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Tongcheng Travel Holdings Limited

同程旅行控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0780)

ANNOUNCEMENT OF THE RESULTS FOR THE THREE MONTHS ENDED MARCH 31, 2023

The Board of the Company is pleased to announce the unaudited consolidated results of the Group for the three months ended March 31, 2023, together with comparative figures for the same period of 2022.

FOR THE THREE MONTHS ENDED MARCH 31, 2023

- Revenue increased by 50.5% year-to-year to RMB2,586.1 million in the first quarter of 2023 from RMB1,718.0 million in the first quarter of 2022.
- Adjusted EBITDA for the period increased by 67.0% year-to-year to RMB732.2 million in the first quarter of 2023 from RMB438.4 million in the first quarter of 2022. Adjusted EBITDA margin increased from 25.5% in the first quarter of 2022 to 28.3% in the first quarter of 2023.
- Adjusted profit for the period increased by 105.6% year-to-year to RMB503.6 million in the first quarter of 2023 from RMB245.0 million in the first quarter of 2022. Adjusted net margin increased from 14.3% in the first quarter of 2022 to 19.5% in the first quarter of 2023.
- Average MAUs increased by 16.9% year-to-year from 244.8 million in the first quarter of 2022 to 286.1 million in the first quarter of 2023.
- Average MPUs increased by 30.6% year-to-year from 31.7 million in the first quarter of 2022 to 41.4 million in the first quarter of 2023.
- Paying users for the twelve-month period ended March 31, 2023 decreased by 2.4% year-to-year from 205.6 million in the first quarter of 2022 to 200.7 million in the first quarter of 2023.

1. Key Financial Metrics for the three months ended March 31, 2023

	Unaudited		Year-to-year change
	Three months ended March 31,		
	2023	2022	
	(in RMB'000)		
Revenue	2,586,143	1,717,999	50.5%
Profit before income tax	444,097	142,176	212.4%
Profit for the period	378,968	97,237	289.7%
Adjusted EBITDA for the period	732,205	438,436	67.0%
Adjusted profit for the period	503,591	244,989	105.6%
Revenue growth (year-to-year)	50.5%	6.5%	
Adjusted EBITDA margin	28.3%	25.5%	
Adjusted net margin	19.5%	14.3%	

Note:

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

2. Operating Metrics for the three months ended March 31, 2023

	Three months ended		Year-to-year change
	March 31,		
	2023	2022	
GMV (in RMB billion)	57.2	32.4	76.5%
Number of average MAUs (in million)	286.1	244.8	16.9%
Number of average MPUs (in million)	41.4	31.7	30.6%
APUs (in million)	200.7	205.6	(2.4)%
Paying ratio	14.5%	12.9%	1.6pp

BUSINESS REVIEW AND OUTLOOK

Results Highlights

In the first quarter of 2023, China's travel market experienced a remarkable recovery after the various pandemic control measures were lifted. The market regained its vitality, with travel demand rebounded rapidly since the beginning of 2023.

As a prominent Chinese OTA, we acted swiftly in response to favorable market conditions and seized opportunities proactively amid the recovery trend of the travel market. Over the past few years, we have endeavored to enhance our presence in lower-tier cities in China and continued to explore various opportunities. We have successfully established a solid foundation that allowed us to ride on the revival and blooming of the travel industry. Over the quarter, we achieved strong growth that once again outperformed the industry. We have further strengthened our competitive advantages of solid market position, diversified traffic sources, outstanding innovation capabilities, and flexible operation strategies.

During the period under review, we achieved record-highs in our average MAUs and MPUs, mainly attributable to our effective user acquisition strategies, user-centric products and services, and outstanding operational capabilities; whereas our average MAUs increased by 16.9% year-to-year to 286.1 million for the three months ended March 31, 2023. For the three months ended March 31, 2023, our average MPUs increased by 30.6% year-to-year to 41.4 million. Compared with the same period last year, our paying ratio rose to 14.5 % for the first quarter of 2023. Our APUs for the twelve-month ended March 31, 2023, expanded by 7.0% quarter over quarter to 200.7 million.

For the first quarter of 2023, taking advantage of the successful revival of China's travel market, we made extensive efforts to capitalize on the opportunities and bolster our presence in the market. As a result, our business performance registered excellent growth and outperformed the industry. Our total GMV increased by 76.5% year-to-year to RMB57.2 billion for the three months ended March 31, 2023, mainly attributable to the significant business volume enhancement. Our total revenue increased by 50.5% year-to-year to RMB2,586.1 million for the three months ended March 31, 2023, driven by robust market demand and our efficient execution of business strategies. Our adjusted profit increased by 105.6% to RMB503.6 million for three months ended March 31, 2023, representing an adjusted net margin of 19.5%.

Business Review

During the period under review, we strived to diversify our traffic sources and expand our user reach. We further enhanced user interactions and strengthened cooperation with Tencent. In the first quarter of 2023, around 80% of our average MAUs were contributed by Weixin mini program. We expanded our services in Weixin Search (搜一搜), covering hotel booking, transportation ticketing and tourist attraction ticketing to enhance user experience with easier and more convenient access. In addition, we continued to explore various scenarios within the Tencent ecosystem. We also cooperated with Tencent Docs to promote our marketing events and to direct users to our mini-program.

We continued to explore alternative online and offline traffic channels to diversify our traffic sources. We placed more emphasis on improving user flow and experience on our APPs, aiming at continuously attracting more users with higher value and stickiness. In addition, we maintained cooperation with handset vendors and provided comprehensive products and services to our users through our quick APPs on mobile phones and other mobile devices. We continued to work with location-based APPs to widen our user reach. Furthermore, we enhanced interactions with users and continued to explore business potentials through efficient operations on short-video platforms. We persisted in developing our offline user acquisition channels in various consumption scenarios to enlarge our user base and further penetrate lower-tier cities in China. We worked with hotels and diverted users to our platform with the QR code scanning function. We also maintained our efforts in developing alternative channels by further tapping into mobility scenarios such as buses, metro and intra-city buses. For the three months ended March 31, 2023, the aforementioned offline user acquisition initiatives contributed around 15% of our average MPUs.

We are devoted to better attracting and retaining our users while improving their value. We identified and targeted different user groups based on their preferences and behaviors and offered them customized products and services that matched their needs and expectations. We upgraded our membership program so as to carry out more precise operations and further delve into potential values of different user categories. Moreover, we further enriched our paid Black Whale membership program and provided users with more benefits and privileges, so as to improve user loyalty and cultivate high-value users. The accumulated number of Black Whale members grew significantly in the past few years.

We launched several marketing initiatives in the past quarter to enhance brand awareness and user engagement. We joined hands with Tencent Games and organized several e-Sports events to attract younger generations. We also placed brand advertisements in a famous science fiction TV series on the Tencent Video platform and launched various brand-related merchandise utilizing the intellectual property rights entitlement, aiming to strengthen our youthful and imaginative brand image. In addition to brand advertisements, we continued to work with various partners to conduct online and offline marketing campaigns. We launched an experiential marketing campaign through which we joined hands with six tourism bureaus and released a collection of themed non-fungible tokens (NFT) to enhance our brand exposure.

We expanded our online and offline presence in under-penetrated markets with immense potential. Building on our strategic focus on the lower-tier cities and our efforts in offline user acquisitions, we have capitalized on the rebound opportunities in the lower-tier cities market and increased our market share. As of March 31, 2023, our registered users residing in non-first-tier cities in China accounted for approximately 86.6% of the total registered users. For the three months ended March 31, 2023, around 68.7% of our new paying users on the Weixin platform were from non-first-tier cities in China.

We strengthened long-term and sustainable relationships with various TSPs and continued to deliver our users exceptional one-stop-shop products and services. As of March 31, 2023, our online platforms offered over 400,000 domestic and international routes operated by around 770 airlines and agencies, over 2.5 million hotels selections and alternative accommodation options, approximately 420,000 bus routes, over 810 ferry routes and over 10,000 domestic tourist attractions ticketing services.

During the period under review, both of our major businesses, namely transportation ticketing and accommodation reservation, achieved remarkable results. For the three months ended March 31, 2023, our revenue from transportation ticketing services increased by 35.9% year-to-year from RMB1,017.2 million to the record high of RMB1,382.7 million, mainly driven by the historic high in total ticketing volume. Moreover, we focused on the advancement of our value-added service and product (VAS) offerings. As for the air ticketing business, we strived to enhance our penetration in new markets and further optimize our user mix. Our air ticketing volume achieved more than 35% year-to-year growth compared with the same period of 2019. For train ticketing business, we remained focused on delivering more suitable and accessible travel solutions to users to enhance their travel experience. In addition, we made gradual progress in enhancing the monetization of our bus ticketing business, mainly motivated by the precise geographical placement of our smart ticketing equipment and the optimization of our transaction process. Our accommodation business also witnessed substantial development. For the three months ended March 31, 2023, our revenue from accommodation business increased by 53.6% year-to-year from RMB543.1 million to the record high of RMB834.3 million. Our room nights sold also witnessed a record-breaking peak and obtained over 130% year-to-year growth compared with the same period of 2019. We further explored potentials in the lower-tier cities in China, while actively exploring alternative scenarios for hotel stays as users' demand diversified after the pandemic. We also continued enriching our accommodation VAS to present users with more options. In addition, we enhanced synergies across different business segments and optimized our marketing promotions to augment cross-selling among different products.

Furthermore, we diversified our business to bring additional growth drivers to our Company. We further expanded our hotel management business coverage under a comprehensive brand matrix, aiming to build a solid foundation in the supply chain and enhance our competitiveness. In addition, we started to develop our packaged tour business following the acquisition of certain traditional travel agency businesses. We believe the packaged tour business will also be a gateway for us to delve into the international travel market in the future.

We persisted in enhancing our technological capability to transform from OTA to ITA, aiming to achieve higher efficiency and facilitate the digitization of the travel industry. To further enhance efficiency and user satisfaction, we took the initiatives to work with our business partners to explore the feasibility of Artificial Intelligence Generated Content (AIGC) application in our operations, such as customer service, product development and content. Moreover, we further refined our Huixing system that offers intelligent travel solutions to our users to assist them in surmounting the transportation supply scarcity during the holiday travel surge. In addition, we endeavored to enhance the efficiency of the travel industry, leveraging our outstanding innovation capabilities and steadfast relationship with upstream suppliers. We provided Software-as-a-Service (SaaS) solutions through our comprehensive portfolio of hotel PMS brands to more individual and chain hotels as well as alternative accommodation to improve operational efficiencies. We also established strategic cooperation with Yichang Sanxia Airport to develop it as the hub airport in southwest Hubei Province by leveraging our big data capability and local tourism resources. Besides, we assisted regional airports in Inner Mongolia to boost their throughput by devising transit products for them.

As a socially responsible enterprise, we are driven by a vision of creating value for our stakeholders and the society at large. We uphold our social responsibility and proactively participate in rural revitalization activities that benefit society. Recently, we launched the “Tongcheng Thousand Villages Program”, which aims to help more villages build sustainable tourism models and promote the development of the local green economy. Additionally, our stepped-up ESG efforts have earned us notable accolades. Our care for customers as well as for the society were recognised by the China Consumers Association as the top ten “Excellent Cases of Corporate Initiatives” on account of our initiatives such as exclusive customer service for the hearing impaired and Tongcheng Rest Stop for outdoor workers.

Business Outlook and Strategies

China’s domestic travel market has been experiencing an extraordinary recovery in recent months, with travel demand surges and tourism consumption booms. The encouraging market sentiment was mainly attributable to the enhancement of consumer confidence and the accelerated unleashing of consumer demand. The strong rebound during the past Labor Day holiday was also a clear display of the booming trend of travel enthusiasm and once again boosted market confidence in China’s travel industry.

We are optimistic about the future development of China’s travel industry. The tourism-related infrastructure will improve significantly, especially in lower-tier cities, bringing more supply to the travel industry and more convenience to travelers. China’s travel industry has exhibited its resilience over the last few years in face of hardship. Besides, the consumer behavior has experienced fundamental shifts, such as the rising popularity of short-haul trips or staycations, which we believe will continue to bring additional growth momentum to the travel industry.

Over the past few years, we have built a tremendous user base and gained extensive industry experience, which put us in a solid position to seize future market opportunities. We are confident that we can outperform the market by harnessing our competitive advantages in diversified traffic sources, solid market position, flexible operation strategy, and advanced technological capabilities. We will keep expanding our traffic sources and enhancing users’ value. Moreover, we will further improve our products and services to cater to users’ needs. Additionally, we will leverage our technological capabilities to transform from OTA to ITA. We will also grasp market opportunities and start to explore international business. Furthermore, we will explore investment opportunities that match our strategic goals for future business growth. Finally, we will continue to focus on corporate governance, environmental protection, and social responsibility in our operations to generate long-term sustainable value for our stakeholders and communities.

MANAGEMENT DISCUSSION AND ANALYSIS

First Quarter of 2023 compared to First Quarter of 2022

	Unaudited	
	Three months ended March 31,	
	2023	2022
	RMB'000	<i>RMB'000</i>
Revenue	2,586,143	1,717,999
Cost of revenue	(645,282)	(471,610)
Gross profit	1,940,861	1,246,389
Service development expenses	(411,140)	(351,821)
Selling and marketing expenses	(966,236)	(636,961)
Administrative expenses	(192,266)	(188,245)
Net (provision)/reversal for impairment loss on financial assets	(16,891)	2,278
Fair value changes on investments measured at fair value through profit or loss	25,720	3,665
Other income	22,656	34,679
Other gains – net	62,717	27,836
Operating profit	465,421	137,820
Finance income	27,937	7,768
Finance costs	(40,172)	(17,091)
Share of results of associates	(9,089)	13,679
Profit before income tax	444,097	142,176
Income tax expense	(65,129)	(44,939)
Profit for the period	378,968	97,237
Profit attributable to:		
Equity holders of the Company	377,912	101,144
Non-controlling interests	1,056	(3,907)
	378,968	97,237
Adjusted profit for the period ^(a)	503,591	244,989

Note:

- (a) Please see “Other Financial Information – Non-IFRS Financial Measures” below for more information about adjusted 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 March 31,			
	2023		2022	
	RMB'000		RMB'000	
Accommodation reservation services	834,261	32.3%	543,082	31.6%
Transportation ticketing services	1,382,694	53.5%	1,017,219	59.2%
Others	369,188	14.2%	157,698	9.2%
Total revenue	2,586,143	100.0%	1,717,999	100.0%

Revenue increased by 50.5% from RMB1,718.0 million for the three months ended March 31, 2022 to RMB2,586.1 million for the three months ended March 31, 2023.

Accommodation reservation services

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

Revenue from accommodation reservation services increased by 53.6% from RMB543.1 million for the three months ended March 31, 2022 to RMB834.3 million for the three months ended March 31, 2023. It was mainly due to the increased demand of accommodation reservation services as a result of the robust recovery amid relaxed COVID-19 travel policies.

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 act primarily as an agent, assume no inventory risk and no obligations for cancelled ticket reservations, and therefore record the revenue on a net basis.

Revenue from transportation ticketing services increased by 35.9% from RMB1,017.2 million for three months ended March 31, 2022 to RMB1,382.7 million for three months ended March 31, 2023. The increase was mainly due to the strong rebound in demand in transportation ticketing services driven by the historic high in total ticketing volume.

Others

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

Revenue from others increased by 134.1% from RMB157.7 million for the three months ended March 31, 2022 to RMB369.2 million for three months ended March 31, 2023, which was mainly due to increase in revenue from (i) hotel management; (ii) advertising services; (iii) membership services; and (iv) corporate travel services.

Cost of revenue

Our cost of revenue consists primarily of: (i) order processing costs, 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) paid to 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 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 represents 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 March 31, 2023 and 2022:

	Unaudited			
	Three months ended March 31,			
	2023		2022	
	RMB'000		RMB'000	
Order processing costs	315,405	48.9%	195,205	41.4%
Employee benefit expenses	101,413	15.7%	75,382	16.0%
Procurement costs	79,308	12.3%	54,198	11.5%
Cost of pre-purchased travel related products	47,070	7.3%	51,319	10.9%
Bandwidth and servers fee	35,487	5.5%	37,059	7.9%
Depreciation of property, plant and equipment, and right-of-use assets	31,692	4.9%	30,241	6.4%
Others	34,907	5.4%	28,206	5.9%
Total cost of revenue	645,282	100.0%	471,610	100.0%

Cost of revenue increased by 36.8% from RMB471.6 million for the three months ended March 31, 2022 to RMB645.3 million for the three months ended March 31, 2023. The increase was mainly due to: (i) an increase in order processing cost due to the increased GMV; (ii) an increase in employee benefit expenses driven by the increased number of our user services and TSP services employees; and (iii) an increase in procurement cost resulting from increased cost of ancillary value-added user services. Excluding share-based compensation charges, cost of revenue accounted for 24.9% of revenue for the three months ended March 31, 2023, which decreased from 27.2% for the same period of 2022.

Service development expenses

Service development expenses increased 16.9% from RMB351.8 million for the three months ended March 31, 2022 to RMB411.1 million for the three months ended March 31, 2023. The increase was mainly due to increased employee benefit expenses driven by increased number of IT employees and relevant increased employee benefits. Excluding share-based compensation charges, service development expenses accounted for 15.2% of revenue for the three months ended March 31, 2023, which decreased from 18.9% for the same period of 2022.

Selling and marketing expenses

Selling and marketing expenses increased from RMB637.0 million for the three months ended March 31, 2022 to RMB966.2 million for the three months ended March 31, 2023, which was mainly due to (i) the increase in advertising and promotion expenses; (ii) the increase in commission expenses; and (iii) the increased employee benefit due to the increased number of sales employees. Excluding share-based compensation charges, selling and marketing expenses accounted for 37.0% of revenue for the three months ended March 31, 2023 compared with 36.5% for the same period of 2022.

Administrative expenses

Administrative expenses increased by 2.1% from RMB188.2 million for the three months ended March 31, 2022 to RMB192.3 million for the three months ended March 31, 2023, which was mainly due to the increased employee benefit resulting from the increased number of administrative employees. The increase was offset by the decrease in professional fees. Excluding share-based compensation charges, administrative expenses accounted for 5.1% of revenue for the three months ended March 31, 2023, which decreased from 7.9% for the same period of 2022.

Net (provision)/reversal for impairment loss on financial assets

We recorded net provision for impairment loss on financial assets of RMB16.9 million for the three months ended March 31, 2023 and net reversal for impairment loss of RMB2.3 million for the three months ended March 31, 2022, which was mainly due to the increase of 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 gain on investments measured at fair value through profit or loss of RMB25.7 million for the three months ended March 31, 2023 and RMB3.7 million for the three months ended March 31, 2022, respectively. The fair value gains in first quarter of 2023 was mainly derived from the realized and unrealized fair value net gains on investment in funds and wealth management products.

Other income

Other income decreased by 34.7% from RMB34.7 million for the three months ended March 31, 2022 to RMB22.7 million for the three months ended March 31, 2023. The decrease was primarily because less government subsidies received.

Other gains – net

We recorded other gains of RMB62.7 million for the three months ended March 31, 2023 and RMB27.8 million for the three months ended March 31, 2022, respectively. The increase was mainly due to (i) the increase in net foreign exchange gains; and (ii) the increase in investment income from our investments in wealth management products measured at amortized cost.

Income tax expense

We recorded income tax expenses of RMB65.1 million and RMB44.9 million for the three months ended March 31, 2023 and 2022, respectively, as a result of increase in current period taxable profit in the three months ended March 31, 2023.

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 RMB101.1 million for the three months ended March 31, 2022 to a profit of RMB377.9 million for the three months ended March 31, 2023.

OTHER FINANCIAL INFORMATION

Non-IFRS Financial Measures

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

Adjusted EBITDA for the period 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; (iv) foreign exchange gain; (v) net (gains)/losses on investees; and (vi) others, including acquisition-related cost and fair value change on derivatives. Adjusted profit for the period is defined as profit for the period adjusted for (i) share-based compensation; (ii) the amortization of intangible assets from acquisition; (iii) foreign exchange gain; (iv) net (gains)/losses on investees; and (v) others, including acquisition-related cost and fair value change on derivatives and the depreciation of acquired property, plant and equipment and right-of-use assets in relation to business combination.

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

a. Reconciliation of adjusted EBITDA for the period from operating profit for the period

The following table reconciles adjusted EBITDA for the period from operating profit for the period, its most directly comparable financial measure calculated and presented in accordance with IFRS for the three months ended March 31, 2023 and 2022:

	Unaudited	
	Three months ended March 31,	
	2023	2022
	RMB'000	RMB'000
Operating profit for the period	465,421	137,820
Add/(less):		
Share-based compensation, gross ^(a)	90,659	94,914
Amortization of intangible assets	167,976	156,772
Depreciation of property, plant and equipment, and right-of-use assets	51,516	49,862
Foreign exchange gain ^(b)	(32,109)	(6,658)
Net (gains)/losses on investees ^(c)	(5,579)	5,671
Others	(5,679)	55
Adjusted EBITDA for the period	732,205	438,436

- (a) Represents expense related to equity-settled share-based payment transactions. This is a non-cash item and the value is determined by valuation techniques involving a few parameters out of the management's control such as macro economy index and retention rate of grantees.
- (b) Represents foreign exchange gain which is a non-cash item, the result of macro-economic factors and can vary significantly from one period to the next.
- (c) Includes dividend income, fair value changes on equity investments, and (gains)/losses on disposal of investees or subsidiaries.

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

The following table reconciles our adjusted profit for the period from profit for the period, its most directly comparable financial measure calculated and presented in accordance with IFRS, for the three months ended March 31, 2023 and 2022:

	Unaudited	
	Three months ended March 31,	
	2023	2022
	RMB'000	RMB'000
Profit for the period	378,968	97,237
Add/(less):		
Share-based compensation, net ^(a)	105,067	96,301
Amortization of intangible assets from acquisition ^(b)	62,018	52,371
Foreign exchange gain ^(c)	(32,109)	(6,658)
Net (gains)/losses on investees ^(d)	(5,579)	5,671
Others	(4,774)	67
Adjusted profit for the period	503,591	244,989

- (a) Represents expense related to equity-settled share-based payment transactions, net of the tax effect of temporary difference arises between the share-based compensation recognized in profit or loss and the tax deduction to be obtained in the future.
- (b) Represents amortization of intangible assets in relation to business combinations.
- (c) Represents foreign exchange gain, which is a non-cash item, the result of macro-economic factors and can vary from one period to the next.
- (d) Includes dividend income, fair value changes on equity investments, and (gains)/losses on disposal of investees or subsidiaries.

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

	Unaudited	
	Three months ended March 31,	
	2023	2022
	RMB'000	RMB'000
Cost of revenue	2,584	4,335
Service development expenses	18,676	27,822
Selling and marketing expenses	8,477	10,693
Administrative expenses	60,922	52,064
Total share-based compensation, gross	90,659	94,914
Tax effect of temporary difference	14,408	1,387
Total share-based compensation, net	105,067	96,301

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months ended March 31, 2023

	Unaudited	
	Three months ended March 31,	
	2023	2022
	RMB'000	RMB'000
Revenue	2,586,143	1,717,999
Cost of revenue	(645,282)	(471,610)
Gross profit	1,940,861	1,246,389
Service development expenses	(411,140)	(351,821)
Selling and marketing expenses	(966,236)	(636,961)
Administrative expenses	(192,266)	(188,245)
Net (provision)/reversal for impairment loss on financial assets	(16,891)	2,278
Fair value changes on investments measured at fair value through profit or loss	25,720	3,665
Other income	22,656	34,679
Other gains – net	62,717	27,836
Operating profit	465,421	137,820
Finance income	27,937	7,768
Finance costs	(40,172)	(17,091)
Share of results of associates	(9,089)	13,679
Profit before income tax	444,097	142,176
Income tax expense	(65,129)	(44,939)
Profit for the period	378,968	97,237
Profit attributable to:		
– Equity holders of the Company	377,912	101,144
– Non-controlling interests	1,056	(3,907)
	378,968	97,237

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended March 31, 2023

	Unaudited	
	Three months ended March 31,	
	2023	2022
	RMB'000	RMB'000
Profit for the period	378,968	97,237
Other comprehensive income		
<i>Items that may not be subsequently reclassified to profit or loss</i>		
– Currency translation differences	<u>(13,267)</u>	<u>(7,600)</u>
Other comprehensive income for the period, net of tax	<u>(13,267)</u>	<u>(7,600)</u>
Total comprehensive income for the period	<u>365,701</u>	<u>89,637</u>
Total comprehensive income for the period attributable to:		
– Equity holders of the Company	364,645	93,544
– Non-controlling interests	<u>1,056</u>	<u>(3,907)</u>
	<u>365,701</u>	<u>89,637</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31, 2023

	Unaudited As at March 31, 2023 <i>RMB'000</i>	Audited As at December 31, 2022 <i>RMB'000</i>
ASSETS		
Non-current assets		
Property, plant and equipment	1,626,937	1,598,381
Right-of-use assets	124,131	111,329
Investments accounted for using the equity method	1,404,303	1,379,267
Investments measured at fair value through profit or loss	858,487	758,307
Investments measured at amortized cost	1,858,178	1,843,160
Derivative financial instruments	6,349	–
Intangible assets	8,785,989	8,580,738
Deferred income tax assets	224,632	209,486
Trade receivables	–	48,455
Prepayment and other receivables	204,704	121,488
	<u>15,093,710</u>	<u>14,650,611</u>
Current assets		
Trade receivables	1,266,311	888,475
Prepayment and other receivables	3,739,720	2,697,038
Short-term investments measured at amortized cost	623,069	493,951
Short-term investments measured at fair value through profit or loss	2,290,570	2,669,201
Restricted cash	89,010	88,436
Cash and cash equivalents	3,877,546	3,546,988
	<u>11,886,226</u>	<u>10,384,089</u>
Total assets	<u><u>26,979,936</u></u>	<u><u>25,034,700</u></u>
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital	7,717	7,710
Share premium	19,911,715	19,877,004
Other reserves	(2,622,108)	(2,685,813)
Accumulated losses	(1,089,077)	(1,466,989)
	<u>16,208,247</u>	<u>15,731,912</u>
Non-controlling interests	<u>258,971</u>	<u>258,344</u>
Total equity	<u><u>16,467,218</u></u>	<u><u>15,990,256</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at March 31, 2023

	Unaudited As of March 31, 2023 RMB'000	Audited As of December 31, 2022 RMB'000
LIABILITIES		
Non-current liabilities		
Borrowings	1,443,967	1,857,903
Lease liabilities	83,915	88,391
Derivative financial instruments	11,648	11,187
Other payables and accruals	325,445	327,446
Contract liabilities	36,549	37,904
Deferred income tax liabilities	623,615	605,011
	<u>2,525,139</u>	<u>2,927,842</u>
Current liabilities		
Borrowings	528,252	443,310
Trade payables	3,964,760	2,521,790
Other payables and accruals	3,306,826	3,039,846
Lease liabilities	33,378	25,038
Contract liabilities	73,544	51,420
Current income taxes liabilities	80,819	35,198
	<u>7,987,579</u>	<u>6,116,602</u>
Total liabilities	<u>10,512,718</u>	<u>9,044,444</u>
Total equity and liabilities	<u>26,979,936</u>	<u>25,034,700</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended March 31, 2023

	Unaudited Three months ended March 31,	
	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Net cash generated from/(used in) operating activities	874,187	(406,539)
Net cash used in investing activities	(190,922)	(372,977)
Net cash (used in)/generated from financing activities	(346,747)	1,875,049
Net increase in cash and cash equivalents	336,518	1,095,533
Cash and cash equivalents at beginning of the period	3,546,988	2,045,604
Effect of exchange rate changes on cash and cash equivalents	(5,960)	(15,083)
Cash and cash equivalents at end of the period	3,877,546	3,126,054

CORPORATE GOVERNANCE AND OTHER INFORMATION

Compliance with the Corporate Governance Code

The Company has applied the principles and code provisions as set out in the Corporate Governance Code and has complied with the code provisions in the Corporate Governance Code for the three-month period ended March 31, 2023.

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the three-month period ended March 31, 2023.

Audit Committee

The Audit Committee has three members comprising two independent non-executive Directors, being Mr. Yang Chia Hung (chairman of the Audit Committee) and Ms. Han Yuling and one non-executive Director, being Mr. Xie Qing Hua, with terms of reference in compliance with the Listing Rules.

The Audit Committee has reviewed the accounting principles and practices adopted by the Company and the Group and discussed matters in relation to internal control and financial reporting with the management, including the review of the unaudited financial results of the Group for the three months ended March 31, 2023. The Audit Committee considers that the unaudited financial results for the three months ended March 31, 2023 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

DEFINITION

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

“APUs”	paying users in the twelve-month period ended March 31, 2023
“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
“GMV”	gross merchandise volume, the total value of merchandise sold in the specified market or through a specified platform during a given period
“Group”, “we”, “us”, or “our”	the Company, its subsidiaries and Consolidated Affiliated Entities from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“IFRS”	International Financial Reporting Standards, amendments, and interpretations, as issued from time to time by the International Accounting Standards Board
“ITA”	intelligent travel assistant
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“MAUs”	monthly active users who access our platforms at least once during a calendar month
“MPUs”	monthly paying users who make purchases on our platforms at least once during a calendar month
“OTA”	online travel agency
“paying ratio”	the ratio calculated as average MPUs divided by average MAUs
“RMB”	Renminbi, the lawful currency of China
“Share(s)”	ordinary share(s) in the share capital of the Company, currently of nominal value US\$0.0005 each
“Shareholder(s)”	holder(s) of the Share(s)

“Tencent” Tencent Holdings Limited, a company redomiciled to the Cayman Islands on February 27, 2004 as an exempted company under the laws of the Cayman Islands, whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 700)

“TSP(s)” travel service provider(s)

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, May 24, 2023

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

Executive Directors

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

Independent Non-executive Directors

Yang Chia Hung
Dai Xiaojing
Han Yuling

Non-executive Directors

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