	Founder of a discretionary trust, Beneficial interest	17,774,600 (L)	0.79%
Mr. Ma Heping ⁽²⁾	Founder of a discretionary trust, Beneficial interest	38,438,810 (L)	1.70%
Mr. Jiang Hao ⁽³⁾	Interest of controlled corporation, Beneficial interest, Grantee of restricted shares units	9,462,950 (L)	0.42%
Mr. Liang Jianzhang ⁽⁴⁾	Beneficial interest, Interest of spouse	22,463,026 (L)	1.00%

(L) denotes a long position

Notes:

- (1) Travel Maps Limited directly holds 8,575,400 Shares. As Maps Limited is wholly-owned by The Travel Maps Trust, of which Mr. Wu Zhixiang is the founder, Mr. Wu is deemed to be interested in the Shares in which Travel Maps Limited is interested.

3,500,000, 3,500,000, 500,000, 700,000, 500,000 and 500,000 options were granted to Mr. Wu pursuant to the 2018 Share Incentive Plan, 2019 Share Option Plan and 2022 Share Option Plan on March 9, 2018, May 18, 2018, October 23, 2020, October 21, 2021, June 29, 2022 and October 20, 2023, respectively. As at the Latest Practicable Date, Mr. Wu beneficially owns 9,199,200 options granted pursuant to the 2018 Share Incentive Plan, 2019 Share Option Plan and 2022 Share Option Plan.

- (2) Adventure Together Limited directly holds 9,499,140 Shares. As Adventure Together Limited is wholly-owned by The Hope Family Trust, of which Mr. Ma Heping is the founder, Mr. Ma is deemed to be interested in the Shares in which Adventure Together Limited is interested.

6,914,155, 6,914,155, 6,914,160, 1,600,000, 1,600,000, 1,600,000, 1,700,000 and 1,700,000 options were granted to Mr. Ma pursuant to the 2018 Share Incentive Plan, 2019 Share Option Plan and 2022 Share Option Plan on March 9, 2018, May 18, 2018, September 1, 2018, December 20, 2019, October 23, 2020, October 21, 2021, June 29, 2022 and October 20, 2023, respectively. As at the Latest Practicable Date, Mr. Ma beneficially owns 28,939,670 options granted pursuant to the 2018 Share Incentive Plan, 2019 Share Option Plan and 2022 Share Option Plan.

- (3) Oasis Limited directly holds 5,555,560 Shares. As Oasis Limited is indirectly wholly-owned and controlled by Mr. Jiang Hao, Mr. Jiang is deemed to be interested in the Shares in which Oasis Limited is interested.

1,803,695, 1,803,695 and 1,500,000 options were granted to Mr. Jiang pursuant to the 2018 Share Incentive Plan on March 9, 2018, May 18, 2018 and September 1, 2018, respectively. Mr. Jiang was also granted restricted share units in respect of 8,300,000 shares pursuant to the 2016 Share Incentive Plan on August 26, 2016.

As at the Latest Practicable Date, Mr. Jiang beneficially owns 3,907,390 options granted pursuant to the 2016 Share Incentive Plan and 2018 Share Incentive Plan.

- (4) Mr. Liang Jianzhang was deemed to be interested in (i) 19,363,826 Shares held by him as a beneficial owner; and (ii) 3,099,200 Shares held through his spouse. Smart Charm Limited directly holds 3,099,200 Shares. As Smart Charm Limited is wholly-owned and controlled by the spouse of Mr. Liang Jianzhang, Mr. Liang is therefore deemed to be interested in the Shares in which Smart Charm Limited is interested.

Interests in associated corporations

Name of Director	Name of associated corporation	Number of securities held	Approximate percentage of interests (%)
Mr. Wu Zhixiang	Tongcheng Network	25,447,745	22.86%
	Suzhou Chengyi	N/A ⁽¹⁾	51.00%
Mr. Ma Heping	Tongcheng Network	1,093,162	0.98%
	Suzhou Chengyi	N/A ⁽¹⁾	49.00%
Mr. Jiang Hao ⁽²⁾	Beijing E-dragon	N/A ⁽¹⁾	50.00%

Notes:

- (1) As Suzhou Chengyi and Beijing E-dragon are limited liability companies established in the PRC, the percentage of shareholding is determined with reference to the percentage of subscribed registered capital of each shareholder.
- (2) Reference is made to the announcement of the Company dated July 13, 2023. In order to enhance the internal control and management system of the Group and for administration efficiency purpose, on July 13, 2023, a series of agreements were entered into by the relevant parties to change of the registered shareholder of Beijing E-dragon from Mr. Jiang Hao to Mr. Ma Heping. The registration with the competent governmental authority in relation to the aforementioned change of registered shareholder has not completed as at the Latest Practicable Date.

Save as disclosed above, as of the Latest Practicable Date, none of the Directors or chief executives of the Company and their respective associates has or is deemed to have any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or which will be required to be recorded in the register to be kept by the Company pursuant to Section 352 of the SFO, or which will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the following are the persons, other than the Directors or chief executives of the Company, who had interests or short positions in the Shares and underlying Shares which would be required to be notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Name of substantial Shareholder	Capacity/nature of interest	Number of Ordinary Shares	Approximate percentage of shareholding in the total issued share capital
TCH Sapphire ⁽¹⁾	Beneficial owner	310,899,020 (L)	13.79%
Image Frame ⁽¹⁾	Beneficial owner	158,365,730 (L)	7.02%
Tencent ⁽¹⁾	Interest in controlled corporations	476,215,740 (L)	21.12%
C-Travel ⁽²⁾	Beneficial owner	288,273,190 (L)	12.78%
	Interest in controlled corporations ⁽³⁾	122,995,180 (L)	5.45%
		411,268,370 (L)	18.24%
Ctrip Hong Kong ⁽²⁾	Beneficial owner	148,966,590 (L)	6.61%
Trip.com Group ⁽²⁾	Interest in controlled corporations	560,234,960 (L)	24.84%

(L) denotes a long position

Notes:

- (1) Under the SFO, Tencent is deemed to be interested in (i) the 310,899,020 Shares held by TCH Sapphire, (ii) the 158,365,730 Shares held by Image Frame, and (iii) the 6,950,990 Shares held by Elite Strength Limited, each of which is a wholly-owned subsidiary of Tencent.
- (2) Under the SFO, Trip.com Group is deemed to be interested in (i) the 288,273,190 Shares held by C-Travel, (ii) the 148,966,590 Shares held by Ctrip Hong Kong, and (iii) the 27,332,270 Shares held by Luxuriant Holdings Limited, each of which is a wholly-owned subsidiary of Trip.com Group. Under the SFO, Trip.com Group is also deemed to be interested in 95,662,910 Shares held by EP II Investment Fund L.P., an exempted limited partnership established in the Cayman Islands because Ctrip Investment Holding Ltd, a wholly-owned subsidiary of Trip.com Group, contributed more than one-third of the capital to EP II Investment Fund L.P. However, EP II Investment Fund L.P. does not constitute an associate of Trip.com Group under the Listing Rules as Trip.com Group does not control 30% or more of the voting power in EP II Investment Fund L.P..
- (3) Under the SFO, C-Travel is deemed to be interested in (i) the 27,332,270 Shares held by Luxuriant Holdings Limited, which is a wholly-owned subsidiary of C-Travel, and (ii) the 95,662,910 Shares held by EP II Investment Fund L.P., given Ctrip Investment Holding Ltd, a wholly-owned subsidiary of C-Travel, contributed more than one-third of the capital to EP II Investment Fund L.P..

Save as disclosed above, as at the Latest Practicable Date, the Company is not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the Shares or underlying Shares which would be required to be notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

4. QUALIFICATIONS AND CONSENT

The following is the qualifications of the expert who has given its opinion or advice which is contained in this circular:

Name	Qualifications
South China	A licensed corporation to carry out type 6 (advising on corporate finance) regulated activities under the SFO

- (a) As at the Latest Practicable Date, South China had not had any beneficial interest in the share capital of any member of the Group, did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group and did not have any interest, either directly or indirectly, in any assets which had been, since December 31, 2022, being the date of the latest published audited accounts of the Company, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

- (b) South China has given and has not withdrawn its written consent to the issue of this circular with inclusion of its opinion and letter, as the case may be, and the references to its name included herein in the form and context in which they respectively appear.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading positions of the Company since December 31, 2022, being the date to which the latest published audited financial statements of the Company have been made.

6. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration proceedings of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

7. SERVICE CONTRACTS OF THE DIRECTORS

As at the Latest Practicable Date, none of the Directors had entered into any service contract with the Company or any member of the Group referred to in Rule 13.68 of the Listing Rules (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

8. INTERESTS OF DIRECTORS

- (a) The Directors are not aware of any Director or their respective associates having, as at the Latest Practicable Date, any interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group which would be required to be disclosed under the Listing Rules.
- (b) Save as disclosed in the section headed “*Directors’ Report – Connected and Continuing Connected Transactions*” of the Company’s 2022 Annual Report, the announcements of the Company dated July 13, 2023, August 22, 2023 and October 27, 2023 and this circular, no Director was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant to the business of the Group taken as a whole.
- (c) Since December 31, 2022, being the date of the latest published audited consolidated accounts of the Company, none of the Directors has, or has had, any direct or indirect interest in any assets which have been acquired or disposed of by or leased to or which are proposed to be acquired, disposed of by or leased to, any member of the Group.

9. GENERAL

- (a) The registered office of the Company is Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- (b) The corporate headquarters of the Company in the PRC is Tongcheng Mansion, No. 188 Yuxin Road, Suzhou Industrial Park, Jiangsu, China.
- (c) The principal place of business of the Company in Hong Kong is 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.
- (d) The Company's principal share registrar and transfer agent in the Cayman Islands is Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- (e) The Company's Hong Kong branch share registrar is Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (f) The English text of this circular and the accompanying form of proxy shall prevail over the Chinese text in the case of any inconsistency.

10. DOCUMENTS ON DISPLAY

Electronic copies of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://https://www.tongchengir.com>) for display for a period of 14 days from the date of this circular thereafter:

- (a) the 2023 Tencent Payment Services Framework Agreement; and
- (b) the 2023 Trip.com Travelling Resources Provision Framework Agreement.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “**EGM**”) of Tongcheng Travel Holdings Limited (the “**Company**”, together with its subsidiaries and consolidated affiliated entities, the “**Group**”) will be held at Meeting Room Zhuozheng, 2/F, Four Points by Sheraton Suzhou, No. 8 Moon Bay Road, Suzhou Industrial Park, Suzhou, China on Thursday, December 28, 2023 at 3:00 p.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions as ordinary resolutions of the Company. Words and expressions that are not expressly defined in this notice of EGM shall bear the same meaning as that defined in the circular to the shareholders of the Company dated December 11, 2023 (the “**Circular**”).

AS ORDINARY RESOLUTIONS

1. “THAT

- (i) the 2023 Tencent Payment Services Framework Agreement and the consummation of transactions contemplated thereunder (including the proposed annual cap for each of the three years ending December 31, 2026) be and are hereby approved, ratified and confirmed;
- (ii) any Director be and is hereby authorized for and on behalf of the Company to sign, seal, execute, perfect, deliver and do all such documents, deeds, acts, matters and things as he may in his discretion consider necessary or desirable or expedient for the purpose of or in connection with the 2023 Tencent Payment Services Framework Agreement and to make and agree such variations of a non-material nature in or to the terms of the 2023 Tencent Payment Services Framework Agreement as he may in his discretion consider to be desirable and in the interests of the Company.”

2. “THAT

- (i) the 2023 Trip.com Travelling Resources Provision Framework Agreement, and the consummation of transactions contemplated thereunder (including the proposed annual cap for each of the three years ending December 31, 2026) be and are hereby approved, ratified and confirmed;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (ii) any Director be and is hereby authorized for and on behalf of the Company to sign, seal, execute, perfect, deliver and do all such documents, deeds, acts, matters and things as he may in his discretion consider necessary or desirable or expedient for the purpose of or in connection with the 2023 Trip.com Travelling Resources Provision Framework Agreement and to make and agree such variations of a non-material nature in or to the terms of the 2023 Trip.com Travelling Resources Provision Framework Agreement as he may in his discretion consider to be desirable and in the interests of the Company.”

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

Hong Kong, December 11, 2023

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

- (1) A shareholder entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her stead. The proxy does not need to be a shareholder of the Company.
- (2) Where there are joint registered holders of any shares, any one of such persons may vote at the above meeting (or at any adjournment of it), either personally or by proxy, in respect of such shares as if he/she were solely entitled thereto but the vote of the senior holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.
- (3) In order to be valid, the completed form of proxy must be deposited at the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong together with the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority (such certification to be made by either a notary public or a solicitor qualified to practice in Hong Kong), at least 48 hours before the time appointed for holding the above meeting or any adjournment thereof (as the case may be). The completion and return of the form of proxy shall not preclude shareholders of the Company from attending and voting in person at the above meeting (or any adjourned meeting thereof) if they so wish.
- (4) The register of members of the Company will be closed from December 21, 2023 to December 28, 2023, both days inclusive, in order to determine the eligibility of shareholders to attend the above meeting, during which period no share transfers will be registered. To be eligible to attend the above meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on December 20, 2023.
- (5) Pursuant to Rule 13.39(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, voting for the resolutions set out in this notice will be taken by poll at the above meeting.