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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 AND SIX MONTHS ENDED JUNE 30, 2024

The Board of the Company is pleased to announce the unaudited consolidated results of the Group for the three and six months ended June 30, 2024, together with comparative figures for the same periods of 2023.

FOR THE THREE MONTHS ENDED JUNE 30, 2024

- Revenue increased by 48.1% year-to-year to RMB4,245.4 million in the second quarter of 2024 from RMB2,866.3 million in the same period of 2023.
- Adjusted EBITDA increased by 13.4% from RMB805.8 million in the second quarter of 2023 to RMB913.5 million in the second quarter of 2024. Adjusted EBITDA margin decreased to 21.5% in the second quarter of 2024 from 28.1% in the same quarter of 2023.
- Adjusted net profit increased by 10.9% from RMB592.4 million in the second quarter of 2023 to RMB656.7 million in the same quarter of 2024. Adjusted net margin decreased from 20.7% in the second quarter of 2023 to 15.5% in the same quarter of 2024.
- Average MPUs increased by 0.7% year-to-year from 42.2 million in the second quarter of 2023 to 42.5 million in the same quarter of 2024.

1. Key Financial Metrics for the three months ended June 30, 2024

	Unaudited Three months ended June 30,		Year-to-year change
	2024 <i>(in RMB'000)</i>	2023	
Revenue	4,245,357	2,866,269	48.1%
Profit before income tax	539,128	426,553	26.4%
Profit for the period	429,330	359,981	19.3%
Adjusted EBITDA for the period	913,465	805,839	13.4%
Adjusted net profit for the period	656,690	592,395	10.9%
Revenue growth (year-to-year)	48.1%	117.4%	
Adjusted EBITDA margin	21.5%	28.1%	
Adjusted net margin	15.5%	20.7%	

Note:

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

2. Financial Information by Segment

Starting from the first quarter of 2024, our chief operating decision makers (“CODMs”) started to review information under a new reporting structure, and segment reporting has been updated to conform to this change. We think the new segment disclosure better reflects our business strategies, the development phases of various businesses and the financial performance, and better aligns with our resource allocation. Our updated reportable segments comprise (i) core OTA, which mainly includes the former OTA segment; and (ii) tourism, which mainly comprising offline travel agency related services and the operation of scenic park.

Unaudited
Three months ended June 30,

	2024			2023				
	Core OTA	Tourism	Unallocated items	<i>(in RMB'000)</i>				
				Total	Core OTA	Tourism	Unallocated items	Total
Accommodation reservation	1,190,879	-	-	1,190,879	1,055,396	-	-	1,055,396
Transportation ticketing	1,742,736	-	-	1,742,736	1,494,582	-	-	1,494,582
Others	592,344	719,398	-	1,311,742	316,291	-	-	316,291
Total revenue	3,525,959	719,398	-	4,245,357	2,866,269	-	-	2,866,269
Cost of revenue, operating expenses and unallocated items	(2,667,570)	(718,725)	(342,037)	(3,728,332)	(2,105,175)	-	(343,953)	(2,449,128)
Operating profit/(loss)	858,389	673	(342,037)	517,025	761,094	-	(343,953)	417,141

Note:

Unallocated items mainly include (i) share-based compensation expenses; (ii) depreciation of property, plant and equipment and right-of-use assets from acquisition; (iii) amortization of intangible assets from acquisition; (iv) fair value changes of other financial investments at fair value through profit or loss; (v) other income; (vi) other losses, net; and (vii) certain corporate administrative expenses and other miscellaneous items. They are not allocated to individual segment.

3. Operating Metrics for the three months ended June 30, 2024

	Three months ended June 30,		Year-to-year change
	2024	2023	
GMV (in RMB billion)	62.3	59.7	4.4%
Number of average MPUs (in million)	42.5	42.2	0.7%

FOR THE SIX MONTHS ENDED JUNE 30, 2024

- Revenue increased by 48.8% year-to-year to RMB8,111.6 million from RMB5,452.4 million in the same period of 2023.
- Adjusted EBITDA increased by 12.7% year-to-year from RMB1,538.0 million in the same period of 2023 to RMB1,733.7 million. Adjusted EBITDA margin decreased from 28.2% in the same period of 2023 to 21.4%.
- Adjusted net profit increased by 10.9% from RMB1,096.0 million in the same period of 2023 to RMB1,215.2 million. Adjusted net margin decreased from 20.1% in the same period of 2023 to 15.0%.

- Average MPUs increased by 1.9% year-to-year from 41.8 million in the same period of 2023 to 42.6 million.
- APUs for the twelve-month period ended June 30, 2024 increased by 4.8% year-to-year from 217.9 million in the same period of 2023 to 228.3 million.
- Accumulated Number of Travelers Served for the twelve-month ended June 30, 2024 increased by 29.9% from 1,429.2 million in the same period of 2023 to 1,856.4 million.

4. Key Financial Metrics for the six months ended June 30, 2024

	Unaudited Six months ended June 30,		Year-to-year change
	2024	2023	
	(in RMB'000)		
Revenue	8,111,635	5,452,412	48.8%
Profit before income tax	991,458	870,650	13.9%
Profit for the period	829,586	738,949	12.3%
Adjusted EBITDA for the period	1,733,693	1,538,044	12.7%
Adjusted profit for the period	1,215,178	1,095,986	10.9%
Revenue growth (year-to-year)	48.8%	79.6%	
Adjusted EBITDA margin	21.4%	28.2%	
Adjusted net margin	15.0%	20.1%	

Note:

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

5. Operating Metrics for the six months ended June 30, 2024

	Six months ended June 30,		Year-to-year change
	2024	2023	
GMV (in RMB billion)	128.2	116.9	9.7%
Number of average MPUs (in million)	42.6	41.8	1.9%
APUs (in million)	228.3	217.9	4.8%
Twelve-month Accumulated Number of Travelers Served (in million)	1,856.4	1,429.2	29.9%

BUSINESS REVIEW AND OUTLOOK

Results Highlights

In the second quarter of 2024, China's travel industry sustained its growth momentum, with strengthened travel demand underpinned by an appetite for diverse and unique travel experiences. As a leading travel platform in China, we capitalized on market opportunities, effectively implemented our strategic initiatives, and realized remarkable growth.

During the second quarter of 2024, we continued to achieve solid results. Our total GMV increased by 4.4% and 9.7% year-to-year to RMB62.3 billion and RMB128.2 billion for the three and six months ended June 30, 2024. Our total revenue increased by 48.1% to RMB4,245.4 million and 48.8% to RMB8,111.6 million, for the three and six months ended June 30, 2024, respectively, driven by our effective execution of strategies to capture market opportunities. Our adjusted net profit was RMB656.7 million and RMB1,215.2 million for the three and six months ended June 30, 2024 respectively, representing adjusted net margins of 15.5% and 15.0%, respectively.

Business Review

Through effective user acquisition initiatives and efficient engagement programs, we have established an extensive user base in China's OTA industry. For the twelve-month ended June 30, 2024, our APUs increased by 4.8% year-to-year and reached 228.3 million. Our twelve-month Accumulated Number of Travelers Served increased by 29.9% to 1.86 billion, demonstrating a notable improvement in user purchase frequency. For the three and six months ended June 30, 2024, our average MPUs increased by 0.7% and 1.9% year-to-year to 42.5 million and 42.6 million, respectively. Leveraging our effective user acquisition strategies and operational excellence, we have further solidified our position in China's mass market. As of June 30, 2024, our registered users residing in non-first tier cities in China accounted for over 87% of the total registered users. For the three months ended June 30, 2024, around 70% of our new paying users on the Weixin platform were from non-first tier cities in China.

We continued to expand our traffic sources by actively tapping into the potential of both online and offline channels. In the second quarter of 2024, we explored and expanded our footprint in various scenarios within the Weixin ecosystem, with a heightened emphasis on enhancing operational efficiency and overall user experience. Additionally, our proprietary APP maintained astonishing growth, with its DAU hitting a historic high during Labor Day holiday. This achievement was primarily due to our continuous product refinements and interactive marketing campaigns that have effectively attracted a substantial number of younger users to our platform. We also deepened cooperation with a major handset vendor. In addition to integrating our products and services into its intelligent assistant interface, we collaborated to develop travel services within its operating system. Furthermore, we advanced our offline public transit initiative by extending our services to more metro systems. This initiative aims to enhance accessibility for a broader demographic and expand our user base.

We position ourselves as a one-stop-shop platform that provides users with a comprehensive array of travel-related products and services. We are committed to enriching our offerings to meet the diverse needs of travelers throughout their journeys. As of June 30, 2024, our online travel platforms offered around 440,000 routes operated by more than 730 airlines and agencies, over 3.1 million hotel selections and alternative accommodation options, approximately 170,000 bus routes, over 800 ferry routes, and over 10,000 domestic tourist attraction ticketing services.

We strive to enhance user value and loyalty on our platform. We have continuously advanced our cross-selling strategy while placing greater emphasis on operational efficiency. Furthermore, we have elevated the Black Whale membership program by optimizing operations and fostering deeper member engagement through an array of captivating social events. These efforts have not only strengthened the connections with our users but also improved user stickiness. As a result, the cumulative number of Black Whale members increased significantly in the second quarter of 2024. Moreover, we are committed to build a fun and entertaining brand identity. In the second quarter of 2024, we launched a series of innovative marketing campaigns to enhance our brand's appeal and create stronger bonds with the younger generation.

We persisted in leveraging our substantial user base to expand our international outreach, with a focus on outbound travel. In the second quarter of 2024, we continued to invest in our international business with a greater emphasis on efficiency. We expanded our product and service coverage while enhancing user awareness through targeted marketing initiatives. These strategic efforts are set to accelerate our market expansion and solidify our presence in the global travel market.

During the quarter under review, we achieved excellent growth for our core OTA business. For the three months ended June 30, 2024, our revenue from transportation ticketing services increased by 16.6% year-to-year from RMB1,494.6 million to RMB1,742.7 million. This growth was mainly driven by the increase in ticketing volume and enhancement in our value-added product and service offerings. Our air ticketing business continued to gain market share and reached unprecedented high in quarterly revenue. Our total air ticketing volume obtained nearly 20% year-to-year growth and outperformed the industry. Our international air ticketing volume also reached a new peak, with an impressive year-to-year growth exceeding 160%. This success was largely owing to our efficient execution of our international expansion strategy, with a focus on enriching product offerings and implementing competitive pricing strategy. Our train ticketing business also recorded a decent revenue growth, thanks to our efforts on optimizing our Huixing intelligent travel solution to offer users with more customized and enjoyable experiences, thereby enhancing monetization.

Our accommodation business also delivered solid results in business volume and revenue. For the three months ended June 30, 2024, our revenue from the accommodation business increased by 12.8% year-to-year, rising from RMB1,055.4 million to RMB1,190.9 million and reaching a new high. Amid the resilient demand during the second quarter of 2024, we explored various scenarios for hotel stays, ranging from entertainment events and exhibitions to the emerging popularity of niche tourist destinations. Additionally, we continued to optimize our cross-selling strategy, placing greater emphasis on enhancing efficiency. Our total room nights sold experienced a solid growth of 10% year-to-year in the second quarter of 2024. Moreover, our international room nights sold saw a remarkable increase of around 140% year-to-year in the second quarter of 2024, driven by our intensified efforts to expand hotel offerings and optimize product structures.

Our other business once again demonstrated remarkable performance. For the three months ended June 30, 2024, our other revenue from the core OTA reached RMB592.3 million, marking an 87.3% year-to-year growth. Our advertisement and Black Whale membership business achieved excellent growth. Besides, our hotel management business, an essential part of our strategic expansion along the travel industry, thrives on an asset-light model and is swiftly broadening its geographical reach throughout China. By the end of June, the number of hotel stores in operation under our hotel management segment has further increased to around 1,900, with more than 1,000 stores in the pipeline.

Beyond our core OTA operations, we are proactively exploring opportunities across the travel industry to drive sustained growth for the Company. During the period under review, our tourism business, primarily consists of self-developed package tours and operates through offline travel agency stores, has focused on expanding its product offerings and deepening domestic market penetration. Additionally, we have been working diligently to re-establish connections with overseas TSPs, laying a strong foundation for future growth.

We strive to empower industry partners with our profound internet expertise and advanced technologies, aiming to promote sustainable growth in the travel industry. In the second quarter of 2024, we embarked on a strategic collaboration with Capital Airports Holdings Co., Ltd, a partnership aimed at enhancing big data applications and product development, as well as enriching overall travel experiences. Moreover, we forged a strategic partnership with a tourist destination in Shandong Province. This partnership is focused on advancing its digital transformation journey and accelerating product development.

We place our users at the heart of our operations and leverage technology to deliver seamless and pleasant travel experiences. Our algorithm-powered Huixing system seamlessly combines diverse transportation options, offering a spectrum of travel solutions that boost both accessibility and convenience for users. Meanwhile, we consistently integrate intelligent features and automation functions in our customer service to significantly enhance its efficiency.

Over the years, we have been diligently elevating our ESG performance to align with high international standards. Our efforts have been recognized. For the second consecutive year, we were recognized in S&P Global's Sustainability Yearbook (China), affirming our leadership in sustainable practices. Looking ahead, we will remain devoted to improving our ESG practices, thereby creating greater value for our stakeholders.

Business Outlook and Strategies

China's domestic travel market has sustained its growth momentum since last year. As we enter the third quarter, we have observed a notable increase in travel demand as the summer holidays commence. This increase is characterized by a diversification of demands across various travel scenarios, thereby bringing immense business opportunities for us.

We remain optimistic about the prospects of China's travel industry. The market is poised for ongoing growth, as there is considerable untapped potential driven by the improvement of tourism-related infrastructure. Besides, the Chinese government regards the travel industry as a crucial engine for the national economy and consistently supports its high-quality development. In addition, the evolving consumer preferences for diverse travel options and a growing appetite for unique experiences are key drivers that will stimulate the expansion of China's domestic travel market. Furthermore, we retain a positive outlook on the outbound travel market with the revival of international flights and increasing demand for oversea adventures. The recent favorable visa policies in various countries have also significantly enhanced accessibility to diverse destinations, thereby revitalizing the passion for international travel among Chinese travelers.

Looking ahead, we will capitalize on our competitive strengths to ensure sustainable growth in the future. For our core OTA business, we will concentrate our efforts on enhancing user value and expanding our user base. With an unwavering commitment to quality, we will continuously refine our products and services to improve user experiences. In addition, we are strategically broadening our international presence to establish a stronger global footprint. We will also fortify our hotel management and tourism businesses, aiming to enhance our influence in the industry chain, which are pivotal to our company's long-term development. Moreover, we remain dedicated to seeking investment opportunities aligned with our strategies, thereby supporting our future expansion. Last but not least, we emphasize corporate governance, environmental protection, and social responsibility to foster sustainable value for our stakeholders.

MANAGEMENT DISCUSSION AND ANALYSIS

Second Quarter of 2024 compared to Second Quarter of 2023

	Unaudited	
	Three months ended June 30,	
	2024	2023
	RMB'000	RMB'000
Revenue	4,245,357	2,866,269
Cost of revenue	<u>(1,501,022)</u>	<u>(703,284)</u>
Gross profit	<u>2,744,335</u>	<u>2,162,985</u>
Service development expenses	(494,281)	(427,826)
Selling and marketing expenses	(1,501,710)	(1,107,860)
Administrative expenses	(272,193)	(207,641)
Net reversal for impairment loss on financial assets	8,267	4,290
Fair value changes on investments measured at fair value through profit or loss	19,468	32,932
Other income	27,708	40,408
Other losses – net	<u>(14,569)</u>	<u>(80,147)</u>
Operating profit	517,025	417,141
Finance income	55,055	41,488
Finance costs	(37,929)	(43,215)
Share of results of associates	<u>4,977</u>	<u>11,139</u>
Profit before income tax	539,128	426,553
Income tax expense	<u>(109,798)</u>	<u>(66,572)</u>
Profit for the period	<u>429,330</u>	<u>359,981</u>
Profit/(loss) attributable to:		
Equity holders of the Company	433,691	355,920
Non-controlling interests	<u>(4,361)</u>	<u>4,061</u>
	<u>429,330</u>	<u>359,981</u>
Adjusted profit for the period ^(a)	<u>656,690</u>	<u>592,395</u>

Note:

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

Revenue

The following table sets forth a breakdown of our revenue by service lines and by segments in absolute amount and as a percentage of the total revenue for the periods indicated:

	Unaudited		Year-to-year change
	Three months ended June 30,		
	2024	2023	
	RMB'000	RMB'000	
Core OTA			
Accommodation reservation services	1,190,879	1,055,396	12.8%
Transportation ticketing services	1,742,736	1,494,582	16.6%
Others	592,344	316,291	87.3%
	3,525,959	2,866,269	23.0%
Tourism	719,398	–	N/A
Total revenue	4,245,357	2,866,269	48.1%

Total revenue increased by 48.1% from RMB2,866.3 million for the three months ended June 30, 2023 to RMB4,245.4 million for the three months ended June 30, 2024.

The increase of total revenue was driven by the increased revenue from both core OTA segment and tourism segment.

Core OTA

The core OTA revenue was generated primarily from accommodation reservation services and transportation ticketing services, and was increased by 23.0% from RMB2,866.3 million for the three months ended June 30, 2023 to RMB3,526.0 million for the three months ended June 30, 2024.

Revenue from accommodation reservation services increased by 12.8% from RMB1,055.4 million for the three months ended June 30, 2023 to RMB1,190.9 million in the same period of 2024. The increase was mainly due to the increased demand of accommodation reservation services and cross-selling strategies we further enhanced.

Revenue from transportation ticketing services increased by 16.6% from RMB1,494.6 million for the three months ended June 30, 2023 to RMB1,742.7 million for the three months ended June 30, 2024, which was mainly due to the increase in demand in transportation ticketing services and value-added product and services we provided.

Revenue from others increased by 87.3% to RMB592.3 million for the three months ended June 30, 2024 from RMB316.3 million for the three months ended June 30, 2023, which was mainly due to the increases in (i) advertising services; (ii) hotel management services; (iii) ancillary value-added user services; and (iv) membership services.

Tourism

Tourism revenue represents revenue from offline travel agency related services and the operation of scenic park, the businesses we acquired in late 2023 further expand our supply chain of the travel industry. There was no such revenue for the three months ended June 30, 2023.

Cost of revenue, operating expense and unallocated items

The following table sets forth a breakdown of our cost of revenue, operating expenses and unallocated items for the periods indicated:

	Unaudited			
	Three months ended June 30,			
	2024		2023	
	RMB'000		RMB'000	
Cost of revenue	1,501,022	40.2%	703,284	28.7%
Service development expenses	494,281	13.3%	427,826	17.4%
Selling and marketing expenses	1,501,710	40.2%	1,107,860	45.2%
Administrative expenses	272,193	7.3%	207,641	8.5%
Net reversal for impairment loss on financial assets	(8,267)	(0.2)%	(4,290)	(0.2)%
Fair value changes on investments measured at fair value through profit or loss	(19,468)	(0.5)%	(32,932)	(1.3)%
Other income	(27,708)	(0.7)%	(40,408)	(1.6)%
Other losses – net	14,569	0.4%	80,147	3.3%
Total cost of revenue, operating expenses and unallocated items	<u>3,728,332</u>	<u>100.0%</u>	<u>2,449,128</u>	<u>100.0%</u>

Cost of revenue

Cost of revenue increased by 113.4% from RMB703.3 million for the three months ended June 30, 2023 to RMB1,501.0 million for the three months ended June 30, 2024. The increase was mainly due to: (i) an increase in cost of pre-purchased travel related products; (ii) an increase in procurement cost resulting from increased cost of ancillary value-added user services and cost of advertising services; and (iii) an increase in employee benefit expenses driven by the increased employee number of our services and TSP services employees. Excluding share-based compensation charges, cost of revenue accounted for 35.3% of revenue for the three months ended June 30, 2024, which increased from 24.5% for the same period of 2023.

Service development expenses

Service development expenses increased 15.5% from RMB427.8 million for the three months ended June 30, 2023 to RMB494.3 million for the three months ended June 30, 2024. The increase was mainly due to the increased number of IT employees and relevant increased employee benefit expenses. Excluding share-based compensation charges, service development expenses accounted for 11.0% of revenue for the three months ended June 30, 2024, which decreased from 14.4% for the same period of 2023.

Selling and marketing expenses

Selling and marketing expenses increased by 35.6% from RMB1,107.9 million for the three months ended June 30, 2023 to RMB1,501.7 million for the three months ended June 30, 2024. The increase was mainly due to (i) the increase in advertising and promotion expenses and commission expenses; and (ii) the increase in employee benefit due to the increased number of sales employees. Excluding share-based compensation charges, selling and marketing expenses accounted for 35.1% of revenue for the three months ended June 30, 2024, compared with 38.4% for the same period of 2023.

Administrative expenses

Administrative expenses increased from RMB207.6 million for the three months ended June 30, 2023 to RMB272.2 million for the three months ended June 30, 2024, which was mainly due to (i) the increase in employee benefit expenses as a result of the increased number of administrative employees; and (ii) the increase in professional fees. Excluding share-based compensation charges, administrative expenses accounted for 4.9% of revenue for the three months ended June 30, 2024, which decreased from 5.4% for the same period of 2023.

Net reversal for impairment loss on financial assets

We recorded net reversal for impairment loss on financial assets of RMB8.3 million for the three months ended June 30, 2024 and RMB4.3 million for the same period of 2023, which was mainly due to the decrease in expected credit loss of trade and other receivables.

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

We recorded fair value gains of RMB19.5 million on investments measured at fair value through profit or loss for the three months ended June 30, 2024, representing a net effect of fair value gains in wealth management product against fair value losses on certain investments in public and private companies. For the same period of 2023, net fair value gains of RMB32.9 million was recorded.

Other income

We recorded other income of RMB27.7 million for the three months ended June 30, 2024, compared with RMB40.4 million for the three months ended June 30, 2023. The decrease was mainly due to less government subsidies received.

Other losses – net

We recorded net other losses of RMB14.6 million for the three months ended June 30, 2024, which was mainly due to the foreign exchange losses. For the three months ended June 30, 2023, net other losses of RMB80.1 million was recorded.

Income tax expense

We recorded an income tax expense of RMB109.8 million for the three months ended June 30, 2024 and income tax expense of RMB66.6 million for the three months ended June 30, 2023, respectively.

Profit attributable to equity holders of the Company

As a result of the foregoing, profit attributable to equity holders of the Company increased from RMB355.9 million for the three months ended June 30, 2023 to RMB433.7 million for the three months ended June 30, 2024.

OTHER FINANCIAL INFORMATION

Non-IFRS Financial Measures

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

Adjusted EBITDA is defined as operating profit adjusted for (i) share-based compensation, gross; (ii) amortization of intangible assets; (iii) depreciation of property, plant and equipment, and right-of-use assets; (iv) foreign exchange loss, net; (v) net losses on investees; and (vi) others, including acquisition-related cost and net gains on foreign currency financial instruments. Adjusted net profit for the period is defined as profit for the period adjusted for (i) share-based compensation, net; (ii) the amortization of intangible assets from acquisition; (iii) foreign exchange loss, net; (iv) net losses on investees; and (v) others, including acquisition-related cost, net gains on foreign currency financial instruments and depreciation of property, plant and equipment and right-of-use assets from acquisition.

The above items are excluded from our adjusted EBITDA and adjusted net 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 and adjusted net 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 from operating profit

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

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	June 30,		June 30,	
	2024	2023	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Operating profit for the period	517,025	417,141	972,050	882,562
Add/(less):				
Share-based compensation, gross ^(a)	107,910	77,954	222,124	168,613
Amortization of intangible assets	170,092	168,771	346,770	336,747
Depreciation of property, plant and equipment and right-of-use assets	84,815	52,977	166,306	104,493
Foreign exchange loss, net ^(b)	29,259	131,023	46,932	98,914
Net losses/(gains) on investees ^(c)	4,470	(13,517)	(18,574)	(19,096)
Others	(106)	(28,510)	(1,915)	(34,189)
Adjusted EBITDA	<u>913,465</u>	<u>805,839</u>	<u>1,733,693</u>	<u>1,538,044</u>

Notes:

- (a) Represents gross expense related to equity-settled share-based payment transactions. This is a non-cash item and the value is determined by valuation techniques involving a few parameters out of the management's control such as macro economy index and retention rate of grantees.
- (b) Represents foreign exchange loss which is 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 net 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 net profit for the period to profit for the period, its most directly comparable financial measure calculated and presented in accordance with IFRS, for the periods presented:

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	June 30,		June 30,	
	2024	2023	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	429,330	359,981	829,586	738,949
Add/(less):				
Share-based compensation, net ^(a)	124,001	79,400	211,817	184,467
Amortization of intangible assets from acquisition ^(b)	64,417	63,113	134,969	125,131
Foreign exchange loss, net ^(c)	29,259	131,023	46,932	98,914
Net losses/(gains) on investees ^(d)	4,470	(13,517)	(18,574)	(19,096)
Others	5,213	(27,605)	10,448	(32,379)
Adjusted net profit for the period	<u>656,690</u>	<u>592,395</u>	<u>1,215,178</u>	<u>1,095,986</u>

Notes:

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

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

	Unaudited Three months ended June 30,		Unaudited Six months ended June 30,	
	2024 RMB'000	2023 RMB'000	2024 RMB'000	2023 RMB'000
Cost of revenue	3,928	2,248	8,019	4,832
Service development expenses	26,753	16,184	54,724	34,860
Selling and marketing expenses	13,475	7,348	27,499	15,825
Administrative expenses	63,754	52,174	131,882	113,096
Total share-based compensation, gross	107,910	77,954	222,124	168,613
Tax effect of temporary difference	16,091	1,446	(10,307)	15,854
Total share-based compensation, net	124,001	79,400	211,817	184,467

Liquidity and Financial Resources

We fund our liquidity needs mainly from (i) net cash generated from our business operations; and (ii) bank borrowings.

We had cash and cash equivalents of RMB7,748.0 million and RMB5,404.7 million as of June 30, 2024 and 2023, respectively.

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

	Unaudited Six months ended June 30,	
	2024 RMB'000	2023 RMB'000
Net cash flows generated from operating activities	1,294,712	2,271,243
Net cash flows generated from/(used in) investing activities	576,752	(103,243)
Net cash flows generated from/(used in) financing activities	688,029	(317,825)
Net increase in cash and cash equivalents	2,559,493	1,850,175
Cash and cash equivalents at beginning of the period	5,192,398	3,546,988
Effect of exchange rate changes on cash and cash equivalents	(3,908)	7,563
Cash and cash equivalents at end of the period	7,747,983	5,404,726

Net cash generated from operating activities

For the six months ended June 30, 2024, net cash generated from operating activities was RMB1,294.7 million, which was primarily attributable to the profit before income tax of RMB991.5 million, as adjusted by (i) amortization of intangible assets of RMB346.8 million, depreciation of property, plant and equipment and right-of-use assets of RMB166.3 million, share-based compensation of RMB222.1 million, net foreign exchange loss of RMB46.9 million, fair value gain on investments measured at fair value through profit or loss of RMB58.6 million, net other gains of RMB41.2 million, finance income of RMB102.8 million, finance cost of RMB94.3 million; and (ii) changes in working capital, which primarily consisted of an increase in trade receivable of RMB419.3 million, an increase in trade payables of RMB973.3 million, an increase in prepayment and other receivables of RMB863.4 million, and an increase in other payables and accruals and contract liabilities of RMB58.6 million. We also paid income tax of RMB180.0 million and received interest income of RMB96.6 million.

Net cash generated from investing activities

For the six months ended June 30, 2024, net cash generated from investing activities was RMB576.8 million, which was primarily attributable to (i) net cash received for wealth management products and term deposits of RMB1,435.2 million; (ii) payment for long-term equity investments of RMB574.2 million; (iii) purchase of property, plant and equipment of RMB372.7 million; (iv) proceeds from disposal of long-term equity investment of RMB64.0 million; and (v) dividend received of RMB43.2 million.

Net cash generated from financing activities

For the six months ended June 30, 2024, net cash generated from financing activities was RMB688.0 million, which was primarily due to (i) proceed from bank loans of RMB2,839.9 million; (ii) repayment of bank borrowings of RMB2,362.3 million; and (iii) proceed from exercise of share options of RMB252.8 million.

Gearing Ratio

As of June 30, 2024, our gearing ratio, calculated as total borrowings and lease liabilities divided by total equity attributable to equity holders of the Company, was approximately 20.3%.

Pledge of Assets

On January 18, 2024, the Group entered into a loan agreement with the lending bank to borrow RMB410 million to refinance the acquisition as completed in the prior year. The loan was secured by the Group's 100% equity interest in a subsidiary and will be repaid in installments over five years.

Capital Expenditure

	Unaudited Six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Purchase of property, plant and equipment	372,679	137,765
Purchase of intangible assets	6,607	806
Placement of long-term investments ^(a)	574,201	588,022
Total capital expenditure	953,487	726,593

Note:

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

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

Long-term Investments

	Unaudited As at June 30,	Audited As at December 31,
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Investments accounted for using the equity method	1,629,738	1,429,800
Investments measured at fair value through profit or loss	930,476	1,039,294
Investments measured at amortized cost	1,209,082	683,879
Total long-term investments	3,769,296	3,152,973

Our long-term investments as at June 30, 2024 were RMB3,769.3 million, as compared to RMB3,153.0 million as at December 31, 2023. The increase in our investments accounted for using the equity method was caused by more investments in certain private companies that we have significant influences. These companies are principally engaged in eco-tourism, biotechnology and tourism real estate, and hotel management services. The decrease in our long-term investments measured at fair value was caused by disposal of investments in certain private companies. As at June 30, 2024 and December 31, 2023, total long-term investments as a percentage to the Group's total assets was 10.9% and 9.9%, respectively. We made long-term investments in accordance with our general strategy of investing or acquiring businesses that are supplement and benefit our business. Investments measured at amortized cost represents investments in wealth management products over one year, with returns calculated based on fixed interest rate and denominated in RMB. As of June 30, 2024, none of these individual investments was regarded as significant investments as defined under Listing Rules. We plan to fund our long-term investments using cash flows generated from our operations.

Short-term Investments

	Unaudited As at June 30, 2024 RMB'000	Audited As at December 31, 2023 RMB'000
Short-term investments measured at amortized cost	236,901	2,316,753
Short-term investments measured at fair value through profit or loss	1,837,676	1,631,715
Total short-term investments	<u>2,074,577</u>	<u>3,948,468</u>

Short-term investments measured at amortized cost as at June 30, 2024 were term deposits within one year, with returns calculated based on fixed interest rate and denominated in USD or RMB. The investments were held for collection of contractual cash flows and the contractual cash flows of these investments qualify for solely payments of principal and interest, hence they were measured at amortized cost. Short-term investments measured at fair value through profit or loss include wealth management products, denominated in RMB or USD, with expected rates of return ranging from 1.90% to 4.58% per annum for the six months ended June 30, 2024. The returns on all of these wealth management products are not guaranteed, hence their contractual cash flows do not qualify for solely payments of principal and interest. Therefore, they are measured at fair value through profit or loss. As at June 30, 2024 and December 31, 2023, total short-term investments as a percentage to the Group's total assets was 6.0% and 12.5%, respectively. There is no individual investment having a percentage of over 5% to the Group's total assets. In view of an upside of earning with a more attractive return than current saving or fixed deposit are under the low interest rate trend, as well as the risk nature and the relatively short-term of maturity or flexible redemption terms of those financial products, the Group selected products with strong liquidity, safety feature and reasonable returns issued by reputable licensed banks and financial institutions.

Material Acquisition and Disposal

There were no material acquisitions and disposals of subsidiaries, associates and joint ventures during the six months ended June 30, 2024.

Foreign Exchange Risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not our functional currency. We manage our foreign exchange risk by performing regular reviews of our net foreign exchange exposures.

Our subsidiaries and Consolidated Affiliated Entities in the PRC operate mainly in the PRC with most of the transactions settled in RMB. There are certain financial assets or liabilities of our Group are denominated in the currencies other than the respective functional currencies of our Group's subsidiaries and Consolidated Affiliated Entities operating in the PRC, and as of June 30, 2024, the Group entered into certain derivative contracts with financial institutions which are used for economic hedging purposes. These derivative contracts are accounted for as derivative financial instruments and measured at fair value.

Employee

As of June 30, 2024, we had a total of 10,241 full-time employees. As of the same date, approximately 32.4% and 7.3% of our full-time employees were based in Suzhou and Beijing, respectively, while remaining 60.3% of them were based in the rest of the PRC and overseas.

We primarily recruit our employees through on-campus job fairs, recruitment agencies and online channels, including our corporate websites and social networking platforms. We have adopted robust internal training policies, pursuant to which management, technology and other training is regularly provided to our employees by in-house trainers or third-party consultants. We have also adopted 2018 Share Incentive Plan, 2019 RSU Plan, 2019 Share Option Plan, 2022 RSU Plan, 2022 Share Option Plan and 2024 Share Scheme.

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

We believe that we maintain good working relationship with our employees and we did not experience any significant labor disputes or any material difficulty in recruiting employees for our operations for the six months ended June 30, 2024.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the three and six months ended June 30, 2024

	Notes	Unaudited Three months ended June 30,		Unaudited Six months ended June 30,	
		2024 RMB'000	2023 RMB'000	2024 RMB'000	2023 RMB'000
Revenue	2	4,245,357	2,866,269	8,111,635	5,452,412
Cost of revenue	3	(1,501,022)	(703,284)	(2,852,506)	(1,348,566)
Gross profit		2,744,335	2,162,985	5,259,129	4,103,846
Service development expenses	3	(494,281)	(427,826)	(981,056)	(838,966)
Selling and marketing expenses	3	(1,501,710)	(1,107,860)	(2,869,913)	(2,074,096)
Administrative expenses	3	(272,193)	(207,641)	(537,496)	(399,907)
Net reversal/(provision) for impairment loss on financial assets		8,267	4,290	14,698	(12,601)
Fair value changes on investments measured at fair value through profit or loss	9(f)	19,468	32,932	58,642	58,652
Other income		27,708	40,408	42,052	63,064
Other losses – net	4	(14,569)	(80,147)	(14,006)	(17,430)
Operating profit		517,025	417,141	972,050	882,562
Finance income		55,055	41,488	102,830	69,425
Finance costs		(37,929)	(43,215)	(94,270)	(83,387)
Share of results of associates		4,977	11,139	10,848	2,050
Profit before income tax		539,128	426,553	991,458	870,650
Income tax expense	5	(109,798)	(66,572)	(161,872)	(131,701)
Profit for the period		429,330	359,981	829,586	738,949
Profit/(loss) attributable to:					
– Equity holders of the Company		433,691	355,920	830,325	733,832
– Non-controlling interests		(4,361)	4,061	(739)	5,117
		429,330	359,981	829,586	738,949
Earnings per share (expressed in RMB per share):					
– Basic	6	0.19	0.16	0.37	0.33
– Diluted	6	0.19	0.16	0.36	0.32

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three and six months ended June 30, 2024

	Unaudited Three months ended June 30,		Unaudited Six months ended June 30,	
	2024 RMB'000	2023 RMB'000	2024 RMB'000	2023 RMB'000
Profit for the period	429,330	359,981	829,586	738,949
Other comprehensive income/(loss)				
<i>Items that may not be subsequently reclassified to profit or loss:</i>				
– Currency translation differences	3,211	51,233	4,382	37,966
<i>Items that may be subsequently reclassified to profit or loss:</i>				
– Currency translation differences	(1,463)	–	(3,264)	–
Other comprehensive income for the period, net of tax	1,748	51,233	1,118	37,966
Total comprehensive income for the period	431,078	411,214	830,704	776,915
Total comprehensive income/(loss) attributable to:				
– Equity holders of the Company	435,439	407,153	831,443	771,798
– Non-controlling interests	(4,361)	4,061	(739)	5,117
	431,078	411,214	830,704	776,915

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2024

		Unaudited As at June 30, 2024 <i>RMB'000</i>	Audited As at December 31, 2023 <i>RMB'000</i>
	<i>Notes</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		3,037,317	2,495,259
Right-of-use assets		911,347	589,251
Investments accounted for using the equity method	8	1,629,738	1,429,800
Investments measured at fair value through profit or loss	9	930,476	1,039,294
Investments measured at amortized cost	9	1,209,082	683,879
Intangible assets		9,405,569	9,580,301
Deferred income tax assets		204,056	206,209
Prepayment and other receivables	10	322,633	792,970
		17,650,218	16,816,963
Current assets			
Trade receivables	11	1,691,953	1,218,288
Prepayment and other receivables	10	5,300,889	4,369,903
Inventories		4,388	997
Derivative financial instruments	12	18,190	24,699
Investments measured at amortized cost	9	236,901	2,316,753
Investments measured at fair value through profit or loss	9	1,837,676	1,631,715
Restricted cash		150,073	144,893
Cash and cash equivalents		7,747,983	5,192,398
		16,988,053	14,899,646
Total assets		34,638,271	31,716,609
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		8,013	7,765
Share premium		20,464,355	20,115,692
Treasury shares		(148)	—
Other reserves		(2,467,214)	(2,507,888)
Retained earnings		607,545	87,142
		18,612,551	17,702,711
Non-controlling interests		934,696	843,578
Total equity		19,547,247	18,546,289

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONTINUED)**

As at June 30, 2024

		Unaudited	Audited
		As at	As at
		June 30,	December 31,
		2024	2023
<i>Notes</i>		RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	<i>13</i>	760,784	10,942
Lease liabilities		572,765	420,464
Other payables		72,068	74,636
Contract liabilities		28,793	32,324
Deferred income tax liabilities		751,180	744,860
		2,185,590	1,283,226
Current liabilities			
Borrowings	<i>13</i>	2,357,718	2,540,095
Trade payables	<i>14</i>	5,111,423	4,130,982
Other payables and accruals		4,587,471	4,939,325
Dividend payable		311,660	–
Lease liabilities		83,618	40,736
Contract liabilities		322,989	111,184
Current income tax liabilities		130,555	124,772
		12,905,434	11,887,094
Total liabilities		15,091,024	13,170,320
Total equity and liabilities		34,638,271	31,716,609

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2024

	Unaudited	
	Six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash flows generated from operating activities	1,294,712	2,271,243
Net cash flows generated from/(used in) investing activities	576,752	(103,243)
Net cash flows generated from/(used in) financing activities	688,029	(317,825)
Net increase in cash and cash equivalents	2,559,493	1,850,175
Cash and cash equivalents at beginning of the period	5,192,398	3,546,988
Effect of exchange rate changes on cash and cash equivalents	(3,908)	7,563
Cash and cash equivalents at end of the period	<u>7,747,983</u>	<u>5,404,726</u>

NOTES

1. General information

Tongcheng Travel Holdings Limited (the “Company”) is an exempted company with limited liability incorporated under the laws of the Cayman Islands on January 14, 2016.

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

The Company is an investment holding company. The Company and its subsidiaries (together, the “Group”) are principally engaged in the provision of travel related services, including accommodation reservation services, transportation ticketing services, online advertising services, hotel management services (collectively the “core online travel agency and related businesses”), and tourism related services, mainly comprising offline travel agency related services and the operation of scenic park (collectively the “offline travel agency and tourism related businesses”) in the People’s Republic of China.

The interim condensed consolidated financial information of the Group has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by International Accounting Standard Board (“IASB”).

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

(a) New or amended standards adopted by the Group

The Group has applied the following new or amended standards for the first time for the Group’s financial year beginning on January 1, 2024:

- Classification of Liabilities as Current or Non-current – Amendments to IAS 1
- Non-current Liabilities with Covenants – Amendments to IAS 1
- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16
- Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7

As a result of the adoption of the amendments to IAS 1, the Group changed its material accounting policy for the classification of borrowings as below:

“Borrowings are classified as current liabilities unless at the end of the reporting period, the Group has a right to defer settlement of the liability for at least 12 months after the reporting period.”

This new policy did not result in a change in the classification of the Group’s borrowings. The Group did not make any retrospective adjustments as a result of adopting the amendments to IAS 1.

Except for those as mentioned above, the Group did not change any of its material accounting policies or make retrospective adjustments as a result of adopting the abovementioned amended standards.

(b) New or amended standards not yet adopted

The following new or amended standards have been published that are not mandatory for reporting periods commencing on January 1, 2024 and have not been early adopted by the Group.

	Effective date
• Lack of Exchangeability – Amendments to IAS 21	January 1, 2025
• Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7	January 1, 2026
• Annual Improvements to IFRS Accounting Standards – volumes 11 – Annual Improvements Project	January 1, 2026
• Presentation and Disclosure in Financial Statements – IFRS 18	January 1, 2027
• Subsidiaries without Public Accountability: Disclosures – IFRS 19	January 1, 2027
• Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28	To be determined

These new or amended standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2. Revenue and segment information

The Group's business activities, for which discrete financial information is available, are regularly reviewed and evaluated by the chief operating decision-makers (the "CODMs"). In prior years, the CODMs reviewed the core operating results when making decisions about allocating resources and assessing performance of the Group as a whole (i.e. one reportable segment).

Starting from January 1, 2024, the Group has set up a new internal reporting structure separating (i) the reporting for the core online travel agency and related businesses; and (ii) the reporting for the offline travel agency and tourism related businesses (which were mainly acquired by the Group on November 30, 2023). Accordingly, the CODMs start to review and evaluate the business performance of these two businesses separately for allocating resources and making strategic decisions. Resulting from this change, the Group has identified two reportable segments, namely (i) core OTA segment, which comprising the core online travel agency and related businesses; and (ii) tourism segment, which comprising the offline travel agency and tourism related businesses. The segment information, including the comparatives, has been presented as below in response to this change.

The CODMs assess the performance of the operating segments mainly based on revenues and operating profit/loss of each operating segment. Thus, segment results would present revenue, cost of revenue and operating expenses, and operating profit/loss for each segment, which is in line with CODMs' performance review. There were no material inter-segment sales during the six months ended June 30, 2024 and 2023. Certain unallocated items (primarily with respect to the share-based compensation expenses, amortisation of those intangible assets as identified from business combinations, certain corporate administrative expenses, and other miscellaneous items) are not allocated to each segment as they are not directly relevant to the operating results used in the performance measurement and resource allocation by the CODMs.

Both the core OTA and tourism segments operate businesses in the PRC and earns substantially all of their revenues from customers are generated in the PRC. As at June 30, 2024 and December 31, 2023, substantially all of the non-current assets of the Group were located in the PRC. Therefore, no geographical segments are presented.

No analysis of segment assets or segment liabilities is presented as they are not used by the CODMs when making decisions about allocating resources and assessing performance of the Group.

The segment information of the reportable segments for the relevant period are as follows:

	Unaudited Three months ended June 30,							
	2024				2023			
	Core OTA	Tourism	Unallocated items	Total	Core OTA	Tourism	Unallocated items	Total
	<i>(in RMB'000)</i>							
Accommodation reservation	1,190,879	–	–	1,190,879	1,055,396	–	–	1,055,396
Transportation ticketing	1,742,736	–	–	1,742,736	1,494,582	–	–	1,494,582
Others	592,344	719,398	–	1,311,742	316,291	–	–	316,291
Total revenue	3,525,959	719,398	–	4,245,357	2,866,269	–	–	2,866,269
Cost of revenue, operating expenses and unallocated items	(2,667,570)	(718,725)	(342,037)	(3,728,332)	(2,105,175)	–	(343,953)	(2,449,128)
Operating profit/(loss)	858,389	673	(342,037)	517,025	761,094	–	(343,953)	417,141

	Unaudited Six months ended June 30,							
	2024				2023			
	Core OTA	Tourism	Unallocated items	Total	Core OTA	Tourism	Unallocated items	Total
	<i>(in RMB'000)</i>							
Accommodation reservation	2,155,562	–	–	2,155,562	1,889,657	–	–	1,889,657
Transportation ticketing	3,479,240	–	–	3,479,240	2,877,276	–	–	2,877,276
Others	1,094,501	1,382,332	–	2,476,833	685,479	–	–	685,479
Total revenue	6,729,303	1,382,332	–	8,111,635	5,452,412	–	–	5,452,412
Cost of revenue, operating expenses and unallocated items	(5,146,711)	(1,337,745)	(655,129)	(7,139,585)	(4,011,845)	–	(558,005)	(4,569,850)
Operating profit/(loss)	1,582,592	44,587	(655,129)	972,050	1,440,567	–	(558,005)	882,562

3. Expenses by nature

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	June 30,		June 30,	
	2024	2023	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Employee benefit expenses	1,002,817	747,303	1,955,878	1,437,020
Advertising and promotion expenses	971,271	709,308	1,871,552	1,324,486
Cost of pre-purchased travel related products	712,662	58,484	1,270,586	105,554
Order processing cost	336,624	325,788	705,212	641,193
Depreciation and amortization expense	254,907	221,748	513,076	441,240
Commission expenses	143,920	157,537	252,867	282,635
Procurement costs	142,462	90,262	269,951	169,570
Professional service fees and subcontractor charges	53,033	28,148	98,557	54,094
Bandwidth and servers custody fee	39,881	36,347	79,734	71,834
Travelling and entertainment expenses	34,445	25,644	66,500	46,701
Short-term rental and utility fees	26,465	16,120	54,692	29,386
Tax and surcharges	21,968	12,071	39,324	24,086
Telephone and communication	2,918	3,154	6,940	6,035
Others	25,833	14,697	56,102	27,701
	3,769,206	2,446,611	7,240,971	4,661,535

4. Other losses – net

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	June 30,		June 30,	
	2024	2023	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Foreign exchange loss, net	(29,259)	(131,023)	(46,932)	(98,914)
Investment income from investments measured at amortized cost	12,498	23,271	32,526	48,291
Net gain on derivative financial instruments	106	28,510	1,980	34,254
Net gain/(loss) on disposal/partial disposal of investments accounted for using the equity method	206	(335)	206	(335)
Net loss on disposal/write-off of property, plant and equipment	(349)	(290)	(2,382)	(218)
Donation	(1,155)	(78)	(1,331)	(212)
Others	3,384	(202)	1,927	(296)
	(14,569)	(80,147)	(14,006)	(17,430)

5. Income tax expense

The income tax expense of the Group for the three and six months ended June 30, 2024 and 2023 are analyzed as follows:

	Unaudited Three months ended June 30,		Unaudited Six months ended June 30,	
	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Current income tax	93,592	70,037	184,359	125,326
Deferred income tax	16,206	(3,465)	(22,487)	6,375
	109,798	66,572	161,872	131,701

Income tax expense is recognized based on management's best estimate of the income tax rates expected for the financial year.

(a) Cayman Islands income tax

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

(b) Hong Kong income tax

Entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 8.25% on assessable profits up to HKD2 million and 16.5% on any part of assessable profits over HKD2 million for the periods ended June 30, 2024 and 2023.

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

CIT provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC for the six months ended June 30, 2024 and 2023, calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances.

Three of the Company's directly held subsidiaries incorporated in the PRC are qualified as High and New Technology Enterprises, and accordingly, they are subject to a reduced preferential CIT rate of 15% for the six months ended June 30, 2024 and 2023, according to the applicable CIT law.

Other subsidiaries of the Company incorporated in the PRC are subject to the general PRC CIT rate of 25% during the six months ended June 30, 2024 and 2023.

(d) PRC Withholding Tax ("WHT")

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

As of June 30, 2024 and December 31, 2023, the Group does not have any plan to require its PRC subsidiaries to distribute their retained earnings and intends to retain them to operate and expand its business in the PRC. Accordingly, no deferred income tax liability on WHT was provided as at June 30, 2024 and December 31, 2023.

6. Earnings per share

(a) Basic

Basic earnings per share for the three and six months ended June 30, 2024 and 2023 are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue (excluding shares allotted to trustee for share award scheme which are accounted as treasury shares under the relevant accounting standards) during the respective periods.

	Unaudited Three months ended June 30,		Unaudited Six months ended June 30,	
	2024	2023	2024	2023
Profit attributable to equity holders of the Company (RMB'000)	433,691	355,920	830,325	733,832
Weighted average numbers of ordinary shares in issue (excluding treasury shares) (thousand shares)	2,271,428	2,241,776	2,262,998	2,241,307
Basic earnings per share (RMB)	0.19	0.16	0.37	0.33

(b) Diluted

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

As at June 30, 2024, 146,925,485 share options and 41,594,938 RSUs (“restricted share units”) were outstanding in total. For the three and six months ended June 30, 2024, the share options and RSUs granted by the Company have potential dilutive effect on the earnings per share. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding (excluding treasury shares) by the assumption of the conversion of all potential dilutive ordinary shares arising from share options and RSUs granted by the Company (collectively forming the denominator for computing the diluted earnings per share). No adjustment is made to earnings (numerator).

	Unaudited Three months ended June 30,		Unaudited Six months ended June 30,	
	2024	2023	2024	2023
Profit attributable to equity holders of the Company (RMB'000)	433,691	355,920	830,325	733,832
Weighted average number of ordinary shares in issue (excluding treasury shares) (thousand shares)	2,271,428	2,241,776	2,262,998	2,241,307
Adjustments for RSUs granted to employees (thousand shares)	27,278	1,694	23,944	1,559
Adjustments for share options granted to employees (thousand shares)	1,070	36,026	–	36,815
Weighted average number of ordinary shares for calculation of diluted earnings per share (thousand shares)	2,299,776	2,279,496	2,286,942	2,279,681
Diluted earnings per share (RMB)	0.19	0.16	0.36	0.32

7. Dividend

On March 19, 2024, the Company declared a final dividend of HKD0.15 per Share for the year ended December 31, 2023. The final dividend of HKD341.5 million (approximately RMB311.7 million) was paid on July 19, 2024. No dividends have been paid or declared by the Company for the six months ended June 30, 2024.

8. Investments accounted for using the equity method

	Unaudited Six months ended June 30, 2024 RMB'000	Unaudited Six months ended June 30, 2023 RMB'000
At beginning of the period	1,429,800	1,379,267
Additions	138,872	45,680
Transfer from investments measured at fair value through profit or loss	93,522	–
Dividend	(46,168)	(11,382)
Shares of profit	10,848	2,050
Others	2,864	(1,896)
	<u>1,629,738</u>	<u>1,413,719</u>

9. Investments

	Unaudited As at June 30, 2024 RMB'000	Audited As at December 31, 2023 RMB'000
Current assets		
Short-term investments measured at		
– Amortized cost (a)	236,901	2,316,753
– Fair value through profit or loss (b)	1,837,676	1,631,715
	<u>2,074,577</u>	<u>3,948,468</u>
Non-current assets		
Long-term investments measured at		
– Amortized cost (c)	1,209,082	683,879
– Fair value through profit or loss (d)	930,476	1,039,294
	<u>2,139,558</u>	<u>1,723,173</u>

(a) Short-term investments measured at amortized cost

Short-term investments measured at amortized cost are time deposits within terms less than one year, with returns calculated at fixed interest rates and are denominated in USD or RMB. The investments are held for collection of contractual cash flows which qualify for solely payments of principal and interest, hence they are measured at amortized cost. None of these investments are past due as at June 30, 2024 and December 31, 2023.

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

Short-term investments measured at fair value through profit or loss represent investments in wealth management products.

The wealth management products were denominated in RMB or USD, with expected rates of return ranging from 1.90% to 4.58%, per annum for the six months ended June 30, 2024 (for the same period of 2023: -1.06% to 5.20%). The returns on all these wealth management products are not guaranteed, hence their contractual cash flows do not qualify for solely payments of principal and interest. Therefore, they are measured at fair value through profit or loss. The fair values are based on quoted prices (unadjusted) in active markets (level 1 of the fair value hierarchy) or the cash flow discounted using the expected return or expected recoverable cash flows based on management judgment (level 3 of the fair value hierarchy).

(c) Long-term investments measured at amortized cost

Long-term investments measured at amortized cost are time deposits with terms from 2 years to 3 years which bear interests at fixed interest rates ranging from 2.70% to 3.56% per annum for the six months ended June 30, 2024 (for the same period of 2023: 3.55% to 4.50%), and are all denominated in RMB. The investments are held for collection of contractual cash flows which qualify for solely payments of principal and interest, hence they are measured at amortized costs. None of these investments are past due as at June 30, 2024. The Group reclassifies such investments from long-term to short-term when the investment maturities are less than one year.

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

As at June 30, 2024 and December 31, 2023, long-term investments measured at fair value through profit or loss are equity interests held by the Group in several private and listed companies as well as investments in wealth management products with terms of more than one year.

The equity interests held by the Group in the private and listed companies are (i) less than 20% of each entity and the Group does not have control or significant influence over each of these entities, or (ii) not considered to be substantively the same as ordinary share due to the investment having a substantive liquidation preference or redemption rights. Therefore, these investments are classified as long-term investments measured at fair value through profit or loss. The fair values of the long-term investments are measured using valuation techniques with unobservable inputs and hence classified as level 3 of the fair value hierarchy for equity interests in private companies. For equity interests in listed companies, they are measured based on the quoted market prices in active markets and hence classified as level 1 of the fair value hierarchy.

The wealth management products held by the Group with terms of more than one year are denominated in RMB, with expected rates of return ranging from 3.43% to 8.00% per annum for the six months ended June 30, 2024 (for the same period of 2023: 2.01% to 3.50% per annum). The returns on all of these wealth management products are not guaranteed, hence their contractual cash flow do not qualify for solely payments of principal and interest. Therefore, they are measured at fair value through profit or loss. None of these investments are past due. The fair values are based on cash flows as discounted by using the expected rate of return based on management judgment and are within level 3 of the fair value hierarchy.

(e) The Group's investments as mentioned above are not considered as material on individual basis as none of them individually exceeds 5% of the Group's total assets as at June 30, 2024 and December 31, 2023.

(f) Amounts recognized in profit or loss

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	June 30,		June 30,	
	2024	2023	2024	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Fair value changes on long-term investments measured at fair value through profit or loss	(4,771)	13,842	10,018	17,693
Fair value changes on short-term investments measured at fair value through profit or loss	24,239	19,090	48,624	40,959
	19,468	32,932	58,642	58,652

10. Prepayment and other receivables

	Unaudited As at June 30, 2024 <i>RMB '000</i>	Audited As at December 31, 2023 <i>RMB '000</i>
Non-current		
Prepayment to suppliers	46,728	52,992
Prepayment for property, plant and equipment	119,141	424,734
Prepayment for right-of-use assets	–	180,440
Prepayment to related parties	49,325	1,300
Prepayment for equity investment	–	40,000
Total non-financial assets	215,194	699,466
Deposits	7,405	7,281
Others	100,034	86,223
Total financial assets	107,439	93,504
Non-current, total	322,633	792,970
Current		
Prepayment to accommodation suppliers	153,044	229,516
Prepaid taxation	93,774	111,309
Prepayment to tickets suppliers	982,377	779,802
Prepayment for advertising	74,900	50,627
Prepayment for office rental	2,436	2,589
Prepayment to related parties	35,408	63,606
Others	231,984	205,864
Total non-financial assets	1,573,923	1,443,313
Designated deposit account with restrictive use	2,684,051	2,007,597
Receivables from related parties	561,552	428,738
Deposits	339,950	324,851
Others	249,979	267,480
	3,835,532	3,028,666
Less: provision for impairment	(108,566)	(102,076)
Total financial assets	3,726,966	2,926,590
Current, total	5,300,889	4,369,903

11. Trade receivables

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

	Unaudited As at June 30, 2024 <i>RMB'000</i>	Audited As at December 31, 2023 <i>RMB'000</i>
Up to 6 months	1,501,791	1,209,113
Over 6 months	300,089	132,606
	1,801,880	1,341,719
Less: provision for impairment	(109,927)	(123,431)
	1,691,953	1,218,288

12. Derivative financial instruments

The Group has the following derivative financial instruments which are accounted for as financial assets at fair value through profit or loss:

	Unaudited As at June 30, 2024 <i>RMB'000</i>	Audited As at December 31, 2023 <i>RMB'000</i>
Capped foreign exchange forward contracts	18,190	24,699

Amounts recognized in profit or loss

The following amounts were recognized in profit or loss in relation to derivative financial instruments:

	Unaudited Three months ended June 30,		Unaudited Six months ended June 30,	
	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Net realized gains on foreign exchange forward contracts recognized in other losses – net	–	2,167	8,624	2,167
Unrealized gains/(losses) on foreign exchange forward contract recognized in other losses – net	106	26,343	(6,644)	32,087
	106	28,510	1,980	34,254

13. Borrowings

	Unaudited As at June 30, 2024 RMB'000	Audited As at December 31, 2023 <i>RMB'000</i>
Included in non-current liabilities:		
Long-term unsecured bank borrowings ^(a)	406,063	1,442
Long-term secured bank borrowings ^(b)	354,721	9,500
	760,784	10,942
Included in current liabilities:		
Current portion of long-term unsecured bank borrowings ^(a)	45,533	1,814,969
Current portion of long-term secured bank borrowings ^(b)	27,000	–
Short-term unsecured bank borrowing ^(c)	2,217,405	634,136
Short-term secured bank borrowing	67,780	90,990
	2,357,718	2,540,095
	3,118,502	2,551,037

Note:

- (a) On March 20, 2024, the Group entered into a loan agreement with the lending bank to borrow RMB500 million to refinance the acquisition as completed in the prior year. The loan was unsecured and bear interest at China Loan Prime Rate minus 0.75% per annum. The Group will repay the borrowing in ten installments over five years. As at June 30, 2024, the Group has drawn down RMB450 million.
- (b) On January 9, 2024, the Group entered into a loan agreement with the lending bank to borrow RMB410 million to refinance the acquisition as completed in the prior year. The loan was secured by the Group's 100% equity interest in a subsidiary and bear interest at China Loan Prime Rate minus 0.99% per annum. The loans will be repaid in installments over five years. As at June 30, 2024, the Group has drawn down RMB370 million.
- (c) On January 9, 2024, the Company has drawn down a short-term bank borrowing of USD255 million (equivalent to approximately RMB1,814.94 million). Such borrowing is unsecured and bears interest at Secured Overnight Financing Rate plus a margin of 1.1% per annum and is repayable on January 18, 2025.

14. Trade payables

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

	Unaudited As at June 30, 2024 RMB'000	Audited As at December 31, 2023 <i>RMB'000</i>
Up to 6 months	4,832,766	3,916,065
Over 6 months	278,657	214,917
	5,111,423	4,130,982

CORPORATE GOVERNANCE AND OTHER INFORMATION

Interim Dividend

The Board does not recommend the payment of dividend for the six months ended June 30, 2024 to the Shareholders.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares (as defined under the Listing Rules)) during the six months ended June 30, 2024.

As of June 30, 2024, there were no treasury shares (as defined in the Listing Rules) held by the Company.

Model Code for Securities Transactions

The Company has adopted the Model Code. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the Model Code for the six months ended June 30, 2024.

The Company's employees, who are likely to be in possession of inside information of the Company, have also been subject to the Model Code for securities transactions. No incident of non-compliance of the Model Code by the employees was noted by the Company for the six months ended June 30, 2024.

Compliance with the Corporate Governance Code

The Company has adopted and applied the principles and code provisions as set out in the Corporate Governance Code. During the six months ended June 30, 2024, the Company has complied with the code provisions in the Corporate Governance Code.

Audit Committee

The Audit Committee has three members comprising two independent non-executive Directors, Mr. 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 considered and reviewed the accounting principles and practices adopted by the Group and has discussed matters in relation to internal controls and financial reporting with the management, including the review of the unaudited condensed consolidated financial results of the Group for the six months ended June 30, 2024. The Audit Committee considers that the financial results for the six months ended June 30, 2024 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

Event After the Six Months Ended June 30, 2024

On August 5, 2024, the Investors and the Seller entered into an agreement to terminate the Letter of Intent. The earnest money in the amount of RMB100 million has been returned to the Investors on August 7, 2024. Further details of the said possible acquisition, have been set forth in the announcements of the Company dated February 7, 2024 and August 5, 2024.

Save for the aforesaid, there are no other material event after June 30, 2024 to the date of this announcement which requires disclosure in this announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

The Company's interim report for the three and six months ended June 30, 2024 containing all the information required by Appendix D2 to the Listing Rules will be dispatched to the Shareholders or made electronically available on the respective websites of the Stock Exchange and the Company in due course.

DEFINITION

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

“2018 Share Incentive Plan”	the share incentive plan adopted and approved by the Company on March 9, 2018
“2019 RSU Plan”	the 2019 restricted share unit plan adopted and approved by the Company on July 2, 2019
“2019 Share Option Plan”	the 2019 share option plan approved by an ordinary resolution passed by shareholders of the Company at the extraordinary general meeting of the Company on August 2, 2019
“2022 RSU Plan”	the 2022 restricted share unit plan adopted and approved by the Company on March 22, 2022
“2022 Share Option Plan”	the 2022 share option plan approved by an ordinary resolution passed by shareholders of the Company at the annual general meeting of the Company on May 31, 2022
“2024 Share Scheme”	the 2024 share scheme approved and adopted by the Company at the annual general meeting held on June 26, 2024
“Accumulated Number of Travelers Served”	total number of users who used our products and services in the twelve-month period ended June 30, 2024
“APUs”	annual paying users
“Audit Committee”	the audit committee of the Board
“Board”	the board of directors of the Company
“China” or “PRC”	People's Republic of China
“Company”	Tongcheng Travel Holdings Limited (同程旅行控股有限公司) 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 C1 to the Listing Rules
“DAU”	daily active user
“ESG”	environmental, social and governance
“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
“HKD”	Hong Kong Dollar, the lawful currency in circulation of the Hong Kong Special Administrative Region of China
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“IFRS”	IFRS Accounting Standards (comprising IFRS Accounting Standards and IAS Standards, as well as their amendments and interpretations) as issued from time to time by the International Accounting Standards Board
“Investors”	collectively, Suzhou Longyue Tiancheng Venture Capital Group Co., Ltd. and Tongcheng Network Technology Co., Ltd.
“Letter of Intent”	the letter of intent dated February 7, 2024 entered into amongst the Investors, the Seller, and Guangzhou Lvjin Technology Co., Ltd. in relation to the possible transfer of Guangzhou Lvjin Technology Co., Ltd.
“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
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules
“MPUs”	monthly paying users who make purchases on our platforms at least once during a calendar month
“OTA”	online travel agency
“RMB”	Renminbi, the lawful currency of China
“Seller”	Suzhou Tongcheng Lvjin Technology Co., Ltd.* (蘇州同程旅金科技有限公司), a limited liability company established in the PRC

“Share(s)”	ordinary share(s) in the share capital of the Company, currently of nominal value USD0.0005 each
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TSP(s)”	travel service provider(s)
“USD”	United States dollars, the lawful currency of the United States of America

APPRECIATION

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

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

Hong Kong, August 20, 2024

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