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Tongcheng Travel Holdings Limited

同程旅行控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0780)

ANNOUNCEMENT OF THE RESULTS FOR THE YEAR ENDED DECEMBER 31, 2021

The Board of the Company is pleased to announce the audited consolidated results of the Group for the year ended December 31, 2021, together with comparative figures for the same periods of 2020.

FOR THE THREE MONTHS ENDED DECEMBER 31, 2021

- Revenue increased by 1.8% year-to-year to RMB1,846.4 million in the fourth quarter of 2021 from RMB1,812.9 million in the same period of 2020.
- Adjusted EBITDA decreased by 4.3% from RMB441.0 million in the fourth quarter of 2020 to RMB421.8 million in the same period of 2021. Adjusted EBITDA margin decreased to 22.8% in the fourth quarter of 2021 from 24.3% in the fourth quarter of 2020.
- Adjusted net profit dropped by 18.5% from RMB307.3 million in the fourth quarter of 2020 to RMB250.4 million in the fourth quarter of 2021. Adjusted net margin decreased from 16.9% in the fourth quarter of 2020 to 13.6% in the fourth quarter of 2021.
- Average MAUs increased by 21.7% year-to-year from 196.0 million in the fourth quarter of 2020 to 238.6 million in the fourth quarter of 2021.
- Average MPUs increased by 7.3% year-to-year from 28.7 million in the fourth quarter of 2020 to 30.8 million in the fourth quarter of 2021 .

1. Key Financial Metrics for the three months ended December 31, 2021

	Unaudited		Year-to-year change
	Three months ended December 31,		
	2021	2020	
	<i>(in RMB'000)</i>		
Revenue	1,846,385	1,812,851	1.8%
Profit before income tax	60,568	93,381	(35.1)%
Profit for the period	26,847	79,642	(66.3)%
Adjusted EBITDA	421,782	440,950	(4.3)%
Adjusted net profit for the period	250,350	307,259	(18.5)%
Revenue growth/(decrease) (year-to-year)	1.8%	(7.3)%	
Adjusted EBITDA margin	22.8%	24.3%	
Adjusted net margin	13.6%	16.9%	

Note:

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

2. Operating Metrics for the three months ended December 31, 2021

	Three months ended		Year-to-year change
	December 31,		
	2021	2020	
GMV (in RMB billion)	31.9	36.1	(11.6)%
Number of average MAUs (in million)	238.6	196.0	21.7%
Number of average MPUs (in million)	30.8	28.7	7.3%

FOR THE YEAR ENDED DECEMBER 31, 2021

- Revenue increased by 27.1% year-to-year to RMB7,537.6 million from RMB5,932.6 million in 2020.
- Adjusted EBITDA increased by 38.7% year-to-year from RMB1,366.5 million in 2020 to RMB1,895.5 million in 2021. Adjusted EBITDA margin increased from 23.0% in 2020 to 25.1% in 2021.
- Adjusted net profit increased by 35.9% from RMB954.0 million in 2020 to RMB1,296.4 million in 2021. Adjusted net margin increased from 16.1% in 2020 to 17.2% in 2021.
- Average MAUs increased by 34.2% year-to-year from 191.4 million in 2020 to 256.9 million in 2021.

- Average MPUs increased by 36.1% year-to-year from 23.0 million in 2020 to 31.3 million in 2021.
- APUs increased by 28.2% year-to-year from 155.2 million in 2020 to 198.9 million in 2021.

3. Key Financial Metrics for the year ended December 31, 2021

	Year ended December 31,		Year-to-year change
	2021 <i>(in RMB'000)</i>	2020	
Revenue	7,537,556	5,932,591	27.1%
Profit before income tax	874,899	397,577	120.1%
Profit for the year	713,525	325,533	119.2%
Adjusted EBITDA	1,895,531	1,366,484	38.7%
Adjusted net profit for the year	1,296,431	953,972	35.9%
Revenue growth/(decrease) (year-to-year)	27.1%	(19.8)%	
Adjusted EBITDA margin	25.1%	23.0%	
Adjusted net margin	17.2%	16.1%	

Note:

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

4. Operating Metrics for the year ended December 31, 2021

	Year ended December 31,		Year-to-year change
	2021	2020	
GMV (in RMB billion)	150.2	116.4	29.0%
Number of average MAUs (in million)	256.9	191.4	34.2%
Number of average MPUs (in million)	31.3	23.0	36.1%
APUs (in million)	198.9	155.2	28.2%

BUSINESS REVIEW AND OUTLOOK

Entering the second year of the pandemic, the impact of COVID-19 on the global economy continued in 2021. The market demonstrated a stable recovery, yet virus variants such as Delta and Omicron cropped up worldwide and brought an unpleasant mixture of fluctuations and uncertainties to the global economy and the travel industry. 2021 was another challenging year for Chinese OTAs. China's travel market was severely impacted in the first quarter of 2021 but has shown a strong rebound when the pandemic was eased in the second quarter. However, travel demand fluctuated because of new rounds of regional virus resurgence since the middle of the third quarter of 2021 and was further dampened due to the quickening spread of the virus in multiple regions in China at the end of 2021. In view of the volatile market situation, we continued to react swiftly to market changes and adopted flexible operations strategy, stringent cost control, and light operating model, which helped us weather the storm and seize market opportunities. During 2021, although China's travel market was still under the haze of the pandemic, we recovered rapidly and continued to outpace the industry by leveraging our advantages in lower-tier cities, diversified traffic sources, and outstanding innovation capability, further solidifying our leading position in China's travel industry.

In face of the market changes during the pandemic, we strived to seize emerging opportunities by building on a more resilient and efficient organizational structure. In late September 2021, we completed an organizational restructuring, aiming to lay a solid foundation for future challenges and opportunities. We established the Accommodation and Local Consumption business group to fulfill our users' diversified needs and to capture enormous opportunities in short-haul travel and local consumption. Besides, we consolidated all transportation services into a Transportation Ticketing business group to achieve higher efficiency and synergies and provide users with one-stop travel solutions. Moreover, we established the Content and Leisure Travel business group to provide more product and service offerings and enhance user stickiness. We believe this organizational restructuring will allow us to further improve our corporate efficiencies and strengthen synergies among different business departments.

During the year, even negatively impacted by the pandemic, we still obtained outstanding business performance and achievements. We were awarded the "Best Mini-program of the year" by Aladdin, a well-known third-party mini-program monitor, in recognition of our excellent performance as well as our innovative products and services in the mini-program ecosystem. We also leveraged resources to benefit our users and to support the development of society. We received several awards from external organizations in recognition of our contributions to the society.

Results Highlights

During the past year, the travel industry experienced significant hardships. The market was still fluctuated due to resurgence of COVID-19 cases in certain areas from time to time throughout the year. Stepping into the fourth quarter of 2021 which is usually a slack season for travelling, the market was still under huge pressure caused by COVID resurgence, with demand falling sharply since the national holiday in early October 2021. However, our business remained resilient during the turbulence and recovered faster than the industry.

We registered thrilling growth for our MAUs and MPUs leveraging our stable and diverse traffic channels, competitive advantages in lower-tier cities, and comprehensive product and service offerings. For the fourth quarter of 2021, our average MAUs increased by 21.7% year-to-year from 196.0 million in the same period of 2020 to 238.6 million. For the fourth quarter of 2021, our average MPUs increased by 7.3% year-to-year from 28.7 million in the same period of 2020 to 30.8 million. Our paying ratio decreased from 14.6% in the fourth quarter of 2020 to 12.9% in the fourth quarter of 2021, as we achieved a relatively strong MAUs growth driven by our continuous exploration in traffic sources. Besides, searching and browsing on our platform were still strong due to the resilient travel willingness, but users' travel activities were constrained under travel restrictions. Our GMV recorded a 11.6% decrease from RMB36.1 billion in the fourth quarter of 2020 to RMB31.9 billion in the fourth quarter of 2021 as virus resurgence caused negative impacts on product prices and volume of certain business lines. For the fourth quarter of 2021, we have achieved decent volume growth in accommodation business by grasping opportunities in the niche market. Compared with the same period of 2019, we have achieved year-to-year growth of over 20% in our domestic room nights sold with more than 40% increase year-to-year in lower-tier cities. We also made significant progress in our bus ticketing business and continued to explore online penetration potentials. Compared with the same period of 2019, we have registered over 400% growth in bus ticketing volume.

In 2021, our user base has grown gracefully with MAUs and MPUs hitting all-time high at 277.9 million in the second quarter and 33.6 million in the third quarter, respectively. On a yearly basis, our MAUs and MPUs also surpassed the record. Our average MAUs increased by 34.2% year-to-year from 191.4 million in 2020 to 256.9 million in 2021. Our average MPUs increased by 36.1% year-to-year from 23.0 million in 2020 to 31.3 million in 2021. Our paying ratios increased from 12.0% in 2020 to 12.2% in 2021. Our APUs for the year ended December 31, 2021 increased significantly by 28.2% from 155.2 million by the end of 2020 and reached a historic high of 198.9 million by the end of 2021. Our GMV increased by 29.0% from RMB116.4 billion in 2020 to RMB150.2 billion in 2021, driven by the recovery of volume and product prices for all business lines.

Although the virus resurgence has caused large-scale shockwaves and unavoidably impacted the travel industry, our business remained resilient and profitable. We once again outperformed the industry by successfully capturing market opportunities. For the fourth quarter of 2021, our revenue increased by 1.8% year-to-year to RMB1,846.4 million. Our adjusted net profit for the period decreased by 18.5% year-to-year to RMB250.4 million. Our adjusted net margin was 13.6% in the fourth quarter of 2021. For the full year of 2021, we recorded robust financial growth with total revenue increased by 27.1% from RMB5,932.6 million in 2020 to RMB7,537.6 million in 2021. Our adjusted net profit for the year increased by 35.9% from RMB954.0 million in 2020 to RMB1,296.4 million in 2021. Our adjusted net margin increased from 16.1% in 2020 to 17.2% in 2021.

Business Review

During the period under review, we have further expanded and utilized our traffic channels within the Tencent ecosystem. We continued to explore business potentials and built more solid relationships with Tencent. In late July 2021, we successfully renewed our agreement with Tencent and continued to have two entry points in the Weixin Pay interface. We maintained stable and effective traffic channels from Weixin mini program. In 2021, about 80.7% of our average MAUs was contributed from the Weixin mini-program. The majority of the traffic came from the Weixin Pay interface and the drop-down list of users' favorite or most frequently used mini-programs. We continued to maintain wide-ranging cooperation with Tencent by directing users to our mini program from various Tencent-based platforms such as the "Search" portal, QQ Music, QQ browsers, and Tencent Video. We further optimized our operation in Weixin's search portal (搜一搜) by directing users not only to our mini program but also to our Video Accounts (視頻號) on Weixin's platform to establish sustainable interaction with users. We also increased our advertising in Tencent ecosystem to enhance our user engagement and brand awareness. In addition, we co-launched series of online and offline interactive marketing campaigns leveraging several widely known IPs entitled by Tencent so as to attract users, especially the younger generation.

We endeavored to diversify our traffic sources by exploring and penetrating more online and offline traffic sources. We enriched the content on our APP and optimized its interface to enhance user experience, thus uplifting the overall marketing efficiency. We also worked with handset vendors to explore more scenarios on quick APPs. With our outstanding technology, we launched the metasearch function through which users can easily find their preferred travel products and services by keying in keywords on their mobile phones. We have also developed innovative voice assistant function. These have facilitated users' access to travel information and order placing, thus greatly enhancing user experience. We also leveraged our technological innovation and embedded our itinerary tracking services in smart watches to improve user experience and engagement. Besides, we organized online marketing and offline promotions, offering a wide range of exclusive membership privileges and benefits to users on mobile phones and other mobile devices. In 2021, we were awarded the Most Popular Quick App and Best Partner by one of the most influential handset vendors.

As for our offline user acquisition initiatives, we further explored consumption scenarios and cultivated various channels to gain users from the offline market and penetrate into lower-tier cities. Our partnership with hotels, bus operators and tourist attractions contributes meaningfully to the growth of our paying users. During the year of 2021, we optimized our operational strategy for hotel offline user acquisition to strive for better user acquisition efficiency. We continued to roll out bus ticket vending machines with an extensive coverage in China. In addition, we tapped into alternative offline user acquisition opportunities under different scenarios, which also helped expand our user base.

In the past year, we continued to improve user engagement. Leveraging our profound understanding of the market and our brilliant innovation capability, we launched an innovative marketing initiative called the "Blind Box of Air Tickets," which later evolved into a series of related products. This initiative has gone viral across social media platforms and earned us several marketing awards. It also successfully attracted massive younger generations to our platform and boosted our traffic and user engagement. Moreover, it stimulated our business growth during the tough time and contributed to the recovery of the travel industry. Regarding our loyalty program, we enriched membership privileges for Black Whale members so as to cultivate high-value users and fulfill their diverse needs on our platform. We launched multiple membership versions which

customized the period of validity and benefits so as to cater to different users' preferences and needs. The amount of our Black Whale members grew significantly in 2021. We also launched a "Campus Card" program to strengthen interactions with students. We provided students with tailor-made products and services and organized various marketing activities at universities and vocational schools to attract the younger generation. Furthermore, to improve our brand awareness and recognition among the targeted users, we increased our marketing and branding investments through multiple channels. In addition to various online and offline advertisements, we sponsored several trendy TV shows and online drama series as well as appointing a new brand ambassador who enjoys a high popularity among the younger generation.

We further solidified our leading position in the China OTA market, especially in lower-tier cities with phenomenal opportunities and ample room for online penetration improvement. We continued to penetrate lower-tier cities by expanding our user acquisition channels and scenarios to more townships across mainland China. We established and strengthened cooperation with urban and rural bus operators, which allowed us to quickly and effectively penetrate counties and towns. With our strategic focus on lower-tier cities and our efforts in offline user acquisitions, we have successfully captured the rebound opportunities and gained market share. As of December 31, 2021, our registered users residing in non-first-tier cities in China accounted for approximately 86.7% of the total registered users. For the year ended December 31, 2021, about 61.7% of our new paying users on the Weixin platform were from tier-3 or below cities in China.

We reinforced long-term relationships with our TSPs to offer travelers with satisfying one-stop-shop products and services. As of December 31, 2021, our online platforms offered over 9,000 domestic routes operated by over 730 airlines and agencies, over 2.1 million hotels selections and alternative accommodation options, approximately 400,000 bus routes, over 710 ferry routes and about 8,000 domestic tourist attractions ticketing services. With our comprehensive product offerings, we further implemented cross-selling strategies across different business lines, including transportation, accommodation, and tourist attractions. We strengthened our analytics capability to provide users with more precise and optimal recommendations. We also optimized user interface displays as well as explored different cross-selling scenarios to tap more market potentials. Moreover, we continued to develop and enrich our value-added services to better serve our users and make their travel safer and more convenient. In addition, we captured opportunities associated with short-haul travel by providing users with suitable products and services and launching innovative marketing campaigns such as "48 Hours".

Technology innovation is one of the core competencies of the Company. We continued to develop and apply our advanced technology to transform from an OTA to ITA, aiming at improving our efficiency and facilitating the digitalization of the entire travel industry. We further optimized the Huixing system by integrating more supply chain resources such as bus ticketing and car-hailing services and providing users with more travel options in different scenarios to meet their demands. We also launched a new function that enabled our users to purchase a combination of train tickets that connect different legs of the trip when direct train tickets are not available, of which the users just need to change seats on the same train during their journey. The intelligent travel solutions provided by Huixing system became more valuable to users when transportation tickets were in shortage during the pandemic. Furthermore, we upgraded our AI-driven customer service to improve our operating efficiency and formed an intelligent customer experience platform that enabled us to promptly respond to users' concerns. Moreover, we deepened cooperation with our upstream suppliers and enhanced the digitalization and online penetration of the travel industry with our exceptional technological innovation. In the past year, we have established and reinforced cooperative relationships with several major airports in China and further strengthened the strategic partnership to explore cooperation opportunities. We also provided Software-as-a-service

(SaaS) solutions to more small and medium-sized hotels in lower-tier cities to improve their daily operational efficiency. Moreover, we joined hands with tourism bureaus and tourist attractions to support the development of smart travel and to improve the efficiency of the entire travel industry.

As a socially responsible enterprise, we are fully committed to contributing to the well-being of society and the environment. To push forward with the sustainable development of the Company and the travel industry, we set up a board-level environmental, social and governance (“ESG”) committee and a corporate-level ESG and Data Security Committee during the year. We are also fully committed to providing our users with better protection and assurance during their travel. To help our users when the pandemic caused immediate impacts on their travel plans, we reacted swiftly to the changing market conditions and launched a series of measures, including penalty-free changes or cancellations. We also provided migrant workers with public transportation service free of charge to help them return home safely. Moreover, we are dedicated to contributing more to society with our industry expertise. Leveraging our internet expertise and brand influence, we cooperated with Yan’an Airport and a local government in Yan’an to promote local produce, with the aim to revitalize rural areas and facilitate the sustainable development of local economy.

Business Outlook and Strategies

At the beginning of 2022, the Chinese travel industry was still under the shadow of COVID-19 because of the resurgence of the virus in various areas. While we remained cautious and adjusted our business swiftly to overcome challenges in this tough time, we believe domestic travel will recover gradually with the resilient travel demand and the increasing vaccination rate nationwide. In addition, as the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) published a guideline with multiple supportive measures to help the recovery of service-related sectors including the travel industry in February 2022, we are optimistic about the recovery of the travel industry in China in 2022. Leveraging our competitive advantages in solidified market position, diversified traffic sources, and efficient operations, we are confident that we will continue to outpace the industry average.

We believe that the pandemic will accelerate the online penetration of the travel industry, and OTAs will have phenomenal opportunities in the future. More importantly, the Chinese government encourages and supports the development and digitalization of the travel industry. The State Council of the PRC (中華人民共和國國務院) has announced a development plan for the travel industry during the 14th Five-Year Plan period (2021-2025), emphasizing the importance of promoting smart tourism with digital and intelligent scenarios, as well as expanding the application of new technologies in tourism. With government’s support, we will leverage our advanced technology not only to improve the value proposition to our suppliers and business partners but also to help develop and digitalize the travel industry.

Looking ahead, we will further penetrate the travel market by leveraging our diversified and cost-effective traffic sources to grow our user base. We will also further enhance our products and services utilizing advanced technological innovations. Furthermore, we will strengthen our technical capabilities to attain higher efficiency and transform from an OTA to ITA. We will also tightly adhere to our business strategies and seek investment opportunities to boost future growth for our business. Last but not least, we will integrate economic growth, environmental protection, corporate governance and social responsibility in our business strategies to create sustainable value for our stakeholders and the communities.

MANAGEMENT DISCUSSION AND ANALYSIS

Year ended December 31, 2021 compared to Year ended December 31, 2020

	<u>Year ended December 31,</u>	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	7,537,556	5,932,591
Cost of revenue	<u>(1,889,681)</u>	<u>(1,696,606)</u>
Gross profit	5,647,875	4,235,985
Service development expenses	(1,344,468)	(1,245,506)
Selling and marketing expenses	(3,036,456)	(2,131,276)
Administrative expenses	(571,656)	(521,728)
Net provision for impairment loss on financial assets	(90,728)	(140,413)
Fair value changes on investments measured at fair value through profit or loss	123,890	65,445
Other income	97,597	98,864
Other gains - net	<u>69,236</u>	<u>20,551</u>
Operating profit	895,290	381,922
Finance income	38,975	37,641
Finance costs	(26,497)	(14,782)
Share of results of associates	<u>(32,869)</u>	<u>(7,204)</u>
Profit before income tax	874,899	397,577
Income tax expense	<u>(161,374)</u>	<u>(72,044)</u>
Profit for the year	<u>713,525</u>	<u>325,533</u>
Profit attributable to:		
Equity holders of the Company	723,404	327,593
Non-controlling interests	<u>(9,879)</u>	<u>(2,060)</u>
	<u>713,525</u>	<u>325,533</u>
Adjusted net profit for the year ^(a)	<u>1,296,431</u>	<u>953,972</u>

Note:

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

Revenue

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

	Year ended December 31,			
	2021		2020	
	<i>RMB'000</i>		<i>RMB'000</i>	
Accommodation reservation services	2,408,729	32.0%	1,945,153	32.8%
Transportation ticketing services	4,457,737	59.1%	3,471,129	58.5%
Others	671,090	8.9%	516,309	8.7%
Total revenue	<u>7,537,556</u>	<u>100.0%</u>	<u>5,932,591</u>	<u>100.0%</u>

Revenue increased by 27.1% from RMB5,932.6 million for the year ended December 31, 2020 to RMB7,537.6 million for the year ended December 31, 2021.

Accommodation reservation services

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

Revenue from accommodation reservation services increased by 23.8% from RMB1,945.2 million for the year ended December 31, 2020 to RMB2,408.7 million for the year ended December 31, 2021. The increase was mainly due to the increased demand of accommodation and the contribution of value-added services.

Transportation ticketing services

We generated transportation ticketing revenue primarily from commissions received from suppliers of transportation tickets, travel insurance and other ancillary value-added travel products and services. In these transactions, we acted primarily as an agent, assumed no inventory risk and no obligations for cancelled ticket reservations, and therefore recorded the majority of our revenue on a net basis.

Revenue from transportation ticketing services increased by 28.4% from RMB3,471.1 million for the year ended December 31, 2020 to RMB4,457.7 million for the year ended December 31, 2021. The increase was mainly due to the increased demand of transportation ticketing services as a result of recovery from the outbreak of COVID-19 and value-added user services related to transportation ticketing services.

Others

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

Revenue from others increased by 30.0% from RMB516.3 million for the year ended December 31, 2020 to RMB671.1 million for the year ended December 31, 2021.

Cost of revenue

Our cost of revenue consists primarily of: (i) order processing cost, representing the fees we pay to banks and payment channels for processing user payments; (ii) employee benefit expenses, representing the wages, salaries, and other benefits (including share-based compensation) for our user services and TSP services employees; (iii) cost of pre-purchased travel related products, representing the prices we pay to TSPs to purchase travel products for which we take inventory risk; (iv) procurement costs, which represent the costs for sourcing ancillary value-added travel products and services from service providers; (v) bandwidth and servers custody fee; (vi) depreciation of property, plant and equipment and right-of-use assets; and (vii) others, which primarily include telephone and communication costs, tax and surcharges, travel and entertainment expense, professional fees, user fulfilment fees (which represent compensation paid to users due to user and customers complaints), and rental and utility fees.

The following table sets forth a breakdown of our cost of revenue in absolute amount and as a percentage of total cost of revenue for the years ended December 31, 2021 and 2020:

	Year ended December 31,			
	2021		2020	
	<i>RMB'000</i>		<i>RMB'000</i>	
Order processing cost	875,079	46.3%	690,231	40.7%
Employee benefit expenses	265,468	14.0%	209,389	12.3%
Cost of pre-purchased travel related products	219,656	11.6%	268,905	15.8%
Procurement costs	164,436	8.7%	141,566	8.3%
Bandwidth and servers custody fee	146,281	7.7%	134,374	7.9%
Depreciation of property, plant and equipment, and right-of-use assets	97,071	5.1%	129,092	7.6%
Others	121,690	6.6%	123,049	7.4%
Total cost of revenue	<u>1,889,681</u>	<u>100.0%</u>	<u>1,696,606</u>	<u>100.0%</u>

Cost of revenue increased by 11.4% from RMB1,696.6 million for the year ended December 31, 2020 to RMB1,889.7 million for the year ended December 31, 2021. The increase was mainly due to: (i) an increase in order processing cost from RMB690.2 million for the year ended December 31, 2020 to RMB875.1 million for the year ended December 31, 2021, as a result of increased GMV; (ii) an increase in employee benefit expense from RMB209.4 million for the year ended December 31, 2020 to RMB265.5 million for the year ended December 31, 2021 as a result of increase in number of user service and TSP service employees, and (iii) partially offset by a decrease in cost of pre-purchased travel related products from RMB268.9 million for the year ended December 31, 2020 to RMB219.7 million for the year ended December 31, 2021. Excluding share-based compensation charges, cost of revenue accounted for 24.9% of revenue for the year ended December 31, 2021, which decreased from 28.3% for the year ended December 31, 2020.

Service development expenses

Service development expenses increased by 7.9% from RMB1,245.5 million for the year ended December 31, 2020 to RMB1,344.5 million for the year ended December 31, 2021. The increase was mainly due to the increased number of IT employees and relevant increased employee benefits. Excluding share-based compensation charges, service development expenses accounted for 16.6% of revenue for the year ended December 31, 2021, which decreased from 19.1% for the year ended December 31, 2020.

Selling and marketing expenses

Selling and marketing expenses increased by 42.5% from RMB2,131.3 million for the year ended December 31, 2020 to RMB3,036.5 million for the year ended December 31, 2021, which was mainly due to: (i) the increase in advertising and promotion expenses; (ii) the increase in agency commission expenses; (iii) the increase in amortization expenses; and (iv) the increase in employee benefit expenses. Excluding share-based compensation charges, selling and marketing expenses accounted for 39.8% of revenue for the year ended December 31, 2021 compared with 35.2% for the year ended December 31, 2020.

Administrative expenses

Administrative expenses increased by 9.6% from RMB521.7 million for the year ended December 31, 2020 to RMB571.7 million for the year ended December 31, 2021, which was mainly due to the increase in employee benefits. Excluding share-based compensation charges, administrative expenses accounted for 5.2% of revenue for the year ended December 31, 2021, which was slightly decreased from 5.3% for the year ended December 31, 2020.

Net provision for impairment loss on financial assets

Net provision for impairment loss on financial assets decreased to RMB90.7 million for the year ended December 31, 2021 from RMB140.4 million for the year ended December 31, 2020, which was mainly due to the decrease in expected credit loss of trade and other receivables.

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

We recorded fair value gains on investments measured at fair value through profit or loss of RMB123.9 million for the year ended December 31, 2021, compared with RMB65.4 million for the year ended December 31, 2020. The increase was mainly due to fair value gains on our investments in wealth management products.

Other income

Other income decreased slightly from RMB98.9 million for the year ended December 31, 2020 to RMB97.6 million for the year ended December 31, 2021. The decrease primarily reflected the decrease in government subsidies received, and partially offset by the increase in income from value-added tax additional deduction.

Other gains - net

We recorded other gains of RMB69.2 million for the year ended December 31, 2021 and RMB20.6 million for the year ended December 31, 2020, respectively. The increase was mainly due to increase in investment income from our investment in wealth management products measured at amortized cost.

Income tax expense

We recorded an income tax expense of RMB161.4 million and RMB72.0 million for the year ended December 31, 2021 and 2020, respectively. The increase in income tax expense was primarily due to the increased taxable income for the year ended December 31, 2021.

Profit attributable to equity holders of the Company

As a result of the foregoing, profit attributable to equity holders of the Company increased from profit of RMB327.6 million for the year ended December 31, 2020 to RMB723.4 million for the year ended December 31, 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Fourth Quarter of 2021 compared to Fourth Quarter of 2020

	Unaudited Three Months ended December 31,	
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue	1,846,385	1,812,851
Cost of revenue	(468,562)	(477,571)
Gross profit	1,377,823	1,335,280
Service development expenses	(384,390)	(355,860)
Selling and marketing expenses	(746,874)	(745,655)
Administrative expenses	(221,288)	(211,753)
Net provision for impairment loss on financial assets	(36,419)	(12,752)
Fair value changes on investments measured at fair value through profit or loss	28,762	54,466
Other income	18,582	19,829
Other gains - net	28,815	8,851
Operating profit	65,011	92,406
Finance income	9,126	8,851
Finance costs	(8,976)	(5,680)
Share of results of associates	(4,593)	(2,196)
Profit before income tax	60,568	93,381
Income tax expense	(33,721)	(13,739)
Profit for the period	26,847	79,642
Profit attributable to:		
Equity holders of the Company	31,231	80,750
Non-controlling interests	(4,384)	(1,108)
	26,847	79,642
Adjusted net profit for the period ^(a)	250,350	307,259

Note:

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

Revenue

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

	Unaudited			
	Three Months ended December 31,			
	2021		2020	
	<i>RMB'000</i>		<i>RMB'000</i>	
Accommodation reservation services	562,360	30.5%	647,282	35.7%
Transportation ticketing services	1,074,837	58.2%	1,003,421	55.4%
Others	209,188	11.3%	162,148	8.9%
Total revenue	<u>1,846,385</u>	<u>100.0%</u>	<u>1,812,851</u>	<u>100.0%</u>

Revenue increased by 1.8% from RMB1,812.9 million for the three months ended December 31, 2020 to RMB1,846.4 million for the three months ended December 31, 2021.

Accommodation reservation services

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

Revenue from accommodation reservation services decreased by 13.1% from RMB647.3 million for the three months ended December 31, 2020 to RMB562.4 million in the same period of 2021. The decrease was mainly due to the declined average daily rates as the resurgence of COVID-19 in the fourth quarter of 2021.

Transportation ticketing services

We generated transportation ticketing revenue primarily from commissions received from suppliers of transportation tickets, travel insurance and other ancillary value-added travel products and services. In these transactions, we acted primarily as an agent, assumed no inventory risk and no obligations for cancelled ticket reservations, and therefore recorded the majority of our revenue on a net basis.

Revenue from transportation ticketing services increased by 7.1% from RMB1,003.4 million for the three months ended December 31, 2020 to RMB1,074.8 million for the three months ended December 31, 2021, which was mainly due to the increased demand of value-added user services related to transportation ticketing services.

Others

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

Revenue from others increased by 29.0% from RMB162.1 million for the three months ended December 31, 2020 to RMB209.2 million for the three months ended December 31, 2021, which was mainly due to (i) the increase in revenue from membership services; and (ii) the increase in revenue from advertising services.

Cost of revenue

Our cost of revenue consists primarily of: (i) order processing cost, representing the fees we pay to banks and payment channels for processing user payments; (ii) employee benefit expenses, representing the wages, salaries, and other benefits (including share-based compensation) for our user services and TSP services employees; (iii) procurement costs, which represent the costs for sourcing ancillary value-added travel products and services from service providers; (iv) cost of pre-purchased travel related products, representing the prices we pay to TSPs to purchase travel products for which we take inventory risk; (v) bandwidth and servers custody fee; (vi) depreciation of property, plant and equipment and right-of-use assets; and (vii) others, which primarily include telephone and communication costs, tax and surcharges, travel and entertainment expense, professional fees, user fulfilment fees (which represent compensation paid to users due to user and customers complaints), and rental and utility fees.

The following table sets forth a breakdown of our cost of revenue in absolute amount and as a percentage of total cost of revenue for the three months ended December 31, 2021 and 2020:

	Unaudited			
	Three months ended December 31,			
	2021		2020	
	<i>RMB'000</i>		<i>RMB'000</i>	
Order processing cost	189,278	40.4%	209,013	43.8%
Employee benefit expenses	83,318	17.8%	64,812	13.6%
Procurement costs	56,223	12.0%	41,897	8.8%
Cost of pre-purchased travel related products	46,014	9.8%	65,072	13.6%
Bandwidth and servers custody fee	32,647	7.0%	34,382	7.2%
Depreciation of property, plant and equipment and right-of-use assets	27,127	5.8%	36,625	7.7%
Others	33,955	7.2%	25,770	5.3%
Total cost of revenue	<u>468,562</u>	<u>100.0%</u>	<u>477,571</u>	<u>100.0%</u>

Cost of revenue decreased by 1.9% from RMB477.6 million for the three months ended December 31, 2020 to RMB468.6 million for the three months ended December 31, 2021. The decrease was mainly due to: (i) a decrease in order processing cost from RMB209.0 million for the three months ended December 31, 2020 to RMB189.3 million for the three months ended December 31, 2021, as a result of declined GMV; (ii) a decrease in cost of pre-purchased travel related products from RMB65.1 million for the three months ended December 31, 2020 to RMB46.0 million for the three months ended December 31, 2021; and (iii) partially offset by an increase in employee benefit expenses and an increase in procurement costs due to the increased sales of ancillary value-added travel products and services. Excluding share-based compensation charges, cost of revenue accounted for 25.0% of revenue for the three months ended December 31, 2021, which decreased from 25.9% for the same period of 2020.

Service development expenses

Service development expenses increased by 8.0% from RMB355.9 million for the three months ended December 31, 2020 to RMB384.4 million for the three months ended December 31, 2021. The increase was mainly due to the increased number of IT employees and relevant increased employee benefits. Excluding share-based compensation charges, service development expenses accounted for 18.4% of revenue for the three months ended December 31, 2021, which increased from 16.7% for the same period of 2020.

Selling and marketing expenses

Selling and marketing expenses mainly consist of advertising and promotion expenses, employee benefit expenses, amortization expense and agency commission expense. Selling and marketing expenses was almost flatten at RMB746.9 million for the three months ended December 31, 2021 compared to RMB745.7 million for the three months ended December 31, 2020. Excluding share-based compensation charges, selling and marketing expenses accounted for 39.4% of revenue for the three months ended December 31, 2021 compared with 39.9% for the same period of 2020.

Administrative expenses

Administrative expenses increased from RMB211.8 million for the three months ended December 31, 2020 to RMB221.3 million for the three months ended December 31, 2021, which was mainly due to the increase in employee benefit expenses. Excluding share-based compensation charges, administrative expenses accounted for 7.3% of revenue for the three months ended December 31, 2021, which increased from 5.9% for the same period of 2020.

Net provision for impairment loss on financial assets

Net provision for impairment loss on financial assets increased to RMB36.4 million for the three months ended December 31, 2021 from RMB12.8 million for the same period of 2020, which was mainly due to the increase in expected credit loss of trade and other receivables.

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

We recorded fair value gains on investments measured at fair value through profit or loss of RMB28.8 million for the three months ended December 31, 2021, compared with RMB54.5 million for the three months ended December 31, 2020, which was mainly due to the decrease in fair value gains on our investment in wealth management products and the increase in fair value loss on certain of our investments in public and private companies.

Other income

We recorded other income of RMB18.6 million for the three months ended December 31, 2021, compared with RMB19.8 million for the three months ended December 31, 2020. The decrease was mainly due to less government subsidies received.

Other gains - net

We recorded other gains of RMB28.8 million for the three months ended December 31, 2021 and RMB8.9 million for the three months ended December 31, 2020. The increase was mainly due to (i) the increase in investment income from our investments in wealth management products measured at amortized cost; and (ii) increase in foreign exchange gains.

Income tax expense

We recorded an income tax expense of RMB33.7 million and RMB13.7 million for the three months ended December 31, 2021 and 2020, respectively. The increase in income tax expense was primarily due to the increased taxable income for the three months ended December 31, 2021.

Profit attributable to equity holders of the Company

As a result of the foregoing, profit attributable to equity holders of the Company decreased from profit of RMB80.8 million for the three months ended December 31, 2020 to RMB31.2 million for the three months ended December 31, 2021.

OTHER FINANCIAL INFORMATION

Non-IFRS Financial Measures

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

Adjusted EBITDA is defined as operating profit adjusted for (i) share-based compensation; (ii) amortization of intangible assets; (iii) depreciation of property, plant and equipment, and right-of-use assets; and (iv) acquisition-related cost. Adjusted net profit for the period/year is defined as profit for the period/year adjusted for (i) share-based compensation; (ii) the amortization of acquired intangible assets; (iii) the depreciation of acquired property, plant and equipment and right-of-use assets; and (iv) acquisition-related cost.

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

a. Reconciliation of adjusted EBITDA from operating profit

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

	Three months ended		Year ended	
	December 31,		December 31,	
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Operating profit	65,011	92,406	895,290	381,922
Add:				
Share-based compensation, gross ^(a)	158,956	189,215	330,028	382,147
Amortization of intangible assets	152,161	103,895	500,006	414,442
Depreciation of property, plant and equipment and right-of-use assets	45,579	55,029	169,836	187,568
Acquisition-related cost	75	405	371	405
Adjusted EBITDA	<u>421,782</u>	<u>440,950</u>	<u>1,895,531</u>	<u>1,366,484</u>

(a) Represents gross expense related to equity-settled share-based payment transactions. This is a non-cash item and the value is determined by valuation techniques involving a few parameters out of the management's control such as macro economy index and retention rate of grantees.

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

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

	Three months ended		Year ended	
	December 31,		December 31,	
	2021	2020	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period/year	26,847	79,642	713,525	325,533
Add:				
Share-based compensation, net ^(a)	171,205	157,562	333,199	350,494
Amortization of intangible assets from acquisition ^(b)	52,219	69,650	249,332	277,540
Depreciation of property, plant and equipment from acquisition ^(b)	4	–	4	–
Acquisition-related cost	75	405	371	405
Adjusted net profit for the period/year	<u>250,350</u>	<u>307,259</u>	<u>1,296,431</u>	<u>953,972</u>

Notes:

- (a) Represents expense related to equity-settled share-based payment transactions, net of the tax effect of temporary difference arises between the share-based compensation recognized in profit or loss and the tax deduction to be obtained in the future.
- (b) Represents amortization of intangible assets and depreciation of property, plant and equipment in relation to business combinations.

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

	Three months ended		Year ended	
	December 31,		December 31,	
	2021	2020	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost of revenue	7,157	8,819	14,984	18,560
Service development expenses	45,152	53,258	95,192	114,544
Selling and marketing expenses	19,645	21,446	38,373	43,860
Administrative expenses	87,002	105,692	181,479	205,183
Total share-based compensation, gross	158,956	189,215	330,028	382,147
Tax effect of temporary difference	12,249	(31,653)	3,171	(31,653)
Total share-based compensation, net	<u>171,205</u>	<u>157,562</u>	<u>333,199</u>	<u>350,494</u>

Liquidity and Financial Resources

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

We had cash and cash equivalents of RMB2,045.6 million and RMB1,804.5 million as of December 31, 2021 and 2020, respectively.

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

	Year ended December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash flows generated from operating activities	1,837,680	135,520
Net cash flows used in investing activities	(1,562,569)	(772,564)
Net cash flows (used in)/generated from financing activities	(20,424)	176,539
Net increase/(decrease) in cash and cash equivalents	254,687	(460,505)
Cash and cash equivalents at beginning of the year	1,804,484	2,271,268
Effect of exchange rate changes on cash and cash equivalents	(13,567)	(6,279)
Cash and cash equivalents at end of the year	<u>2,045,604</u>	<u>1,804,484</u>

Net cash flows generated from operating activities

For the year ended December 31, 2021, net cash generated from operating activities was RMB1,837.7 million, which was primarily attributable to the profit before income tax of RMB874.9 million, as adjusted by (i) amortization of intangible assets of RMB500.0 million, depreciation of property, plant and equipment and right-of-use assets of RMB169.8 million, share-based compensation of RMB330.0 million, net provision for impairment loss on financial assets of RMB90.7 million, fair value gains on investments measured at fair value through profit or loss of RMB123.9 million, and interest income of RMB39.0 million; and (ii) changes in working capital, which primarily consisted of a decrease trade receivable of RMB153.2 million, an increase in trade payables of RMB190.5 million, an increase in prepayment and other receivables of RMB103.8 million, and a decrease in accrued expenses and current liabilities of RMB38.2 million. We also paid income tax of RMB184.1 million and received interest income of RMB35.1 million.

Net cash flows used in investing activities

For the year ended December 31, 2021, net cash used in investing activities was RMB1,562.6 million, which was primarily attributable to (i) net cash received from wealth management products of RMB467.2 million, (ii) payment for purchases of property, plant and equipment of RMB310.0 million; and (iii) payment for long-term investments of RMB1,705.0 million.

Net cash flows used in financing activities

For the year ended December 31, 2021, net cash used in financing activities was RMB20.4 million, which was primarily due to (i) proceeds from exercise of stock option of RMB204.0 million; (ii) contributions from non-controlling interests of RMB43.3 million; partially offset by (iii) repayment of borrowings of RMB56.9 million; (iv) payment of long-term leases of RMB47.1 million; and (v) payment for installment of purchases of intangible assets of RMB159.1 million.

Gearing Ratio

As of December 31, 2021, our gearing ratio, calculated as total borrowings and lease liabilities divided by total equity attributable to equity holders of the Company was approximately 2.2%.

Pledge of assets

In October 2017, we entered into a loan agreement with the lending bank to borrow RMB196.9 million to finance our purchase of office premises. The loan was secured by our property and will expire on October 23, 2027. As of December 31, 2021, the carrying amount of such secured property was RMB352.1 million.

Capital Expenditure

	Year ended	
	December 31, 2021 <i>RMB'000</i>	December 31, 2020 <i>RMB'000</i>
Purchase of property, plant and equipment	310,022	160,006
Purchase of intangible assets	159,486	6,192
Placement of long-term investments ^(a)	1,705,007	103,453
Total capital expenditure	2,174,515	269,651

Note:

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

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

Long-term Investments

	As at December 31,	
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Investments accounted for using the equity method	1,127,921	220,891
Investments measured at fair value through profit or loss	828,414	168,104
Investments measured at amortized cost	2,010,674	724,739
Total long-term investments	3,967,009	1,113,734

Our long-term investment as of December 31, 2021 was RMB3,967.0 million, as compared to RMB1,113.7 million as of December 31, 2020. The increase in our investments accounted for using the equity method was caused by more investments in certain public and private companies that we have significant influences. The increase in our long-term investments measured at fair value was caused by (i) increase in investment in certain public and private companies that we have no significant influence. These companies are principally engaged in insurance services and capital funds targeting at travel industry investments; and (ii) wealth management products with terms of more than one year, denominated in RMB, with expected rates of return ranging from 4.15% to 4.25% per annum for the year ended December 31, 2021. The returns on all of these wealth management products are not guaranteed, hence their contractual cash flow do not qualify for solely payments of principal and interest. Therefore, they are measured at fair value through profit or loss. As of December 31, 2021 and 2020, total long-term investments as a percentage to the Group's total assets is 18.4% and 5.8%, respectively. We made long-term investments in accordance with our general strategy of investing or acquiring businesses that are supplement and benefit our business. Investments measured at amortized cost represents investments in wealth management products over one year with fixed interest rate, denominated in RMB. As of December 31, 2021, none of these individual investments is regarded as material. We plan to fund our long-term investments using cash flows generated from our operations and the net proceeds received from the Global Offering.

Short-term Investments

	As at December 31,	
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Short-term investments measured at amortized cost	–	407,353
Short-term investments measured at fair value through profit or loss	3,343,317	4,505,645
Total short-term investments	3,343,317	4,912,998

Short-term investments measured at amortized cost in 2020 were term deposits within one year with fixed interest rates, denominated in RMB. The investments were held for collection of contractual cash flow and the contractual cash flows of these investments qualify for solely payments of principal and interest, hence they were measured at amortized cost. Short-term investment measured at fair value through profit or loss include wealth management products, denominated in RMB and USD, with expected rates of return ranging from 2.7% to 5.5% per annum for the year ended December 31, 2021. The returns on all of these wealth management products are not guaranteed, hence their contractual cash flow do not qualify for solely payments of principal and interest. Therefore, they are measured at fair value through profit or loss. As of December 31, 2021 and 2020, total short-term investments as a percentage to the Group's total assets is 15.5% and 25.7%, respectively. There is no individual investment having a percentage of over 5% to the Group's total assets. In view of an upside of earning with a more attractive return than current saving or fixed deposit are under the low interest rate trend, as well as the risk nature and the relatively short-term of maturity or flexible redemption terms of those financial products, the Group selected products with strong liquidity, safety feature and reasonable returns issued by reputable licensed banks and financial institutions.

Material Acquisition and Disposals

In order to expand transportation ticketing services, the Company acquired 85.2% equity interest in Guangzhou Haoning Intelligent Equipment Co., Ltd. (廣州浩寧智能設備有限公司) on March 22, 2021, and acquired 100% equity interest in Hunan Xindi Technology Development Co., Ltd. (湖南省新地科技開發有限公司) on November 30, 2021 from independent third parties, respectively. The Company accounted for these acquisitions as business combination and started to consolidate the financial statements from March 23, 2021 and December 1, 2021, respectively.

On September 24, 2021, the Company acquired 100% equity interest in a PMS company, Changsha Golden Swan Software Technology Co., Ltd. (長沙金天鵝科技有限公司), from independent third parties, and accounted for such acquisition as a business combination and started to consolidate the financial statements from September 25, 2021. This enables the Company to further enhance our technological and service capabilities and enable us to build closer ties with supply end by providing comprehensive solutions to more small and medium-sized hotels in lower tier cities to improve their daily operational efficiency, thus further enhancing the online penetration rate and digitalization of the industry.

Save for the acquisitions above, there were no other material acquisitions and disposals of subsidiaries, associates and joint ventures during the year ended December 31, 2021.

Foreign Exchange Risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not our functional currency. We manage our foreign exchange risk by performing regular reviews of our net foreign exchange exposures. We did not hedge against any fluctuation in foreign currency during the year ended December 31, 2021.

Our subsidiaries and Consolidated Affiliated Entities in the PRC operate mainly in the PRC with most of the transactions settled in RMB. We consider our business is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities of our Group are denominated in the currencies other than the respective functional currencies of our Group's subsidiaries and Consolidated Affiliated Entities operating in the PRC.

Employee

As of December 31, 2021, we had a total of 5,339 full-time employees. As of the same date, approximately 46.06% and 12.25% of our full-time employees were based in Suzhou and Beijing, respectively, while remaining 41.69% of them were based in the rest of the PRC and overseas.

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

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

We believe that we maintain good working relationship with our employees and we did not experience any significant labor disputes or any material difficulty in recruiting employees for our operations in the year ended December 31, 2021.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2021

	Notes	Year ended December 31,	
		2021 RMB'000	2020 RMB'000
Revenue	2	7,537,556	5,932,591
Cost of revenue	3	(1,889,681)	(1,696,606)
Gross profit		5,647,875	4,235,985
Service development expenses	3	(1,344,468)	(1,245,506)
Selling and marketing expenses	3	(3,036,456)	(2,131,276)
Administrative expenses	3	(571,656)	(521,728)
Net provision for impairment loss on financial assets		(90,728)	(140,413)
Fair value changes on investments measured at fair value through profit or loss	9(d)	123,890	65,445
Other income		97,597	98,864
Other gains - net	4	69,236	20,551
Operating profit		895,290	381,922
Finance income		38,975	37,641
Finance costs		(26,497)	(14,782)
Share of results of associates		(32,869)	(7,204)
Profit before income tax		874,899	397,577
Income tax expense	5	(161,374)	(72,044)
Profit for the year		713,525	325,533
Profit attributable to:			
– Equity holders of the Company		723,404	327,593
– Non-controlling interests		(9,879)	(2,060)
		713,525	325,533
Earnings per share (expressed in RMB per share):			
– Basic	6	0.33	0.15
– Diluted	6	0.32	0.15

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2021

	Year ended December 31,	
	2021 RMB'000	2020 RMB'000
Profit for the year	713,525	325,533
Other comprehensive loss		
<i>Items that may not be subsequently reclassified to profit or loss:</i>		
– Currency translation differences	<u>(39,170)</u>	<u>(125,844)</u>
Other comprehensive loss for the year, net of tax	<u>(39,170)</u>	<u>(125,844)</u>
Total comprehensive income for the year	<u>674,355</u>	<u>199,689</u>
Total comprehensive income for the year attributable to:		
– Equity holders of the Company	684,234	201,749
– Non-controlling interests	<u>(9,879)</u>	<u>(2,060)</u>
	<u>674,355</u>	<u>199,689</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2021

		As at December 31,	
	Notes	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		1,364,262	1,226,126
Right-of-use assets		217,064	242,111
Investments accounted for using the equity method	8	1,127,921	220,891
Investments measured at fair value through profit or loss	9	828,414	168,104
Investments measured at amortized cost	9	2,010,674	724,739
Intangible assets		8,347,850	7,480,569
Deferred income tax assets		174,680	215,610
Trade receivables	11	53,491	–
Prepayment and other receivable	10	8,764	5,959
		<u>14,133,120</u>	<u>10,284,109</u>
Current assets			
Trade receivables	11	670,324	931,755
Prepayment and other receivables	10	1,259,433	1,088,293
Short-term investments measured at amortized cost	9	–	407,353
Short-term investments measured at fair value through profit or loss	9	3,343,317	4,505,645
Restricted cash		54,600	92,152
Cash and cash equivalents		2,045,604	1,804,484
		<u>7,373,278</u>	<u>8,829,682</u>
Total assets		<u><u>21,506,398</u></u>	<u><u>19,113,791</u></u>
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		7,634	7,512
Share premium		19,570,778	19,046,357
Other reserves		(3,038,281)	(2,995,744)
Accumulated losses		(1,320,980)	(2,044,384)
		<u>15,219,151</u>	<u>14,013,741</u>
Non-controlling interests		<u>39,455</u>	<u>2,930</u>
Total equity		<u><u>15,258,606</u></u>	<u><u>14,016,671</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at December 31, 2021

		As at December 31,	
		2021	2020
	Notes	RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	12	93,537	113,229
Lease liabilities		181,979	205,807
Other payables		764,336	15,016
Deferred income tax liabilities		496,526	529,213
		<u>1,536,378</u>	<u>863,265</u>
Current liabilities			
Borrowings	12	19,692	49,303
Trade payables	13	2,206,560	2,000,605
Other payables		2,289,497	1,958,974
Lease liabilities		34,185	27,235
Contract liabilities		147,101	160,577
Current income taxes liabilities		14,379	37,161
		<u>4,711,414</u>	<u>4,233,855</u>
Total liabilities		<u><u>6,247,792</u></u>	<u><u>5,097,120</u></u>
Total equity and liabilities		<u><u>21,506,398</u></u>	<u><u>19,113,791</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2021

	Year ended December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash flows generated from operating activities	1,837,680	135,520
Net cash flows used in investing activities	(1,562,569)	(772,564)
Net cash flows (used in)/generated from financing activities	(20,424)	176,539
Net increase/(decrease) in cash and cash equivalents	254,687	(460,505)
Cash and cash equivalents at beginning of the year	1,804,484	2,271,268
Effect of exchange rate changes on cash and cash equivalents	(13,567)	(6,279)
Cash and cash equivalents at end of the year	<u>2,045,604</u>	<u>1,804,484</u>

Notes

1. Basis of preparation

Tongcheng Travel Holdings Limited (the “Company”, formerly named as Tongcheng-Elong Holdings Limited and changes its name on November 19, 2021) is an exempted company with limited liability incorporated under the laws of the Cayman Islands on January 14, 2016.

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

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

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

The accounting policies adopted are consistent with those of the previous financial year and corresponding reporting period, except for the estimation of income tax and the adoption of new and amended standards as set out below.

(a) Amended standards adopted by the Group

The Group has applied the following amendments for the first time for the Group’s financial year beginning on January 1, 2021:

Interest Rate Benchmark Reform – Phase 2 – amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

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

(b) New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for the reporting periods ended December 31, 2021 and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2. Revenue and segment information

The Chief Operating Decision-Maker (“CODM”) assesses the performance of the operating segment mainly based on the measure of operating profit, excluding items which are not directly related to the segment performance (the “combined results”). These include non-operating income/(expenses) – net such as government subsidies, fair value gains on investments measured at fair value through profit or loss, and other gains/(losses) – net. The CODM reviews the combined results when making decisions about allocating resources and assessing performance of the Group as a whole. Therefore, the Group has only one reportable segment which mainly operates its businesses in the PRC and earns substantially all of the revenues from external customers attributed to the PRC. As of December 31, 2021 and 2020, substantially all of the non-current assets of the Group were located in the PRC. Therefore, no geographical segments are presented. No analysis of segment assets or segment liabilities is presented as they are not used by the CODM when making decisions about allocating resources and assessing performance of the Group.

	Year ended December 31,	
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Operating profit per consolidated income statements	895,290	381,922
Less: Other income	(97,597)	(98,864)
Fair value changes on investments measured at fair value through profit or loss	(123,890)	(65,445)
Other gains - net	(69,236)	(20,551)
	<u>604,567</u>	<u>197,062</u>

Revenue by service type for the years ended December 31, 2021 and 2020 are as follows:

	Year ended December 31,	
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Accommodation reservation services	2,408,729	1,945,153
Transportation ticketing services	4,457,737	3,471,129
Others	671,090	516,309
	<u>7,537,556</u>	<u>5,932,591</u>

3. Expenses by nature

	Year ended December 31,	
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Advertising and promotion expenses	2,053,472	1,453,587
Employee benefit expense	2,020,066	1,744,189
Order processing cost	875,079	690,231
Depreciation and amortization expense	669,842	602,010
Commission expenses	350,139	238,606
Cost of pre-purchased travel related products	219,656	268,905
Procurement costs	164,436	141,566
Bandwidth and servers fee	146,281	134,374
Professional service fees	85,590	86,382
Travelling and entertainment expenses	68,680	43,500
Rental and utility fees	58,376	56,301
Tax and surcharges	33,976	22,301
Audit fees	8,491	7,547
Telephone and communication	8,216	24,241
Others	79,961	81,376
	<u>6,842,261</u>	<u>5,595,116</u>

4. Other gains-net

	Year ended December 31,	
	2021 RMB'000	2020 RMB'000
Investment income from investments measured at amortized cost	70,232	20,576
Foreign exchange gain, net	10,796	17,821
Donation	(4,019)	(16,687)
Net gain/(loss) on disposal of property, plant and equipment and right-of-use assets	281	(49)
Others	(8,054)	(1,110)
	69,236	20,551

5. Income tax expense

The income tax expense of the Group for the years ended December 31, 2021 and 2020 is analyzed as follows:

	Year ended December 31,	
	2021 RMB'000	2020 RMB'000
Current income tax	161,231	120,978
Deferred income tax	143	(48,934)
	161,374	72,044

(a) Cayman Islands income tax

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

(b) Hong Kong income tax

Entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 8.25% on assessable profits up to HKD2 million and 16.5% on any part of assessable profits over HKD2 million for the years ended December 31, 2021 and 2020.

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

CIT provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC for the years ended December 31, 2021 and 2020, calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The general PRC CIT rate is 25% during the years ended December 31, 2021 and 2020.

Three of the Company's directly hold subsidiaries incorporated in the PRC are qualified as High and New Technology Enterprise, and accordingly, they are subject to a reduced preferential CIT rate of 15% for the years ended December 31, 2021 and 2020, according to the applicable CIT law.

Other subsidiaries of the Company incorporated in the PRC are subject to the general PRC CIT rate of 25% during the years ended December 31, 2021 and 2020.

(d) PRC Withholding Tax (“WHT”)

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

As of December 31, 2021 and 2020, the Group does not have any plan to require its PRC subsidiaries to distribute their retained earnings and intends to retain them to operate and expand its business in the PRC. Accordingly, no deferred income tax liability on WHT was provided as at December 31, 2021 and 2020.

6. Earnings per share

(a) Basic

Basic earnings per share for the years ended December 31, 2021 and 2020 are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the respective years.

	Year ended December 31,	
	2021	2020
Profit attributable to equity holders of the Company (RMB'000)	723,404	327,593
Weighted average numbers of ordinary shares in issue (thousand shares)	2,201,516	2,137,139
Basic earnings per share (RMB)	<u>0.33</u>	<u>0.15</u>

(b) Diluted

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

As of December 31, 2021, 117,784,715 share options and 7,917,846 RSUs were outstanding in total. For the year ended December 31, 2021, the share options and RSUs granted by the Company have potential dilutive effect on the earnings per share. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from share options and RSUs granted by the Company (collectively forming the denominator for computing the diluted earnings per share). No adjustment is made to earnings (numerator).

	Year ended December 31,	
	2021 RMB'000	2020 RMB'000
Profit attributable to equity holders of the Company (RMB'000)	723,404	327,593
Weighted average number of ordinary shares in issue (thousand shares)	2,201,516	2,137,139
Adjustments for RSUs granted to employees (thousand shares)	4,388	3,306
Adjustments for share options granted to employees (thousand shares)	41,419	40,920
Weighted average number of ordinary shares for calculation of diluted earnings per share (thousand shares)	2,247,323	2,181,365
Diluted earnings per share (RMB)	<u>0.32</u>	<u>0.15</u>

7. Dividend

No dividend has been paid or declared by the Company or the companies now comprising the Group during the years ended December 31, 2021 and 2020.

8. Investments accounted for using the equity method

	As at December 31,	
	2021 RMB'000	2020 RMB'000
At the beginning of the year	220,891	90,435
Addition (Note)	939,688	138,882
Transfer to investment in subsidiaries	–	(2,775)
Share-based compensation to employees of the Group's associates	850	811
Shares of losses	(32,869)	(7,204)
Currency translation differences	(639)	742
	<u>1,127,921</u>	<u>220,891</u>

Note:

During the year ended December 31, 2021, the Group invested equity interests in certain unlisted companies and an investment fund with an aggregate amount of approximately RMB575 million and listed companies with an aggregate amount of approximately RMB364 million. These companies/investment fund are principally engaged/invested in travel industry investments, hotel management, software development and other travel-related business and the Group does not have control over these companies and only has significant influence on them.

9. Investments

	As at December 31,	
	2021 RMB'000	2020 RMB'000
Current assets		
Short-term investments measured at		
– Amortized cost	–	407,353
– Fair value through profit or loss (a)	3,343,317	4,505,645
	<u>3,343,317</u>	<u>4,912,998</u>
Non-current assets		
Long-term investments measured at		
– Amortized cost (b)	2,010,674	724,739
– Fair value through profit or loss (c)	828,414	168,104
	<u>2,839,088</u>	<u>892,843</u>

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

The short-term investments measured at fair value through profit or loss include wealth management products, denominated in RMB or USD, with expected rates of return ranging from 2.7% to 5.5% (2020: 0.8% to 4.8%), per annum for the year ended December 31, 2021. The returns on all these wealth management products are not guaranteed, hence their contractual cash flows do not qualify for solely payments of principal and interest. Therefore, they are measured at fair value through profit or loss. None of these investments are past due. The fair values are based on cash flow discounted using the expected return based on management judgment and are within level 3 of the fair value hierarchy.

(b) Long-term investments measured at amortized cost

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

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

As of December 31, 2021 and 2020, long-term investments measured at fair value through profit or loss represented equity interests held by the Group in several private and listed companies as well as investments in wealth management products with terms of more than one year.

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

The wealth management products with terms of more than one year are denominated in RMB, with expected rates of return ranging from 4.15% to 4.25% (2020: nil) per annum for the year ended December 31, 2021. The returns on all of these wealth management products are not guaranteed, hence their contractual cash flow do not qualify for solely payments of principal and interest. Therefore, they are measured at fair value through profit or loss. None of these investments are past due. The fair values are based on cash flow discounted using the expected return based on management judgment and are within level 3 of the fair value hierarchy.

The Company's investments in affiliates measured at fair value through profit or loss are not considered as material on individual basis as none of them individually exceeds 5% of the Group's total assets as at December 31, 2021 and 2020.

(d) Amounts recognized in profit or loss

	Year ended December 31,	
	2021 RMB'000	2020 RMB'000
Fair value changes in long-term investments measured at fair value through profit or loss	(9,599)	(62,677)
Fair value changes in short-term investments measured at fair value through profit or loss	133,489	128,122
	<u>123,890</u>	<u>65,445</u>

10. Prepayment and other receivables

	As at December 31,	
	2021	2020
	<i>RMB '000</i>	<i>RMB '000</i>
Non-current		
Advances to suppliers	6,242	2,902
Total non-financial assets	6,242	2,902
Deposits	2,193	2,195
Others	329	862
Total financial assets	2,522	3,057
Non-current, total	8,764	5,959
Current		
Prepayment to accommodation suppliers	84,452	41,027
Prepaid taxation	134,743	36,009
Prepayment to tickets suppliers	339,223	286,617
Prepayment for advertising	22,754	29,773
Prepayment for office rental	825	441
Prepayment to related parties	40,690	37,339
Others	77,777	63,003
Total non-financial assets	700,464	494,209
Deposits	184,597	187,435
Receivable from related parties	390,281	398,924
Others	59,995	54,744
Less: provision for impairment	(75,904)	(47,019)
Total financial assets	558,969	594,084
Current, total	1,259,433	1,088,293

11. Trade receivables

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

	As at December 31,	
	2021	2020
	<i>RMB '000</i>	<i>RMB '000</i>
Up to 6 months	646,352	777,950
Over 6 months	246,270	268,460
	892,622	1,046,410
Less: allowance for impairment of trade receivables	(168,807)	(114,655)
	723,815	931,755

	As at December 31,	
	2021	2020
	RMB'000	<i>RMB'000</i>
Included in non-current assets	53,491	–
Included in current assets	670,324	931,755
	<hr/>	<hr/>
Total	723,815	931,755
	<hr/> <hr/>	<hr/> <hr/>

12. Borrowings

	As at December 31,	
	2021	2020
	RMB'000	<i>RMB'000</i>
Non-current:		
Secured bank borrowings (Note)	93,537	113,229
	<hr/>	<hr/>
Current:		
Unsecured loan from financial institution	–	29,611
Current portion of long-term secured bank borrowings (Note)	19,692	19,692
	<hr/>	<hr/>
	19,692	49,303
	<hr/>	<hr/>
	113,229	162,532
	<hr/> <hr/>	<hr/> <hr/>

Note:

The bank borrowings denominated in RMB are secured by property, plant and equipment of the Group, and bear interest at China Interbank Offered Rate with 10% increase per annum from January 1, 2021 to September 15, 2021 and at a fixed rate 4.8% per annum from September 16, 2021 onwards.

13. Trade payables

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

	As at December 31,	
	2021	2020
	RMB'000	<i>RMB'000</i>
Up to 6 months	2,077,323	1,741,669
Over 6 months	129,237	258,936
	<hr/>	<hr/>
	2,206,560	2,000,605
	<hr/> <hr/>	<hr/> <hr/>

USE OF PROCEEDS

The Shares of the Company were listed on the Main Board of the Stock Exchange on November 26, 2018 by way of Global Offering, raising total net proceeds of approximately RMB1,319.3 million after deducting professional fees, underwriting commissions and other related listing expenses. For the year ended December 31, 2021, the Group has used RMB69.9 million to fund equity interest investments, RMB55.4 million to expand user base by strengthening user acquisition channels, RMB127.4 million to enhance overall technology capabilities, and RMB8.5 million for working capital and general corporate purposes. For details of the breakdown of the use of proceeds, please refer to the 2021 Annual report to be published in due course.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended December 31, 2021.

Model Code for Securities Transactions

The Company has adopted the Model Code. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the Model Code for the year ended December 31, 2021.

The Company's employees, who are likely to be in possession of inside information of the Company, have also been subject to the Model Code for securities transactions. No incident of non-compliance of the Model Code by the employees was noted by the Company for the year ended December 31, 2021.

Compliance with the Corporate Governance Code

The Company has adopted and applied the principles and code provisions as set out in the Corporate Governance Code. During the year ended December 31, 2021, the Company has complied with the code provisions in the Corporate Governance Code.

Audit Committee

The Audit Committee has three members comprising two independent non-executive Directors, Mr. Wu Haibing (chairman of the Audit Committee) and Ms. Han Yuling and one non-executive Director, being Mr. Cheng Yun Ming Matthew, with terms of reference in compliance with the Listing Rules.

The Audit Committee has considered and reviewed the accounting principles and practices adopted by the Group and has discussed matters in relation to internal controls and financial reporting with the management, including the review of the consolidated annual financial results of the Group for the year ended December 31, 2021. The Audit Committee considers that the annual financial results for the year ended December 31, 2021 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

Auditor-Scope of Work of PricewaterhouseCoopers

The figures in respect of the Group's consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, and the related notes thereto for the year ended December 31, 2021 as set forth in this announcement have been agreed by the Company's auditor, PricewaterhouseCoopers, to the amounts set forth in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standard on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

Event After December 31, 2021

On October 27, 2021, the Company entered into a facility agreement as a borrower with certain financial institutions for USD300 million term loan facility. The term of the loan agreement is 3 years. Such loan facility was not utilized as of December 31, 2021 and was fully drawn on January 14, 2022.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the year ended December 31, 2021.

CLOSURE OF REGISTER OF MEMBERS AND RECORD DATE

The register of members of the Company will be closed from May 26, 2022 (Thursday) to May 31, 2022 (Tuesday), both days inclusive, in order to determine the eligibility of the Shareholders to attend and vote at the AGM to be held on May 31, 2022 (Tuesday). The Shareholders whose names appear on the register of members of the Company at the close of business on May 25, 2022 (Wednesday) (the "Record Date") will be entitled to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfer accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on May 25, 2022 (Wednesday).

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

The Company's annual report for the year ended December 31, 2021 containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

DEFINITION

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

“2016 Share Incentive Plan”	the share incentive plan adopted and approved by the Company on August 26, 2016
“2018 Share Incentive Plan”	the share incentive plan adopted and approved by the Company on March 9, 2018
“2019 RSU Plan”	the 2019 restricted share unit plan adopted and approved by the Company on July 2, 2019
“2019 Share Option Plan”	the 2019 share option plan approved by an ordinary resolution passed by shareholders of the Company at the extraordinary general meeting of the Company on August 2, 2019
“AGM”	the 2021 annual general meeting of the Company to be held on May 31, 2022 or any adjournment thereof
“AI”	artificial intelligence
“APUs”	annual paying users
“Audit Committee”	the audit committee of the Board
“Board”	the board of directors of the Company
“China” or “PRC”	People's Republic of China
“Company”	Tongcheng Travel Holdings Limited (同程旅行控股有限公司) (formerly known as Tongcheng-Elong Holdings Limited (同程藝龍控股有限公司)), an exempted company with limited liability incorporated under the laws of the Cayman Islands on January 14, 2016
“Consolidated Affiliated Entities”	the entities we control through certain contractual arrangements
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix 14 to the Listing Rules

“Director(s)”	the director(s) of the Company
“Global Offering”	the offering of the Company’s shares as described in the prospectus dated November 14, 2018 issued by the Company
“GMV”	gross merchandise volume, the total value of merchandise sold in the specified market or through a specified platform during a given period
“Group”, “we”, “us”, or “our”	the Company, its subsidiaries and Consolidated Affiliated Entities from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“IFRS”	International Financial Reporting Standards, amendments, and interpretations, as issued from time to time by the International Accounting Standards Board
“ITA”	intelligent travel assistant
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“MAUs”	monthly active users who access our platforms at least once during a calendar month
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“MPUs”	monthly paying users who make purchases on our platforms at least once during a calendar month
“OTA”	online travel agency
“paying ratio”	the ratio calculated as average MPUs divided by average MAUs
“PMS”	Property Management System
“RMB”	Renminbi, the lawful currency of China
“Share(s)”	ordinary share(s) in the share capital of the Company, currently of nominal value USD0.0005 each
“Shareholder(s)”	holder(s) of the Share(s)

“Tencent”	Tencent Holdings Limited, a company redomiciled to the Cayman Islands on February 27, 2004 as an exempted company under the laws of the Cayman Islands, whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 700)
“Tencent-based platforms”	(i) our proprietary Weixin-based mini programs, which can be accessible by Weixin users through entry points under a separate category of “Travel & Transportation” in Weixin Pay, the mobile payment interface of Tencent’s Weixin or from the drop-down list of the favorite or most frequently used mini programs in Weixin; and (ii) the “Rail & Flight” and “Hotel” in QQ Wallet, the mobile payment interface of Tencent’s Mobile QQ and certain other portals in Mobile QQ
“TSP(s)”	travel service provider(s)
“USD”	United States dollars, the lawful currency of the United States of America

APPRECIATION

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

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

Hong Kong, March 22, 2022

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

Executive Directors

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

Independent Non-executive Directors

Wu Haibing
Dai Xiaojing
Han Yuling

Non-executive Directors

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