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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)

**(I) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
IN RESPECT OF 2024 TO 2026**

**(II) CONTINUING CONNECTED TRANSACTIONS IN RELATION TO
THE 2023 TENCENT BUSINESS TRAVEL
RELATED SERVICES FRAMEWORK AGREEMENT
AND**

(III) CLOSURE OF REGISTER OF MEMBER

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS IN RESPECT OF 2024
TO 2026**

Reference is made to the announcement of the Company dated December 8, 2020 in relation to the 2020 Framework Agreements. The Group has entered into, among others, the 2020 Framework Agreements with its connected persons: (i) the 2020 Tencent Technical Support Framework Agreement, (ii) the 2020 Tencent Payment Services Framework Agreement, (iii) the 2020 Trip.com Travelling Resources Sales Framework Agreement, and (iv) the 2020 Trip.com Travelling Resources Provision Framework Agreement.

The Company intends to continue to enter into the transactions of the similar nature under the 2020 Framework Agreements. Therefore, on December 5, 2023 (after trading hours), the Company entered into the 2023 Renewal Framework Agreements, the nature of which are substantially similar to the 2020 Framework Agreements, for a term of three years from January 1, 2024 to December 31, 2026. The 2020 Framework Agreements will thus cease to be in effect from December 31, 2023.

Each of the 2023 Renewal Framework Agreements shall take effect upon the approval of the relevant 2023 Renewal Framework Agreements and the proposed annual caps thereunder having been obtained from the relevant authoritative bodies (including the Board and/or the Shareholders as necessary) in accordance with the applicable Listing Rules.

**CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE 2023 TENCENT
BUSINESS TRAVEL RELATED SERVICES FRAMEWORK AGREEMENT**

The Board is pleased to announce that on December 5, 2023 (after trading hours), Tencent Computer and the Company entered into the 2023 Tencent Business Travel Related Services Framework Agreement, pursuant to which, the Company agreed to provide the 2023 Business Travel Related Services to Tencent Group in exchange for commissions.

LISTING RULES IMPLICATIONS

2023 Tencent Technical Support Framework Agreement

Since the applicable ratios (as defined in Rule 14.07 of the Listing Rules) of the proposed annual caps in respect of the continuing connected transactions contemplated under the 2023 Tencent Technical Support Framework Agreement are more than 0.1% but less than 5%, the transactions and the proposed annual caps for such transactions for each of the three years ending December 31, 2026 are subject to reporting, annual review and announcement requirements but are exempt from Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

2023 Tencent Payment Services Framework Agreement

Since the applicable ratios (as defined in Rule 14.07 of the Listing Rules) of the proposed annual caps in respect of the continuing connected transactions contemplated under the 2023 Tencent Payment Services Framework Agreement are more than 5%, the transactions and the proposed annual caps for such transactions for each of the three years ending December 31, 2026 are subject to reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

2023 Trip.com Travelling Resources Sales Framework Agreement

Since the applicable ratios (as defined in Rule 14.07 of the Listing Rules) of the proposed annual caps in respect of the continuing connected transactions contemplated under the 2023 Trip.com Travelling Resources Sales Framework Agreement are more than 0.1% but less than 5%, the transactions and the proposed annual caps for such transactions for each of the three years ending December 31, 2026 are subject to reporting, annual review and announcement requirements but are exempt from Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

2023 Trip.com Travelling Resources Provision Framework Agreement

Since the applicable ratios (as defined in Rule 14.07 of the Listing Rules) of the proposed annual caps in respect of the continuing connected transactions contemplated under the 2023 Trip.com Travelling Resources Provision Framework Agreement are more than 5%, the transactions and the proposed annual caps for such transactions for each of the three years ending December 31, 2026 are subject to reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

2023 Tencent Business Travel Related Services Framework Agreement

Since the applicable ratios (as defined in Rule 14.07 of the Listing Rules) of the proposed annual caps in respect of the continuing connected transactions contemplated under the 2023 Tencent Business Travel Related Services Framework Agreement are more than 0.1% but less than 5%, the transactions and the proposed annual caps for such transactions for each of the three years ending December 31, 2026 are subject to reporting, annual review and announcement requirements but are exempt from Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Voting at the EGM

The EGM will be convened to consider and, if thought fit, to approve the (i) 2023 Tencent Payment Services Framework Agreement and (ii) 2023 Trip.com Travelling Resources Provision Framework Agreement.

An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in respect of the continuing connected transactions contemplated under the (i) 2023 Tencent Payment Services Framework Agreement and (ii) 2023 Trip.com Travelling Resources Provision Framework Agreement. In this respect, South China Capital Limited has been appointed as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

A circular containing, among others, further information on the continuing connected transactions contemplated under the (i) 2023 Tencent Payment Services Framework Agreement and (ii) 2023 Trip.com Travelling Resources Provision Framework Agreement, a letter from the Independent Board Committee to the Independent Shareholders containing its recommendation, a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, together with a notice to convene the EGM to approve the continuing connected transactions contemplated under the (i) 2023 Tencent Payment Services Framework Agreement and (ii) 2023 Trip.com Travelling Resources Provision Framework Agreement, is expected to be dispatched to the Shareholders on or before December 11, 2023.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from December 21, 2023 (Thursday) to December 28, 2023 (Thursday) (both days inclusive), during which period no share transfers will be registered.

To be eligible to attend the above meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on December 20, 2023 (Wednesday). Please refer to the notice of EGM and the circular to be issued and despatched to the Shareholders on or around December 11, 2023 for further information on the EGM and the matters to be considered at such meeting.

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

A. BACKGROUND

Reference is made to the announcement of the Company dated December 8, 2020 in relation to the 2020 Framework Agreements. The Group has entered into, among others, the 2020 Framework Agreements with its connected persons: (i) the 2020 Tencent Technical Support Framework Agreement, (ii) the 2020 Tencent Payment Services Framework Agreement, (iii) the 2020 Trip.com Travelling Resources Sales Framework Agreement, and (iv) the 2020 Trip.com Travelling Resources Provision Framework Agreement.

As the Group intends to continue carrying out transactions of similar nature under the 2020 Framework Agreements, the Company has agreed to enter into the 2023 Renewal Framework Agreements, the nature of which are substantially similar to the 2020 Framework Agreements, for a term of three years from January 1, 2024 to December 31, 2026. The 2020 Framework Agreements will thus cease to be in effect from December 31, 2023.

Each of the 2023 Renewal Framework Agreements shall take effect upon the approval of the relevant 2023 Renewal Framework Agreements and the proposed annual caps thereunder having been obtained from the relevant authoritative bodies (including the Board and/or the Shareholders as necessary) in accordance with the applicable Listing Rules.

The principal terms of each of the 2023 Renewal Framework Agreements are summarized below.

B. CONTINUING CONNECTED TRANSACTIONS WITH TENCENT GROUP

1. 2023 TENCENT TECHNICAL SUPPORT FRAMEWORK AGREEMENT

Date

December 5, 2023

Parties

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

Term

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

Nature of the transactions

Pursuant to the 2023 Tencent Technical Support Framework Agreement, Tencent Group agrees to provide the Group with technical support and other related products and services, including but not limited to, cloud services, intelligent DNS domain name resolution and digital map services. The precise scope of such services, service fee calculation and the method of payment will be specified in each of the implementation technical service agreements to be entered into between the parties under the 2023 Tencent Technical Support Framework Agreement.

Pricing basis

The service fee rates charged by Tencent Group will be determined through arm's length negotiations between the Group and Tencent Group that will provide technical services in accordance with normal commercial terms.

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

Historical amounts

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

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

	For the year ended December 31, 2021 (RMB'000)	For the year ended December 31, 2022 (RMB'000)	For the ten months ended October 31, 2023 (RMB'000) (unaudited)	Annual cap for the year ended December 31, 2023 (RMB'000)
Transaction amounts paid by the Group	37,300	18,712	36,865	62,000

As shown above, the annualized actual transaction amount incurred under the 2020 Tencent Technical Support Framework Agreement for the two years ended December 31, 2022 fell short of the corresponding annual cap set at the time (being RMB50,000,000 and RMB55,000,000, respectively). Due to unpredictable market changes attributed to travel restrictions and policy changes during the pandemic, the annual cap was not as utilized as the Company had anticipated when such annual cap was formulated.

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

Proposed annual caps and basis of determination

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

	For the year ending December 31, 2024 (RMB'000)	For the year ending December 31, 2025 (RMB'000)	For the year ending December 31, 2026 (RMB'000)
Service fees payable by the Group	80,000	100,000	130,000

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

- (i) the above historical transaction amounts; and
- (ii) the steady demand for the technical support and other related products, based on the Group's internal business forecast.

Reasons for and benefits of entering into the 2023 Tencent Technical Support Framework Agreement

Tencent is a leading integrated service provider for a wide range of technical services in the PRC and has been providing a variety of stable, reliable and cost-efficient technical support services to the Group. We believe that continuing to outsource technical services from Tencent Group that would satisfy the Group's all-round operational business needs and is a cost-effective alternative to the research and development and maintenance of the relevant technology infrastructure to be undertaken by the Group itself.

In comparison with the other comparable technical service providers, continued collaboration with Tencent Group would bring about a seamless user experience to the benefits of the Group's users. Therefore, the Group believes that such collaboration with Tencent Group is fair and reasonable, beneficial for the operational stability and business growth of the Group and in the interests of the Company and the Shareholders as a whole.

Listing Rules implications

As Tencent Cloud is a subsidiary of Tencent, a substantial shareholder of the Company which holds approximately 21.12% of the shares in the Company as at the date of this announcement, Tencent Cloud is a connected person of the Company pursuant to Rule 14A.07(4) of the Listing Rules.

Since the applicable ratios (as defined in Rule 14.07 of the Listing Rules) of the proposed annual caps in respect of the continuing connected transactions contemplated under the 2023 Tencent Technical Support Framework Agreement are more than 0.1% but less than 5%, the transactions and the proposed annual caps for such transactions for each of the three years ending December 31, 2026 are subject to reporting, annual review and announcement requirements but are exempt from Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

2. 2023 TENCENT PAYMENT SERVICES FRAMEWORK AGREEMENT

Date

December 5, 2023

Parties

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

Term

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

Nature of the transactions

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

Pricing basis

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

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

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

Historical amounts

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

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

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

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

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

Proposed annual caps and basis of determination

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

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

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

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

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

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

Amid soaring travel enthusiasm which underpins the recent excellent financial performance of the Group, the Group continues its deep cooperation with Tencent Group with respect to the Tencent-based Platforms. As disclosed in the Q3 Announcement, the cooperation with QQ Browser provided its users with convenient access to the travel products of the Group on Weixin mini-program. The partnership with Tencent Docs has also delivered customized travel-related content targeting younger users. For the third quarter of 2023, 80% of the Group's MAUs was contributed from the Tencent-based Platforms with a majority of the traffic came from the Weixin mini programs. The aforementioned strategic collaborations between the Group and those top handset vendors in China have assisted and will continue to assist the Group to diversify its online and offline traffic channels.

Furthermore, as disclosed in the Q2 Announcement, the Group has successfully captured various opportunities in the lower-tier cities market and gained market share after implementing a number of strategies and efforts in lower-tier cities and offline user acquisitions, untravelling more business opportunities for the Company. As of September 30, 2023, the registered users of the Group residing in non-first-tier cities in China accounted for approximately 87% of the total registered users. For the three months ended September 30, 2023, over 71% of the Group's new paying users on the Weixin platform were from non-first-tier cities in China. It is believed that the implemented offline user acquisition initiatives (including but not limited to (i) forging a strategic alliance with one of the leading handset vendors in China and integrating our products and services into its ecosystem, (ii) maintaining our collaboration with location-based APPs to broaden our user reach, and (iii) partnering with hotels and leveraging our QR code scanning function to acquire users) will continue to contribute meaningfully to the MPUs of the Group in the future.

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

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

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

(iii) Future strategic development plans of the Group.

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

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

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

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

During the third quarter of 2023, the Group has continued to achieve unprecedented highs in volume and revenue for its transportation ticketing and accommodation reservation businesses. For the three months ended September 30, 2023, revenue from transportation ticketing services increased by 70.3% year-to-year to the record high of RMB1,679.9 million, mainly attributable to the increase in total ticketing volume and enriched value-added products and services offerings. The air ticket sales volume of the Group, during the same period, increased by more than 30% compared to the same period in 2019, with international air ticket volume recovered significantly and surpassed the level of 2019. The train ticketing business maintained robust revenue growth as the Group consistently focused on enhancing user value and satisfaction. Moreover, we seized the opportunity of the rising demand for short-haul travel and boosted the monetization capability of the bus ticketing and car-hailing businesses of the Group. The accommodation business also demonstrated strong vitality and achieved another record high in volume and revenue. For the three months ended September 30, 2023, revenue from the accommodation business increased by 37.7% year-to-year to RMB1,127.4 million. The room nights sold by the Group grew by over 100% compared to the same period of 2019.

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

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

Reasons for and benefits of entering into the 2023 Tencent Payment Services Framework Agreement

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

Listing Rules implications

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

Since the applicable ratios (as defined in Rule 14.07 of the Listing Rules) of the proposed annual caps in respect of the continuing connected transactions contemplated under the 2023 Tencent Payment Services Framework Agreement are more than 5%, the transactions and the proposed annual caps for such transactions for each of the three years ending December 31, 2023 are subject to reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

C. CONTINUING CONNECTED TRANSACTIONS WITH TRIP.COM GROUP

1. 2023 TRIP.COM TRAVELLING RESOURCES SALES FRAMEWORK AGREEMENT

Date

December 5, 2023

Parties

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

Term

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

Nature of the transactions

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

Pursuant to the terms of the 2023 Trip.com Travelling Resources Sales Framework Agreement, the Group will provide 2023 Group Main Travelling Services to Trip.com Group and/or its associates. For each valid order confirmed ultimately by the user on the online and mobile platforms of Trip.com Group and/or its associates, Trip.com Group and/or its associates will receive service fees and system maintenance fees from the Group.

The precise scope of the calculation of service fees and system maintenance fees payable by the Group for the access to the platforms of Trip.com Group and/or its associates will be specified in the implementation agreements to be entered into under the 2023 Trip.com Travelling Resources Sales Framework Agreement.

Pricing basis

For the provision of 2023 Group Main Travelling Resources by the Group to Trip.com Group and/or its associates, the service fees and system maintenance fees payable to Trip.com Group and/or its associates are determined based on prevailing market rates. In determining the market rates, the Group takes into account (i) the historical rates for service fees and system maintenance fees, (ii) the rates charged by the other third-party travelling resources providers that provide similar services to Trip.com Group and/or its associates, (iii) the net profit margin of the Group in connection with the services provided to Trip.com Group and/or its associates, including the selling and administrative expenses incurred by the Group and (iv) the quality and user demands for the services provided to Trip.com Group and/or its associates. The Group will also adjust the service fee rates if there are any significant changes in the cost of sales and expenses incurred and market demand forecasts.

Historical amounts

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

Against the above context, we set forth below the historical amounts under the 2020 Trip.com Travelling Resources Sales Framework Agreement for the two years ended December 31, 2022 and the ten months ended October 31, 2023 and the annual cap for the year ending December 31, 2023:

	For the year ended December 31, 2021 (RMB'000)	For the year ended December 31, 2022 (RMB'000)	For ten months ended October 31, 2022 (RMB'000) (unaudited)	Annual cap for the year ended December 31, 2023 (RMB'000)
Service fees and system maintenance fees payable by the Group to Trip.com Group and/or its associates for the provision of access to their platforms for the offering of the Group's transportation services, attraction services and accommodation booking services	16,165	5,647	8,598	45,000

As shown above, the annualized actual transaction amount incurred under the 2020 Trip.com Travelling Resources Sales Framework Agreement for the two years ended December 31, 2022 fell short of the corresponding annual cap set at the time (being RMB27,000,000 and RMB35,000,000, respectively). Due to unpredictable market changes attributed to travel restrictions and policy changes during the pandemic, the annual cap was not as utilized as the Company had anticipated when such annual cap was formulated.

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

Proposed annual caps and basis of determination

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

	For the year ending December 31, 2024 (RMB'000)	For the year ending December 31, 2025 (RMB'000)	For the year ending December 31, 2026 (RMB'000)
Service fees and system maintenance fees payable by the Group to Trip.com Group and/or its associates for the provision of access to their platforms for the offering of the Group's transportation services, attraction services, vacation products and accommodation booking services	26,000	37,000	50,000

In arriving at the above proposed annual caps, the Group has taken into account the following factors, which have been discussed with further details in the section headed "*Proposed annual caps and basis of determination*" under "*2023 Trip.com Travelling Resources Provision Framework Agreement*" in this announcement.

- (i) estimated increasing market demand for the accommodation booking services, transportation ticketing services, vacation products and attraction ticketing services in the next three years based on the Group's internal business forecast;
- (ii) expected annual increase of the Group's user base;
- (iii) future landscape and potential growth opportunities of the OTA industry in the PRC; and
- (iv) historical transaction amounts for the two years ended December 31, 2022 and the ten months ended October 31, 2023.

Reasons for and benefits of entering into the 2023 Trip.com Travelling Resources Sales Framework Agreement

As Trip.com Group has accumulated a large user base in the online travel industry, the Group's products and services could reach a larger sales market via the online and mobile platforms of Trip.com Group. The continuous collaboration will integrate the Group's and the Trip.com Group's respective travelling resources and further increase the Group's market share and enlarge the Group's user base.

Listing Rules implications

As C-Travel is one of the substantial shareholders of the Company which holds approximately 18.24% of the shares in the Company as at the date thereof, C-Travel is a connected person of the Company under the Listing Rules. Therefore, the transactions contemplated under the 2023 Trip.com Travelling Resources Sales Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since the applicable ratios (as defined in Rule 14.07 of the Listing Rules) of the proposed annual caps in respect of the continuing connected transactions contemplated under the 2023 Trip. com Travelling Resources Sales Framework Agreement are more than 0.1% but less than 5%, the transactions and the proposed annual caps for such transactions for each of the three years ending December 31, 2026 are subject to reporting, annual review and announcement requirements but are exempt from Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

2. 2023 TRIP.COM TRAVELLING RESOURCES PROVISION FRAMEWORK AGREEMENT

Date

December 5, 2023

Parties

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

Term

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

Nature of the transactions

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

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

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

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

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

Pricing basis

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

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

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

(i) Accommodation booking services

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

(ii) Transportation ticketing services

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

(iii) Vacation products

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

(iv) Attraction ticketing services

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

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

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

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

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

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

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

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

Historical amounts

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

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

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

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

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

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

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

Proposed annual caps and basis of determination

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

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

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

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

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

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

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

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

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

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

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

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

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

Reasons for and benefits of entering into the 2023 Trip.com Travelling Resources Provision Framework Agreement

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

Listing Rules implications

As at the date of this announcement, C-Travel is one of the substantial shareholders of the Company which holds approximately 18.24% of the shares in the Company, and as such, C-Travel is a connected person of the Company under the Listing Rules. Therefore, the transactions contemplated under the 2023 Trip.Com Travelling Resources Provision Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since the applicable ratios (as defined in Rule 14.07 of the Listing Rules) of the proposed annual caps in respect of the continuing connected transactions contemplated under the 2023 Trip.com Travelling Resources Provision Framework Agreement are more than 5%, the transactions and the proposed annual caps for such transactions for each of the three years ending December 31, 2026 are subject to reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

II. CONTINUING CONNECTED TRANSACTIONS IN RELATION TO 2023 TENCENT BUSINESS TRAVEL RELATED SERVICES FRAMEWORK AGREEMENT

On December 5, 2023 (after trading hours), Tencent Computer and the Company entered into the 2023 Tencent Business Travel Related Services Framework Agreement, pursuant to which, the Company agreed to provide the 2023 Business Travel Related Services to Tencent Group in exchange for commissions.

The principal terms of each of the 2023 Tencent Business Travel Related Services Framework Agreement are summarized below.

Date

December 5, 2023 (after trading hours)

Parties

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

Term

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

Nature of the transactions

Pursuant to the terms of the 2023 Tencent Business Travel Related Services Framework Agreement, the Company agrees to provide the 2023 Business Travel Related Services to Tencent Group. The precise scope of products and/or services, service fee calculation and the method of payment and settlement will be specified in each of the implementation service agreements to be entered into between the parties under the 2023 Tencent Business Travel Related Services Framework Agreement.

Pricing basis

The Group will only enter into an implementation service agreement with Tencent Group when the service fee rates proposed by Tencent Group are in line with or higher than the market rates and thus it is in the best interests of our Company and our Shareholders as a whole. In determining the service fees under each of the implementation supplying or service agreements, the Group takes into account a number of factors, including but not limited to, the service fee rates offered by other comparable business travel related service providers.

Historical transaction amount

Since the 2023 Tencent Business Travel Related Services Framework Agreement is a new transaction between the Company and the Tencent Group, there was no historical transaction amount of the transactions contemplated under the 2023 Tencent Business Travel Related Services Framework Agreement.

Proposed annual caps and basis of determination

The Company estimates that the annual caps for the 2023 Tencent Business Travel Related Services Framework Agreement (inclusive of the service commission fees and the actual costs of tickets, accommodation or business travel related services) for the three years ending December 31, 2026 are as follows:

	For the year ending December 31, 2024 (RMB'000)	For the year ending December 31, 2025 (RMB'000)	For the year ending December 31, 2026 (RMB'000)
Service fees receivable from Tencent Group for offering 2023 Business Travel Related Services	21,000	25,000	30,000

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

- (i) the historical transaction amounts between Tencent Group and Tongcheng Tourism (being a company to be newly acquired by the Group and which has a focus on domestic, inbound and outbound tourism business) in relation to transactions of similar nature to the 2023 Business Travel Related Services;
- (ii) the estimated number and type of business travels services required by the employees of Tencent Group; and the estimated average price of relevant business travel service fees and/or the actual costs of the relevant services or tickets charged by other independent third party service providers or travel agents providing flight tickets, accommodations, train tickets services;
- (iii) the estimated demand for the 2023 Business Travel Related Services by Tencent Group which includes, without limitation, (a) business or corporate related travel services, (b) meetings, conferences and exhibitions services, and (c) add-on vacation ancillary products in the next three years based on the Group's internal business forecast; and
- (iv) the future landscape and potential growth opportunities of the OTA industry in the PRC, which have been discussed with further details in the section headed "*Proposed annual caps and basis of determination*" under "*2023 Trip.com Travelling Resources Provision Framework Agreement*" in this announcement.

Reasons for and benefits of entering into the 2023 Tencent Business Travel Related Services Framework Agreement

As business travel resumes, the Company anticipate that there will be a high demand for business travel services throughout the year. By entering into the 2023 Tencent Business Travel Related Services Framework Agreement, the Group will be able to secure stable sales on the business travel services.

The 2023 Tencent Business Travel Related Services Framework Agreement would enable us to leverage Tencent's large user base and attract more consumers and merchants to our platform in order to enlarge our user base and enhance our business growth, and thereby is expected to provide the Group with a steady revenue stream and broadening return to the Shareholders as a whole.

The Directors believe that entering into the 2023 Tencent Business Travel Related Services Framework Agreement shall benefit the Company by ensuring a long-term business collaboration with the Tencent Group, which enables us to continue to grow in the travel products and services market.

Listing Rules implications

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

Since the applicable ratios (as defined in Rule 14.07 of the Listing Rules) of the proposed annual caps in respect of the continuing connected transactions contemplated under the 2023 Tencent Business Travel Related Services Framework Agreement are more than 0.1% but less than 5%, the transactions and the proposed annual caps for such transactions for each of the three years ending December 31, 2026 are subject to reporting, annual review and announcement requirements but are exempt from Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

III. INTERNAL CONTROL MEASURES

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

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

- (ii) In particular, the business department of the Company (including the manager of business department) will conduct quarterly checks on the market fee rates for the purpose of considering if the commissions or fees charged for a specific type of continuing connected transaction is fair and reasonable and in accordance with the pricing basis for the relevant 2023 Framework Agreement(s). The marketing team of the Company will gather market intelligence by way of research, investigation and obtaining quotations of reference market fee rates on a quarterly basis and/or prior to price negotiation of implementation agreement which will then be entered into the computer system of the Group.
- (iii) The team of senior management together with the finance department of the Group quarterly monitor the actual amounts incurred for each type of continuing connected transactions for the purpose of ensuring the relevant annual caps are not exceeded.
- (iv) To ensure the Company is complying with the applicable rules in relation to the continuing connected transactions under the Listing Rules, the in-house legal department reviews and implements the above internal procedures quarterly.
- (v) The team of senior management of the Group organizes and runs internal control tests quarterly to evaluate the completeness and effectiveness of the internal control measures in relation to continuing connected transactions.
- (vi) The Board conducts an annual review of the implementation of continuing connected transactions and conducts a review of financial statements which include the disclosure of continuing connected transactions semi-annually. The review mainly includes a review of whether the Group and the connected parties have fulfilled the terms of the agreements in relation to continuing connected transactions during the relevant year or semi-annually and whether the actual transaction amounts incurred between the Group and the connected persons are within the annual caps.
- (vii) The team of senior management of the Group collects and reviews continuing connected transactions each month in order to guarantee (i) the connected parties have fulfilled the terms of the agreements in relation to continuing connected transactions during the relevant month and (ii) the actual transaction amounts incurred and estimated to be incurred between the Company and the connected parties are within the annual caps.
- (viii) The independent non-executive Directors conduct annual review of continuing connected transactions and provide annual confirmations in the Company's annual report on whether the continuing connected transactions are conducted (i) in the Group's ordinary course of business, (ii) in accordance with normal commercial terms or better and on terms that are fair and reasonable, (iii) in accordance with the terms of the relevant agreements, and (iv) in the interests of the Company and the Shareholders as a whole.
- (ix) The Company's external auditors will also conduct an annual review of the continuing connected transactions of the Group in accordance with Rule 14A.56 of the Listing Rules, including the pricing policies and the annual caps thereof.

IV. DIRECTORS' CONFIRMATION

The 2023 Framework Agreements have been negotiated and agreed on an arms' length basis by the parties thereto. The Directors (including the independent non-executive Directors but (i) excluding Mr. Xie Qing Hua and Mr. Brent Richard Irvin in respect of the 2023 Framework Agreements in relation to Tencent Group or (ii) excluding Mr. Liang Jianzhang and Mr. Jiang Hao in respect of the 2023 Framework Agreements in relation to Trip.com Group) are of the view that the 2023 Framework Agreements are entered into in the ordinary and usual course of business, on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Other than the proposed annual caps under the 2023 Tencent Payment Services Framework Agreement and the 2023 Trip.com Travelling Resources Provision Framework Agreement, the Directors (including the independent non-executive Directors but (i) excluding Mr. Xie Qing Hua and Mr. Brent Richard Irvin in respect of the 2023 Framework Agreements in relation to Tencent Group or (ii) excluding Mr. Liang Jianzhang and Mr. Jiang Hao in respect of the 2023 Framework Agreements in relation to Trip.com Group) are of the view that the proposed annual caps under the respective 2023 Framework Agreements for each of the three years ending December 31, 2026 are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The independent non-executive Directors will form their views in respect of the proposed annual caps under the 2023 Tencent Payment Services Framework Agreement and the 2023 Trip.com Travelling Resources Provision Framework Agreement after receiving advice from the Independent Financial Adviser.

From the perspective of good corporate governance, (i) Mr. Liang Jianzhang and Mr. Jiang Hao (each, a non-executive Director) abstained from voting on the resolutions approving the 2023 Framework Agreements in relation to Trip.com Group at the relevant Board meeting due to their positions at the Trip.com Group and (ii) Mr. Xie Qing Hua and Mr. Brent Richard Irvin (each, a non-executive Director) abstained from voting on the resolutions approving the 2023 Framework Agreements in relation to Tencent Group at the relevant Board meeting due to their positions at Tencent Group.

Saved as disclosed above, no other Director was deemed to have any material interests or is required to abstain from voting on the Board resolutions and the transactions contemplated thereunder and accordingly, no other Directors were required to abstain from the relevant Board resolution(s).

V. APPROVAL BY INDEPENDENT SHAREHOLDERS AND CLOSURE OF REGISTER OF MEMBERS

The EGM will be convened to consider and, if thought fit, to approve the Tongcheng Continuing Connected Transactions (including their respective proposed annual caps).

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

A circular containing, among others, further information on the Tongcheng Continuing Connected Transactions, a letter from the Independent Board Committee to the Independent Shareholders containing its recommendation, a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, together with a notice to convene the EGM to consider and, if thought fit, approve the Tongcheng Continuing Connected Transactions (including their respective proposed annual caps) is expected to be dispatched to the Shareholders on or around December 11, 2023.

For determining the entitlement to attend and vote at the EGM, notice is hereby given that the register of members of the Company will be closed from December 21, 2023 (Thursday) to December 28, 2023 (Thursday) (both days inclusive), during which period no share transfers will be registered. To be eligible to attend the above meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on December 20, 2023 (Wednesday). Please refer to the notice of EGM and the circular to be issued and despatched to the Shareholders for further information on the EGM and the matters to be considered at such meeting.

VI. INFORMATION ON THE PARTIES

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

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

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

Tencent Cloud is a subsidiary of Tencent and primarily engaged in the provision of information system integration services in the PRC.

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

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

VII. DEFINITIONS

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

“2018 Tencent Payment Services Framework Agreement”	the payment services framework agreement dated November 6, 2018 entered into between the Company and Tencent Computer, in relation to the provision of payment and settlement services by the Tencent Group through its payment channels to the Group in return for certain fees
“2020 Framework Agreements”	collectively, (i) the 2020 Tencent Technical Support Framework Agreement, (ii) the 2020 Tencent Payment Services Framework Agreement, (iii) 2020 Trip.com Travelling Resources Sales Framework Agreement, and (iv) 2020 Trip.com Travelling Resources Provision Framework Agreement
“2020 Group Main Travelling Services”	collectively, transportation services (including transportation ticketing and car rental), attraction ticketing services and accommodation booking services
“2020 Tencent Payment Services Framework Agreement”	the payment services framework agreement dated December 8, 2020 entered into between the Company and Tencent Computer, in relation to the provision of payment and settlement services by the Tencent Group through its payment channels to the Group in return for certain fees
“2020 Tencent Technical Support Framework Agreement”	the technical support framework agreement dated December 8, 2020 entered into between the Company and Tencent Cloud, in relation to the provision of technical support and related services by Tencent Group to the Group in return for certain fees
“2020 Trip.com Main Travelling Services”	collectively, transportation services (including transportation ticketing and car rental), attraction ticketing services and accommodation booking services
“2020 Trip.com Travelling Resources Provision Framework Agreement”	the travelling resources provision framework agreement dated December 8, 2020 entered into between the Company and C-Travel, in relation to the provision of access to the Group’s platforms for the offering of 2020 Trip.com Main Travelling Services by Trip.com Group and/or its associates
“2020 Trip.com Travelling Resources Sales Framework Agreement”	the travelling resources sales framework agreement dated December 8, 2020 entered into between the Company and C-Travel, in relation to the provision of access to the platforms of Trip.com Group and/or its associates for the Group’s offering of 2020 Group Main Travelling Services

“2023 Business Travel Related Services”	including but not limited to, business or corporate travel related services, meetings, conferences and exhibitions services and add-on vacation ancillary products
“2023 Framework Agreements”	collectively, 2023 Renewal Framework Agreements and 2023 Tencent Business Travel Related Services Framework Agreement
“2023 Group Main Travelling Services”	collectively, transportation services, attraction services, vacation products and accommodation booking services
“2023 Renewal Framework Agreements”	collectively, (i) the 2023 Tencent Technical Support Framework Agreement, (ii) the 2023 Tencent Payment Services Framework Agreement, (iii) the 2023 Trip.com Travelling Resources Sales Framework Agreement, and (iv) the 2023 Trip.com Travelling Resources Provision Framework Agreement
“2023 Tencent Payment Services Framework Agreement”	the payment services framework agreement dated December 5, 2023 entered into between the Company and Tencent Computer, in relation to the provision of payment and settlement services by the Tencent Group through its payment channels to the Group in return for certain fees
“2023 Tencent Technical Support Framework Agreement”	the technical support framework agreement dated December 5, 2023 entered into between the Company and Tencent Cloud, in relation to the provision of technical support and related services by Tencent Group to the Group in return for certain fees
“2023 Tencent Business Travel Related Services Framework Agreement”	the framework agreement dated December 5, 2023 entered into between the Company and Tencent Computer, in relation to the provision of the 2023 Business Travel Related Services
“2023 Trip.com Main Travelling Services”	collectively, accommodation booking services, transportation ticketing services, vacation products and attraction ticketing services
“2023 Trip.com Travelling Resources Provision Framework Agreement”	the travelling resources provision framework agreement dated December 5, 2023 entered into between the Company and C-Travel, in relation to the provision of access to the Group’s platforms for the offering of 2023 Trip.com Main Travelling Services by Trip.com Group and/or its associates
“2023 Trip.com Travelling Resources Sales Framework Agreement”	the travelling resources sales framework agreement dated December 5, 2023 entered into between the Company and C-Travel, in relation to the provision of access to the platforms of Trip.com Group and/or its associates for the Group’s offering of 2023 Group Main Travelling Services

“AI”	artificial intelligence
“APUs”	annual paying users
“associate(s)”	has the meaning ascribed to it or them under the Listing Rules
“Board”	the board of Directors
“C-Travel”	C-Travel International Limited, a limited liability company incorporated under the laws of the Cayman Islands on March 3, 2006 and a wholly-owned subsidiary of Trip.com Group
“Company”	Tongcheng Travel Holdings Limited (同程旅行控股有限公司), an exempted company with limited liability incorporated under the laws of the Cayman Islands on January 14, 2016
“connected person(s)”	has the meaning ascribed to it or them under the Listing Rules
“Contractual Arrangement Entities”	the entities the Company controls through certain contractual arrangements
“continuing connected transaction(s)”	has the meaning ascribed to it or them under the Listing Rules
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held on December 28, 2023 to consider and, if thought fit, approve the Tongcheng Continuing Connected Transactions, or any adjournment thereof
“GMV”	gross merchandise volume, the total value of merchandise sold in the specified market or through a specified platform during a given period
“Group”	the Company and its subsidiaries and consolidated affiliated entities from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, namely Mr. Yang Chia Hung, Mr. Dai Xiaojing and Ms. Han Yuling, established to advise the Independent Shareholders on the Tongcheng Continuing Connected Transactions
“Independent Financial Adviser” or “South China”	South China Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activities under the SFO, and the independent financial adviser to the Independent Board Committee and Independent Shareholders in relation to the Tongcheng Continuing Connected Transactions
“Independent Shareholders”	<p>(a) for the purpose of the 2023 Tencent Payment Services Framework Agreement, Shareholders other than any Shareholder who has a material interest in the 2023 Tencent Payment Services Framework Agreement; and</p> <p>(b) for the purpose of the 2023 Trip.com Travelling Resources Provision Framework Agreement, Shareholders other than any Shareholder who has a material interest in the 2023 Trip.com Travelling Resources Provision Framework Agreement</p>
“independent third party(ies)”	party(ies) not connected with any of the Directors, chief executive, substantial shareholders of the Company or any of its subsidiaries or any of their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“MAUs”	monthly active users who access the Group’s platforms at least once during a calendar month
“MPUs”	monthly paying users who make purchases on the Group’s platforms at least once during a calendar month
“NASDAQ”	NASDAQ Global Select Market
“OTA”	online travel agency
“PRC”	the People’s Republic of China
“Q2 Announcement”	the announcement of the results of the Company for the three and six months ended June 30, 2023 published on August 22, 2023

“Q3 Announcement”	the announcement of the results of the Company for the three months ended September 30, 2023 published on November 21, 2023
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance, (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) in the share capital of the Company with nominal value of US\$0.0005 each
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it or them under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it or them under the Listing Rules
“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 (stock code: 700)
“Tencent Cloud”	Tencent Cloud Computing (Beijing) Company Limited (騰訊雲計算(北京)有限責任公司), a subsidiary of Tencent
“Tencent Computer”	Shenzhen Tencent Computer Systems Company Limited (深圳市騰訊計算機系統有限公司), a subsidiary of Tencent
“Tencent Group”	Tencent, its subsidiaries and controlled entities
“Tencent-based Platforms”	collectively, (i) proprietary Weixin-based mini programs, which can be accessible by Weixin users through the “Rail & Flight” and “Hotel” portals in Weixin Wallet, the mobile payment interface of Tencent’s Weixin or from the drop-down list of the favorite or most frequently used mini programs in Weixin; and (ii) the “Rail & Flight” and “Hotel” in QQ Wallet, the mobile payment interface of Tencent’s Mobile QQ and certain other portals in Mobile QQ

“Tongcheng Continuing Connected Transactions”	collectively, (i) the provision of the payment and settlement services by Tencent Group to the Group, pursuant to the 2023 Tencent Payment Services Framework Agreement; and (ii) the provision of access to the Group’s platforms for the offering of the 2023 Trip.com Main Travelling Services by Trip.com Group and/or its associates, pursuant to the 2023 Trip.com Travelling Resources Provision Framework Agreement
“Tongcheng International Travel”	Tongcheng International Travel Service Co., Ltd.* (同程國際旅行社有限公司), an indirectly wholly-owned subsidiary of the Company, further details of which are set forth in the announcements of the Company dated December 29, 2022 and March 9, 2023
“Tongcheng Network”	Tongcheng Network Technology Limited (同程網絡科技股份有限公司), a joint stock limited company established under the laws of the PRC on March 10, 2004, which is one of the Contractual Arrangement Entities
“Tongcheng Tourism”	Beijing Tongcheng Tourism Investment Group Co., Ltd.* (北京同程旅業投資集團有限公司), a limited liability company established in the PRC, further details of which are set forth in the announcements of the Company dated February 19, 2023 and October 23, 2023
“Trip.com Group”	Trip.com Group Limited, previously known as Ctrip.com International, Ltd. (“ Ctrip ”), a limited liability company incorporated under the laws of the Cayman Islands on March 3, 2000, the American depositary shares of which are listed on the NASDAQ and the ordinary shares of which are listed on the Stock Exchange (NASDAQ: TCOM; Stock Exchange: 9961)
“TSPs”	travel service providers
“%”	per cent

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

Hong Kong, December 5, 2023

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

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

Yang Chia Hung
Dai Xiaojing
Han Yuling

* *for identification purpose only*