

---

## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

---

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Tongcheng-Elong Holdings Limited**, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or other transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

---



### **Tongcheng-Elong Holdings Limited** **同程藝龍控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 0780)**

## **(1) RENEWAL OF ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS IN RESPECT OF 2021 TO 2023 AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

### **INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT SHAREHOLDERS**



---

A notice convening the extraordinary general meeting of Tongcheng-Elong Holdings Limited to be held at Meeting Room Zhuozheng, 2/F, Four Points by Sheraton Suzhou, No. 8 Moon Bay Road, Suzhou Industrial Park, Suzhou, China at 3:00 p.m., on December 31, 2020 is set out on pages 66 to 68 of this circular. The letter of recommendation from the Independent Board Committee, the text of which is set out on page 30 to 31 of this circular. The letter of advice issued by First Shanghai Capital Limited, being the Independent Financial Adviser, the text of which is set out on pages 32 to 58 of this circular.

A form of proxy for use at the extraordinary general meeting is also enclosed. Such form of proxy is also published on the websites of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.tcelir.com](http://www.tcelir.com)). Whether or not you are able to attend the extraordinary general meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the extraordinary general meeting (or any adjournment thereof) if they so wish.

December 11, 2020

---

## TABLE OF CONTENTS

---

	<i>Page</i>
<b>DEFINITIONS</b> .....	1
<b>LETTER FROM THE BOARD</b> .....	6
INTRODUCTION .....	6
NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS .....	7
INTERNAL CONTROL MEASURES .....	25
CLOSURE OF REGISTER OF MEMBERS .....	27
EXTRAORDINARY GENERAL MEETING .....	27
RECOMMENDATION OF THE BOARD .....	28
RECOMMENDATION OF THE INDEPENDENT FINANCIAL ADVISER AND THE INDEPENDENT BOARD COMMITTEE .....	28
<b>LETTER FROM THE INDEPENDENT BOARD COMMITTEE</b> .....	30
<b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER</b> .....	32
<b>APPENDIX I – GENERAL INFORMATION</b> .....	59
<b>NOTICE OF EXTRAORDINARY GENERAL MEETING</b> .....	66

---

## DEFINITIONS

---

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

“2016 Share Incentive Plan”	the share incentive plan adopted and approved by the Company on August 26, 2016
“2018 Share Incentive Plan”	the share incentive plan adopted and approved by the Company on March 9, 2018
“2019 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
“AI”	artificial intelligence
“Articles of Association”	the articles of association of the Company
“associate(s)”	has the meaning ascribed to it or them under the Listing Rules
“Beijing E-dragon”	Beijing eLong Information Technology Co., Ltd. (北京藝龍信息技術有限公司), a limited liability company established under the laws of the PRC on November 28, 2000, which is one of the Contractual Arrangement Entities
“Board”	the board of Directors
“C-Travel”	C-Travel International Limited, a limited liability company incorporated under the laws of the Cayman Islands on March 3, 2006 and a wholly-owned subsidiary of Trip.com Group
“Company”	Tongcheng-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
“connected person(s)”	has the meaning ascribed to it or them under the Listing Rules
“Contractual Arrangement Entities”	the entities the Company controls through certain contractual arrangements
“continuing connected transaction(s)”	has the meaning ascribed to it or them under the Listing Rules

---

## DEFINITIONS

---

“Ctrip Travelling Resources Provision Framework Agreement”	the travelling resources provision framework agreement dated November 7, 2018, as supplemented by a supplemental agreement dated December 30, 2019, entered into between the Company and C-Travel, in relation to the provision of certain accommodation and transportation ticketing services to Trip.com Group and/or its associates and the provision of access to the Group’s platforms to Trip.com and/or its associate for the offering of its accommodation booking and car rental services
“Director(s)”	director(s) of the Company
“Existing Tencent Payment Services Framework Agreement”	the payment services framework agreement dated November 6, 2018 entered into between the Company and Tencent Computer, in relation to the provision of payment and settlement services by the Tencent Group through its payment channels to the Group in return for certain fees
“Extraordinary General Meeting”	the extraordinary general meeting of the Company to be held on December 31, 2020 to consider and, if thought fit, approve the Tongcheng Continuing Connected Transactions, or any adjournment thereof
“GMV”	gross merchandise volume, the total value of merchandise sold in the specified market or through a specified platform during a given period
“Group”	the Company and its subsidiaries and Consolidated Affiliated Entities from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, namely Mr. Wu Haibing, Mr. Dai Xiaojing and Ms. Han Yuling, established to advise the Independent Shareholders on the Tongcheng Continuing Connected Transactions
“Independent Financial Adviser” or “First Shanghai”	First Shanghai Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activities under the SFO, and the independent financial adviser to the Independent Board Committee and Independent Shareholders in relation to the Tongcheng Continuing Connected Transactions

---

## DEFINITIONS

---

“Independent Shareholders”	has the meaning ascribed to it or them under the Listing Rules; and in relation to approving the Tongcheng Continuing Connected Transactions at the Extraordinary General Meeting
“independent third party(ies)”	party(ies) not connected with any of the Directors, chief executive, substantial shareholders of the Company or any of its subsidiaries or any of their respective associates
“ITA”	intelligent travel assistant
“Latest Practicable Date”	December 7, 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“MAUs”	monthly active users who access the Group’s platforms at least once during a calendar month
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“MPUs”	monthly paying users who make purchases on the Group’s platforms at least once during a calendar month
“NASDAQ”	NASDAQ Global Select Market
“OTA”	online travel agency
“PRC”	the People’s Republic of China
“Q3 Announcement”	the announcement of the results of the Company for the nine months ended September 30, 2020 dated November 23, 2020
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance, (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) in the share capital of the Company with nominal value of US\$0.0005 each

---

## DEFINITIONS

---

“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it or them under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it or them under the Listing Rules
“Suzhou Chengyi”	Suzhou Chengyi Internet Technology Limited (蘇州程藝網絡科技有限公司), a limited liability company established under the laws of the PRC on March 21, 2018, which is one of the Contractual Arrangement Entities
“Tencent”	Tencent Holdings Limited, a company redomiciled to the Cayman Islands on February 27, 2004 as an exempted company under the laws of the Cayman Islands, whose shares are listed on the Main Board of the Stock Exchange (stock code: 700)
“Tencent Computer”	Shenzhen Tencent Computer Systems Company Limited (深圳市騰訊計算機系統有限公司), a consolidated affiliated entity of Tencent
“Tencent Group”	Tencent, its subsidiaries and controlled entities
“Tencent Payment Services Framework Agreement”	the payment services framework agreement dated December 8, 2020 entered into between the Company and Tencent Computer, in relation to the provision of payment and settlement services by the Tencent Group through its payment channels to the Group in return for certain fees
“Tencent-based Platforms”	(i) proprietary Weixin-based mini programs, which can be accessible by Weixin users through the “Rail & Flight” and “Hotel” portals in Weixin Wallet, the mobile payment interface of Tencent’s Weixin or from the drop-down list of the favorite or most frequently used mini programs in Weixin; and (ii) the “Rail & Flight” and “Hotel” in QQ Wallet, the mobile payment interface of Tencent’s Mobile QQ and certain other portals in Mobile QQ

---

## DEFINITIONS

---

“Tongcheng Continuing Connected Transactions”	collectively, (i) the provision of the payment and settlement services by Tencent Group to the Group, pursuant to the Tencent Payment Services Framework Agreement and (ii) the provision of access to the Group’s platforms for the offering of transportation ticketing services, attraction ticketing services, accommodation booking services and car rental services by Trip.com Group and/or its associates, pursuant to the Trip.com Travelling Resources Provision Framework Agreement
“Tongcheng Network”	Tongcheng Network Technology Limited (同程網絡科技股份有限公司), a joint stock limited company established under the laws of the PRC on March 10, 2004, which is one of the Contractual Arrangement Entities
“Trip.com Group”	Trip.com Group Limited, previously known as Ctrip.com International, Ltd. (“Ctrip”), a limited liability company incorporated under the laws of the Cayman Islands on March 3, 2000 whose shares are listed on NASDAQ (stock symbol: TCOM)
“Trip.com Travelling Resources Provision Framework Agreement”	the travelling resources provision framework agreement dated December 8, 2020, entered into between the Company and C-Travel, in relation to the provision of access to the Group’s platforms for the offering of Trip.com Main Travelling Services by Trip.com Group and/or its associates
“Trip.com Main Travelling Services”	collectively, transportation services (including transportation ticketing and car rental), attraction ticketing services and accommodation booking services
“TSPs”	travel service providers
“%”	per cent

---

LETTER FROM THE BOARD

---



**Tongcheng-Elong Holdings Limited**  
**同程藝龍控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 0780)**

***Executive Directors:***

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

***Non-executive Directors:***

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

***Independent Non-executive Directors:***

Mr. Wu Haibing  
Mr. Dai Xiaojing  
Ms. Han Yuling

***Registered office:***

Conyers Trust Company (Cayman) Limited  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

***Principal place of business in Hong Kong:***

31/F., Tower Two, Times Square  
1 Matheson Street  
Causeway Bay  
Hong Kong

December 11, 2020

*To the Shareholders*

Dear Sir or Madam,

**(1) RENEWAL OF ANNUAL CAPS FOR CONTINUING CONNECTED  
TRANSACTIONS IN RESPECT OF 2021 to 2023  
AND  
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

The purpose of this circular is to provide you with information in connection with the proposals to be put forward at the Extraordinary General Meeting to consider and approve: (i) the provision of the payment and settlement services by the Tencent Group to the Group, pursuant to the Tencent Payment Services Framework Agreement, and (ii) the provision of access to the Group's platforms for the offering of Trip.com Main Travelling Services by Trip.com Group and/or its associates, pursuant to the Trip.com Travelling Resources Provision



---

## LETTER FROM THE BOARD

---

Framework Agreement. For further details of the Existing Tencent Payment Services Framework Agreement and the Ctrip Travelling Resources Provision Framework Agreement, please refer to the prospectus of the Company dated November 14, 2018.

As the Group intends to continue carrying out the transactions of the similar nature under the Existing Tencent Payment Services Framework Agreement and the Ctrip Travelling Resources Provision Framework Agreement in the ordinary and usual course of business of the Group, the Group agrees to enter into (i) the Tencent Payment Services Framework Agreement with Tencent Computer; and (ii) the Trip.com Travelling Resources Provision Framework Agreement with C-Travel, respectively, for a term of three years commencing from January 1, 2021 to December 31, 2023. The Existing Tencent Payment Services Framework Agreement and the Ctrip Travelling Resources Provision Framework Agreement will thus cease to be in effect from December 31, 2020.

This circular contains the explanatory statement in compliance with the Listing Rules and gives all the information reasonably necessary to enable Shareholders to make an informed decision on whether to vote for or against the resolutions. A notice convening the Extraordinary General Meeting is set out on pages 66 to 68 of this circular. The letter of recommendation from the Independent Board Committee, the text of which is set out on page 30 to 31 of this circular. The letter of advice issued by First Shanghai, being the Independent Financial Adviser, the text of which is set out on pages 32 to 58 of this circular.

### NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

#### A. Tencent Payment Services Framework Agreement

##### *(I) Provision of Payment and Settlement Services to the Group*

###### *Background*

Reference is made to the announcement of the Company dated December 8, 2020 in relation to the renewal of annual caps for continuing connected transactions in respect of 2021 to 2023.

###### *Continuing connected transactions under the Tencent Payment Services Framework Agreement*

On December 8, 2020, Tencent Computer and the Company entered into the Tencent Payment Services Framework Agreement, pursuant to which the Tencent Group will provide payment and settlement services through its payment channels to the Group for a term of three years from January 1, 2021 to December 31, 2023. The principal terms of the Tencent Payment Services Framework Agreement are summarized below.

---

## LETTER FROM THE BOARD

---

### *The Tencent Payment Services Framework Agreement*

#### Date

December 8, 2020

#### Parties

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

#### Term

The Tencent Payment Services Framework Agreement has an initial term of three years from January 1, 2021 to December 31, 2023. Subject to compliance with the Listing Rules and applicable laws and regulations, the Tencent Payment Services Framework Agreement may be renewed automatically for a further term of three years upon the mutual consent of both parties, unless the parties agree in writing to terminate the Tencent Payment Services Framework Agreement during its term.

#### Nature of the transactions

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

#### Pricing basis

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

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

---

## LETTER FROM THE BOARD

---

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

### Historical amounts

The table below sets forth the historical amounts under the Existing Tencent Payment Services Framework Agreement for the two years ended December 31, 2019 and the ten months ended October 31, 2020 and the annual cap for the year ending December 31, 2020:

	For the year ended December 31, 2018 <i>(RMB'000)</i>	For the year ended December 31, 2019 <i>(RMB'000)</i>	For the ten months ended October 31, 2020 <i>(RMB'000)</i> <i>(unaudited)</i>	Annual cap for the year ending December 31, 2020 <i>(RMB'000)</i>
Transaction amounts paid by the Group	624,391	803,886	462,778	1,250,000

As at the Latest Practicable Date, the actual transaction amount has not exceeded the annual cap for the year ending December 31, 2020.

The outbreak of COVID-19 since January 2020 has inevitably disrupted the online travel agency industry, including the Company's operation. As further explained in the Q3 Announcement, comparing with the same period in 2019, the Company recorded a year-on-year decrease in the transaction amounts in 2020, attributed to the implementation of travel restrictions and lockdown policies imposed to combat the spread of the COVID-19. Due to the implementation of travel restrictions and lockdown policies imposed to combat the spread of the COVID-19, there was a decrease in the transaction amount for the ten months ended October 31, 2020 and thus the 2020 annual cap for the ten months ended October 31, 2020 was not utilized as the Company had anticipated when the 2020 annual cap was formulated.

---

## LETTER FROM THE BOARD

---

Proposed annual caps and basis of determination

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

	<b>For the year ending December 31, 2021 (RMB'000)</b>	<b>For the year ending December 31, 2022 (RMB'000)</b>	<b>For the year ending December 31, 2023 (RMB'000)</b>
Service fees payable by the Group	1,500,000	1,800,000	2,100,000

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

- (i) the historical transaction amounts;
- (ii) the increasing demand for payment and settlement services provided for Tencent Group from the Group's users, based on the Group's internal business forecast and analysis;
- (iii) the future recovery and growth opportunities of the OTA industry in the PRC, having taken into account the impact of COVID-19; and
- (iv) the future development plans of the Group, including the enhanced collaboration between the Group and Tencent Group, the Group's user acquisition strategies, including an emphasis on the integration of technology and innovation into the Group's product offering and user experience, and the Group's market expansion strategy. The Group believes that the successful implementation of such strategies are essential to the Group's GMV, including payment and settlement transaction amounts, reaching the pre-COVID-19 level and achieving modest growth for the years 2021 to 2023.

In relation to the factor (ii) above, the Group has been deepening its cooperation with Tencent Group with respect to the Tencent-based Platforms. In particular, this year, the Group collaborated with Tencent to develop a "Search + Travel" ecosystem within Weixin platform, the Group's main Tencent-based platform. As of the third quarter of 2020, the average MAUs increased by 5.0% year-to-year comparing with the same period of 2019 and about 80.6% of the Group's MAUs was contributed from the Tencent-based Platforms with a majority of the traffic came from the Weixin mini programs.

---

## LETTER FROM THE BOARD

---

As the Group is consolidating its OTA market leading position in the lower-tier cities, the Group anticipates a stable growth rate of paying user acquisition from such lower-tier cities in China, who are most likely users of the Tencent Group. For the third quarter of 2020, approximately 67.2% of the Group's new paying users on the Weixin-based mini programs were from the third-tier or below cities in China, which increased from 63.3% over the same period of 2019. Therefore, the Group expects that the traffic on its Tencent-based Platforms would increase accordingly for the years 2021 to 2023 and considers that the yearly growth rates of the proposed annual caps for the years 2021 to 2023 reasonably track such projected increase in traffic on its Tencent-based Platforms.

In relation to factor (iii) above, as explained in the Q3 Announcement, since COVID-19 has been sharply diminished over the past two quarters in the PRC, attributed to the prompt response as well as the effective crowd control and health measures implemented by the Chinese government, the Company observed that the Chinese economy has greatly restored and continued its rapid rebound momentum in the third quarter of 2020.

Based on the Group's business performance and operation statistics in the third quarter of 2020, the Group is optimistic about the recovery and growth opportunities of the OTA industry in China and forecasted that by the year 2023, the demand of the Group's users for travelling resources will likely surpass the previous level in 2019. The Company noted a significant boost in market confidence and demand in the third quarter of 2020, as evidenced by the improvement in the search volume on the Group's online and mobile platforms improved, especially during the summer holiday and before the golden week of National Holiday in early October 2020. For the third quarter the Group's average MAUs achieved the highest level in the Company's history. The Group's average MPUs fully recovered year-to-year and improved greatly quarter-to-quarter by 60.2% for the third quarter. The Group's GMV has significantly increased by 77.2% when compared with the second quarter of 2020. For the third quarter of 2020, the Group has registered nearly 30% year-to-year growth in room nights sold in lower-tier cities, over 80% year-to-year growth in bus ticketing volume and over 20% year-to-year growth in domestic air ticketing volume.

### ***(II) Reasons for and Benefits of Entering into the Tencent Payment Services Framework Agreement***

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

---

## LETTER FROM THE BOARD

---

### ***(III) Information of the Parties***

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

Tencent is a leading provider of Internet services in the PRC, operating the largest communication and social platform in China. It connects games, media, FinTech and other services to individual internet users; and provides advertising, cloud and other business services to enterprises, and its shares are listing on the Main Board of the Stock Exchange (stock code:700).

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

### ***(IV) Listing Rules Implications***

As Tencent Computer is a consolidated affiliated entity of Tencent, a substantial shareholder of the Company which holds approximately 21.94% of the shares in the Company as at the date hereof, Tencent Computer is a connected person of the Company pursuant to Rule 14A.07(4) of the Listing Rules.

Accordingly, the transactions contemplated under the Tencent Payment Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Since the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the transactions are more than 5%, the proposed annual caps under the Tencent Payment Services Framework Agreement are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

### ***(V) Directors' Confirmation in Relation to Tencent Payment Services Framework Agreement***

The Directors (including the independent non-executive Directors) are of the view that the Tencent Payment Services Framework Agreement has been and will be entered into in the ordinary and usual course of business of the Group, is on normal commercial terms and is fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors (including the independent non-executive Directors) are of the view that the proposed annual caps under the Tencent Payment Services Framework Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

---

## LETTER FROM THE BOARD

---

From the perspective of good corporate governance, Mr. Cheng Yun Ming Matthew and Mr. Brent Richard Irvin abstained from voting on the resolution approving the Tencent Payment Services Framework Agreement on the Board Resolution due to their positions at Tencent Group. Save as disclosed above, no other Director has any material interest in the Tencent Payment Services Framework Agreement.

### *(VI) Approval by Independent Shareholders*

The Company will seek the Independent Shareholders' approval at the Extraordinary General Meeting for, among others, the Tencent Payment Services Framework Agreement on the condition that:

1. the annual transaction amount of the Tencent Payment Services Framework Agreement shall not exceed the respective annual caps;
2. (i) the Tencent Payment Services Framework Agreement will be entered into in the ordinary and usual course of business of the Group and either (a) on normal commercial terms or better; or (b) if there is no available comparison, on terms no less favorable than terms available to the Group from independent third parties; and  
  
(ii) the transactions will be entered into in accordance with the Tencent Payment Services Framework Agreement and on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company will comply with relevant provisions of the Listing Rules in relation to the transactions under the Tencent Payment Services Framework Agreement.

### **B. Trip.com Travelling Resources Provision Framework Agreement**

#### *(I) Provision of Access of the Group's Platforms to Trip.com Group and/or its Associates for the Offering of Travelling Resources*

##### *Background*

Reference is made to the announcement of the Company dated December 8, 2020 in relation to the renewal of annual caps for continuing connected transactions in respect of 2021 to 2023.

---

## LETTER FROM THE BOARD

---

### *Continuing Connected Transactions under the Trip.com Travelling Resources Provision Framework Agreement*

On December 8, 2020, C-Travel and the Company entered into the Trip.com Travelling Resources Provision Framework Agreement, pursuant to which the Group will provide Trip.com Group and/or its associates with access to the Group's platforms for the offering of Trip.com Main Travelling Services by Trip.com Group and/or its associates for a term of three years from January 1, 2021 to December 31, 2023.

The principal terms of the Trip.com Travelling Resources Provision Framework Agreement are summarized below.

### *The Trip.com Travelling Resources Provision Framework Agreement*

#### Date

December 8, 2020

#### Parties

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

#### Term

The Trip.com Travelling Resources Provision Framework Agreement has a term of three years from January 1, 2021 to December 31, 2023. Subject to compliance with the Listing Rules and applicable laws and regulations, the Trip.com Travelling Resources Provision Framework Agreement may be renewed automatically for a further term of three years upon the mutual consent of both parties, unless the parties agree in writing to terminate the Trip.com Travelling Resources Provision Framework Agreement during its term.

#### Nature of the transactions

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

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



---

## LETTER FROM THE BOARD

---

In return for offering of the wide variety of travelling resources (including accommodation booking and car rental services) by Trip.com Group and/or its associates on the Group's platforms, the Group will pay system maintenance fee to Trip.com Group and/or its associates.

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

Pricing basis

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

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

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

(i) Transportation services

For the provision of transportation ticketing services offered on the Group's platforms, the Group leverages its own data capabilities to help users book the most valued-added transportation products and services. For each valid order confirmed ultimately by the user on the Group's platform, the Group will receive a commission.

For the provision of car rental services on the Group's platform, the commissions payable by the Group's suppliers is based on the prevailing market rates.

---

## LETTER FROM THE BOARD

---

(ii) Attraction ticketing services

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

(iii) Accommodation booking services

For the provision of accommodation booking services offered on the Group's platform, the Group leverages its own data capabilities to help users choose the best products. For the determination of the mark-up rate of each hotel accommodation to be offered on the Group's platforms, the Group takes into account factors, including (y) the location and (z) historical sales amounts of each hotel accommodation.

(b) Offering of the wide variety of travelling resources (including accommodation booking and car rental service) on the Group's platform

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

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

---

## LETTER FROM THE BOARD

---

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

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

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

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

## LETTER FROM THE BOARD

### Historical amounts

The table below sets forth the historical amounts under the Ctrip Travelling Resources Provision Framework Agreement for the two years ended December 31, 2019 and the ten months ended October 31, 2020 and the annual cap for the year ending December 31, 2020:

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

	For the year ended December 31, 2018 <i>(RMB'000)</i>	For the year ended December 31, 2019 <i>(RMB'000)</i>	For the ten months ended October 31, 2020 <i>(RMB'000)</i> <i>(unaudited)</i>	Annual cap for the year ending December 31, 2020 <i>(RMB'000)</i>
Commissions to be received by the Group from Trip.com Group and/or its associates and third-party TSPs for the provision of access to the Group's platforms for the offering of Trip.com Group transportation services, attraction ticketing services, and accommodation booking services	813,600	1,499,724	1,111,767	2,000,000
System maintenance fee payable to Trip.com Group and/or its associates for offering its travelling resources (including the accommodation services and car rental services) on the Group's platforms	68,830	103,412	93,465	200,000
<b>Total</b>	<u>882,430</u>	<u>1,603,136</u>	<u>1,205,232</u>	<u>2,200,000</u>

The Group's commission received from Trip.com Group and/or its associates for the years ended December 31, 2018 and 2019 and for the nine months ended September 30, 2020 accounted for 13.4% (on a combined basis), 20.3% and 22.6% of the Group's total revenue for the years ended December 31, 2018 and 2019 and for the nine months ended September 30, 2020, respectively.

---

## LETTER FROM THE BOARD

---

As at the Latest Practicable Date, the actual transaction amount has not exceeded the annual cap for the year ending December 31, 2020.

Due to the decrease in transaction amounts of the Group for the ten months ended October 31, 2020 as a result of COVID-19 pandemic, the amounts of commission receivable from its suppliers of travelling resources on the Group's platforms, including Trip.com Group and/or its associates proportionally decreased, thus, the annual cap for 2020 was not as utilized as the Company had anticipated when it formulated the annual cap amounts in 2018.

### Proposed annual caps and basis of determination

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

	For the year ending December 31, 2021 <i>(RMB'000)</i>	For the year ending December 31, 2022 <i>(RMB'000)</i>	For the year ending December 31, 2023 <i>(RMB'000)</i>
Commissions to be received by the Group from Trip.com Group and/or its associates and third-party TSPs for providing access to the Group's platforms for the offering of Trip.com Group's transportation services, attraction ticketing services and accommodation booking services	3,250,000	4,300,000	6,000,000
System maintenance fee payable to Trip.com Group and/or its associates for offering its travelling resources (including accommodation booking and car rental services) on the Group's platforms	325,000	460,000	650,000
<b>Total</b>	<u>3,575,000</u>	<u>4,760,000</u>	<u>6,650,000</u>

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

---

## LETTER FROM THE BOARD

---

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

- (i) the historical amounts;
- (ii) the estimated market demand for the transportation ticketing services, attraction ticketing services, accommodation booking services and car rental services in the next three years based on the Group's internal business forecast, especially the expected increase in intra-PRC demand for accommodation booking and ticketing services, as evidenced by the notable increases in such demand in the golden week holiday in October 2020, and the expected significant increase in the online ticketing segment due to the Group's expanding offering of ticketing services;
- (iii) the expected annual increase of the Group's user base; and
- (iv) the future recovery and growth opportunities of the OTA industry in the PRC, having taken into account the impact of COVID-19.

In relation to factor (ii) above, the proposed annual caps for the years 2021 to 2023 are in line with Group's forecast of business outlooks of all of the travelling resource segments. In the past two quarters, the Group noted an increase in the intra-China demand for accommodation booking and attraction ticketing services, especially in the lower-tier regions and cities. For example, during the golden week of National Holiday, the accommodation booking orders from the third-tier cities in China increase for more than 55% comparing to the same period last year, while the transportation ticket volume from the third-tier or below cities in the PRC increase for more than 35% comparing to the same period last year. As explained in the Q3 Announcement, the Group recorded an increase in volume for travelling resource segments in lower-tier cities in China, comparing to the same period last year, despite the impact of COVID-19.

In relation to factor (iii) above, the Group aims to increase its market share by penetrating into the untapped markets in the PRC by formulating diverse marketing strategies tailoring to the localized demands of various lower-tier cities. For example, for the next three years, the Group will strive to broaden its offline traffic channels to increase its market penetration rate in lower-tier cities. The Group has worked with bus operators and tourist attractions to set up vending machines. The Group has also collaborated with hotels to set up QR code scanning function and direct offline users to make online bookings through the Group's mini-programs. As a result, for the third quarter, the Group's offline user acquisition initiatives have contributed 11% to MPUs. As of the third quarter of 2020, the Group's registered users residing in non-first-tier cities in China accounted for approximately 86.1% of the total registered users. For the third quarter of 2020, approximately 67.2% of the Group's new paying users on its Weixin-based platform were from third-tier or below cities in China, which increased from 63.3% over the same period of 2019. Such growth of the Group's user base has contributed to the Group's increase in GMV and revenues. For example, in the third quarter of 2020, the Group has registered nearly 30% year-to-year growth in room nights sold in lower tier cities, over 80% year-to-year growth in bus ticketing volume and over 20% year-to-year growth in domestic air ticketing volume. Therefore, the Group believes that the

---

## LETTER FROM THE BOARD

---

increased proposed annual caps for the years 2021 to 2023 reasonably reflect the increase in transaction amounts as a result of the forecasted gradually increasing penetration rates, user base and market share in the lower-tier cities.

In relation to factor (iv) above, the Group's optimistic business outlook of the online travel agency industry supports the Group's forecast that the Group's GMV will reach the pre-COVID-19 level and achieve modest growth for the years 2021 to 2023. Therefore, the commission receivable by the Group and the system maintenance fee payable by the Group would also increase proportionately.

### ***(II) Reasons for and Benefits of Entering into the Trip.Com Travelling Resources Provision Framework Agreement***

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

### ***(III) No Undue Reliance on Trip.com Group***

The Group believes that the Trip.com Travelling Resources Provision Framework Agreement does not constitute undue reliance on Trip.com Group on the following grounds:

#### ***(a) Trip.com Group and the Group has a complementary and mutually-beneficial relationship***

Although Trip.com Group is currently Asia's largest online travel agency, the online travel agency industry, in particular the upstream supplier market, is of a fragmented nature with no players dominating the supply of any types of travelling resources. In the context of the industry landscape, the relationship between Trip.com Group and the Group is complementary and mutually beneficial in the following ways:

- Strategic partnerships and sharing of travel resources for offering to the consumers among participants in the online travel agency industry are very common as such allows the participants to improve operational efficiency and expand product coverage. Similarly, the strategic partnership between the Group and Trip.com Group enables both the Group and Trip.com Group to devote more resources to non-price competition through customer service improvement and product innovation in order to distinguish each other from the other competitors. For example, pursuant to the Trip.com Travelling Resources Provision Framework Agreement, by having direct access to the booking system of Trip.com and/or its associates, the Group is able to efficiently put up offering of the travelling resources that Trip.com and/or its associates have in stock. As a result, the Group can save the expenses that would have been incurred by the Group in search for and to procure for the listing of the various travelling resources on the Group's platforms, in particular the additional costs to hire personnel engaging in such research and procurement;



---

## LETTER FROM THE BOARD

---

- Pursuant to the Trip.com Travelling Resources Provision Framework Agreement, Trip.com Group is granted access to offer its travelling resources on the Group's exclusive Tencent-based platforms, which have market-leading user traffic. For the year of 2019, the Group's average MAUs rank the first in the industry with a year-over-year increase of 17%. In addition, Trip.com Group is able to offer its travelling resources to the Group's wide user group, such that a wider variety of products and services are available to users in order to satisfy their changing travelling needs. In 2019, the Group launched a paid membership program called Black Whale providing with its users various exclusive benefits and privileges. As of December 31, 2019, the number of annual paying users hit a record high of 152 million, representing a year-over-year increase of 35%.
- The Trip.com Travelling Resources Provision Framework Agreement and the Trip.com Travelling Resources Sales Framework Agreement (as defined in the announcement of the Company dated December 8, 2020 in relation to the renewal of annual caps for continuing connected transactions in respect of 2021 to 2023) together provide a full picture to the complementary and collaborative relationship between the Group and the Trip.com Group. Pursuant to the Trip.com Travelling Resources Sales Framework Agreement, Trip.com Group provides access to the Group for the Group's offering of its travelling resources. The Group's niche focus in the lower-tier cities in China enriches the offering of travelling resources that Trip.com Group can offer to its users on its platforms.

*(b) The Group's efforts and initiatives that would diversify and reduce its reliance on Trip.com Group*

The Company aims to develop and maintain long-term and strategic relationship with all of its suppliers, which represent the Group's efforts and initiatives that would diversify and reduce its reliance on Trip.com Group in the following ways:

- An extensive and fast-growing supplier network. The Group's supplier network is now covering 23 provinces, 5 autonomous administrative regions, 4 municipalities and a special administrative region of the PRC.
- The Group has in place a rigorous supplier selection process. When determining whether to introduce a prospective supplier to its platforms, the Group takes into account various factors, including reputation, industry expertise and know-how, price competitiveness, and a history of delivering high-quality products and services. Measure taken by the Group include contracting with regional travel agents, launching joint-marketing campaigns and directly linking the Group's platforms to booking systems operated by the suppliers.
- The Group launched various initiatives to deepen the cooperation by strengthening the Group's value propositions to them. For example, as part of the ancillary value-added services the Group provides to the suppliers, the Group uses data analytic capabilities to help them develop innovative services to meet travelers' evolving needs and to optimize the pricing of such products.



---

## LETTER FROM THE BOARD

---

The Group believes this helps to build stronger ties with existing TSPs and attract potential TSPs. In order to support the Group's suppliers during the difficult times in the first half of 2020, the Group established an Ark Alliance to form allies and promote tourist attraction through free online marketing taken by the Group.

(c) *The Group's ability to mitigate its exposure to any material adverse impact despite its material reliance*

- There is not a supplier reliance issue between the Group and Trip.com Group in the traditional sense that there is a high level of supplier concentration, i.e., the commission receivable from Trip.com Group accounting for a high proportion of the total revenue of the Group does not point to the conclusion that if Trip.com Group ceases to supply its travelling resources to the Group, the operation and performance of the Group will be inevitably materially affected. This is because the role of Trip.com Group in the strategic partnership with the Group is more to enrich the Group's offering of travelling resources so that the Group can more easily provide with its user with highly reliable and suitable travel solutions.
- In any event, in order to ensure operation independence, the Group maintains an in-house procurement team independent of the Trip.com Group to obtain travel resources for sale on the Group's platforms directly from suppliers, and to negotiate partnerships with travel agents and other OTA. The Group will continue to tailor its products and services that better suit the needs of its users and business strategies.

(d) *No indication that the relationship between the Group and Trip.com Group would terminate or materially adversely change*

The strategic partnership between the Group and the Trip.com Group began in 2015. The Directors do not see any material red flags indicating any material adverse changes to the established relationship between Trip.com Group and the Group.

### ***(IV) Information of the Parties***

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

Trip.com Group is a leading provider of travel-related services, including accommodation reservation, transportation ticketing, packaged-tour and corporate travel management services in the PRC, and its American Depositary Shares are listed on the NASDAQ (stock symbol: TCOM).

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

---

## LETTER FROM THE BOARD

---

### *(V) Listing Rules Implications*

As at the Latest Practicable Date, C-Travel is one of the substantial shareholders of the Company which holds approximately 18.95% of the shares in the Company, and as such, C-Travel is a connected person of the Company under the Listing Rules. Therefore, the transactions contemplated under the Trip.com Travelling Resources Provision Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the aggregated transactions are more than 5%, the proposed annual caps under the Trip.com Travelling Resources Provision Framework Agreement are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### *(VI) Directors' Confirmation in Relation to the Trip.com Travelling Resources Provision Framework Agreement*

The Directors (including the independent non-executive Directors) are of the view that the Trip.com Travelling Resources Provision Framework Agreement has been and will be entered into in the ordinary and usual course of business of the Group, is on normal commercial terms and is fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors (including the independent non-executive Directors) are of the view that the proposed annual caps under the Trip.com Travelling Resources Provision Framework Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

From the perspective of good corporate governance, Mr. Liang Jianzhang and Mr. Jiang Hao abstained from voting on the resolution approving the Trip.com Travelling Resources Provision Framework Agreement at the relevant board meeting of the Company due to their positions at the Trip.com Group. Save as disclosed above, no other Director has any material interest in the Trip.com Travelling Resources Provision Framework Agreement and the transactions contemplated thereunder.

### *(VII) Approval by Independent Shareholders*

The Company will seek the Independent Shareholders' approval at the Extraordinary General Meeting for, among others, the Trip.com Travelling Resources Provision Framework Agreement on the condition that:

1. the annual transaction amount of the Trip.com Travelling Resources Provision Framework Agreement shall not exceed the annual caps;

---

## LETTER FROM THE BOARD

---

2. (i) the Trip.com Travelling Resources Provision Framework Agreement will be entered into in the ordinary and usual course of business of the Group and either (a) on normal commercial terms or better; or (b) if there is no available comparison, on terms no less favourable than terms available to the Group from independent third parties; and
- (ii) the transactions will be entered into in accordance with the Trip.com Travelling Resources Provision Framework Agreement and on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company will comply with relevant provisions of the Listing Rules in relation to the transactions under the Trip.com Travelling Resources Provision Framework Agreement.

### INTERNAL CONTROL MEASURES

The Group has a comprehensive internal control system to ensure that the terms of the Tencent Payment Services Framework Agreement and the Trip.com Travelling Resources Provision Framework Agreement are fair and reasonable, and the Tencent Payment Services Framework Agreement and the Trip.com Travelling Resources Provision Framework Agreement are conducted on normal commercial terms or better and in the ordinary course of business of the Group, and in the interests of the Company and the Shareholders as a whole. Relevant internal control measures include the following:

- (i) The Group has designated a team of senior management from the business operations, legal, risk control and finance departments to continuously monitor continuing connected transactions. The team of senior management continuously traces and regularly monitors the progress of continuing connected transactions and reports to the Board.
- (ii) With respect to the Trip.com Travelling Resources Provision Framework Agreement, the relevant personnel of the business department of the Company will conduct regular checks on the market fee rates for the purpose of considering if the commission charged for a specific type of transaction is fair and reasonable and in accordance with the pricing basis for the relevant continuing connected transactions. The marketing team will from time to time (on a regular basis and/or prior to price negotiation) gather market intelligence by way of research, investigation and obtaining quotations from independent third-party TSPs and online and mobile platforms to ascertain the reference market fee rates of each type of the travelling resources. The benchmark market fee rates of each type of the travelling resources will be entered into the computer system of the Group.

---

## LETTER FROM THE BOARD

---

- (iii) With respect to the Tencent Payment Services Framework Agreement, the relevant personnel of the business department of the Company will conduct regular checks on the payment and settlement fees payable to the Tencent Group for the purpose of considering if the service fee payable under each implementation agreement is fair and reasonable and in accordance with the pricing basis for the relevant continuing connected transactions.
- (iv) The team of senior management together with the finance department of the Group regularly monitor the actual amounts incurred for each type of continuing connected transactions for the purpose of ensuring the relevant annual caps are not exceeded.
- (v) To ensure the Company is complying with the applicable rules in relation to the continuing connected transactions under the Listing Rules, the in-house legal department reviews and implements the above internal procedures.
- (vi) The team of senior management of the Group organizes and runs internal control tests regularly to evaluate the completeness and effectiveness of the internal control measures in relation to continuing connected transactions.
- (vii) The Board conducts an annual review of the implementation of continuing connected transactions and conducts a review of financial statements which include the disclosure of continuing connected transactions semi-annually. The review mainly includes a review of whether the Group and the connected parties have fulfilled the terms of the agreements in relation to continuing connected transactions during the relevant year or semi-annually and whether the actual transaction amounts incurred between the Group and the connected persons are within the annual caps.
- (viii) The team of senior management of the Group collects and reviews continuing connected transactions each month in order to guarantee (i) the connected parties have fulfilled the terms of the agreements in relation to continuing connected transactions during the relevant month and (ii) the actual transaction amounts incurred and estimated to be incurred between the Company and the connected parties are within the annual caps.
- (ix) The independent non-executive Directors conduct annual review of continuing connected transactions and provide annual confirmations in the Company's annual report on whether the continuing connected transactions are conducted (i) in the Group's ordinary course of business, (ii) in accordance with normal commercial terms or better and on terms that are fair and reasonable, (iii) in accordance with the terms of the relevant agreements, and (iv) in the interests of the Company and the Shareholders as a whole.

---

## LETTER FROM THE BOARD

---

### CLOSURE OF REGISTER OF MEMBERS

Reference is made to the announcement of the Company dated December 8, 2020 in relation to the renewal of annual caps for continuing connected transactions in respect of 2021 to 2023, the register of members of the Company will be closed from December 28, 2020 (Monday) to December 31, 2020 (Thursday), both days inclusive, in order to determine the eligibility of shareholders to attend the above meeting, during which period no share transfers will be registered. To be eligible to attend the above meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on December 24, 2020 (Thursday).

### EXTRAORDINARY GENERAL MEETING

Set out on pages 66 to 68 of this circular is the notice of the Extraordinary General Meeting at which, inter alia, ordinary resolutions will be proposed to the Shareholders to consider and approve (i) the provision of the payment and settlement services by the Tencent Group to the Group, pursuant to the Tencent Payment Services Framework Agreement, and (ii) the provision of access to the Group's platforms for the offering of Trip.com Travelling by Trip.com Group and/or its associates, pursuant to the Trip.com Travelling Resources Provision Framework Agreement.

A form of proxy for use at the extraordinary general meeting is also enclosed. Such form of proxy is also published on the websites of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.tcelir.com](http://www.tcelir.com)). Whether or not you are able to attend the extraordinary general meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the extraordinary general meeting (or any adjournment thereof) if they so wish.

In accordance with the Listing Rules, Tencent and its associates have a material interest in the Tencent Payment Services Framework Agreement while Trip.com Group and its associates have a material interest in the Trip.com Travelling Resources Provision Framework Agreement. Therefore, Tencent and its associates will, at the Extraordinary General Meeting, abstain from voting on the ordinary resolution to approve the Tencent Payment Services Framework Agreement (including the proposed annual caps) while Trip.com and its associates will, at the Extraordinary General Meeting, abstain from voting on the ordinary resolution to approve the Trip.com Travelling Resources Provision Framework Agreement (including the proposed annual caps). Except as disclosed, no other Shareholder has any material interest in the proposed resolutions and is required to abstain from voting on such resolutions.

---

## **LETTER FROM THE BOARD**

---

Pursuant to Rule 13.39(4) of the Listing Rules and Article 13.5 of the Articles of Association, a resolution put to the vote at any general meeting shall be decided on a poll save that the Chairman may, in good faith, allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

On a poll, every Shareholder present in person or by proxy or (being a corporation) by its duly authorized representative shall have one vote for each share registered in his/her/its name in the register of members. A Shareholder entitled to more than one vote need not use up all his/her/its votes nor cast all the votes in the same way.

### **RECOMMENDATION OF THE BOARD**

The Directors are of the opinion that the terms of the Tencent Payment Services Framework Agreement and the Trip.com Travelling Resources Provision Framework Agreement (including the respective proposed annual caps) are fair and reasonable, on normal commercial terms or better, and the Tongcheng Continuing Connected Transactions are carried out in the ordinary and usual course of business. They are also of the opinion that the Tongcheng Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that the Independent Shareholders vote in favour of all the relevant ordinary resolutions to be proposed at the Extraordinary General Meeting.

### **RECOMMENDATION OF THE INDEPENDENT FINANCIAL ADVISER AND THE INDEPENDENT BOARD COMMITTEE**

An Independent Board Committee has been formed to advise the Independent Shareholders in connection with the Tongcheng Continuing Connected Transactions (including the respective proposed annual caps), and First Shanghai has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders.

The Independent Financial Adviser considers the Tencent Payment Services Framework Agreement and the Trip.com Travelling Resources Provision Framework Agreement (including the respective proposed annual caps) are on normal commercial terms and in the ordinary and usual course of business of the Group. The Independent Financial Adviser also considers that the Tencent Payment Services Framework Agreement and the Trip.com Travelling Resources Provision Framework Agreement (including the respective proposed annual caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The full text of the letter from the Independent Financial Adviser issued by First Shanghai containing its recommendation in respect of the Tencent Payment Services Framework Agreement and the Trip.com Travelling Resources Provision Framework Agreement (including the respective proposed annual caps) is set out on pages 32 to 58 of this circular.

---

## LETTER FROM THE BOARD

---

The Independent Board Committee, having taken into account the advice of First Shanghai, considers the terms of the Tencent Payment Services Framework Agreement and the Trip.com Travelling Resources Provision Framework Agreement (including the respective proposed annual caps) are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends that the Independent Shareholders vote in favour of the relevant ordinary resolutions to be proposed at the Extraordinary General Meeting to approve the Tencent Payment Services Framework Agreement and the Trip.com Travelling Resources Provision Framework Agreement (including the respective proposed annual caps). The full text of the letter from the Independent Board Committee is set out on page 30 to 31 of this circular.

Yours faithfully,

By order of the Board

**Tongcheng-Elong Holdings Limited**

**Ma Heping**

*Executive Director and*

*Chief Executive Officer*



**Tongcheng-Elong Holdings Limited**

**同程藝龍控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 0780)**

December 11, 2020

*To the Independent Shareholders*

**(1) RENEWAL OF ANNUAL CAPS FOR CONTINUING CONNECTED  
TRANSACTIONS IN RESPECT OF 2021 TO 2023**

**AND**

**(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

Dear Sir or Madam,

We have been appointed as the Independent Board Committee to advise you in connection with the Tencent Payment Services Framework Agreement and the Trip.com Travelling Resources Provision Framework Agreement (including the respective proposed annual caps), details of which are set out in the letter from the Board contained in the circular issued by the Company to the Shareholders dated December 11, 2020, of which this letter forms part. We wish to draw your attention to the letter from the Independent Financial Adviser as set out on pages 32 to 58 of the circular. Terms defined in the circular shall have the same meanings when used herein, unless the context otherwise requires.

Having considered the information set out in the letter from the Board, the terms of the Tencent Payment Services Framework Agreement and the Trip.com Travelling Resources Provision Framework Agreement and the advice of First Shanghai in relation thereto as set out on pages 32 to 58 of the circular, we are of the view that the Tencent Payment Services Framework Agreement and the Trip.com Travelling Resources Provision Framework Agreement (including the respective proposed annual caps) are on normal commercial terms and conducted in the ordinary and usual course of the business of the Group. We are also of the view that the Tencent Payment Services Framework Agreement and the Trip.com Travelling Resources Provision Framework Agreement (including the proposed annual caps) are in the interests of the Company and the Shareholders as a whole, and are fair and reasonable so far as the Independent Shareholders are concerned.



---

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

---

Accordingly, we recommend that the Independent Shareholders vote in favour of the relevant ordinary resolutions to be proposed at the Extraordinary General Meeting to approve the Tencent Payment Services Framework Agreement and the Trip.com Travelling Resources Provision Framework Agreement (including the respective proposed annual caps).

Yours faithfully,

For and on behalf of the Independent Board Committee

**Tongcheng-Elong Holdings Limited**

**WU Haibing      DAI Xiaojing      HAN Yuling**

*Independent Non-executive Directors*

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

*The following is the full text of the letter to the Independent Board Committee and the Independent Shareholders received from the Independent Financial Adviser setting out its opinion regarding the Tongcheng Continuing Connected Transactions (including the respective proposed annual caps), for the purpose of inclusion in this circular.*



**First Shanghai Capital Limited**  
19th Floor Wing On House  
71 Des Voeux Road Central  
Hong Kong

December 11, 2020

*To the Independent Board Committee and  
the Independent Shareholders*

Tongcheng-Elong Holdings Limited  
Tongcheng Mansion  
No. 188 Yuxin Road  
Suzhou Industrial Park  
Suzhou City  
Jiangsu Province  
China

Dear Sirs,

### **RENEWAL OF ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS IN RESPECT OF 2021 TO 2023**

#### **INTRODUCTION**

We refer to our engagement as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Tongcheng Continuing Connected Transactions contemplated under each of (i) the Tencent Payment Services Framework Agreement; and (ii) the Trip.com Travelling Resources Provision Framework Agreement (including the respective proposed annual caps) (collectively, the “**Non-exempt Framework Agreements**”), details of which are contained in the circular to the Shareholders dated December 11, 2020 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalized terms used in this letter shall have the same meanings as those ascribed in the Circular.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

As the Group intends to continue carrying out the transactions of the similar nature under the Existing Tencent Payment Services Framework Agreement and the Ctrip Travelling Resources Provision Framework Agreement in the ordinary and usual course of business of the Group, the Group agrees to enter into (i) the Tencent Payment Services Framework Agreement with Tencent Group; and (ii) the Trip.com Travelling Resources Provision Framework Agreement with C-Travel, respectively, for a term of three years commencing from January 1, 2021 to December 31, 2023. The Existing Tencent Payment Services Framework Agreement and the Ctrip Travelling Resources Provision Framework Agreement will thus cease to be in effect from December 31, 2020.

### LISTING RULES IMPLICATIONS

#### **Tencent Payment Services Framework Agreement**

As Tencent Computer is a consolidated affiliated entity of Tencent, a substantial shareholder of the Company which holds approximately 21.94% of the shares in the Company as at the Latest Practicable Date, Tencent Computer is a connected person of the Company pursuant to Rule 14A.07(4) of the Listing Rules.

Accordingly, the transactions contemplated under the Tencent Payment Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Since the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the transactions are more than 5%, the proposed annual caps under the Tencent Payment Services Framework Agreement are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

#### **Trip.com Travelling Resources Provision Framework Agreement**

As at the Latest Practicable Date, C-Travel is one of the substantial shareholders of the Company which holds approximately 18.95% of the shares in the Company, and as such, C-Travel is a connected person of the Company under the Listing Rules. Therefore, the transactions contemplated under the Trip.com Travelling Resources Provision Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the aggregated transactions are more than 5%, the proposed annual caps under the Trip.com Travelling Resources Provision Framework Agreement are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### THE INDEPENDENT BOARD COMMITTEE

An Independent Board Committee comprising Mr. Wu Haibing, Mr. Dai Xiaojing and Ms. Han Yuling, being all the three independent non-executive Directors, has been formed to advise the Independent Shareholders in relation to the Tongcheng Continuing Connected Transactions (including the respective proposed annual caps) pursuant to each of the Non-exempt Framework Agreements.

As the Independent Financial Adviser, we have been appointed to advise the Independent Board Committee and the Independent Shareholders as to (i) whether or not the Tongcheng Continuing Connected Transactions (including the respective proposed annual caps) pursuant to each of the Non-exempt Framework Agreements are conducted in the ordinary and usual course of business of the Group and on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole; and (ii) how the Independent Shareholders should vote in relation to the ordinary resolutions to be proposed for approving the Tongcheng Continuing Connected Transactions (including the respective proposed annual caps) pursuant to each of the Non-exempt Framework Agreements at the Extraordinary General Meeting.

### OUR INDEPENDENCE

Apart from our current appointment as the Independent Financial Adviser in respect of the Tongcheng Continuing Connected Transactions (including the respective proposed annual caps), we are not associated with the Group, the Tencent Group, the Trip.com Group, or any party acting, or presumed to be acting, in concert with any of them. In addition, we did not have any business relationship with the Company within the past two years prior to the Latest Practicable Date. Accordingly, we consider ourselves independent under Rule 13.80 of the Listing Rules to form our opinion and recommendation in respect of the Tongcheng Continuing Connected Transactions (including the respective proposed annual caps).

### BASIS OF OUR ADVICE

In arriving at our recommendation, we have relied on the information and facts provided by the Company and have assumed that any representations made to us are true, accurate and complete. We have also relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and management of the Company (the “**Management**”). We have assumed that all information, representations and opinions contained or referred to in the Circular and all information, representations and opinions which have been provided by the Directors and management of the Company for which they are solely responsible, are true and accurate at the time they were made and will continue to be accurate at the date of the despatch of the Circular.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular the omission of which would make any such statement contained in the Circular misleading. We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. Having made all reasonable enquiries, the Directors have further confirmed that, to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading. We have not, however, carried out any independent verification of the information provided by the Directors and the Management, nor have we conducted an independent investigation into the business and affairs of the Group, the Tencent Group and the Trip.com Group.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our opinion and recommendation regarding the Tongcheng Continuing Connected Transactions (including the respective proposed annual caps) pursuant to each of the Non-exempt Framework Agreements, we have taken into consideration the following principal factors and reasons:

#### **1. Background information of the Group**

The Company is an investment holding company incorporated in the Cayman Islands, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 780).

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

#### **2. Background information of the counter-parties**

##### ***Tencent Group***

Tencent is a leading provider of Internet services in the PRC, operating the largest communication and social platform in China. It connects games, media, FinTech and other services to individual internet users; and provides advertising, cloud and other business services to enterprises, and its shares are listed on the Main Board of the Stock Exchange (stock code: 700).

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

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

### *Trip.com Group*

Trip.com Group is a leading provider of travel-related services, including accommodation reservation, transportation ticketing, packaged-tour and corporate travel management services in the PRC, and its American Depositary Shares are listed on the NASDAQ (stock symbol: TCOM).

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

### **3. Principal terms of the Non-exempt Framework Agreements**

#### *The Tencent Payment Services Framework Agreement*

On December 8, 2020, Tencent Computer and the Company entered into the Tencent Payment Services Framework Agreement, pursuant to which the Tencent Group will provide payment and settlement services through its payment channels to the Group for a term of three years from January 1, 2021 to December 31, 2023. The principal terms of the Tencent Payment Services Framework Agreement are summarized below.

#### *Term*

The Tencent Payment Services Framework Agreement has an initial term of three years from January 1, 2021 to December 31, 2023. Subject to compliance with the Listing Rules and applicable laws and regulations, the Tencent Payment Services Framework Agreement may be renewed automatically for a further term of three years upon the mutual consent of both parties, unless the parties agree in writing to terminate the Tencent Payment Services Framework Agreement during its term.

#### *Nature of the transactions*

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

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### *Pricing basis*

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

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

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

We have independently researched from Tencent's official website at <https://kf.qq.com> to ascertain the general service fee charging rate for merchants using the payment and settlement services provided by Tencent. We noted that Tencent usually charges a common market commission rate on transactions made through WeChat payment in China, which is exactly consistent with the service fee charging rate in relation to the provision of payment and settlement services by Tencent Group to each of the Group and other independent third party merchants (the "**Independent Merchants**") engaging in the similar business nature. On such basis, we understand that the service charge rate of similar payment and settlement services are comparable among each other and no less favourable to the Group than the terms for similar transactions between Tencent Group and such Independent Merchant.

### *The Trip.com Travelling Resources Provision Framework Agreement*

On December 8, 2020, C-Travel and the Company entered into the Trip.com Travelling Resources Provision Framework Agreement, pursuant to which the Group will provide Trip.com Group and/or its associates with access to the Group's platforms for the offering of Trip.com Main Travelling Services by Trip.com Group and/or its associates for a term of three years from January 1, 2021 to December 31, 2023. The principal terms of the Trip.com Travelling Resources Provision Framework Agreement are summarized below.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### *Term*

The Trip.com Travelling Resources Provision Framework Agreement has a term of three years from January 1, 2021 to December 31, 2023. Subject to compliance with the Listing Rules and applicable laws and regulations, the Trip.com Travelling Resources Provision Framework Agreement may be renewed automatically for a further term of three years upon the mutual consent of both parties, unless the parties agree in writing to terminate the Trip.com Travelling Resources Provision Framework Agreement during its term.

### *Nature of the transactions*

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

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

In return for offering of the wide variety of travelling resources (including accommodation booking and car rental services) by Trip.com Group and/or its associates on the Group's platforms, the Group will pay system maintenance fee to Trip.com Group and/or its associates.

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

### *Pricing basis*

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

For the provision of access to the Group's platform for the offering of Trip.com Main Travelling Services by Trip.com Group and/or its associates, the commission receivable from Trip.com Group and/or its associates is determined based on prevailing market rates. Generally, in determining the market rates, the Group considers (i) the historical commission rates, (ii) the commission rates charged by the other comparable



---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

third-party online and mobile platforms in connection with the similar types of travelling resources, and (iii) the procurement, selling and administrative expenses. The Group will also adjust the commission receivable if there is any significant change in the cost of sales and expenses incurred.

Please refer to the “Letter from the Board” of the Circular (the “**Board Letter**”) for more details of the specific considerations taken into account in the pricing of the each of the Trip.com Main Travelling Services offered by Trip.com Group and/or its associates to the Group.

We have independently reviewed 12 sample service contracts in relation to the provision of Trip.com Main Travelling Services by the Group to each of the Trip.com Group and/or its associates and independent third party customers of the Group (the “**Independent Customers**”), we note that the service charge rate of similar services are comparable among each other and no less favourable to the Group than the terms for similar transactions between the Trip.com Group and/or its associates and such Independent Customers.

*(b) Offering of the wide variety of travelling resources (including accommodation booking and car rental services) on the Group’s platform*

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

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

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

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

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

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

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

We have reviewed the calculation schedule and discussed with the Management regarding the pricing policy in respect of system maintenance fee paid by the Group to Trip.com. Group under Ctrip Travelling Resources Provision Framework Agreement, and understand that the fee charging rate was negotiated at arms-length basis and then agreed to a fixed rate per booking order, with reference to the Group's own order processing cost of per booking order incurred for procuring hotel and other travelling resources from its independent service providers (the "**Independent Service Providers**"), which had not been varied so far. The Management has recently estimated that such fee charging rate shall be higher than the above fixed rate per booking order payable to Trip.com Group,

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

because the procurement staff cost has continuously increased over the years. On such basis, we consider that the system maintenance fee charging rate shall be no less favourable to the Group than the terms for similar transactions between the Trip.com Group and/or its associates and such Independent Service Providers.

Having considered the above mechanism for setting the pricing and payment terms thereunder, we are of the view that the provision of (i) payment and settlement services to the Group by the Tencent Group; and (ii) travelling resources and access to the Group's platforms to Trip.com Group for the offering of Trip.com Main Travelling Services are on normal commercial terms, have been and will be conducted in the ordinary and usual course of business of the Group, and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

#### 4. The historical transaction amounts, existing annual caps and the proposed annual caps

##### *Historical transaction amounts*

The table below sets out the historical transaction amounts in relation to (i) the provision of payment and settlement services by Tencent Group pursuant to the Existing Tencent Payment Services Framework Agreement; and (ii) the provision of access to the Group's platforms to Trip.com Group and/or its associates for the offering of Trip.com Main Travelling Services pursuant to the Ctrip Travelling Resources Provision Framework Agreement during the periods indicated below:

	For the year ended/ending December 31					
	Increase		Increase		Increase	
	2018	from 2017	2019	from 2018	2020	from 2019
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
<b>Existing annual caps</b>						
Tencent Payment Services Framework Agreement						
Service fee payable by the Group	670,000	N/A	940,000	40.3	1,250,000	33.0
Ctrip Travelling Resources Provision Framework Agreement ( <i>Note 1</i> )						
Commissions to be received from Trip.com Group ( <i>Note 2</i> )	1,050,000	N/A	1,500,000	42.9	2,000,000	33.3
System maintenance fee payable to Trip.com Group ( <i>Note 3</i> )	90,000	N/A	160,000	77.8	200,000	25.0

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	For the year ended/ending December 31					
	Increase		Increase		Increase	
	2018	from 2017	2019	from 2018	2020	from 2019
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
<b>Actual/estimated transaction amounts</b>						
Tencent Payment Services						
Framework Agreement						
Service fee payable by the Group						
	624,391	51.0	803,886	28.7	462,778	N/A
Ctrip Travelling Resources						
Provision Framework Agreement						
Commissions to be received from Trip.com Group						
	813,600	157.4	1,499,724	84.3	1,111,767	N/A
System maintenance fee payable to Trip.com Group						
	68,830	N/A	103,412	50.2	93,465	N/A
<b>Utilisation rate of the existing annual caps</b>						
<i>(Note 4)</i>						
Tencent Payment Services						
Framework Agreement						
Service fee payable by the Group						
	93.2%		85.5%		37.0%	<i>(Note 5)</i>
Ctrip Travelling Resources						
Provision Framework Agreement						
Commissions to be received from Trip.com Group						
	77.5%		99.98%		55.6%	<i>(Note 7)</i>
<i>(Note 6)</i>						
System maintenance fee payable to Trip.com Group						
	76.5%		64.6%		46.7%	

**Notes:**

- The historical amounts set out above included the commissions to be received by the Group from third-party TSPs in relation to the Trip.com Travelling Services that Trip.com Group and/or its associates offered on the Group's platforms. Although such commissions were not directly received from Trip.com Group and/or its associates, as the underlying Trip.com Main Travelling Services formed part of the Group's cooperation with Trip.com Group and the Group did not enter into direct contracts with the relevant third party TSPs, such commissions were deemed to also constitute amounts arising from the same connected transactions under the Ctrip Travelling Resources Provision Framework Agreement.
- Commissions to be received by the Group from Trip.com Group and/or its associates and third-party TSPs for the provision of access to the Group's platforms for the offering of Trip.com Group's transportation services, attraction ticketing services, and accommodation booking services.
- System maintenance fee payable to Trip.com Group and/or its associates for offering its travelling resources (including the accommodation services and car rental services) on the Group's platforms.
- The actual transaction amounts for the Year 2020 were recorded for the ten months ended October 31, 2020. Since there had been significant impact on the travelling activities, operations and revenue of the Group by the outbreak of COVID-19 pandemic in first half of the Year 2020, the Management considers that it shall not be appropriate to project the estimated transaction amounts on annualized basis for comparison based on the actual transaction amounts thereof for the ten months ended October 31, 2020.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

5. The outbreak of COVID-19 since January 2020 has inevitably disrupted the OTA industry, including the Company's operation. As further explained in the Q3 Announcement, comparing with the same period in 2019, the Company recorded a year-on-year decrease in the transaction amounts in 2020, attributed to the implementation of travel restrictions and lockdown policies imposed to combat the spread of the COVID-19. Due to the implementation of travel restrictions and lockdown policies imposed to combat the spread of the COVID-19, there was a decrease in the transaction amount for the ten months ended October 31, 2020 and thus the 2020 annual cap for the ten months ended October 31, 2020 was not utilized as the Company had anticipated when the 2020 annual cap was formulated.
6. The Group's commissions received from Trip.com Group and/or its associates for the two years ended December 31, 2018, 2019 and the nine months ended September 30, 2020 accounted for approximately 13.4% (on a combined basis), 20.3% and 22.6% of the Group's total revenue, respectively.
7. Due to the decrease in transaction amounts of the Group for the nine months ended September 30, 2020 as a result of COVID-19 pandemic, the amounts of commissions receivable from its suppliers of travelling resources on the Group's platforms, including Trip.com Group and/or its associates proportionally decreased, thus, the annual cap for 2020 was not as utilized as the Company had anticipated when it formulated the annual cap amounts in 2018.

Based on the Group's latest unaudited management accounts for the ten months ended October 31, 2020, the actual transaction amounts of (i) the provision of payment and settlement services from the Tencent Group to the Group under the Existing Tencent Payment Services Framework Agreement for the period from January 1, 2020 to October 31, 2020 was approximately RMB462.8 million, representing approximately 37.0% of the existing annual cap for the Year 2020, which had not yet been exceeded; and (ii) the provision of access to the Group's platforms to Trip.com Group and/or its associates for the offering of Trip.com Main Travelling Services under the Trip.com Travelling Resources Provision Framework Agreement for the period from January 1, 2020 to October 31, 2020 were approximately RMB1,111.8 million and RMB93.5 million, representing approximately 55.6% and 46.7% of the existing annual caps for the Year 2020, both of which had not yet been exceeded.

### *The proposed annual caps*

		For the year ending 31 December					
				Increase from			Increase from
		2021	2022	2021	2023		
		<i>RMB'000</i>	<i>RMB'000</i>	%	<i>RMB'000</i>		
<b>Proposed annual caps</b>							
Tencent Payment Services Framework Agreement							
Service fee payable to the Group	1,500,000	1,800,000	20.0	2,100,000	16.7		
Trip.com Travelling Resources Provision Framework Agreement							
Commissions to be received from Trip.com Group ( <i>Note 8</i> )	3,250,000	4,300,000	32.3	6,000,000	39.5		
System maintenance fee payable to Trip.com Group	325,000	460,000	41.5	650,000	41.3		

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

*Notes:*

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

### ***Basis of determination of the proposed annual caps***

In arriving at the above proposed annual caps under the Tencent Payment Services Framework Agreement, the Group has taken into account the following factors:

- (i) the historical transaction amounts;
- (ii) the increasing demand for payment and settlement services provided for Tencent Group from the Group's users, based on the Group's internal business forecast and analysis;
- (iii) the future recovery and growth opportunities of the OTA industry in the PRC, having taken into account the impact of COVID-19; and
- (iv) the future development plans of the Group, including the enhanced collaboration between the Group and the Tencent Group, the Group's user acquisition strategies, including an emphasis on the integration of technology and innovation into the Group's product offering and user experience, and the Group's market expansion strategy. The Group believes that the successful implementation of such strategies are essential to the Group's GMV, including payment and settlement transaction amounts, reaching the pre-COVID-19 level and achieving modest growth for the Years from 2021 to 2023.

In relation to the factor (ii) above, the Group has been deepening its cooperation with Tencent Group with respect to the Tencent-based Platforms. In particular, this year, the Group collaborated with Tencent to develop a "Search + Travel" ecosystem within Weixin platform, the Group's main Tencent-based platform. As of the third quarter of 2020, the average MAUs increased by 5.0% year-to-year comparing with the same period of 2019 and about 80.6% of the Group's MAUs was contributed from the Tencent-based Platforms with a majority of the traffic came from the Weixin mini programs.

As the Group is consolidating its OTA market leading position in the lower-tier cities, the Group anticipates a stable growth rate of paying user acquisition from such lower-tier cities in China, who are most likely users of the Tencent Group. For the third quarter of 2020, approximately 67.2% of the Group's new paying users on the Weixin-based mini programs were from the third-tier or below cities in China, which increased from 63.3% over the same period of 2019. Therefore, the Group expects that the traffic on its Tencent-based Platforms

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

would increase accordingly for the Years from 2021 to 2023 and considers that the yearly growth rates of the proposed annual caps for the Years from 2021 to 2023 reasonably track such projected increase in traffic on its Tencent-based Platforms.

In relation to factor (iii) above, as explained in the Q3 Announcement, since COVID-19 has been sharply diminished over the past two quarters in the PRC, attributed to the prompt response as well as the effective crowd control and health measures implemented by the Chinese government, the Company observed that the Chinese economy has greatly restored and continued its rapid rebound momentum in the third quarter of Year 2020.

Based on the Group's business performance and operation statistics in the third quarter of Year 2020, the Group is optimistic about the recovery and growth opportunities of the OTA industry in China and forecasted that by the Year 2023, the demand of the Group's users for travelling resources will likely surpass the previous level in Year 2019. The Company noted a significant boost in market confidence and demand in the third quarter of 2020, as evidenced by the improvement in the search volume on the Group's online and mobile platforms improved, especially during the summer holiday and before the golden week of National Holiday in early October 2020. For the third quarter, the Group's average MAUs achieved the highest level in the Company's history. The Group's average MPUs fully recovered year-to-year and improved greatly quarter-to-quarter by 60.2% for the third quarter. The Group's GMV has significantly increased by 77.2% when compared with the second quarter of 2020. For the third quarter of 2020, the Group has registered nearly 30% year-to-year growth in room nights sold in lower tier cities, over 80% year-to-year growth in bus ticketing volume and over 20% year-to-year growth in domestic air ticketing volume.

In arriving at the above proposed annual caps under the Trip.com Travelling Resources Provision Framework Agreement, the Group has taken into account the following factors:

- (i) the historical amounts;
- (ii) the estimated market demand for the transportation ticketing services, attraction ticketing services, accommodation booking services and car rental services in the next three years based on the Group's internal business forecast, especially the expected increase in intra-PRC demand for accommodation booking and ticketing services, as evidenced by the notable increases in such demand in the golden week holiday in October 2020, and the expected significant increase in the online ticketing segment due to the Group's expanding offering of ticketing services;
- (iii) the expected annual increase of the Group's user base; and
- (iv) the future recovery and growth opportunities of the OTA industry in the PRC, having taken into account the impact of COVID-19.



---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

In relation to factor (ii) above, the proposed annual caps for the three Years from 2021 to 2023 are in line with Group's forecast of business outlooks of all of the travelling resource segments. In the past two quarters of Year 2020, the Group noted an increase in the intra-China demand for accommodation booking and attraction ticketing services, especially in the lower-tier regions and cities. For example, during the golden week of National Holiday, the accommodation booking orders from the third-tier cities in China increase for more than 55% comparing to the same period last year, while the transportation ticket volume from the third-tier or below cities in the PRC increase for more than 35% comparing to the same period last year. As explained in the Q3 Announcement, the Group recorded an increase in volume for travelling resource segments in lower-tier cities in China, comparing to the same period last year, despite the impact of COVID-19.

In relation to factor (iii) above, the Group aims to increase its market share by penetrating into the untitled markets in the PRC by formulating diverse marketing strategies tailoring to the localized demands of various lower-tier cities. For example, for the next three years, the Group will strive to broaden its offline traffic channels to increase its market penetration rate in lower-tier cities. The Group has worked with bus operators and tourist attractions to set up vending machines. The Group has also collaborated with hotels to set up QR code scanning function and direct offline users to make online bookings through our mini-program. As a result, for the third quarter, the Group's offline user acquisition initiatives have contributed 11% to MPUs. As of the third quarter of 2020, the Group's registered users residing in non-first-tier cities in China accounted for approximately 86.1% of the total registered users. For the third quarter of 2020, approximately 67.2% of the Group's new paying users on its Weixin-based platform were from third-tier or below cities in China, which increased from 63.3% over the same period of 2019. Such growth of the Group's user base has contributed to the Group's increase in GMV and revenues. For example, in the third quarter of 2020, the Group has registered nearly 30% year-to-year growth in room nights sold in lower tier cities, over 80% year-to-year growth in bus ticketing volume and over 20% year-to-year growth in domestic air ticketing volume. Therefore, the Group believes that the increased proposed annual caps for the three Years from 2021 to 2023 reasonably reflect the increase in transaction amounts as a result of the forecasted gradually increasing penetration rates, user base and market share in the lower-tier cities.

In relation to factor (iv) above, the Group's optimistic business outlook of the OTA industry supports the Group's forecast that the Group's GMV will reach the pre-COVID-19 level and achieve modest growth for the three Years from 2021 to 2023. Therefore, the commission receivable by the Group and the system maintenance fee payable by the Group would also increase proportionately.



---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### *Assessment of the proposed annual caps*

#### *Tencent Payment Services Framework Agreement*

Since the business co-operation with Tencent Group in July 2015, the Group's travel products and services can reach the users in Tencent's social communication ecosystem, in return for accessing fees paid by the Group to Tencent Group. Pursuant to Tencent Payment Services Framework Agreement, Tencent Group provides payment and settlement services through its payment channels to the Group in return for certain percentage of service fees. There are limited numbers of online payment service providers in the PRC. Given that Tencent Group is a leading player in the PRC online payment service industry and many of the Group's users use its online payment and settlement services, the co-operation with Tencent Group would have been enabling the Group to provide its users with a convenient payment method, therefore enhancing the overall user experience of its online travel services.

In assessing the fairness and reasonableness of the proposed annual caps for the provision of payment and settlement services from Tencent Group to the Group pursuant to the Tencent Payment Services Framework Agreement, we have reviewed the schedule of forecasted expenses for the relevant payment services to the Tencent Group prepared and provided by the Company for each of the coming three Years from 2021 to 2023.

Based on our discussion with the Management, we understand that the proposed annual caps of RMB1,500 million, RMB1,800 million and RMB2,100 million for Tencent Group's provision of payment and settlement services to the Group for each of the coming three Years from 2021 to 2023 respectively, which are determined based on (i) the Group's historical actual payment amount for the Year 2019 (i.e. instead of the Year 2020 as the Group's actual operating performance was significantly distorted by the outbreak of COVID-19 pandemic across the nation which had been leading to temporary suspension of most of the travelling activities and related hotel accommodation for almost one and a half months in the Year 2020); (ii) the Management's past experience in online travel booking operations in the PRC; and (iii) the forecasted growth of online travel booking activities in the coming three Years from 2021 to 2023. Benefiting from the improvement in the PRC travelling activities following the better control of the COVID-19 pandemic by the PRC government, the Management has anticipated a tremendous demand for online travel booking operations thereafter, and the transaction amounts for the Tencent Group's provision of payment and settlement services to the Group will further be growing for each of the coming three Years from 2021 to 2023.

Based on our independent review of the annual reports of the Company (the "Annual Reports") for the two Years 2018 and 2019, we noted that the Group's overall scale of online travel booking operation in terms of total revenue had been increasing rapidly from approximately RMB1,026 million (before reorganization) in the Year 2015, to RMB5,256 million and RMB7,393 million in each of the two Years 2018 and 2019 respectively, representing a compound annual growth rate ("CAGR") of approximately 63.8% over the five Years from 2015 to 2019.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

Having taken into account the facts that (i) the Group's continuous tremendous growth in payment amount to Tencent Group for payment and settlement services of approximately RMB413.4 million, RMB624.4 million and RMB803.9 million for each the three Years from 2017 to 2019 with a CAGR of approximately 39.4% for the three Years from 2017 to 2019; and (ii) the proposed annual caps for payment amount to the Tencent Group of RMB1,500 million, RMB1,800 million and RMB2,100 million for each of the coming three Years from 2021 to 2023, respectively, represent a CAGR of merely 18.3% over the three Years from 2021 to 2023.

If we re-compute the CAGR in terms of the Group's payment amount to the Tencent Group by linking up the historical actual transaction amount for the Year 2019 with the proposed annual caps for the coming three Years from 2021 to 2023, the projected CAGR would account for approximately 27.1% for the five Years from 2019 to 2023, which would be higher than the CAGR of approximately 18.3% for the coming three Years from 2021 to 2023 by 8.8 percentage points mainly because of the lower base revenue amount in Year 2017. On such basis, we are of the view that the proposed annual caps for the Tencent Group's provision of payment and settlement services to the Group up to approximately RMB1,500 million, RMB1,800 million and RMB2,100 million for the coming three Years from 2021 to 2023, respectively, shall be realistic, fair and reasonable.

Having considered the above factors and analysis, we are of the view that the rationale behind and basis adopted by the Management in determining the proposed annual caps for the payment amounts to the Tencent Group are justifiable, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

### *Trip.com Travelling Resources Provision Framework Agreement*

Since the business co-operation with Trip.com Group in November 2018, pursuant to the Ctrip Travelling Resources Provision Framework Agreement, Trip.com Group has been utilising the Group's platforms to offer its accommodation booking and car rental services, whilst the Group provide certain accommodation and transportation ticketing services to Trip.com Group at the same time. The Directors consider that utilising Trip.com Group's resources would expand the variety of travel products and services offered on the Group's online and mobile platforms, provide more choices to its own users, and enhance the user experience on its platforms. As both the Group and Trip.com Group enjoy substantive market shares in China's OTA market and have respective advantages in different business fields, the collaboration will integrate the Group's and Trip.com Group's respective resources and further increase their own market shares.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

In assessing the fairness and reasonableness of the proposed annual caps for the provision of travelling resources and access to the Group's platforms to Trip.com Group and/or its associates for the offering of Trip.com Main Travelling Services pursuant to the Trip.com Travelling Resources Provision Framework Agreement, we have reviewed the schedule of forecasted revenue and payment for mutual utilization of travelling resource platform prepared and provided by the Company for each of the coming three Years 2021 and 2023.

Based on our discussion with the Management, we understand that the proposed annual caps of (a) revenue from Trip.com Group of RMB3,250 million, RMB4,300 million and RMB6,000 million for the Group's provision travelling resource platform to users for accommodation and transportation ticketing services; and (b) payment to Trip.com Group of RMB325 million, RMB460 million and RMB650 million for Trip.com Group's provision of travelling resource platform to users for accommodation booking and car rental services for each of the coming three Years from 2021 to 2023 respectively, which are determined based on (i) the Group's historical actual revenue/payment amount for the Year 2019 (i.e. instead of the Year 2020 as the Group's actual operating performance was significantly distorted by the outbreak of COVID-19 pandemic across the nation which had been leading to temporary suspension of most of the travelling activities and related hotel accommodation for almost one and a half months in the Year 2020); (ii) the Management's past experience in online travel booking operations in the PRC; and (iii) the forecasted growth of online travel booking activities in the coming three Years from 2021 to 2023. Benefiting from the improvement in the PRC travelling activities following the better control of the COVID-19 pandemic by the PRC government, the Management has anticipated a tremendous demand for accommodation booking, transportation ticketing, attraction ticketing and car rental services thereafter, and the transaction amounts for the mutual provision of travelling resources in each of the Group's and Trip.com Group's will further be growing for each of the coming three Years from 2021 to 2023.

Having taken into account the facts that (i) the Group's continuous tremendous growth in revenue amount from Trip.com Group for provision of travelling resource services of approximately RMB316.1 million, RMB813.6 million and RMB1,499.7 million for each of three Years from 2017 to 2019 with a tremendous CAGR of approximately 117.8% for the three Years from 2017 to 2019; (ii) the proposed annual cap of RMB3,250 million for Year 2021 represents a CAGR of approximately 47.2% when compared to the historical actual transaction amount of approximately RMB1,499.7 million in Year 2019; and (iii) the proposed annual caps for revenue amount from Trip.com Group of RMB3,250 million, RMB4,300 million and RMB6,000 million for each of the coming three Years from 2021 to 2023, respectively, represent a CAGR of merely 35.9% over the three Years from 2021 to 2023. If we re-compute the CAGR in terms of the Group's revenue amounts to the Trip.com Group by linking up the historical actual transaction amount for the Year 2019 with the proposed annual caps for the coming three Years from 2021 and 2023, the projected CAGR would account for approximately 41.4% for the five Years from 2019 to 2023, which would be comparable to and slightly higher than the CAGR of approximately 35.9% for the coming three Years from 2021 to

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

2023 by 5.5 percentage points. On such basis, we are of the view that the proposed annual caps for the Tencent Group's provision of payment and settlement services to the Group up to approximately RMB3,250 million, RMB4,300 million and RMB6,000 million for the coming three Years from 2021 to 2023, respectively, shall be realistic, fair and reasonable.

On the other hand, similar to the proposed annual caps for revenue from Trip.com Group, the Management has taken into account the facts that (i) the Group's continuous tremendous growth in payment amount to Trip.com Group for provision of travelling resource services of approximately RMB68.8 million and RMB103.4 million for each of two Years 2018 and 2019 with a strong growth of approximately 50.2% between the two Years 2018 and 2019; (ii) the proposed annual cap of RMB325 million for Year 2021 represents a CAGR of approximately 77.3% when compared to the actual transaction amount of approximately RMB103.4 million in Year 2019; and (iii) the proposed annual caps for service payment amount to Trip.com Group of RMB325 million, RMB460 million and RMB650 million for each of the coming three Years from 2021 to 2023, respectively, represent a CAGR of merely 41.4% over the three Years from 2021 to 2023. If we re-compute the CAGR in terms of the Group's payment of system maintenance fee to the Trip.com Group by linking up the historical actual transaction amount for the Year 2019 with the proposed annual caps for the coming three Years from 2021 and 2023, the projected CAGR would account for approximately 58.3% for the five Years from 2019 to 2023, which would be higher than the CAGR of approximately 41.4% for the coming three Years from 2021 to 2023 by 16.9 percentage points mainly due to the lower base payment amount in Year 2019 as the Group only changed its model of cooperation with Trip.com. Group by starting this business direction in early of Year 2018. On such basis, we are of the view that the proposed annual caps for the Trip.com Group's provision of travelling resource services to the Group up to approximately RMB325 million, RMB460 million and RMB650 million for the coming three Years from 2021 to 2023, respectively, shall be realistic, fair and reasonable.

Having considered the above factors and analysis, we are of the view that the rationale behind and basis adopted by the Management in determining the proposed annual caps for the revenue from and payment to the Trip.com Group, as the case maybe, are justifiable, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

### ***Impact to and prospects of the Group's business operation after COVID-19 pandemic***

As disclosed in the Company's results announcement for the nine months ended September 30, 2020, with the outbreak of the COVID-19 in late January 2020, the Chinese economy suffered in the first half of the Year 2020. However, with the prompt response as well as the effective crowd control and health measures implemented by the Chinese government, the virus has been sharply diminished over the past two quarters of year 2020 in China. The Chinese economy has greatly restored and continued its rapid rebound momentum in the third quarter of year 2020. The travel industry in China has shown encouraging recovery trend, especially for business travel and short-haul local travel within provinces of China.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

Driven by the significant boost in market confidence and demand in the third quarter of year 2020, the search volume on the Group's platforms improved quarter-to-quarter, especially during the summer holiday and before the Golden Week of National Holiday in early October 2020. For the three months ended September 30, 2020, the Group's average MAUs further enhanced from the second quarter of 2020 to 245.8 million with a positive 5.0% year-to-year growth, and achieved the highest level in its history. The Group's average MPUs fully recovered year-to-year and improved greatly quarter-to-quarter by approximately 60.2% for the three months ended September 30, 2020, to 29.8 million, as the Chinese government has effectively contained the virus so as leading to the travel demand has significantly recovered. Meanwhile, the increasing contributions from the Group's off-line user acquisition channels have also helped the recovery of MPUs. Its off-line user purchase initiatives have contributed 11% to MPUs in the third quarter of 2020. The Group's total GMV decreased by approximately 16.6% year-to-year to 39.7 billion for the three months ended September 30, 2020, but has significantly increased by 77.2% when compared with the second quarter of year 2020.

As a pioneer and veteran in the travel industry of China who successfully captured the recovery trend, the Group had continued to outperform the industry. The Group did not only leverage on its stable traffic sources on Weixin, but also further cultivated other traffic channels. With the Group's cooperation with handset vendors and further development of its mini-programs on third-party location-based APPs and other platforms, the Group's MAUs of quick APPs grew significantly. The Group has managed to stay above the industry benchmark as it always endeavours to broaden its traffic sources and once again successfully captured the opportunities brought by industry transformation and transitions in traffic channels. Moreover, the streamlining of operations in the first half of year 2020 has allowed the Group to make further investments in marketing activities to capture the recovery. The Group's total revenue further recovered quarter-to-quarter with slight decline by approximately 7.2% year-to-year to RMB1,914.5 million in the third quarter of year 2020. With the Group's flexible operating strategy and light operational model, it achieved an adjusted profit for the period of RMB372.5 million and an adjusted net margin of 19.5% in the third quarter of 2020.

The Group has further solidified its leading position in China's OTA market. In the past few months, there were still volatilities and uncertainties of the COVID-19 pandemic situations in high-tier cities in China, yet the control measures in lower-tier cities thereof have been effective and led to a faster recovery pace. The Group has successfully captured recovery opportunities with a strong market presence in lower-tier cities. As at September 30, 2020, the Group's registered users residing in non-tier 1 cities in China accounted for approximately 86.1% of the total registered users. For the three months ended September 30, 2020, approximately 67.2% of the Group's new paying users on Weixin platform were from tier 3 or below cities in China, which increased from approximately 63.3% over the same period of year 2019. The Group has continued to increase its market share by penetrating into untilled markets in both accommodation and ticketing businesses. The Group has formulated diverse yet precise marketing strategies based on different traffic conditions and user demands among various cities. For the third quarter of year 2020, the Group has registered (i) nearly 30% year-to-year growth in room nights sold in lower tier cities, (ii) over 80% year-to-year growth in bus ticketing volume, and (iii) over 20% year-to-year growth in domestic air ticketing volume.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

The Group has been maintaining long-term and close relationships with various TSPs to offer users with one-stop shop products and services throughout their journeys. As at September 30, 2020, the Group's online platform offered over 7,800 domestic routes operated by over 790 airlines and agencies, around two million hotel selections and alternative accommodation options, nearly 380,000 bus routes, over 660 ferry routes and approximately 8,000 domestic tourist attractions ticketing services. In order to further strengthen the Group's relationship with TSPs as well as capturing the recovery opportunities, the Group has cooperated with upstream suppliers such as airports, tourist attractions, local travel bureaus to carry out live-streaming activities and off-line marketing promotions. Moreover, leveraging on the Group's one-stop shop strategy and precise recommendations to users through accumulating and analyzing user behaviour data, the Group further increased cross-selling from transportation business to accommodation business.

The Group has continued to develop and apply its advanced technology to transform from an OTA to ITA. The Group further enhanced users' travel experience by technological innovation. During the COVID-19 pandemic, the Group has continuously optimized the algorithm and business insights of its Weixin system which provides intelligent travel solutions to users and create opportunities to increase both monetization rate and cross-selling to air ticketing business. The Group upgraded its AI-driven customer services, which enable its AI robot to automatically detect users' underlying problems and proactively reach out to users to get problems solved. This helped the Group to swiftly respond to users' demands and greatly improved its customer service efficiency. The Group further enhanced the cooperation with bus ticketing operators and promoted the digitalization of bus ticketing by setting up bus ticketing vending machines and other ticketing devices at bus stations across the country. The Group also co-operated with tourist attractions for enhancing the digitalization and online penetration of the travel industry. In addition, the Group aspires to enhance the technology level of the whole travel industry by providing technology solutions to its TSPs including airports and hotels to enhance their operation efficiencies.

Recently, the Chinese government also introduced various policies to encourage domestic consumption. In evidence, according to the statistical data from 中國文化及旅遊部 (the Ministry of Culture and Tourism of China), there were almost 637 million tourists travelling domestically in the PRC during the 國慶黃金周 (the National Holiday Golden Week) from October 1 to October 7, 2020 bringing domestic tourism revenue of approximately RMB466.56 billion, which implied the number of tourists and tourism revenue had recovered by approximately 79.0% and 69.9%, respectively. The Management believes that with the continuing effective control of the COVID-19 pandemic by the Chinese government and economic stimulation policies, the domestic tourism market demand will be further expanding in the coming years. Although market uncertainties will remain in the rest of the year, the Group will continue to monitor market changes and adjust its strategies swiftly according to market dynamics. With the Group's core competitive advantages including stable and cost-effective traffic channels, advanced technology innovations as well as flexible and efficient operating model, the Group is confident to capture the recovery opportunities and continue to outperform the industry.



---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

Although there were few isolated cases in some regions in the third quarter of year 2020, with adequate control measures implemented by the Chinese government and the devotion of medical staff, the COVID-19 pandemic has been effectively controlled in China. The Chinese government also introduced various policies to stimulate domestic consumption which helped the travel market recovering. With the Group's core competitive advantages including stable and cost-effective traffic channels, advanced technology innovations as well as a flexible and efficient operating model, the Management is confident that the Group will continue to outperform the industry. Nevertheless, the Group will remain cautiously optimistic because of market uncertainties and will adjust its strategies swiftly to react to market dynamics. The Group will keep capturing industry recovery opportunities and strive to gain market share in order to develop into a better entity in the future. Based on the currently available information, for the fourth quarter of year 2020, the Management currently expects that the Group's revenue to decrease by approximately 5% to 0% year-to-year, and its adjusted profit for the period to be in the range of RMB300 million to RMB350 million, which would not be far below the same of approximately RMB372 million for the third quarter of year 2020.

In the long run, the Management believes that the acceleration of urbanization, improvement in consumers' purchasing power and infrastructure investment will continue to bring enormous potential to the travel industry. The Group will further penetrate the travel market in China by leveraging on its cost-effective traffic sources, especially in lower-tier cities. Moreover, the Group will enhance its products and services with technological innovations to transform from an OTA to ITA, as well as strengthening the long-term relationships with its suppliers to build a more complete travel ecosystem.

Based on our independent researches from the public websites, according to the statistical information as extracted from the official websites of 中華人民共和國國家統計局 (The National Bureau of Statistics of China), we noted that all of the PRC residents' per capita average disposable income (居民人均可支配收入) and consumer consumption (居民人均消費支出) in cities, urban and rural areas had been increasing over the past seven Years from 2013 to 2019 with CAGRs ranging from approximately 7.2% to 10.1%.

We have further discussed with and are advised by the Management that the prospects of the Group is driven by the people's domestic spending power in China coupled with the anticipated increasing demand for travel services. As such, we have independently reviewed, among other things, the economic information in the report titled *World Economic Outlook Update* dated October 2020 (the "**IMF Report**") published by the International Monetary Fund (國際貨幣基金組織), which is an organisation of 189 countries. With reference to the IMF Report, we note that the global macro-economy was adversely impacted in year 2020, but is expected to recover afterwards. According to the IMF Report, (i) during May and June 2020, many economies tentatively reopened from the lockdown and the global economy started to climb from the depths to which it had plunged in April 2020; and (ii) following the contraction in year 2020 and recovery in year 2021, the level of global GDP in year 2021 is expected to be 0.6% above that of year 2019. In respect of China herself, it is shown in the IMF Report that the IMF has forecasted that China's GDP will be growing by approximately 8.7%, 5.8% and 5.7% in the coming three years from 2021 to 2023, despite of the obvious economic recession in the first half of year 2020. We understand that the macro-economic environment is expected to be recovering, and the Group has made and will continue to make efforts in the continuous development of its businesses.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

More recently, as one of the most important policy framework laid out in the 14th Five-Year Plan (第十四個五年計劃) in the PRC, the new concept of “dual circulation (雙循環) (i.e. domestic/internal circulation (內循環) plus international/external circulation (外循環))” development pattern has been highly promulgated by the China Government to address the current economic dilemma. Putting internal circulation first can break China’s dependence on overseas markets that arises from international division of labour and minimise the impact of external risks on China’s economy. China has worked to cut its independence on foreign trade by reducing its export dependence through promoting domestic consumption. As a consequence, the China Government strongly encourages domestic consumer spending and industrial production by China herself so as achieving the goal of self-sustaining growth and building a moderately prosperous society, instead of heavily relying on external economic momentum by export-related business activities. It is widely anticipated that domestic consumer spending in China would be considerably improved/enhanced in a greater extent than those of the past years.

The Management now believes that the “internal circulation” concept would bring in additional business opportunities to the domestic travel/leisure markets in China in the coming years, in particular consideration of the outbreak of COVID-19 pandemic which could not be effectively controlled by, or even out of control of, governments of certain western countries. Most of the Chinese people are unwilling to travel abroad to such western countries with harsher restricted control measures. As a consequence, it is currently anticipated that much stronger demand for travel services would likely arise in the China’s domestic travel market. Given that the COVID-19 pandemic has been gradually brought under control in China since March 2020 and the Group’s business operation has been recovering and going to normalise, the Management does not expect the COVID-19 pandemic would have a long-term adverse impact on the Group’s business operation so that its historical business growth rate could prolong to the coming years.

According to a press release relating to the “Online travel market 2020” published at the website address of <https://www.marketwatch.com>, where we noted that the global online travel market is expected to grow from approximately US\$570.25 billion in 2017 to US\$1,134.55 billion by 2023, at a CAGR of about 13.16% during the forecast period. The online travel industry has undergone several changes over the last decade, owing to technology advances. Use of technology in the travel industry has come a long way since the global distribution system due to the use of mobile applications and rising penetration of the Internet. This has helped in changing the process of travel bookings, making it easy and swift. The service model of online tour agencies provides multiple services through a single platform. With this, the process for travel booking has experienced a significant shift from physical to web bookings, and now mobile platforms. OTAs have integrated all modes of transport and accommodation options under a single platform, which has encouraged users to opt the same. Additionally, service providers and tour operators have adopted digitalization and automation to develop greater productivity and offer customers a unique travel experience. Social media platforms have emerged as a major influencer and an effective marketing platform for OTAs. Travelers use social media platforms to share their travel experience and post their reviews, helping other customers to choose travel agencies according to their requirements. This trend is expected to



---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

increase with the introduction of more social media platforms. A majority of travelers rely on online reviews and comments of other users before booking hotels or making reservations for other services. As a result, hotels, among others, continuously try to improve their services based on the reviews. Hotels also have social media teams for promoting their brand through various social media platforms. These teams read, review, and analyze bookings in order to identify trends that can help them attract new customer base while retaining old customers. Thus, social media platforms help OTAs to market their services and bring transparency and ease to the entire process. As the Group is a leading OTA in the China's travel market, the Management currently expects that there would be greater and greater business opportunities that may be arising, or shifting from traditional physical bookings, in the foreseeable future.

Based on the above analysis and consideration, we are of the view that the proposed annual caps for the Tongcheng Continuing Connected Transactions for the three Years from 2021 to 2023 are not unreasonably aggressive/excessive, and therefore are fair and reasonable.

However, the Independent Shareholders should note that the above proposed annual caps for the Tencent Payment Services Framework Agreement and the Trip.com Travelling Resources Provision Framework Agreement relate to future events and do not represent a forecast of transaction amounts to be incurred as a result of the Tongcheng Continuing Connected Transactions.

### **5. Assessment of the Group's reliance on Trip.com Group**

As disclosed in the above, the Group's commissions received from Trip.com Group and/or its associates for the two Years 2018 and 2019 and the nine months ended September 30, 2020 accounted for approximately 13.4% (on a combined basis), 20.3% and 22.6% of its total revenue, respectively. The Management currently estimates that such slight reliance level would not materially change in the coming three Years from 2021 to 2023 so that they consider that there is and would be no reliance issue, and in any event, the reliance on the Trip.com Group is not so material that the Company's business sustainability is likely be affected, on the following bases that, among others, (i) Trip.com Group and the Group has a complementary and mutually-beneficial relationship; (ii) the Group's efforts and initiatives that would diversify and reduce its reliance on Trip.com Group; and (iii) the Group's ability to mitigate its exposure to any material adverse impact despite its slight reliance on Trip.com Group. Please refer to the Board Letter for more detailed rationale behind and reasons why the Group's reliance on Trip.com Group is regarded as immaterial.

The Board would like to emphasize that the Group always acts in the best interests of the Group and the Shareholders as a whole in formulating sales/procurement policies irrespective of whether the counter-parties are Independent Customers, Independent Service Providers or connected persons of the Group, so as without offering any preferential treatment to connected persons. In view of Trip.com Group being a substantial Shareholder, there shall be a more secured, reliable and trust-worthy relationship with the Group when compared to any other Independent Customers as Trip.com Group's business interests in the Group has been and will be in alignment of its 21.4% shareholding interests in the Company, and therefore would never

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

do such acts detrimental to the interests of the Group and in turn to Trip.com Group itself ultimately. As such, the possibility that the Group would suffer material and adverse financial impact as (i) if it loses Trip.com Group as the Group's single largest customer; or (ii) there would be an adverse change in the business relationship there between, would be very remote. We concur with the Board's assessment in these regards.

Based on our independent review of the Annual Report, we noted that the Group has not been heavily relying on the commissions received from Trip.com Group so far as which merely accounted for approximately 13.4% (on a combined basis), 20.3% and 22.6% of its total revenue for the two Years 2018 and 2019 and the nine months ended September 30, 2020, respectively, whilst the Group's business operation and financial position had never been deteriorating by the only reason of slight reliance on Trip.com Group on the following bases that, in respect of the Group's operating performance, (i) the Group's revenue had rapidly increased from approximately RMB5,256 million (on the Group's standalone basis) in the Year 2018 to RMB7,393 million in the Year 2019, representing an annual growth rate of approximately 40.7% during the two-year period; (ii) the Group's gross profit margins had been stable with an average of around 69% for each of the two Years 2018 and 2019 the six months ended June 30, 2020; and (iii) except for the very exceptional event of COVID-19 pandemic out-broken in Year 2020 leading to the Group incurring a net loss of approximately RMB2.1 million, the Group's net profit had increased from approximately RMB534 million (on the Group's standalone basis) in Year 2018 to RMB687 million in Year 2019 with an annual growth rate of approximately 28.4% over the two-year period. In respect of the Group's financial position, (a) the Group's current ratios had been sound ranging from approximately 1.65 times as at December 31, 2018 to 2.30 times as at June 30, 2020; and (b) the Group had been capable of generating meaningful operating cash inflow of approximately RMB2,361 million and RMB1,696 million for each of the two Years 2018 and 2019, respectively.

Based on the above observation and analysis, we note that the Group's reliance level on Trip.com Group had gradually increased from approximately 13.4% (on a combined basis) in Year 2018, to 20.3% in Year 2019 and 22.6% for the nine months ended September 30, 2020. Having a well-established business relationship with Trip.com Group, notwithstanding there may be certain degree of (but not material) reliance, had never adversely affected the Group's operating performance and financial position and had not been detrimental to the interests of the Group and the Shareholders as a whole. On such basis, we consider that while the Group's continuous co-operation with Trip.com Group does not constitute a material reliance on the commissions receivable in respect of the provision of Trip.com Main Travelling Services to Trip.com Group has been and will be a fact in the near future, but having further considered that the identity of Trip.com Group being a substantial Shareholder is absolutely different from an external Independent Customer, and accordingly, would very unlikely bring in additional business and financial risks to the Group. Conversely, if the Trip.com Group were an external Independent Customer instead of the substantial Shareholder, we would hold a different view that there would be comparatively more serious concern about the Group's reliance on the Trip.com Group.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### **6. Internal control measures to govern the Tongcheng Continuing Connected Transactions**

Pursuant to the Rules 14A.55 to 14A.59 of the Listing Rules, the Company has to establish appropriate and adequate internal control measures to govern the implementation of the Tongcheng Continuing Connected Transactions, which are then subject to annual review requirements. According to the Board Letter and the Annual Report, the Group has established a comprehensive internal control system to ensure that the Tongcheng Continued Connected Transactions to be conducted in fair and reasonable manner. The Company has established a comprehensive and cross-department internal control system, which is further elaborated in the following.

In addition, the Company has in place a sophisticated AI and information technology infrastructure, including a supplier management system, which automatize the management of the offering of travelling resources on the Group's platform (including that by Trip.com Group and/or its associates), including the calculation and application of commission rates and system fee on each individual transaction with Trip.com Group and/or its associates. On such basis, we concur with the Management's view that the pricing methods and procedures can ensure that the Tongcheng Continued Connected Transactions are and will be conducted on normal commercial terms and not prejudicial to the interests of the Group and its minority Shareholders.

The Company has designated a team of senior management from business operation, legal, risk control and finance departments and Board office to monitor the continuing connected transactions and ensure that the continuing connected transactions with the abovementioned connected persons are on arm's length basis and that the annual caps are not exceeded. Such team of senior management continuously traces and regularly monitors the progress of the continuing connected transactions and reports to management of the Company. They review the continuing connected transactions with the finance department to ensure that annual caps are not exceeded. They will also communicate with the Audit Committee, management and the Board of Directors, regularly or as needed, to report the progress of the continuing connected transactions, and request for approval of new changes of existing transaction terms. The heads of different departments of the Company will be informed on a periodic basis in relation to the terms and pricing policies of the continuing connected transactions as well. With these measures, the independent non-executive Directors could therefore assess and give the confirmations in the preceding paragraph.

In view of the above, the Board considers that sufficient and effective internal control measures are in place to ensure that the Tongcheng Continuing Connected Transactions contemplated under each of the Non-exempt Framework Agreements have been and will be conducted on normal commercial terms or better, and at prices not more favourable to the relevant members of the Tencent Group and the Trip.com Group than transactions entered into with independent third parties, and hence will not prejudicial to the interests of the Group and the Shareholders as a whole.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

As disclosed in the Annual Report, the independent non-executive Directors have confirmed that the above Tongcheng Continuing Connected Transactions for the Year 2019 were entered into by the Group: (i) in the ordinary and usual course of its business; (ii) on normal commercial terms or better; and (iii) in accordance with the relevant agreement (including the pricing principles and guidelines set out therein) governing them and on terms that were fair and reasonable and in the interests of the Company and the Shareholders as a whole.

In addition, the auditors of the Group had reviewed the Tongcheng Continuing Connected Transactions for the Year 2019 and confirmed to the Board that the Tongcheng Continuing Connected Transactions: (i) have received the approval of the Board; (ii) were in accordance with the pricing policies of the Group; (iii) were entered into in accordance with the relevant agreement governing the transaction; and (iv) have not exceeded the relevant annual caps.

### RECOMMENDATION

Having taken into account the above principal factors and reasons, we are of the view that the Tongcheng Continuing Connected Transactions (including the respective proposed annual caps) contemplated under each of the Non-exempt Framework Agreements are conducted in the ordinary and usual course of business of the Group and on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the resolutions to be proposed at the Extraordinary General Meeting to approve the Tongcheng Continuing Connected Transactions (including the respective proposed annual caps) pursuant to each of the Non-exempt Framework Agreements and the transactions contemplated thereunder.

Yours faithfully,  
For and on behalf of  
**First Shanghai Capital Limited**  
**Nicholas Cheng**  
*Director*

*Note:*

Mr. Nicholas Cheng has been the Responsible Officer of Type 6 (advising on corporate finance) regulated activity under the SFO and has extensive experience in corporate finance industry. He has participated in the provision of independent financial advisory services for and completed numerous connected transactions involving companies listed in Hong Kong.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

As of the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company and their respective associates in the Shares, underlying Shares or debentures of the Company or any of the associated corporations of the Company (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

### Interests in the Shares

Name of Director	Capacity/nature of interest	Number of Ordinary Shares	Approximate percentage of shareholding in the total issued share capital
Mr. Wu Zhixiang <sup>(1)</sup>	Founder of a discretionary trust, Beneficial interest	22,173,800 (L)	1.02% (L)
Mr. Ma Heping <sup>(2)</sup>	Founder of a discretionary trust, Beneficial interest	33,438,810 (L)	1.54% (L)
Mr. Liang Jianzhang <sup>(3)</sup>	Interest of spouse	3,099,200 (L)	0.14% (L)
Mr. Jiang Hao <sup>(4)</sup>	Interest of controlled corporation, Beneficial Interest, Grantee of restricted shares units	9,462,950 (L)	0.44% (L)

(L) denotes a long position

*Notes:*

- (1) Travel Maps Limited directly holds 14,674,600 shares in the Company. As Travel Maps Limited is wholly-owned by The Travel Maps Trust, of which Mr. Wu Zhixiang is the founder, Mr. Wu is deemed to be interested in the Shares in which Travel Maps Limited is interested.

3,500,000, 3,500,000 and 500,000 options were granted to Mr. Wu pursuant to the 2018 Share Incentive Plan and 2019 Share Option Plan on March 9, 2018, May 18, 2018 and October 23, 2020, respectively. As of the Latest Practicable Date, Mr. Wu beneficially owns 7,499,200 options granted pursuant to the 2018 Share Incentive Plan and 2019 Share Option Plan.

- (2) Adventure Together Limited directly holds 9,499,140 shares in the Company. As Adventure Together Limited is wholly-owned by The Hope Family Trust, of which Mr. Ma Heping is the founder, Mr. Ma is deemed to be interested in the Shares in which Adventure Together Limited is interested.

6,914,155, 6,914,155, 6,914,160, 1,600,000 and 1,600,000 options were granted to Mr. Ma pursuant to the 2018 Share Incentive Plan and 2019 Share Option Plan on March 9, 2018, May 18, 2018, September 1, 2018, December 20, 2019 and October 23, 2020, respectively.

- (3) Smart Charm Limited directly holds 3,099,200 shares in the Company. As Smart charm Limited is wholly-owned and controlled by the spouse of Mr. Liang Jianzhang, Mr. Liang is therefore deemed to be interested in the Shares in which Smart Charm Limited is interested.

- (4) Oasis Limited directly holds 5,555,560 shares in the Company. As Oasis Limited is indirectly wholly-owned and controlled by Mr. Jiang Hao, Mr. Jiang is deemed to be interested in the Shares in which Oasis Limited is interested.

1,803,695, 1,803,695 and 1,500,000 options were granted to Mr. Jiang pursuant to the 2018 Share Incentive Plan on March 9, 2018, May 18, 2018 and September 1, 2018, respectively. Mr. Jiang is also granted restricted share units in respect of 8,300,000 shares pursuant to the 2016 Share Incentive Plan on August 26, 2016. As of the Latest Practicable Date, Mr. Jiang beneficially owns 3,907,390 options or restricted share units granted pursuant to the 2016 Share Incentive Plan and 2018 Share Incentive Plan.

**Interests in associated corporations**

<b>Name of Director</b>	<b>Name of associated corporation</b>	<b>Number of securities held</b>	<b>Approximate percentage of interests (%)</b>
Mr. Wu Zhixiang <sup>(1)</sup>	Tongcheng Network	25,447,745	22.86%
	Suzhou Chengyi	N/A <sup>(1)</sup>	51.00%
Mr. Ma Heping	Tongcheng Network	1,093,162	0.98%
	Suzhou Chengyi	N/A <sup>(1)</sup>	49.00%
Mr. Jiang Hao	Beijing E-dragon	N/A <sup>(1)</sup>	50.00%

*Note:*

- (1) As Suzhou Chengyi and Beijing E-dragon are limited liability companies established in the PRC, the percentage of shareholding is determined with reference to the percentage of subscribed registered capital of each shareholder.

Save as disclosed above, as of the Latest Practicable Date, none of the Directors or chief executives of the Company and their respective associates has or is deemed to have any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or which will be required to be recorded in the register to be kept by the Company pursuant to Section 352 of the SFO, or which will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

### 3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the following are the persons, other than the Directors or chief executives of the Company, who had interests or short positions in the Shares and underlying Shares which would be required to be notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Name of substantial Shareholder	Capacity/nature of interest	Number of Ordinary Shares	Approximate percentage of shareholding in the total issued share capital
TCH Sapphire Limited (“TCH Sapphire”) <sup>(1)</sup>	Beneficial owner	310,899,020 (L)	14.32% (L)
Image Frame Investment (HK) Limited (“Image Frame”) <sup>(1)</sup>	Beneficial owner	158,365,730 (L)	7.30% (L)
Tencent Holdings Limited (“Tencent”) <sup>(1)</sup>	Interest in controlled corporations	476,215,740 (L)	21.94% (L)
C-Travel International Limited (“C-Travel”) <sup>(2)</sup>	Beneficial owner	288,273,190 (L)	13.28% (L)
	Interest in controlled corporations <sup>(3)</sup>	122,995,180 (L)	5.67% (L)
		411,268,370 (L)	18.95% (L)



<b>Name of substantial Shareholder</b>	<b>Capacity/nature of interest</b>	<b>Number of Ordinary Shares</b>	<b>Approximate percentage of shareholding in the total issued share capital</b>
Ctrip.com (Hong Kong) Limited (“Ctrip Hong Kong”) <sup>(2)</sup>	Beneficial owner	148,966,590 (L)	6.86% (L)
Trip.com Group Limited (“Trip.com Group”) <sup>(2)</sup>	Interest in controlled corporations	560,234,960 (L)	25.81% (L)
Suzhou Huafan Runhe Venture Capital Partnership (Limited Partnership) (“Huafan Runhe”) <sup>(4)</sup>	Beneficial owner and Interest in controlled corporations	147,883,341 (L)	6.81% (L)
Suzhou Industrial Park Tiancheng Jiahua Investment Management Co., Ltd. (“Tiancheng Jiahua”) <sup>(4)</sup>	Interest in controlled corporations	147,883,341 (L)	6.81% (L)

(L) denotes a long position

*Notes:*

- (1) Under the SFO, Tencent is deemed to be interested in (i) the 310,899,020 Shares held by TCH Sapphire, (ii) the 158,365,730 Shares held by Image Frame and (iii) the 6,950,990 Shares held by Elite Strength Limited, each of which is a wholly-owned subsidiary of Tencent.
- (2) Under the SFO, Trip.com Group is deemed to be interested in (i) the 288,273,190 Shares held by C-Travel, (ii) the 148,966,590 Shares held by Ctrip (Hong Kong) and (iii) the 27,332,270 Shares held by Luxuriant Holdings Limited, each of which is a wholly-owned subsidiary of Trip.com Group. Under the SFO, Trip.com Group is also deemed to be interested in 95,662,910 Shares held by EP II Investment Fund L.P., an exempted limited partnership established in the Cayman Islands because Ctrip Investment Holding Ltd, a wholly-owned subsidiary of Trip.com Group, contributed more than one-third of the capital to EP II Investment Fund L.P. However, EP II Investment Fund L.P. does not constitute an associate of Trip.com Group under the Listing Rules as Trip.com Group does not control 30% or more of the voting power in EP II Investment Fund L.P.
- (3) Under the SFO, C-Travel is deemed to be interested in (i) the 27,332,270 Shares held by Luxuriant Holdings Limited, which is a wholly-owned subsidiary of C-Travel, and (ii) the 95,662,910 Shares held by EP II Investment Fund L.P., given Ctrip Investment Holding Ltd, a wholly-owned subsidiary of C-Travel, contributed more than one-third of the capital to EP II Investment Fund L.P.



- (4) Huafan Runhe holds 135,304,161 Shares, and under the SFO, is deemed to be interested in the 12,579,180 Shares held by Huafan Runhe Limited, which is a wholly-owned subsidiary of Huafan Runhe. Under the SFO, Tiancheng Jiahua, the general partner of Huafan Runhe, is deemed to be interested in the 135,304,161 Shares held by Huafan Runhe and the 12,579,180 Shares held by Huafan Runhe Limited.

Save as disclosed above, as at the Latest Practicable Date, the Company is not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would be required to be notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

#### 4. QUALIFICATIONS AND CONSENT

The following is the qualifications of the expert who has given its opinion or advice which is contained in this circular:

Name	Qualifications
First Shanghai	A licensed corporation to carry out type 6 (advising on corporate finance) regulated activities under the SFO

- (a) As at the Latest Practicable Date, First Shanghai had not had any beneficial interest in the share capital of any member of the Group, did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group and did not have any interest, either directly or indirectly, in any assets which had been, since December 31, 2019, being the date of the latest published audited accounts of the Company, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.
- (b) First Shanghai has given and has not withdrawn its written consent to the issue of this circular with inclusion of its opinion and letter, as the case may be, and the references to its name included herein in the form and context in which they respectively appear.

#### 5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading positions of the Company since December 31, 2019, being the date to which the latest published audited financial statements of the Company have been made.

**6. LITIGATION**

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration proceedings of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

**7. SERVICE CONTRACTS OF THE DIRECTORS**

As at the Latest Practicable Date, none of the Directors had entered into any service contract with the Company or any member of the Group referred to in Rule 13.68 of the Listing Rules (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

**8. INTERESTS OF DIRECTORS**

- (a) The Directors are not aware of any Director or his respective associates having, as at the Latest Practicable Date, any interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group which would be required to be disclosed under the Listing Rules.
- (b) Save as disclosed in the section headed “Directors’ Report – Connected and Continuing Connected Transactions” of the Company’s 2019 Annual Report, the announcement of the Company dated October 11, 2020 and this circular, no Director was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant to the business of the Group taken as a whole.
- (c) Since December 31, 2019, being the date of the latest published audited consolidated accounts of the Company, none of the Directors has, or has had, any direct or indirect interest in any assets which have been acquired or disposed of by or leased to or which are proposed to be acquired, disposed of by or leased to, any member of the Group.

**9. GENERAL**

- (a) The registered office of the Company is Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- (b) The corporate headquarters of the Company in the PRC is Tongcheng Mansion, No. 188 Yuxin Road, Suzhou Industrial Park, Jiangsu, China.
- (c) The principal place of business of the Company in Hong Kong is 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

- (d) The Company's principal share registrar and transfer agent in the Cayman Islands is Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- (e) The Company's Hong Kong branch share registrar is Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (f) The English text of this circular and the accompanying form of proxy shall prevail over the Chinese text in the case of any inconsistency.

#### **10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours on Monday to Friday (other than public holidays) at the offices of Davis Polk & Wardwell at 18th Floor, The Hong Kong Club Building, 3A Chater Road, Hong Kong, from the date of this circular up to and including December 31, 2020:

- (a) the Tencent Payment Services Framework Agreement;
- (b) the Trip.com Travelling Resources Provision Framework Agreement;
- (c) the letter of recommendation from the Independent Board Committee, the text of which is set out on page 30 to 31 of this circular;
- (d) the letter of advice issued by First Shanghai, being the Independent Financial Adviser, the text of which is set out on pages 32 to 58 of this circular; and
- (e) the written consent referred to in paragraph 4 of this Appendix I.

---

## NOTICE OF EXTRAORDINARY GENERAL MEETING

---



### Tongcheng-Elong Holdings Limited 同程藝龍控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 0780)**

#### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the extraordinary general meeting (the “**Extraordinary General Meeting**”) of Tongcheng-Elong Holdings Limited (the “**Company**”) will be held at Meeting Room Zhuozheng, 2/F, Four Points by Sheraton Suzhou, No. 8 Moon Bay Road, Suzhou Industrial Park, Suzhou, China on Thursday, December 31, 2020 at 3:00 p.m. for the following purposes:

#### AS ORDINARY RESOLUTIONS

##### 1. “**THAT**

- (i) the Tencent Payment Services Framework Agreement (the “**Tencent Payment Services Framework Agreement**”) dated December 8, 2020 entered into between the Company and Shenzhen Tencent Computer Systems Company Limited (深圳市騰訊計算機系統有限公司) and the transactions contemplated thereunder be and are hereby approved,
- (ii) the proposed annual caps in relation to the transactions contemplated under the Tencent Payment Services Framework Agreement as specified below be and are hereby approved, ratified and confirmed:

<b>For the year ending December 31, 2021 (RMB'000)</b>	<b>For the year ending December 31, 2022 (RMB'000)</b>	<b>For the year ending December 31, 2023 (RMB'000)</b>
1,500,000	1,800,000	2,100,000

- (iii) any director of the Company be and is hereby authorized for and on behalf of the Company to sign, seal, execute, perfect, deliver and do all such documents, deeds, acts, matters and things as he may in his discretion consider necessary or desirable or expedient for the purpose of or in connection with the Tencent Payment Services Framework Agreement and to make and agree such variations of a non-material nature in or to the terms of the Tencent Payment Services Framework Agreement as he may in his discretion consider to be desirable and in the interests of the Company.”

---

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

---

**2. “THAT**

- (i) the Trip.com Travelling Resources Provision Framework Agreement (the “**Trip.com Travelling Resources Provision Framework Agreement**”) dated December 8, 2020 entered into between the Company and C-Travel International Limited, and the transactions contemplated thereunder be and are hereby approved;
- (ii) the proposed annual caps in relation to the transactions contemplated under the Trip.com Travelling Resources Provision Framework Agreement as specified below be and are hereby approved, ratified and confirmed:

	<b>For the year ending December 31, 2021 (RMB’000)</b>	<b>For the year ending December 31, 2022 (RMB’000)</b>	<b>For the year ending December 31, 2023 (RMB’000)</b>
Commissions to be received by the Group from Trip.com Group and/or its associates and third-party TSPs for providing access to the Group’s platforms for the offering of Trip.com Group’s transportation services, attraction ticketing services and accommodation booking services	3,250,000	4,300,000	6,000,000
System maintenance fee payable to Trip.com Group and/or its associates for offering its travelling resources (including accommodation booking and car rental services) on the Group’s platforms	325,000	460,000	650,000
<b>Total</b>	<u><u>3,575,000</u></u>	<u><u>4,760,000</u></u>	<u><u>6,650,000</u></u>

- (iii) any director of the Company be and is hereby authorized for and on behalf of the Company to sign, seal, execute, perfect, deliver and do all such documents, deeds, acts, matters and things as he may in his discretion consider necessary or desirable or expedient for the purpose of or in connection with the Trip.com Travelling Resources Provision Framework Agreement and to make and agree such variations

---

## NOTICE OF EXTRAORDINARY GENERAL MEETING

---

of a non-material nature in or to the terms of the Trip.com Travelling Resources Provision Framework Agreement as he may in his discretion consider to be desirable and in the interests of the Company.”

By order of the Board  
**Tongcheng-Elong Holdings Limited**  
**Ma Heping**  
*Executive Director and*  
*Chief Executive Officer*

Hong Kong, December 11, 2020

*Notes:*

- (1) A shareholder entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her stead. The proxy does not need to be a shareholder of the Company.
- (2) Where there are joint registered holders of any shares, any one of such persons may vote at the above meeting (or at any adjournment of it), either personally or by proxy, in respect of such shares as if he/she were solely entitled thereto but the vote of the senior holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.
- (3) In order to be valid, the completed form of proxy must be deposited at the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong together with the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority (such certification to be made by either a notary public or a solicitor qualified to practice in Hong Kong), at least 48 hours before the time appointed for holding the above meeting or any adjournment thereof (as the case may be). The completion and return of the form of proxy shall not preclude shareholders of the Company from attending and voting in person at the above meeting (or any adjourned meeting thereof) if they so wish.
- (4) The register of members of the Company will be closed from December 28, 2020 to December 31, 2020, both days inclusive, in order to determine the eligibility of shareholders to attend the above meeting, during which period no share transfers will be registered. To be eligible to attend the above meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on December 24, 2020.
- (5) Pursuant to Rule 13.39(4) of the Rules, Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, voting for the resolution set out in this notice will be taken by poll at the above meeting.