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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, 2024

The Board of the Company is pleased to announce the unaudited consolidated results of the Group for the three months ended March 31, 2024, together with comparative figures for the same period of 2023.

FOR THE THREE MONTHS ENDED MARCH 31, 2024

- Revenue increased by 49.5% year-to-year to RMB3,866.3 million in the first quarter of 2024 from RMB2,586.1 million in the first quarter of 2023.
- Adjusted EBITDA for the period increased by 12.0% year-to-year to RMB820.2 million in the first quarter of 2024 from RMB732.2 million in the first quarter of 2023. Adjusted EBITDA margin decreased from 28.3% in the first quarter of 2023 to 21.2% in the first quarter of 2024.
- Adjusted net profit for the period increased by 10.9% year-to-year to RMB558.5 million in the first quarter of 2024 from RMB503.6 million in the first quarter of 2023. Adjusted net margin decreased from 19.5% in the first quarter of 2023 to 14.4% in the first quarter of 2024.
- Average MPUs increased by 2.9% year-to-year from 41.4 million in the first quarter of 2023 to 42.6 million in the first quarter of 2024.
- APUs for the twelve months ended March 31, 2024 increased by 14.3% year-to-year from 200.7 million to 229.3 million.
- Accumulated Number of Travelers Served for the twelve months ended March 31, 2024 increased by 57.4% year-to-year from 1,160.8 million to 1,826.7 million.

1. Key Financial Metrics for the three months ended March 31, 2024

	Unaudited		Year-to-year change
	Three months ended		
	March 31,		
	2024	2023	
	<i>(in RMB'000)</i>		
Revenue	3,866,278	2,586,143	49.5%
Profit before income tax	452,330	444,097	1.9%
Profit for the period	400,256	378,968	5.6%
Adjusted EBITDA for the period	820,228	732,205	12.0%
Adjusted net profit for the period	558,488	503,591	10.9%
Revenue growth (year-to-year)	49.5%	50.5%	
Adjusted EBITDA margin	21.2%	28.3%	
Adjusted net margin	14.4%	19.5%	

Note:

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

2. Financial Information by Segment

Starting from the first quarter of 2024, our chief operating decision makers 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 comprises offline travel agency related services and the operation of scenic park.

Comparative figures were reclassified to conform to this presentation.

	Unaudited Three months ended March 31,							
	2024				2023			
	Core OTA	Tourism	Unallocated items	Total	Core OTA	Tourism	Unallocated items	Total
	<i>(in RMB'000)</i>							
Accommodation reservation	964,683	-	-	964,683	834,261	-	-	834,261
Transportation ticketing	1,736,504	-	-	1,736,504	1,382,694	-	-	1,382,694
Others	502,157	662,934	-	1,165,091	369,188	-	-	369,188
Total revenue	3,203,344	662,934	-	3,866,278	2,586,143	-	-	2,586,143
Cost of revenue, operating expenses and unallocated items	(2,479,141)	(619,020)	(313,092)	(3,411,253)	(1,906,670)	-	(214,052)	(2,120,722)
Operating profit	724,203	43,914	(313,092)	455,025	679,473	-	(214,052)	465,421

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 gains, net; and (vii) certain corporate administrative expenses and other miscellaneous items. They are not allocated to individual segments.

3. Operating Metrics for the three months ended March 31, 2024

	Three months ended March 31,		Year-to-year change
	2024	2023	
GMV (in RMB billion)	65.9	57.2	15.2%
Number of average MPUs (in million)	42.6	41.4	2.9%
APUs (in million)	229.3	200.7	14.3%
Accumulated Number of Travelers Served (in million)	1,826.7	1,160.8	57.4%

BUSINESS REVIEW AND OUTLOOK

Results Highlights

In the first quarter of 2024, China's travel market witnessed sustained growth, fueled by rising demand for diverse travel experiences. As the leading travel platform in China, we capitalized on the opportunities presented by the booming travel market. We persistently implemented effective strategies to accelerate our business development and expand our market share. Throughout the first quarter of 2024, we maintained efficient operation and achieved substantial growth, demonstrating the robust strength of our Company.

We continued to obtain solid results. Our GMV increased by 15.2% year-to-year to RMB65.9 billion for the three months ended March 31, 2024, mainly attributable to the remarkable increase in business volume. Our total revenue increased by 49.5% year-to-year to RMB3,866.3 million for the three months ended March 31, 2024, driven by the upward market trend and our strategic expansion initiatives. Our adjusted net profit increased by 10.9% to RMB558.5 million for the three months ended March 31, 2024, representing an adjusted net margin of 14.4%. The decrease in our adjusted net margin is mainly due to the consolidation of our tourism business, which operates under a business model distinct from that of our OTA business.

Business Strategies and Review

Through years of dedicated presence in the market, we have accumulated a significant user base in China by catering to the needs of the mass market with our comprehensive travel services. Our APUs for the twelve months ended March 31, 2024 increased by 14.3% year-to-year and reached 229.3 million. For the first quarter of 2024, our average MPUs grew by 2.9% year-to-year to 42.6 million, while our twelve-month Accumulated Number of Travelers Served rose by 57.4% to 1,826.7 million, signifying a healthy uptrend in user purchase frequency. Our effective traffic strategies and exceptional operational capabilities have enabled us to efficiently acquire users in the mass market. As of March 31, 2024, our registered users residing in non-first tier cities in China accounted for approximately 87% of the total registered users. For the three months ended March 31, 2024, over 70% of our new paying users on the Weixin platform were from non-first-tier cities in China.

We strived to diversify our traffic sources and continuously explored new opportunities across both online and offline channels. During the three months ended March 31, 2024, we maintained stable cooperation with Tencent and focused on enhancing operational efficiency within its ecosystem. The Weixin mini-program continued to serve as a pivotal channel of our traffic. Moreover, we achieved solid progress on our proprietary APP, successfully attracting a substantial number of younger users through our innovative and customized marketing activities. Moreover, we strengthened cooperation with Alipay to grow our mini-program. We also continued to leverage on our innovative offline public transit initiatives by tapping into more metro systems, utilizing their tremendous commuter traffic to broaden our user base.

We have established ourselves as a one-stop-shop travel platform that provides users with an extensive range of travel-related products and services. Our services include reservations for accommodations, air tickets, train tickets, bus tickets, tourist attraction tickets, and packaged-tours. We are dedicated to continuously expanding our product and service portfolio to fulfill the varied requirements of our users more effectively. As of March 31, 2024, our online platforms offered over 430,000 routes operated by more than 790 airlines and agencies, over 2.7 million hotel selections and alternative accommodation options, approximately 190,000 bus routes, over 570 ferry routes, and over 10,000 domestic tourist attraction ticketing services.

We aim to improve user value and loyalty on our platform. We continued to refine our cross-selling strategy and focused on efficiency optimization. Besides, we have further elevated our Black Whale membership program by introducing an array of new benefits and privileges, specifically tailored to enrich our members' daily consumption and entertainment experiences. In the first quarter of 2024, the cumulative number of Black Whale members increased significantly. Furthermore, we persistently strengthened our branding and interactions with users through consistent investments in innovative marketing campaigns. Our continued sponsorships of various e-sports events have notably improved our brand awareness and strengthened our engagement with the younger generation.

We seized the opportunity to expand our business into the international market, primarily focusing on outbound travel. Leveraging our tremendous user base, extensive product and service offerings, as well as outstanding service quality, we are well-positioned to capture the opportunities of the international market. During the first quarter of 2024, we increased investments in our international business, so as to further expand our product and service coverage and enhance interaction with users. These efforts were part of our firm execution of the international expansion plan, aiming to bring additional growth driver and establish a stronger global presence for the Company.

During the first quarter of 2024, we registered solid growth for our core OTA business. For the three months ended March 31, 2024, our revenue from transportation ticketing services increased by 25.6% year-to-year from RMB1,382.7 million to RMB1,736.5 million, driven by the surge in ticketing volume as well as the enhancement of our value-added products and services. Our air ticketing business achieved record highs in business volume. Our domestic air ticketing volume saw a significant year-to-year increase of 30%, mainly attributable to our strategic efforts in enlarging our user base and diversifying our user demographic. Our international air ticketing volume also witnessed extraordinary growth of over 260%, largely due to the effective execution of our international expansion strategy. As we persisted in refining our intelligent travel solution to better serve our users, our train ticketing business recorded decent revenue growth, signifying our effective monetization enhancement strategies.

Our accommodation business once again achieved solid results in business volume and revenue. For the three months ended March 31, 2024, our revenue from the accommodation business increased by 15.6% year-to-year from RMB834.3 million to RMB964.7 million. We seized the opportunity and explored more hotel stay scenarios to better serve users' diversified needs, while persistently optimizing our cross-selling strategy and enhancing efficiency. Our domestic hotel room nights sold increased by 10% year-to-year for the first quarter of 2024. Furthermore, our international hotel room nights sold also grew by over 150% year-to-year for the first quarter of 2024, primarily due to our increased investments in the market, coupled with our initiatives to expand our global supply network and enhance user interactions.

Our other business continued its exceptional performance. For the three months ended March 31, 2024, our revenue from the other business achieved RMB502.2 million with a 36.0% year-to-year growth. The surge is mainly driven by excellent performance of our advertisement, Black Whale membership, and hotel management business. In particular, our hotel management business has established a comprehensive portfolio of hotel brands ranging from economy to luxury categories, with a hotel membership program. During the first quarter of 2024, we prioritized geographic expansion nationwide and achieved rapid growth. By the end of March 2024, the number of our hotel stores in operation under Elong Hotel Technology has increased to more than 1,600, with over 800 stores in the pipeline.

We are dedicated to diversifying our business to ensure sustainable growth and to forge a significant influence in China's travel industry. Serving as a key complement to our core OTA business, the tourism business is pivotal to our vertical expansion strategy within the travel sector. It operates through offline travel agency stores and applies a business model distinct from our OTA business. It consists of self-developed packaged tour products that require in-depth cooperation with suppliers. During the first quarter of 2024, our efforts were concentrated on the post-acquisition integration of Beijing Tongcheng Tourism Investment Group Co., Ltd. (北京同程旅業投資集團有限公司, "Tongcheng Tourism"), a leading travel agency group in China. By the end of March 2024, Tongcheng Tourism has around 500 travel agency stores across the country. We are confident that these business segments will be significant contributors to our future growth.

We aim to empower our industry partners and provide exceptional experiences to our users with our technological and internet expertise. We have facilitated the digital transformation and development of transit products for various airports. Additionally, we have collaborated with tourist destinations to augment their digital competencies. Moreover, we have utilized our comprehensive portfolio of PMS brands to offer Software-as-a-Service (SaaS) solutions to a wide range of individual and chain hotels, as well as alternative accommodation, to enhance their operational efficiencies. Simultaneously, we prioritize our users and are devoted to delivering seamless and comfortable travel experience. Our advanced Huixing system empowers us to offer accessible and tailored travel solutions, while also maximizing transportation capacity utilization. Additionally, the integration of more automated and intelligent features into our customer service operations has significantly improved the user experience and reduced the workload for our customer service officers, thereby increasing the overall efficiency of our service delivery.

As a socially responsible enterprise, we recognize our obligations and are committed to making meaningful contributions to the travel industry. Over the years, we have diligently worked to elevate our ESG performance by integrating sustainability principles into every facet of our operations. We continuously strive to improve transparency in our disclosures, thereby providing investors with a deeper insight into our Company. Looking ahead, we will maintain our unwavering dedication to advancing our ESG practices in line with high international standards and continue to foster the sustainable development of the travel industry.

Business Outlook

Since the beginning of 2024, China's domestic travel market has experienced a remarkable expansion. As we enter the second quarter, the sustained travel demand is a testament to travelers' persistent passion for exploration and enduring vitality of the travel industry.

We maintain a positive outlook for the growth of China's travel industry in 2024. The Chinese government has consistently provided support to the travel industry, aiming to accelerate the growth of tourism consumption and drive economic expansion. Moreover, there has been a noticeable shift in consumer preferences towards more diverse and experiential travel products and services, with an increasing number of travelers craving for new destinations and unique travel experiences. These trends indicate that the domestic travel market in China is set for sustained growth. We are also optimistic about the growth of the outbound travel market for the year. The steady resumption of international flights and the simplification of visa policies in various countries will further catalyze market recovery.

Moving forward, we will continue to leverage our competitive advantages and achieve sustainable growth. For our core OTA business, we will focus on enhancing user values while broadening user base. We are committed to continuously refining our products and services to meet and exceed user expectations. Besides, we will expand our international footprint to assert a more robust global presence. In addition, we will delve deeper in the industry chain to bolster our hotel management business and tourism business to support our long-term growth of the Company, aiming to become a leading comprehensive travel platform. Furthermore, we will continue to identify and pursue investment opportunities that align with our strategic objectives, supporting the Company's growth in the future. Finally, we will place emphasis on corporate governance, environmental protection, and social responsibility in our operations to create long-term sustainable value for our stakeholders.

MANAGEMENT DISCUSSION AND ANALYSIS

First Quarter of 2024 compared to First Quarter of 2023

	Unaudited	
	Three months ended March 31,	
	2024	2023
	RMB'000	RMB'000
Revenue	3,866,278	2,586,143
Cost of revenue	(1,351,484)	(645,282)
Gross profit	2,514,794	1,940,861
Service development expenses	(486,775)	(411,140)
Selling and marketing expenses	(1,368,203)	(966,236)
Administrative expenses	(265,303)	(192,266)
Net reversal/(provision) for impairment loss on financial assets	6,431	(16,891)
Fair value changes on investments measured at fair value through profit or loss	39,174	25,720
Other income	14,344	22,656
Other gains – net	563	62,717
Operating profit	455,025	465,421
Finance income	47,775	27,937
Finance costs	(56,341)	(40,172)
Share of results of associates	5,871	(9,089)
Profit before income tax	452,330	444,097
Income tax expense	(52,074)	(65,129)
Profit for the period	400,256	378,968
Profit attributable to:		
Equity holders of the Company	396,634	377,912
Non-controlling interests	3,622	1,056
	400,256	378,968
Adjusted net profit for the period ^(a)	558,488	503,591

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 for the periods indicated:

	Unaudited		Year-to-year change
	Three months ended March 31,		
	2024	2023	
	RMB'000	RMB'000	
Core OTA			
Accommodation reservation services	964,683	834,261	15.6%
Transportation ticketing services	1,736,504	1,382,694	25.6%
Others	502,157	369,188	36.0%
	<u>3,203,344</u>	<u>2,586,143</u>	23.9%
Tourism	<u>662,934</u>	<u>–</u>	N/A
Total revenue	<u><u>3,866,278</u></u>	<u><u>2,586,143</u></u>	49.5%

The total revenue increased by 49.5% from RMB2,586.1 million for the three months ended March 31, 2023 to RMB3,866.3 million for the three months ended March 31, 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 23.9% from RMB2,586.1 million for the three months ended March 31, 2023 to RMB3,203.3 million for the three months ended March 31, 2024.

Revenue from accommodation reservation services increased by 15.6% from RMB834.3 million for the three months ended March 31, 2023 to RMB964.7 million for the three months ended March 31, 2024. It was mainly due to the increased demand of accommodation reservation services.

Revenue from transportation ticketing services increased by 25.6% from RMB1,382.7 million for three months ended March 31, 2023 to RMB1,736.5 million for three months ended March 31, 2024. The increase was mainly due to the increase in demand in transportation ticketing services and various products we provided.

Revenue from others increased by 36.0% from RMB369.2 million for the three months ended March 31, 2023 to RMB502.2 million for three months ended March 31, 2024, which was mainly due to increase in revenue from (i) advertising services; (ii) membership services; (iii) attraction ticketing services; (iv) ancillary value-added user services; and (v) hotel management services.

Tourism

Tourism revenue represents revenue from offline travel agency related services and the operation of a scenic park, the businesses we acquired in late 2023 have further expanded our supply chain of the travel industry. There was no such revenue for the three months ended March 31, 2023.

Cost of revenue, operating expenses 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 March 31,			
	2024		2023	
	RMB'000		RMB'000	
Cost of revenue	1,351,484	39.6%	645,282	30.4%
Service development expenses	486,775	14.3%	411,140	19.4%
Selling and marketing expenses	1,368,203	40.1%	966,236	45.6%
Administrative expenses	265,303	7.8%	192,266	9.1%
Net (reversal)/provision for impairment loss on financial assets	(6,431)	(0.2)%	16,891	0.8%
Fair value changes on investments measured at fair value through profit or loss	(39,174)	(1.1)%	(25,720)	(1.2)%
Other income	(14,344)	(0.5)%	(22,656)	(1.1)%
Other gains – net	(563)	0.0%	(62,717)	(3.0)%
Total cost of revenue, operating expenses and unallocated items	<u>3,411,253</u>	<u>100.0%</u>	<u>2,120,722</u>	<u>100.0%</u>

Cost of revenue

Cost of revenue increased by 109.4% from RMB645.3 million for the three months ended March 31, 2023 to RMB1,351.5 million for the three months ended March 31, 2024. The increase was mainly due to: (i) an increase in cost of pre-purchased travel related products of our tourism services for the three months ended March 31, 2024; (ii) an increase in order processing cost due to increased GMV; (iii) an increase in procurement cost resulting from increased cost of ancillary value-added user services; and (iv) an increase in employee benefit expense as the number of our services and TSP services employees was increased. Excluding share-based compensation charges, cost of revenue accounted for 34.8% of revenue for the three months ended March 31, 2024, which increased from 24.9% for the same period of 2023.

Service development expenses

Service development expenses increased by 18.4% from RMB411.1 million for the three months ended March 31, 2023 to RMB486.8 million for the three months ended March 31, 2024. 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 11.9% of revenue for the three months ended March 31, 2024, which decreased from 15.2% for the same period of 2023.

Selling and marketing expenses

Selling and marketing expenses increased by 41.6% from RMB966.2 million for the three months ended March 31, 2023 to RMB1,368.2 million for the three months ended March 31, 2024, which was mainly due to (i) the increase in advertising and promotion expenses; and (ii) the increased employee benefit due to the increased number of sales employees. Excluding share-based compensation charges, selling and marketing expenses accounted for 35.0% of revenue for the three months ended March 31, 2024 compared with 37.0% for the same period of 2023.

Administrative expenses

Administrative expenses increased by 38.0% from RMB192.3 million for the three months ended March 31, 2023 to RMB265.3 million for the three months ended March 31, 2024, which was mainly due to (i) the increased employee benefit resulting from the increased number of administrative employees; (ii) the increase in professional fees; and (iii) the increase in depreciation expense. Excluding share-based compensation charges, administrative expenses accounted for 5.1% of revenue for the three months ended March 31, 2024 and 2023.

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

We recorded net reversal for impairment loss on financial assets of RMB6.4 million for the three months ended March 31, 2024 and net provision for impairment loss of RMB16.9 million for the three months ended March 31, 2023, which was mainly due to the decrease 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 RMB39.2 million for the three months ended March 31, 2024 and RMB25.7 million for the three months ended March 31, 2023. The increase in fair value gains in the first quarter of 2024 was mainly due to increase in fair value gains on investment in certain public companies.

Other income

Other income decreased by 36.7% from RMB22.7 million for the three months ended March 31, 2023 to RMB14.3 million for the three months ended March 31, 2024. The decrease was primarily because less government subsidies received.

Other gains – net

We recorded other gains of RMB0.6 million for the three months ended March 31, 2024 and RMB62.7 million for the three months ended March 31, 2023. The decrease was mainly due to the net foreign exchange loss recognized in the first quarter of 2024 while a gain in the same period in 2023.

Income tax expense

We recorded income tax expense of RMB52.1 million and RMB65.1 million for the three months ended March 31, 2024 and 2023, respectively, as a result of increase in current period taxable profit and the recognition of deferred income tax credit for temporary differences for the three months ended March 31, 2024.

Profit attributable to equity holders of the Company

As a result of the foregoing, profit attributable to equity holders of the Company increased to RMB396.6 million for the three months ended March 31, 2024 from 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 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 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 losses/(gains); (v) net gains on investees; and (vi) others, including acquisition-related cost and fair value change on derivatives. Adjusted net 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 losses/(gains); (iv) net gains 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 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 for the period 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 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, 2024 and 2023:

	Unaudited	
	Three months ended March 31,	
	2024	2023
	RMB'000	RMB'000
Operating profit for the period	455,025	465,421
Add/(less):		
Share-based compensation, gross ^(a)	114,214	90,659
Amortization of intangible assets	176,678	167,976
Depreciation of property, plant and equipment, and right-of-use assets	81,491	51,516
Foreign exchange losses/(gains) ^(b)	17,673	(32,109)
Net gains on investees ^(c)	(23,044)	(5,579)
Others	(1,809)	(5,679)
	<hr/>	<hr/>
Adjusted EBITDA for the period	820,228	732,205
	<hr/> <hr/>	<hr/> <hr/>

Notes:

- (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 losses/(gains) 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 on disposal of investees or subsidiaries.

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

The following table reconciles our adjusted net 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, 2024 and 2023:

	Unaudited	
	Three months ended March 31,	
	2024	2023
	RMB'000	RMB'000
Profit for the period	400,256	378,968
Add/(less):		
Share-based compensation, net ^(a)	87,816	105,067
Amortization of intangible assets from acquisition ^(b)	70,552	62,018
Foreign exchange losses/(gains) ^(c)	17,673	(32,109)
Net gains on investees ^(d)	(23,044)	(5,579)
Others	5,235	(4,774)
Adjusted net profit for the period	558,488	503,591

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 losses/(gains), 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 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,	
	2024	2023
	RMB'000	RMB'000
Cost of revenue	4,091	2,584
Service development expenses	27,971	18,676
Selling and marketing expenses	14,024	8,477
Administrative expenses	68,128	60,922
Total share-based compensation, gross	114,214	90,659
Tax effect of temporary difference	(26,398)	14,408
Total share-based compensation, net	87,816	105,067

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months ended March 31, 2024

	Unaudited	
	Three months ended March 31,	
	2024	2023
	RMB'000	RMB'000
Revenue	3,866,278	2,586,143
Cost of revenue	(1,351,484)	(645,282)
Gross profit	2,514,794	1,940,861
Service development expenses	(486,775)	(411,140)
Selling and marketing expenses	(1,368,203)	(966,236)
Administrative expenses	(265,303)	(192,266)
Net reversal/(provision) for impairment loss on financial assets	6,431	(16,891)
Fair value changes on investments measured at fair value through profit or loss	39,174	25,720
Other income	14,344	22,656
Other gains – net	563	62,717
Operating profit	455,025	465,421
Finance income	47,775	27,937
Finance costs	(56,341)	(40,172)
Share of results of associates	5,871	(9,089)
Profit before income tax	452,330	444,097
Income tax expense	(52,074)	(65,129)
Profit for the period	400,256	378,968
Profit attributable to:		
– Equity holders of the Company	396,634	377,912
– Non-controlling interests	3,622	1,056
	400,256	378,968

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended March 31, 2024

	Unaudited	
	Three months ended March 31,	
	2024	2023
	RMB'000	RMB'000
Profit for the period	400,256	378,968
Other comprehensive income		
<i>Items that may not be subsequently reclassified to profit or loss</i>		
– Currency translation differences	<u>1,171</u>	<u>(13,267)</u>
<i>Items that may be subsequently reclassified to profit or loss</i>		
– Currency translation differences	<u>(1,801)</u>	<u>–</u>
Other comprehensive loss for the period, net of tax	<u>(630)</u>	<u>(13,267)</u>
Total comprehensive income for the period	<u>399,626</u>	<u>365,701</u>
Total comprehensive income for the period attributable to:		
– Equity holders of the Company	396,004	364,645
– Non-controlling interests	<u>3,622</u>	<u>1,056</u>
	<u>399,626</u>	<u>365,701</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31, 2024

	Unaudited As at March 31, 2024 RMB'000	Audited As at December 31, 2023 RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	2,537,421	2,495,259
Right-of-use assets	837,514	589,251
Investments accounted for using the equity method	1,520,835	1,429,800
Investments measured at fair value through profit or loss	991,496	1,039,294
Investments measured at amortized cost	688,595	683,879
Intangible assets	9,569,722	9,580,301
Deferred income tax assets	253,335	206,209
Prepayment and other receivables	709,605	792,970
	<u>17,108,523</u>	<u>16,816,963</u>
Current assets		
Trade receivables	1,479,127	1,218,288
Prepayment and other receivables	4,897,601	4,369,903
Inventories	1,596	997
Derivative financial instruments	18,002	24,699
Short-term investments measured at amortized cost	599,921	2,316,753
Short-term investments measured at fair value through profit or loss	1,643,448	1,631,715
Restricted cash	144,315	144,893
Cash and cash equivalents	7,780,784	5,192,398
	<u>16,564,794</u>	<u>14,899,646</u>
Total assets	<u><u>33,673,317</u></u>	<u><u>31,716,609</u></u>
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital	7,817	7,765
Share premium	20,309,975	20,115,692
Other reserves	(2,485,090)	(2,507,888)
Retained earnings	175,743	87,142
	<u>18,008,445</u>	<u>17,702,711</u>
Non-controlling interests	<u>937,780</u>	<u>843,578</u>
Total equity	<u><u>18,946,225</u></u>	<u><u>18,546,289</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at March 31, 2024

	Unaudited As at March 31, 2024 RMB'000	Audited As at December 31, 2023 RMB'000
LIABILITIES		
Non-current liabilities		
Borrowings	769,094	10,942
Lease liabilities	476,446	420,464
Other payables and accruals	70,587	74,636
Contract liabilities	30,117	32,324
Deferred income tax liabilities	763,700	744,860
	<u>2,109,944</u>	<u>1,283,226</u>
Current liabilities		
Borrowings	2,611,484	2,540,095
Trade payables	4,781,822	4,130,982
Other payables and accruals	4,899,413	4,939,325
Lease liabilities	54,203	40,736
Contract liabilities	137,574	111,184
Current income taxes liabilities	132,652	124,772
	<u>12,617,148</u>	<u>11,887,094</u>
Total liabilities	<u>14,727,092</u>	<u>13,170,320</u>
Total equity and liabilities	<u>33,673,317</u>	<u>31,716,609</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended March 31, 2024

	Unaudited Three months ended March 31,	
	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Net cash generated from operating activities	484,472	874,187
Net cash generated from/(used in) investing activities	1,235,615	(190,922)
Net cash generated from/(used in) financing activities	870,708	(346,747)
Net increase in cash and cash equivalents	2,590,795	336,518
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	(2,409)	(5,960)
Cash and cash equivalents at end of the period	7,780,784	3,877,546

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 months ended March 31, 2024.

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 months ended March 31, 2024.

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, 2024. The Audit Committee considers that the unaudited financial results for the three months ended March 31, 2024 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:

“Accumulated Number of Travelers Served”	total number of users who used our products and services in the twelve-month period ended March 31, 2024
“APP”	application program, the software program installed on a mobile phone
“APUs”	paying users in the twelve month period ended March 31, 2024
“Audit Committee”	the audit committee of the Board
“Board”	the board of directors of the Company

“China”	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 C1 to the Listing Rules
“Director(s)”	the director(s) of the Company
“ESG”	environmental, social and governance
“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”	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
“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
“MPUs”	monthly paying users who make purchases on our platforms at least once during a calendar month
“OTA”	online travel agency
“PMS”	Property Management System
“RMB”	Renminbi, the lawful currency of China
“Share(s)”	ordinary share(s) in the share capital of the Company, currently of nominal value 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 21, 2024

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

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

Yang Chia Hung
Dai Xiaojing
Han Yuling