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Tongcheng Travel Holdings Limited

同程旅行控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 0780)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS IN RELATION TO TENCENT STRATEGIC COOPERATION AND MARKETING PROMOTION FRAMEWORK AGREEMENT

Background

References are made to the announcement of the Company dated July 30, 2021 and the circular of the Company dated September 10, 2021 in relation to the 2021 Tencent Strategic Cooperation and Marketing Promotion Framework Agreement. As such agreement will expire on July 31, 2024, the Board proposes to renew it by entering into the 2024 Tencent Strategic Cooperation and Marketing Promotion Framework Agreement.

2024 Tencent Strategic Cooperation and Marketing Promotion Framework Agreement

The Board is pleased to announce that on July 30, 2024 (after trading hours), Tencent Computer and the Company have entered into the 2024 Tencent Strategic Cooperation and Marketing Promotion Framework Agreement, pursuant to which, (i) Tencent Computer (and/or any of its subsidiaries or associates) has agreed to provide traffic support and related services to the Company (and/or any of its subsidiaries or Contractual Arrangement Entities); and (ii) Tencent Computer and the Company have agreed to engage in various advertising and marketing promotion and related services with each other for a term of three years from August 1, 2024 to July 31, 2027. In addition, the parties agreed that after the expiry of the initial term of the 2024 Tencent Strategic Cooperation and Marketing Promotion Framework Agreement, the parties have the intention to continue to maintain a good cooperative relationship under a similar model.

Such agreement shall take effect upon the approval of the agreement and the proposed annual caps thereunder having been obtained from the relevant authoritative bodies (including the Board and/or the Shareholders as necessary) in accordance with the applicable Listing Rules.

Listing Rules Implications

As Tencent Computer is a subsidiary of Tencent, a substantial shareholder of the Company which holds approximately 20.48% of the Shares as at the date hereof, Tencent Computer is a connected person of the Company pursuant to Rule 14A.07(4) of the Listing Rules. Accordingly, the Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since the highest applicable ratio (as defined in Rule 14.07 of the Listing Rules) of the proposed annual caps in respect of the continuing connected transactions contemplated under the 2024 Tencent Strategic Cooperation and Marketing Promotion Framework Agreement is more than 5%, the Transactions and the proposed annual caps thereunder are subject to reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Voting at the EGM

The EGM will be convened to consider and, if thought fit, to approve the 2024 Tencent Strategic Cooperation and Marketing Promotion Framework Agreement and the Transactions thereunder.

An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in respect of the 2024 Tencent Strategic Cooperation and Marketing Promotion Framework Agreement and the Transactions. In this respect, South China Capital Limited has been appointed as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

A circular containing, among others, (i) details of the continuing connected transactions contemplated under the 2024 Tencent Strategic Cooperation and Marketing Promotion Framework Agreement, (ii) a letter from the Independent Board Committee to the Independent Shareholders containing its recommendation, and (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, together with a notice to convene the EGM to consider and, if thought fit, approve the Transactions (including the proposed annual caps), is expected to be dispatched to the Shareholders as soon as practicable in accordance with the Listing Rules, in any event no later than September 2, 2024 (which is more than 15 business days after the publication of this announcement in order to allow sufficient time for the preparation of the relevant information for inclusion in the said circular).

1. BACKGROUND

References are made to the announcement of the Company dated July 30, 2021 and the circular of the Company dated September 10, 2021 in relation to the 2021 Tencent Strategic Cooperation and Marketing Promotion Framework Agreement. As such agreement will expire on July 31, 2024, the Board proposes to renew it by entering into the 2024 Tencent Strategic Cooperation and Marketing Promotion Framework Agreement.

The Board is pleased to announce that on July 30, 2024 (after trading hours), Tencent Computer and the Company have entered into the 2024 Tencent Strategic Cooperation and Marketing Promotion Framework Agreement, pursuant to which:

- (i) Tencent Computer (and/or any of its subsidiaries or associates) has agreed to provide traffic support and related services to the Company (and/or its subsidiaries or Contractual Arrangement Entities); and
- (ii) Tencent Computer and the Company have agreed to engage in various advertising and marketing promotion and related services with each other

in each case, for a term of three years from August 1, 2024 to July 31, 2027.

The 2024 Tencent Strategic Cooperation and Marketing Promotion Framework Agreement shall take effect upon the approval of the agreement and the proposed annual caps thereunder having been obtained from the relevant authoritative bodies (including the Board and/or the Shareholders as necessary) in accordance with the applicable Listing Rules.

The principal terms of the 2024 Tencent Strategic Cooperation and Marketing Promotion Framework Agreement are summarized below.

2. 2024 TENCENT STRATEGIC COOPERATION AND MARKETING PROMOTION FRAMEWORK AGREEMENT

Date

July 30, 2024

Parties

- (i) Tencent Computer
- (ii) The Company

Term

The 2024 Tencent Strategic Cooperation and Marketing Promotion Framework Agreement has an initial term of three years commencing from August 1, 2024 to July 31, 2027. In addition, the parties agreed that after the expiry of such initial term, the parties have the intention to continue to maintain a good cooperative relationship under a similar model.

Nature of the Transactions

Pursuant to the 2024 Tencent Strategic Cooperation and Marketing Promotion Framework Agreement:

- (i) Tencent Computer (and/or any of its subsidiaries or associates) has agreed to provide the Company (and/or any of its subsidiaries or Contractual Arrangement Entities) with traffic support and related services via, among others, its key services, channels, products and tools, including but not limited to authorize the Company to utilize the Tencent's Key Services, software and intellectual property rights of Tencent Computer, and the provision of certain professional technology services;
- (ii) Tencent Computer (and/or any of its subsidiaries or associates) has agreed to provide advertising and marketing promotion and related services to the Company (and/or any of its subsidiaries or Contractual Arrangement Entities), including but not limited to advertisement promotion, membership and video benefits, product operation services and ticketing distribution services; and
- (iii) the Company (and/or any of its subsidiaries or Contractual Arrangement Entities) has agreed to provide advertising and marketing promotion and related services to Tencent Computer (and/or any of its subsidiaries or associates), including but not limited to advertisement promotion and membership, video benefits and ticketing distribution services.

The precise scope of service, service fee calculation and other details of the service arrangement under the 2024 Tencent Strategic Cooperation and Marketing Promotion Framework Agreement shall be agreed between the relevant parties separately.

Pricing basis

The prices and/or services fees of each definitive agreement to be entered into under the 2024 Tencent Strategic Cooperation and Marketing Promotion Framework Agreement (in respect of services encompassed thereunder, including the ticketing distribution service) shall be based on:

- (i) the standard prices published on the official websites of (1) the Company or any of its subsidiaries or Contractual Arrangement Entities, if applicable, and (2) Tencent Computer or any of their subsidiaries or associates, if applicable, or
- (ii) the prices, market fees and/or commission rates and terms offered to independent third parties.

As the standard prices of Tencent Computer or any of their subsidiaries or associates offered to independent third parties are amended and published on the official website from time to time, the Group will regularly check that the rates that it is charged on the Group is consistent with such published rates. In addition, before entering into any definitive agreement pursuant to the 2024 Tencent Strategic Cooperation and Marketing Promotion Framework Agreement, the Group will assess its business needs, compare the historical transaction fees with other services providers and obtain services fee quote from two other comparable services providers, so that it can compare the services fees proposed by the Tencent Group with the services fees offered by other comparable value-added services and internet advertising services providers. The Company will only enter into a definitive agreement with the Tencent Group if the services fees and/or commission rates offered to the Group by the Tencent Group are no less favourable than (1) those from other independent third party providers and (2) those offered by the Tencent Group to independent third parties.

With the aforementioned procedures, the Company (and/or any of its subsidiaries or Contractual Arrangement Entities) will enter into arm's length negotiation with Tencent Computer (and/or any of its subsidiaries or associates) and the definitive agreement to be entered into under the 2024 Tencent Strategic Cooperation and Marketing Promotion Framework Agreement shall be on normal commercial terms and in accordance with market principles including voluntariness, equality, fairness and good faith, and consideration will be given to the reasonableness of the cost structure of the products and/or services to be provided.

In addition to the above factors:

- (i) in relation to the service fees payable by the Group in respect of the traffic support and related services under the 2024 Tencent Strategic Cooperation and Marketing Promotion Framework Agreement, the Group will further take into account, among others, (1) the breadth of user base of Tencent's Key Services providing the relevant traffic support; (2) the number of active users and the relevant paying users brought to the Company by Tencent's Key Services; (3) the stability of the relevant traffic support provided by the Tencent Group; and (4) the historical service fee charged in the previous similar transactions with the Tencent Group; and
- (ii) in relation to the service fees payable or charged in respect of the advertising and marketing promotion and related services under the 2024 Tencent Strategic Cooperation and Marketing Promotion Framework Agreement, the Group will further take into account (1) the breadth of users of the advertising services provider and its brand awareness; (2) the actual effect of the relevant advertising, including but not limited to the number of new customers attracted, the number of lost customers recalled, and the number of active users converted into paying users; and (3) the historical service fee paid or charged in the previous similar transactions with the Tencent Group.

Historical amount

- (i) *Service fees payable by the Group in relation to traffic support and related services*

The annual caps previously set for the three years ended December 31, 2023 and the seven months ending July 31, 2024 were RMB210,000,000, RMB540,000,000, RMB580,000,000 and RMB360,000,000, respectively.

The historical amounts incurred for this category during the three years ended December 31, 2023 and the period commencing from January 1, 2024 up to the date of this announcement were RMB159,201,000, RMB459,656,000, RMB550,390,000 and RMB345,885,000, respectively; and the corresponding utilization rates against the relevant annual caps are 75.81%, 85.12%, 94.89% and 96.08%, respectively.

- (ii) *Service fees payable by the Tencent Group in relation to advertising and marketing promotion services*

The annual caps previously by set for the three years ended December 31, 2023 and the seven months ending July 31, 2024 were RMB54,733,000, RMB66,000,000, RMB79,000,000 and RMB55,000,000, respectively.

The historical amounts incurred for this category during the three years ended December 31, 2023 and the six months ended June 30, 2024 were RMB10,046,000, RMB19,872,000, RMB13,796,000 and RMB23,470,000, respectively; and the corresponding utilization rates against the relevant annual caps are 18.35%, 30.11%, 17.46% and 42.67%, respectively.

Due to adjustments in service cooperation strategies as a result of changes in the external market environment and corporate policies, the annual caps were not utilized as the Company had anticipated when such annual caps were formulated.

(iii) *Service fees payable by the Group in relation to advertising and marketing promotion services*

The annual caps previously by set for the three years ended December 31, 2023 and the seven months ending July 31, 2024 were RMB336,183,000, RMB608,000,000, RMB776,800,000 and RMB512,113,000, respectively.

The historical amounts incurred for this category during the three years ended December 31, 2023 and the six months ended June 30, 2024 were RMB297,093,000, RMB397,389,000, RMB536,267,000, and RMB326,312,000; the corresponding utilization rates against the relevant annual caps are 88.37%, 65.36%, 69.04% and 63.72%, respectively.

Proposed annual caps and basis of determination

The Company estimates that the proposed annual caps for the 2024 Tencent Strategic Cooperation and Marketing Promotion Framework Agreement for the term of three years from August 1, 2024 to July 31, 2027 are as follows:

	For the five months ending December 31, 2024 (RMB'000)	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)	For the seven months ending July 31, 2027 (RMB'000)
Service fees payable by the Group in relation to traffic support and related services	289,000	649,000 <i>(Note 1)</i>	706,000	738,000	442,000
Service fees payable by the Tencent Group in relation to advertising and marketing promotion and related services	40,000	95,000 <i>(Note 2)</i>	80,000	81,000	50,000
Service fees payable by the Group in relation to advertising and marketing promotion and related services	470,000	982,113 <i>(Note 3)</i>	1,130,000	1,190,000	717,000

Notes:

- (1) The proposed annual caps represent the sum of the following: (a) the annual cap of the amount payable by the Group to the Tencent Group pursuant to the 2021 Tencent Strategic Cooperation and Marketing Promotion Framework Agreement for the seven months ending July 31, 2024 as disclosed in the circular of the Company dated September 10, 2021, and (b) the proposed annual cap of service fees payable by the Group in relation to traffic support and related services for the five months ending December 31, 2024.

- (2) The proposed annual caps represent the sum of the following: (a) the annual cap of the amount payable by the Tencent Group to the Group pursuant to the 2021 Tencent Strategic Cooperation and Marketing Promotion Framework Agreement for the seven months ending July 31, 2024 as disclosed in the circular of the Company dated September 10, 2021, and (b) the proposed annual cap of service fees payable by the Tencent Group in relation to advertising and marketing promotion and related services for the five months ending December 31, 2024.
- (3) The proposed annual caps represent the sum of the following: (a) the annual cap of the amount payable by the Group to the Tencent Group pursuant to the 2021 Tencent Strategic Cooperation and Marketing Promotion Framework Agreement for the seven months ending July 31, 2024 as disclosed in the circular of the Company dated September 10, 2021, and (b) the proposed annual cap of service fees payable by the Group in relation to advertising and marketing promotion and related services for the five months ending December 31, 2024.

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

- (i) The Group's effective and stable traffic channels from the Tencent's Key Services:

In relation to this factor, coupled with the efforts to expand traffic sources by tapping into various channels in both online and offline scenarios, the Group has continued to maintain stable and effective traffic within Weixin mini-program and deepen its strategic cooperation with the Tencent Group with respect to the Tencent's Key Services.

In particular, the Group explored various scenarios within the Tencent ecosystem to expand its user reach and made consistent efforts to refine its operations to enhance user acquisition efficiency. The Group further collaborated with Tencent Games and launched e-Sports activities to promote its brand to the younger generations. The Group also optimized the entry point interfaces on QQ Browser and Weixin Search platform to deliver better user experience. In 2023, around 80% of the average MAUs were contributed by the Weixin mini-program; and approximately 72.7% of new paying users on Weixin platform were from non-first-tier cities in China. Based on the continuous contribution to the Group's average MPUs from Weixin mini-program brought by the traffic support provided by Tencent Group in relation to Tencent's Key Services and expected continuous demand in transportation ticketing and accommodation reservation services provided by the Group through its operation of the Tencent's Key Services based on the Group's internal business forecast and analysis, the Group believes that it is necessary to continuously increase its marketing effort through the traffic support and advertising and promotion services.

In determining the annual caps for the traffic support and related services under the 2024 Tencent Strategic Cooperation and Marketing Promotion Framework Agreement for the year ending December 31, 2024, after taking into account: (1) the business contribution and importance of the effective and stable traffic channels from the Tencent's Key Services, (2) the number of the relevant active users and paying users brought to the Company by Tencent's Key Services over the years, as demonstrated by the fact that around 80% of its average MAUs in 2023 was contributed from Weixin mini-program with majority of the traffic from Weixin Pay interface/entry points and the drop-down list of users' favourite or most frequently used mini-programs, the Group proposed the annual cap for the service fees payable by the Group in relation to traffic support and related services.

Following year 2024, the monthly average amount of the Group's proposed annual caps for the two years ending December 31, 2026 and the seven months ending July 31, 2027 represents a growth rate of approximately 2% to 5% as compared with the previous period, as the Group has taken into account the steady growth of the general economy of the PRC in the upcoming years where the gross domestic product is expected to keep pace; and the three-year plan promulgated by the Ministry of Culture and Tourism of the PRC to boost domestic tourism and stimulate tourism related spending and spur economic growth, at which initiatives to enhance quality travel options, overall travel experience and increase financial support for the tourism industry are expected to be implemented.

The Group has also considered the importance of the Tencent Group to its ongoing revenue contribution and currently the proposed annual cap for each of the two years ending December 31, 2026 represents less than 10% of the revenue of the Group for the year ended December 31, 2023. In addition, since the scope of traffic support via Tencent Group's key services, channels, products and tools under the 2024 Tencent Strategic Cooperation and Marketing Promotion Framework Agreement includes authorizing the Company to utilize intellectual property rights and software of Tencent Computer, it is essential for the Group for reaching more users in Tencent and strengthening the Group's own brand awareness. Based on the aforementioned factors, the Group considered that the proposed annual caps are fair and reasonable.

- (ii) The historical amounts paid to the Tencent Group pursuant to the 2021 Tencent Strategic Cooperation and Marketing Promotion Framework Agreement:

In relation to this factor, the Group considered that it has been marketing through the advertisement and promotion services provided by Tencent Group efficiently and effectively since 2019, as demonstrated by the number of new customers attracted and the number of active users converted into paying users.

Following a year of strong recovery in 2023, the Group recorded an increase of average MPUs year-to-year from 29.7 million to 41.3 million, and the APUs increased by 25.2% from 187.5 million in 2022 to 234.7 million in 2023. It is expected that the Group will continue to benefit from these advertisement and promotion services and achieve positive growth in paying users and paying ratio if the Group strengthens its promotion effort in the post-pandemic era.

In determining the proposed annual cap for the services fees payable by the Group in relation to advertising and marketing promotion and related services for the year ending December 31, 2024, the Group takes into account: (1) the historical actual amount and anticipated increase in the promotional expenditure of the Group in line with the potentially increasing demand for and revenue generated from the transportation ticketing and accommodation reservation services provided by the Group, (2) the Group's strategic focus to expand its market share in mass market and (3) the Group's plan to expand the scope of cooperation in marketing and promotion with Tencent Group in view of the market leading position of the Tencent Group. As such, the Group intends to further increase its marketing efforts by allocating more resources on online advertising and promotion for capturing further user demand. In determining the proposed caps for the two years ending December 31, 2026 and the seven months ending July 31, 2027, the monthly average amount of such annual cap represents a year-over-year growth rate of approximately 0.2%, 5.3% and 3.3% as compared with the previous period, respectively, after the Group takes into account the expected increasing trend of market demand and transactions volume in the booming travel market. With reference to the historical transaction amount incurred under the 2021 Tencent Strategic Cooperation and Marketing Promotion Framework Agreement and taking into account the factors as abovementioned, the Group proposed to significantly increase the annual cap for the service fees payable by the Group in relation to advertising and marketing promotion and related services.

- (iii) The Group’s branding and strategies for the mass market (including but not limited to lower-tier cities markets) to increase the intensity and scale of marketing and promotion activities, such as increasing the promotion of its proprietary App “Tongcheng Travel” in order to promote the Group’s products and services:

In relation to this factor, the Group further reinforced its leading position in China’s OTA mass market, especially in lower-tier cities. The Group continues to anticipate a stable growth rate of paying user acquisition from the mass market. As at March 31, 2024, the Group’s registered users residing in non-first-tier cities in China accounted for approximately 87% of the total registered users. For the three months ended March 31, 2024, over 70% of the Group’s new paying users on Weixin were from non-first-tier cities in China. Currently, the online penetration rate of travel business in lower-tier cities is relatively low, signifying immense opportunities for the Group. With the Group’s strategic focus on the mass market, including but not limited to lower-tier cities and efforts in offline user acquisition, the Group has successfully captured the rebound opportunities in the mass market, including but not limited to lower-tier cities market and gained more market shares in the major business segments, including accommodation and transportation. In order to further penetrate these lower-tier cities, the Group considers it is necessary to further strengthen the utilization of Tencent Group’s traffic support and advertising and marketing promotion and related services to enable the Group to leverage Tencent’s large user base and attract more consumers and merchants from these lower-tier cities to the Group’s platform in order to enlarge its user base and enhance its business growth. Therefore, the Group proposed such annual caps for the services fees payable to Tencent Group for the traffic support and advertising and marketing promotion and related services.

- (iv) The Group’s plan to further expand the scope and scenarios of cooperation in marketing promotion and related services between the Group and the Tencent Group, such as traffic replacement, joint event operations and ticketing distribution:

In relation to this factor, since the China travel industry has sustained strong recovery momentum in 2023 and marked its significant post-pandemic revival, the Group’s business continued to improve year over year. The Company also observed that the Chinese economy has continued its steady growth in the first half of 2024. The Chinese government has consistently provided support to the travel industry, aiming to accelerate the growth of tourism consumption and drive economic expansion. Based on the Company’s 2023 financial results, the Group’s average MPUs recovered quickly and its APUs in 2023 even achieve a year-to-year increase due to the continuous recovery of the travel industry. As a result of these, the Group believes that increased traffic support, and advertising and promotion services is essential for the Group to capture the opportunities of the remarkable expansion of the domestic travel market.

- (v) The increasing demand for and revenue generated from the transportation ticketing and accommodation reservation services provided by the Group through its operation of the Tencent’s Key Services, based on the Group’s internal business forecast and analysis; and
- (vi) The increasing trend of market demands and transactions volume amidst the booming travel market for domestic travels, as demonstrated by the statistics promulgated by the Ministry of Culture and Tourism of the PRC.

Reasons for and benefits of entering into the 2024 Tencent Strategic Cooperation and Marketing Promotion Framework Agreement

Given that Tencent is a leading provider of internet value-added services in the PRC, the cooperation with the Tencent Group and the utilization of its traffic support and advertising and marketing promotion and related services would enable the Group to leverage Tencent's large user base and attract more consumers and merchants to its platform in order to enlarge its user base and enhance the Group's business growth. The Group believes that the traffic support and advertising and marketing promotion and related services provided by the Tencent Group will enable the Group to increase its users and potential new users' awareness of and familiarity with its platform, mobile apps and services which will be crucial to the success of the Group's business. Further, the provision of advertising and marketing promotion and related services by the Group to the Tencent Group will bring synergies to both the Group and the Tencent Group, thereby providing the Group with a steady revenue stream and broadening return to the Shareholders as a whole.

Listing Rules implications

As Tencent Computer is a subsidiary of Tencent, a substantial shareholder of the Company which holds approximately 20.48% of the Shares as at the date hereof, Tencent Computer is a connected person of the Company pursuant to Rule 14A.07(4) of the Listing Rules. Accordingly, the Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since the highest applicable ratio (as defined in Rule 14.07 of the Listing Rules) of the proposed annual caps in respect of the continuing connected transactions contemplated under the 2024 Tencent Strategic Cooperation and Marketing Promotion Framework Agreement is more than 5%, the Transactions and the proposed annual caps thereunder are subject to reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

3. INTERNAL CONTROL MEASURES

The Group has a comprehensive internal control system to ensure that the terms of the 2024 Tencent Strategic Cooperation and Marketing Promotion Framework Agreement are fair and reasonable, and the 2024 Tencent Strategic Cooperation and Marketing Promotion Framework Agreement is conducted on normal commercial terms or better and in the ordinary and usual 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.
- (ii) With respect to the advertising and marketing promotion and related services to be provided by the Company (and/or any of its subsidiaries or Contractual Arrangement Entities), the relevant personnel of the business department of the Company will conduct quarterly checks on the market fee rates for the purpose of considering if the service fee charged for a specific type of transaction is fair and reasonable and in accordance with the pricing basis for the relevant continuing connected transactions.

- (iii) With respect to the traffic support and the advertising and marketing promotion and related services to be provided by Tencent Computer (and/or any of its subsidiaries or associates), the relevant personnel of the business department of the Company will conduct quarterly checks on the service fees payable to the Tencent Group for the purpose of considering if the service fee payable under each definitive 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 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.

4. DIRECTORS' CONFIRMATION

The 2024 Tencent Strategic Cooperation and Marketing Promotion Framework Agreement has been negotiated and agreed on an arms' length basis by the parties thereto. The Directors (excluding Mr. Xie Qing Hua and Mr. Brent Richard Irvin who shall abstain from voting and the independent non-executive Directors whose views will be formed after receiving advice from the Independent Financial Adviser) are of the view that the 2024 Tencent Strategic Cooperation and Marketing Promotion Framework Agreement is entered into in the ordinary and usual course of business, on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Mr. Xie Qing Hua is currently serving as the corporate vice president of Tencent; whereas Mr. Brent Richard Irvin is currently serving as the corporate vice president of Tencent.

From the perspective of good corporate governance, Mr. Xie Qing Hua and Mr. Brent Richard Irvin abstained from voting on the resolution approving the 2024 Tencent Strategic Cooperation and Marketing Promotion Framework Agreement at the relevant board meeting(s) due to their positions at the Tencent Group.

Saved as disclosed above, no other Director has any material interests or is required to abstain from voting on the Board resolution.

5. APPROVAL BY INDEPENDENT SHAREHOLDERS

The EGM will be convened to consider and, if thought fit, to approve the 2024 Tencent Strategic Cooperation and Marketing Promotion Framework Agreement and the Transactions (including the proposed annual caps).

An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in respect of the Transactions (including the proposed annual caps). In this respect, South China Capital Limited has been appointed as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

A circular containing, among others, (i) details of the 2024 Tencent Strategic Cooperation and Marketing Promotion Framework Agreement and the Transactions, (ii) a letter from the Independent Board Committee to the Independent Shareholders containing its recommendation, and (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, together with a notice to convene the EGM to consider and, if thought fit, approve the Transactions (including the proposed annual caps), is expected to be dispatched to the Shareholders as soon as practicable in accordance with the Listing Rules, in any event no later than September 2, 2024 (which is more than 15 business days after the publication of this announcement in order to allow sufficient time for the preparation of the relevant information for inclusion in the said circular).

6. INFORMATION ON 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 in the PRC. The shares of Tencent are listed on the Main Board of the Stock Exchange (HKEX: 00700 (HKD Counter) and 80700 (RMB Counter)).

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

7. DEFINITIONS

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

“2021 Tencent Strategic Cooperation and Marketing Promotion Framework Agreement”	the strategic cooperation and marketing promotion framework agreement entered into between Tencent Computer and the Company on July 30, 2021
“2024 Tencent Strategic Cooperation and Marketing Promotion Framework Agreement”	the strategic cooperation and marketing promotion framework agreement entered into between Tencent Computer and the Company on July 30, 2024, pursuant to which the parties agreed to renew 2021 Tencent Strategic Cooperation and Marketing Promotion Framework Agreement for a term of three years commencing from August 1, 2024
“APUs”	annual paying user
“associate(s)”	has the meaning ascribed to it or them under the Listing Rules
“Board”	the board of Directors
“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
“Contractual Arrangement Entities”	the entities the Company controls through certain contractual arrangements
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held to consider and, if thought fit, approve the 2024 Tencent Strategic Cooperation and Marketing Promotion Framework Agreement and the Transactions contemplated thereunder, or any adjournment thereof

“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
“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 2024 Tencent Strategic Cooperation and Marketing Promotion Framework Agreement and the Transactions
“Independent Financial Adviser”	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 Transactions
“Independent Shareholders”	Shareholders other than any Shareholder who has a material interest in the 2024 Tencent Strategic Cooperation and Marketing Promotion 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
“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
“MPUs”	monthly paying users who make purchases on the Group’s platforms at least once during a calendar month
“OTA”	online travel agency
“PRC”	the People’s Republic of China
“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
“Tencent”	Tencent Holdings Limited, a company redomiciled to the Cayman Islands on February 27, 2004 as an exempted company under the laws of the Cayman Islands, whose shares are listed on the Main Board of the Stock Exchange (HKEX: 00700 (HKD Counter) and 80700 (RMB Counter))
“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’s Key Services”	Tencent’s Weixin and Mobile QQ
“Transactions”	the transactions contemplated under the 2024 Tencent Strategic Cooperation and Marketing Promotion Framework Agreement, brief particulars of which are set out in the section headed “Nature of transactions” of this announcement
“%”	per cent

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

Hong Kong, July 30, 2024

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

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

Yang Chia Hung
Dai Xiaojing
Han Yuling