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# 美团 Meituan

(於開曼群島註冊成立以不同投票權控制的有限公司)  
(股份代號：3690)

**1,483,600,000美元於二零二七年到期的零息可換股債券**  
(債務股份代號：40660)  
及  
**1,500,000,000美元於二零二八年到期的零息可換股債券**  
(債務股份代號：40661)  
(統稱為「債券」)

## 刊發發售通函

本公告乃根據香港聯合交易所有限公司(「聯交所」)證券上市規則(「上市規則」)第37.39A條刊發。

請參閱本公告隨附於二零二一年四月十九日所刊發有關發行債券的發售通函(「發售通函」)。發售通函僅以英文刊發，並無編製發售通函中文版。

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發售通函並不構成向任何司法權區的公眾提呈出售任何證券的招股章程、通告、通函、宣傳冊或廣告，且並非向公眾發出邀請以就認購或購買任何證券作出要約，亦非供傳閱以邀請公眾就認購或購買任何證券作出要約。

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承董事會命  
美团  
董事長  
王興

香港，二零二一年四月二十八日

於本公告日期，本公司董事會包括董事長兼執行董事王興先生、執行董事穆榮均先生及王慧文先生、非執行董事劉熾平先生及沈南鵬先生；及獨立非執行董事歐高敦先生、冷雪松先生及沈向洋先生。

## IMPORTANT NOTICE

**THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE ADDRESSEES OUTSIDE OF THE UNITED STATES.**

**IMPORTANT: You must read the following disclaimer before continuing.** The following disclaimer applies to the attached offering circular (the “**Offering Circular**”). You are therefore advised to read this disclaimer carefully before accessing, reading or making any other use of the attached Offering Circular. In accessing the attached Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access. In order to review this Offering Circular or make an investment decision with respect to the securities, you must not be located in the United States.

**Confirmation of Your Representation:** The attached Offering Circular is being sent to you at your request and by accepting the e-mail and accessing the attached Offering Circular, you shall be deemed to represent to Goldman Sachs (Asia) L.L.C. (“**Goldman Sachs**”) and Merrill Lynch (Asia Pacific) Limited (“**BofA Securities**”, together with Goldman Sachs, the “**Joint Global Coordinators**” or “**Joint Bookrunners**”) that (1) you are not in the United States and, to the extent you purchase the securities described in the attached Offering Circular, you will be doing so pursuant to Regulation S under the U.S. Securities Act of 1993, as amended (the “**Securities Act**”) (2) the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories or possessions, (3) you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission, (4) you (and any nominee and any person on whose behalf you are subscribing for the securities to which the attached Offering Circular relates) are not a “connected person” (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”)) of Meituan (the “**Issuer**”), which includes but is not limited to any director, chief executive or substantial shareholder of the Issuer or any of its subsidiaries or any associate of any of them within the meaning of the Listing Rules, and (5) you (and any nominee and any person on whose behalf you are subscribing for the securities to which the attached Offering Circular relates) are, and will immediately after completion of the offering of such securities be, independent of and not acting in concert with, any of such connected persons in relation to the control of the Issuer.

The attached Offering Circular has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Joint Bookrunners, the Trustee (as defined in the attached Offering Circular) or the Agents (as defined in the attached Offering Circular) or any of their respective holding companies, subsidiaries, affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version. We will provide a hard copy version to you upon request.

**Restrictions:** The attached Offering Circular is being furnished in connection with an offering exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described in the Offering Circular.

**THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THIS OFFERING IS MADE SOLELY IN OFFSHORE TRANSACTIONS PURSUANT THE SECURITIES ACT. NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.**

Nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of the Issuer or the Joint Bookrunners, the Trustee or the Agents to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute in the United States or elsewhere a general solicitation or general advertising (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Joint Bookrunners or any affiliate of the Joint Bookrunners is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Joint Bookrunners or such affiliate on behalf of the Issuer in such jurisdiction.

You are reminded that you have accessed the attached Offering Circular on the basis that you are a person into whose possession the attached Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorized to deliver the attached, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you are not allowed to purchase any of the securities described in the attached Offering Circular.

**Actions that You May Not Take:** You should not reply by e-mail to this communication, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the “Reply” function on your e-mail software, will be ignored or rejected.

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(A company controlled through weighted voting rights and incorporated in the Cayman Islands with limited liability)  
(Stock Code: 3690)

**US\$1,483,600,000 Zero Coupon Convertible Bonds due 2027 (the “Series 1 Bonds”)**  
**US\$1,500,000,000 Zero Coupon Convertible Bonds due 2028 (the “Series 2 Bonds”)**

**Issue Price for the Series 1 Bonds: 101.10 per cent.**  
**Issue Price for the Series 2 Bonds: 100.00 per cent.**

The zero coupon convertible bonds due 2027 in the aggregate principal amount of US\$1,483,600,000 (the “**Series 1 Bonds**”) and the zero coupon convertible bonds due 2028 in the aggregate principal amount of US\$1,500,000,000 (the “**Series 2 Bonds**”, and together with the Series 1 Bonds, the “**Bonds**”, which term shall include, unless the context requires otherwise, any further bonds issued in accordance with the terms and conditions of each series of the Bonds set out in “*Terms and Conditions of the Series 1 Bonds*” and “*Terms and Conditions of the Series 2 Bonds*” (together, the “**Conditions**” or the “**Terms and Conditions of the Bonds**”) and each of the Conditions, a “**Condition**”) will be issued by Meituan (the “**Issuer**” or the “**Company**”). The issue price of the Series 1 Bonds shall be 101.10 per cent. of the aggregate principal amount of the Series 1 Bonds and the issue price of the Series 2 Bonds shall be 100.00 per cent. of the aggregate principal amount of the Series 2 Bonds. The denomination of each Bond shall be US\$200,000 and integral multiples of US\$100,000 in excess thereof.

The Bonds will, upon issue, constitute direct, unconditional, unsubordinated and (subject to Condition 4(a) of the Conditions) unsecured obligations of the Issuer and each series of the Bonds shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable legislation and subject to Condition 4(a) of the Conditions, at all times rank at least equally with all of its other present and future unsecured and unsubordinated obligations.

Each Bond will, at the option of the holder, be convertible (unless previously redeemed, converted or purchased and canceled) on or after June 7, 2021 up to the close of business on the date falling 10 days prior to the Maturity Date (as defined below) (both days inclusive) (but, except as provided in the Conditions, in no event thereafter) into class B ordinary shares in the share capital of the Issuer with a par value of US\$0.00001 each, conferring a holder of a class B share one vote per share on any resolution tabled at the Issuer’s general meetings (the “**Class B Shares**”) credited as fully paid at an initial conversion price of (in respect of the Series 1 Bonds) HK\$431.24 per Class B Share and (in respect of the Series 2 Bonds) HK\$431.24 per Class B Share (each, a “**Conversion Price**”). The Conversion Price is subject to adjustment in the circumstances described under “*Terms and Conditions of the Series 1 Bonds – Conversion – Adjustments to Conversion Price*” and “*Terms and Conditions of the Series 2 Bonds – Conversion – Adjustments to Conversion Price*”. The Closing Price (as defined in the Conditions) of the Class B Shares on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) on April 19, 2021 was HK\$289.20 per Class B Share.

Unless previously redeemed, converted or purchased and canceled as provided in the Conditions, the Issuer will redeem the Series 1 Bonds at 100.00 per cent. of its principal amount on April 27, 2027 (the “**Series 1 Bonds Maturity Date**”) and the Issuer will redeem the Series 2 Bonds at 101.80 per cent. of its principal amount on April 27, 2028 (the “**Series 2 Bonds Maturity Date**”). The Series 1 Bonds or the Series 2 Bonds may be redeemed, at the option of the Issuer, in whole, but not in part, at any time, on the date specified in the Tax Redemption Notice (as defined in the Conditions) for redemption at the Early Redemption Amount of the Series 1 Bonds or the Early Redemption Amount of the Series 2 Bonds, as the case may be, in the event of certain changes to the laws and regulations of Hong Kong, the Cayman Islands or the PRC or, in any such case, any political subdivision or any authority thereof or therein having power of tax, subject to the non-redemption option of each Bondholder after the exercise by the Issuer of its tax redemption option as described in the Conditions. The Series 1 Bonds or the Series 2 Bonds may be redeemed by the Issuer, in whole, but not in part, on the date specified in the Optional Redemption Notice (as defined in the Conditions) at the Early Redemption Amount of the Series 1 Bonds or the Early Redemption Amount of the Series 2 Bonds, as the case may be, at any time if, immediately prior to the date the relevant Optional Redemption Notice is given, 90 per cent. or more in principal amount of the Series 1 Bonds or Series 2 Bonds originally issued, as the case may be (which shall for this purpose include any further bonds issued in connection with Condition 17 of the Conditions) has already been converted, redeemed or purchased and canceled.

The holder of each Series 1 Bond or Series 2 Bond will also have the right at such holder’s option to require the Issuer to redeem all or some only of such holder’s Bonds on the Relevant Event Put Date (as defined in the Conditions) at the Early Redemption Amount of the Series 1 Bonds or the Early Redemption Amount of the Series 2 Bonds, as the case may be, following the occurrence of (i) the Class B Shares ceasing to be listed or admitted to trading or being suspended from trading for a period equal to or exceeding 30 consecutive Trading Days on the Relevant Stock Exchange (as defined in the Conditions); (ii) a Change of Control (as defined in the Conditions); or (iii) (a) any Change in Law (as defined in the Conditions) that results in (x) the Group (as defined in the Conditions) (as in existence immediately subsequent to such Change in Law), as a whole, being legally prohibited from operating substantially all of the business operations conducted by the Group (as in existence immediately prior to such Change in Law) as of the last date of the period described in the Issuer’s consolidated financial statements for the most recent fiscal quarter and (y) the Issuer being unable to continue to derive substantially all of the economic benefits from the business operations conducted by the Group (as in existence immediately prior to such Change in Law) in the same manner as reflected in the Issuer’s consolidated financial statements for the most recent fiscal quarter and (b) the Issuer not having furnished to the Trustee, prior to the date that is 12 months after the date of the Change in Law, an opinion from an independent financial adviser or external legal counsel stating either (1) that the Issuer is able to continue to derive substantially all of the economic benefits from the business operations conducted by the Group (as in existence immediately prior to such Change in Law), taken as a whole, as reflected in the Issuer’s consolidated financial statements for the most recent fiscal quarter (including after giving effect to any corporate restructuring or reorganization plan of the Issuer) or (2) that such Change in Law would not materially adversely affect the Issuer’s ability to make principal, premium (if any) and interest payments (if any) on the Bonds when due or to convert the Bonds in accordance with the Conditions. See “*Terms and Conditions of the Series 1 Bonds – Redemption, Purchase and Cancellation*” and “*Terms and Conditions of the Series 2 Bonds – Redemption, Purchase and Cancellation*”. The Issuer shall also, at the option of the holder of the Series 1 Bonds, redeem all or some of that holder’s Series 1 Bonds on April 27, 2025 (the “**Series 1 Bonds Put Option Date**”) at 100.37 per cent. of the principal amount of the Series 1 Bonds, and at the option of the holder of the Series 2 Bonds, redeem all or some of that holder’s Series 2 Bonds on April 27, 2026 (the “**Series 2 Bonds Put Option Date**”) at 101.28 per cent. of the principal amount of the Series 2 Bonds.

For a detailed description of the Bonds, see “*Terms and Conditions of the Series 1 Bonds*” and “*Terms and Conditions of the Series 2 Bonds*”.

Application will be made to the Hong Kong Stock Exchange for (i) the listing of the Bonds by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”)) (“**Professional Investors**”) only; and (ii) the listing of the Class B Shares issuable on conversion, and such permissions are expected to become effective on April 28, 2021 and when such Class B Shares are issued, respectively. This document is for distribution to Professional Investors only.

**Notice to Hong Kong investors: The Issuer confirms that the Bonds are intended for purchase by Professional Investors only and will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuer confirms that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.**

The Hong Kong Stock Exchange has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Bonds on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Bonds or the Issuer, or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering 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 Offering Circular.



The Issuer has made application for the pre-issuance registration (the “**Pre-Issuance Registration**”) of the offering of the Bonds with the National Development and Reform Commission of the People’s Republic of China or its local counterparts (the “**NDRC**”) in accordance with the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) issued by the NDRC and which came into effect on September 14, 2015 (the “**NDRC Circular**”). The Issuer has received an Enterprise Foreign Debt Pre-Issuance Registration Certificate dated March 22, 2021 from the NDRC (the “**Pre-Issuance Registration Certificate**”) with respect to the Pre-Issuance Registration, and as at the date of this Offering Circular, the Pre-Issuance Registration Certificate remains valid and in full force and effect. Pursuant to the requirements of the NDRC Circular, the Issuer will undertake to file or cause to be filed with the NDRC the requisite information and documents within the prescribed timeframe after April 27, 2021 (the “**Issue Date**”) in respect of the Series 1 Bonds and the Series 2 Bonds in accordance with the NDRC Circular, the Approval of Foreign Debt Quota Administration Reform Trial Enterprise (Second Batch) for 2017 issued by the NDRC on 22 March 2017 and any implementation rules as issued by the NDRC from time to time (the “**NDRC Post-Issuance Filing**”).

**PRIIPs REGULATION/PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); and (ii) a customer within the meaning of Directive (EU) 2016/97 (the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**PRIIPs Regulation**”) for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

**UK PRIIPs REGULATION/PROHIBITION OF SALES TO UK RETAIL INVESTORS** – The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the “**UK**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “**EUWA**”); and (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “**FSMA**”) and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

**Singapore SFA Product Classification** – In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the “**SFA**”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “**CMP Regulations 2018**”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are “prescribed capital markets products” (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

This Offering Circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Issuer. The Issuer accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

The Series 1 Bonds and the Series 2 Bonds have been assigned a rating of “Baa3” by Moody’s Investors Services, Inc. (“**Moody’s**”). A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. A suspension, reduction or withdrawal of the rating assigned to the Bonds may adversely affect the market price of the Bonds.

Investors should be aware that the Bonds are unsecured, that there are risks attached to exercise of Conversion Rights of the Bonds, and that there are various other risks relating to the Bonds and the Issuer and its subsidiaries, their business and their jurisdictions of operations which investors should familiarize themselves with before making an investment in the Bonds. See “**Risk Factors**” beginning on page 23.

The Bonds and the Class B Shares to be issued upon conversion of the Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”), or other securities laws and, subject to certain exemptions, may not be offered or sold within the United States. The Bonds are being offered and sold only outside the United States in reliance on Regulation S under the Securities Act (“**Regulation S**”). For a description of these and certain further restrictions on offers and sales of the Bonds and the Class B Shares to be issued upon conversion of the Bonds and the distribution of this Offering Circular, see “**Subscription and Sale**.”

Each series of the Bonds will be represented by beneficial interests in a global certificate (each, a “**Global Certificate**”, and together, the “**Global Certificates**”) in registered form, which will be registered in the name of a nominee of, and shall be deposited on or about the Issue Date with, a common depositary for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream**”). Beneficial interests in a Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described in the relevant Global Certificate, individual certificates for each series of the Bonds will not be issued in exchange for interests in such Global Certificate.

The Bonds are not intended to be initially placed and may not be initially placed to “connected persons” of the Issuer as defined in the Listing Rules (“**Connected Persons**”). Each holder of the Bonds (and the beneficial owners of the Bonds, if applicable) will be deemed to have represented to the Issuer, Goldman Sachs (Asia) L.L.C. (“**Goldman Sachs**”) and Merrill Lynch (Asia Pacific) Limited (“**BofA Securities**”, together with Goldman Sachs, the “**Joint Global Coordinators**” or the “**Joint Bookrunners**”) that it is not a Connected Person of the Issuer, and will not after completion of the subscription of the Bonds be a Connected Person (as defined in the Listing Rules) of the Issuer. Each prospective investor will be deemed to have agreed with the Issuer and the Joint Bookrunners that it may, to the extent required by the Listing Rules and/or the Hong Kong Stock Exchange and/or the Hong Kong Securities and Futures Commission (the “**SFC**”), disclose information about such potential investor (including but not limited to its name, company registration number and the number of Bonds allotted to it) to certain parties.

## ***Joint Global Coordinators and Joint Bookrunners***

**Goldman Sachs (Asia) L.L.C.**

**BofA Securities**

Offering Circular dated April 19, 2021

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## NOTICE TO INVESTORS

**This Offering Circular does not constitute an offer to sell to, or a solicitation of an offer to buy from, any person in any jurisdiction to whom it is unlawful to make the offer or solicitation in such jurisdiction. Neither the delivery of this Offering Circular nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the Issuer's affairs since the date of this Offering Circular or that the information contained in this Offering Circular is correct as of any time after that date.**

The contents of this Offering Circular have not been reviewed by any regulatory authority in Hong Kong or elsewhere. Investors are advised to exercise caution in relation to the offering of the Bonds (the "Offering") described herein. If investors are in any doubt about any of the contents of this Offering Circular, they should obtain independent professional advice. This Offering Circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Issuer and the Bonds. The Issuer accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

The Issuer confirms that (i) this Offering Circular contains all information with respect to the Issuer and the Group, and to the Class B Shares and the Bonds which is material in the context of the issue and offering of the Bonds (including any information (if any) which is required by applicable laws of the Cayman Islands and Hong Kong and according to the particular nature of the Issuer, the Class B Shares and the Bonds, is necessary to enable investors and their investment advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer, the Class B Shares and the Bonds); (ii) the statements contained in this Offering Circular relating to the Issuer and to the Group are in all material respects true and accurate and not misleading; (iii) the opinions and intentions expressed in this Offering Circular with regard to the Issuer and to the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to the Issuer, the Group, the Class B Shares or the Bonds the omission of which would, in the context of the issue and offering of the Bonds make any statement in this Offering Circular misleading; and (v) this Offering Circular does not include any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements herein, in light of the circumstances under which they were made, not misleading.

This Offering Circular does not constitute an offer or an invitation by or on behalf of the Joint Bookrunners or the Issuer to subscribe for or purchase any of the Bonds. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law in such jurisdictions where such an offer and sales is not permitted. Persons into whose possession this Offering Circular comes are required by the Issuer and the Joint Bookrunners to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds or the distribution of this document in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the circulation of documents relating thereto, in certain jurisdictions including the United States, Canada, the United Kingdom, Hong Kong, Singapore, Japan, the PRC, the EEA and the Cayman Islands, and to persons connected therewith. For a description of certain further restrictions on offers and sales of the Bonds, and distribution of this Offering Circular, see "Subscription and Sale". The Issuer has prepared this Offering Circular solely for use in connection with the proposed offering of the Bonds described in this Offering Circular. This Offering Circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire any of the Bonds. Distribution of this Offering Circular to any person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorized. Each prospective investor, by accepting delivery of this Offering Circular, agrees to the foregoing and to make no photocopies of this Offering Circular or any documents referred to in this Offering Circular.



This Offering Circular is highly confidential. The Issuer is providing it solely for the purpose of enabling the investors to consider a purchase of the Bonds. Investors should read this Offering Circular before making a decision whether to purchase the Bonds. Investors must not use this Offering Circular for any other purpose, or disclose any information in this Offering Circular to any other person.

The Issuer has prepared this Offering Circular and is responsible for its contents. Investors are responsible for making their own examination of the Group and their own assessment of the merits and risks of investing in the Bonds. By purchasing the Bonds, investors will be deemed to have acknowledged that they have made certain acknowledgements, representations and agreements as set forth under the section entitled “*Subscription and Sale*” below.

None of the Joint Bookrunners, Citicorp International Limited as trustee for itself and the holders of the Bonds (the “Trustee”) or the Agents (as defined in the Terms and Conditions of the Bonds) or any of their respective holding companies, subsidiaries, affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them has separately verified the information contained in this Offering Circular. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted, by the Joint Bookrunners, the Trustee or the Agents or any of their respective holding companies, subsidiaries, affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them as to the accuracy or completeness of the information contained in this Offering Circular or any other information supplied in connection with the Bonds or Class B Shares, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty, express or implied, by the Joint Bookrunners, the Trustee or the Agents or any of their respective holding companies, subsidiaries, affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them. Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Bookrunners, the Trustee or the Agents or any of their respective holding companies, subsidiaries, affiliates, directors, officers, employees, representatives, agents or advisers, or any person who controls any of them in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of the Issuer and the Group and the merits and risks involved in investing in the Bonds.

To the fullest extent permitted by law, none of the Joint Bookrunners, the Trustee or the Agents or any of their respective holding companies, subsidiaries, affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them accepts any responsibility for the contents of this Offering Circular. The Joint Bookrunners, the Trustee and the Agents and their respective holding companies, subsidiaries, affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them accordingly disclaim all and any liability whether arising in tort or contract or otherwise which it or they might otherwise have in respect of this Offering Circular or any such statement. None of the Joint Bookrunners, the Trustee or the Agents or any of their respective holding companies, subsidiaries, affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them undertakes to review the Issuer’s or the Group’s business, financial condition, results of operations, prospects or affairs for so long as any Bond remains outstanding or to advise any investor or potential investor in the Bonds of any information coming to the attention of the Joint Bookrunners, the Trustee or the Agents or any of their respective holding companies, subsidiaries, affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them.

In making an investment decision, investors must rely on their own examination of the Group and the terms of the offering, including the merits and risks involved. See “*Risk Factors*” for a discussion of certain factors to be considered in connection with an investment in the Bonds.

Each person receiving this Offering Circular acknowledges that: (i) such person has been afforded an opportunity to request from the Issuer and to review, and has received, all additional information considered by it to be necessary to verify the accuracy of, or to supplement, the information contained herein; (ii) such person has not relied on the Joint Bookrunners, the Trustee or the Agents or any of their respective holding companies, subsidiaries, affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them in connection with any investigation of the accuracy of such information or its investment decision; (iii) no person has been authorized to give any information or to make any representation concerning the Group, the Bonds, the Class B Shares (other than as contained herein and information given by the Issuer's duly authorized officers and employees in connection with investors' examination of the Group and the terms of the offering of the Bonds) and, if given or made, any such other information or representation should not be relied upon as having been authorized by the Issuer, the Joint Bookrunners, the Trustee or the Agents or any of their respective holding companies, subsidiaries, affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them; (iv) such person (and any nominee and any person on whose behalf such person is subscribing for the Bonds) is not a "connected person" (as defined in the Listing Rules) of the Issuer, which includes but is not limited to any director, chief executive or substantial shareholder of the Issuer or any of their respective subsidiaries or any associate of any of them within the meaning of the Listing Rules; and (v) such person (and any nominee and any person on whose behalf such person is subscribing for the Bonds) is, and will immediately after completion of the offering of the Bonds be, independent of and not acting in concert with, any of such connected persons in relation to the control of the Issuer.

Neither the Issuer nor any Joint Bookrunner is making an offer to sell the Bonds, in any jurisdiction except where an offer or sale is permitted. The distribution of this Offering Circular and the offering of the Bonds may in certain jurisdictions be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer and the Joint Bookrunners to inform themselves about and to observe any such restrictions. For a description of the restrictions on offers, sales and resales of the Bonds and distribution of this Offering Circular, see "*Subscription and Sale*" below.

None of the Issuer, the Joint Bookrunners, the Trustee or the Agents or any of their respective holding companies, subsidiaries, affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them is making any representation to the investors regarding the legality of an investment in the Bonds by the investors under any legal, investment or similar laws or regulations. Investors should not consider any information in this Offering Circular to be legal, business or tax advice. Investors should consult their own professional advisers for legal, business, tax and other advice regarding an investment in the Bonds.

Listing of the Bonds on the Hong Kong Stock Exchange is not to be taken as an indication of the merits of the Issuer, the Group, the Bonds or the Class B Shares. In making an investment decision, prospective investors must rely on their examination of the Issuer, the Group and the terms of this Offering, including the merits and risks involved. The Bonds have not been approved or recommended by any Hong Kong or other regulatory authority. Furthermore, the contents of this Offering Circular have not been reviewed by any Hong Kong or other regulatory authority. The foregoing authorities have not passed upon or endorsed the merits of the offering or confirmed the accuracy or determined the adequacy of this Offering Circular. Prospective investors should not construe anything in this Offering Circular as legal, business or tax advice. Each prospective investor should determine for itself the relevance of the information contained in this Offering Circular and consult its own legal, business and tax advisers as needed to make its investment decision and determine whether it is legally able or advisable to purchase the Bonds under applicable laws or regulations.

No person is authorized to give any information or to make any representation not contained in this Offering Circular and any information or representation not so contained must not be relied upon as having been authorized by or on behalf of the Issuer, the Joint Bookrunners, the Trustee or the Agents or any of their respective holding companies, subsidiaries, affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them. The delivery of this Offering Circular at any time does not imply that the information contained in it is correct as at any time subsequent to its date.

The Bonds are not intended to be initially placed and may not be initially placed to any Connected Person. Each holder of the Bonds (and the beneficial owners of the Bonds, if applicable) will be deemed to have represented to the Issuer and the Joint Bookrunners that it is not a Connected Person of the Issuer, and will not after completion of the subscription of the Bonds be a Connected Person of the Issuer. Each prospective investor will be deemed to have agreed with the Issuer and the Joint Bookrunners that it may, to the extent required by the Listing Rules and/or the Hong Kong Stock Exchange and/or the SFC, disclose information about such potential investor (including but not limited to its name, company registration number and the number of Bonds allotted to it) to certain parties.

Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Bonds (or any beneficial interests therein) from the Issuer and/or the Joint Bookrunners, the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both of their agent and their underlying client.

**PRIIPs REGULATION/PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; and (ii) a customer within the meaning of Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by the PRIIPs Regulation for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

**UK PRIIPs REGULATION/PROHIBITION OF SALES TO UK RETAIL INVESTORS** – The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by the UK PRIIPs Regulation for offering or selling the Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

**Singapore SFA Product Classification:** In connection with Section 309B of the SFA and the CMP Regulations 2018, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are ‘prescribed capital markets products’ (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

## CONVENTIONS THAT APPLY TO THIS OFFERING CIRCULAR

In this Offering Circular, unless otherwise indicated or unless the context otherwise requires:

- “Active Merchant” refers to merchant that meets any of the following conditions in a given period: (i) completed at least one transaction on our platform, (ii) purchased any online marketing services from us, (iii) processed offline payment at least once through our integrated payment systems, or (iv) generated any order through our restaurant management systems;
- “AI” refers to artificial intelligence;
- “China” or “PRC” refers to the People’s Republic of China and, solely for the purpose of this Offering Circular, excludes Taiwan, Hong Kong Special Administrative Region, and Macau Special Administrative Region;
- “Company,” “Meituan,” “we,” “our,” or “us” refers to Meituan 美团, an exempted company with limited liability incorporated under the laws of the Cayman Islands;
- “Consolidated Affiliated Entities” refers to the entities we control through contractual arrangements, namely, the VIEs and their respective subsidiaries;
- “Class A Shares” refers to Class A ordinary shares of the share capital of the Company with a par value of US\$0.00001 each, conferring weighted voting rights in the Company such that a holder of a Class A Share is entitled to ten votes per share on any resolution tabled at the Company’s general meeting, save for resolutions with respect to any reserved matters, in which case they shall be entitled to one vote per share;
- “Class B Shares” refers to Class B ordinary shares of the share capital of the Company with a par value of US\$0.00001 each, conferring a holder of a Class B Share one vote per share on any resolution tabled at the Company’s general meeting;
- “ERP” refers to enterprise resource planning;
- “FMCG” refers to fast-moving consumer goods;
- “Gross Transaction Volume” or “GTV” refers to the value of paid transactions of products and services on our platform by consumers, regardless of whether the consumers are subsequently refunded. This includes delivery charges and VAT, but excludes any payment-only transactions, such as QR code scan payments and point-of-sale payments;
- “Listed Merchant” refers to merchant that meets any of the following conditions in a given period: (i) an order can be placed with such merchant by a user on our platform, (ii) a merchant who purchased any online marketing services from us, (iii) a merchant who activated any of our integrated payment systems, or (iv) a merchant who activated any of our ERP systems;
- “Listed POI” refers to POI (point of interest, a specific point location that one may find useful or interesting) that can be searched, viewed, and is currently valid on our platform;
- “MAU” refers to monthly active user, which refers to, with respect to our apps, the aggregate number of unique mobile devices that were used to access certain of our apps at least once in a given month;

- “Ordinary Shares” refers to any of the Class A Shares and Class B Shares, as the context so requires;
- “Renminbi” or “RMB” refers to the official currency of China;
- “SEHK” refers to The Stock Exchange of Hong Kong Limited;
- “SFC” refers to the Securities and Futures Commission of Hong Kong;
- “SKU” refers to acronym for stock keeping unit, a unique identifier for each distinct product and service that can be purchased;
- “TAM” refers to total addressable market;
- “Terms and Conditions of the Series 1 Bonds” and “Terms and Conditions of the Series 2 Bonds” are to the terms and conditions governing the Series 1 Bonds and the Series 2 Bonds as respectively set out in “Terms and Conditions of the Series 1 Bonds” and “Terms and Conditions of the Series 2 Bonds” (collectively, the “**Terms and Conditions of the Bonds**” or the “**Conditions**”);
- “Transacting User” refers to user account that paid for transactions of products or services on our platform in a given period, regardless of whether the account is subsequently refunded;
- “Transaction” refers to the number of transactions that is generally recognized based on the number of payments made (i) with respect to our in-store business, one transaction is recognized if a user purchases multiple vouchers with a single payment; (ii) with respect to our hotel-booking business, one transaction is recognized if a user books multiple room nights with a single payment; (iii) with respect to our attraction, movie, air, and train ticketing businesses, one transaction is recognized if a user purchases multiple tickets with a single payment; and (iv) with respect to our bike-sharing business, if a user uses monthly pass, then one transaction is recognized only when the user purchases or claims the monthly pass, and subsequent rides are not recognized as transactions; if a user does not use monthly pass, then one transaction is recognized for every ride;
- “UAV” refers to unmanned aerial vehicle;
- “UGC” refers to user generated content, which refers to the information or content provided by users, including ratings, in-depth comments, recommendations, graphics, and videos, as well as information on POIs;
- “U.S. dollars” or “US\$” refers to United States dollars, the official currency of the United States of America;
- “VIE” refers to variable interest entity; and
- “WFOEs,” each a “WFOE,” refers to Tianjin Xiaoyi Technology Co., Ltd., Shanghai Juzuo Technology Co., Ltd., Beijing Kuxun Technology Co., Ltd., Tianjin Wanlong Technology Co., Ltd., Beijing Sankuai Online Technology Co., Ltd., Shenzhen Sankuai Online Technology Co., Ltd., Hanhai Information Technology (Shanghai) Co., Ltd., Sankuai Cloud Online Technology Co., Ltd., Tianjin Hanbo Information Technology Co., Ltd. and Mobike (Beijing) Information Technology Co., Ltd.



Any discrepancies in any table between the amounts identified as total amounts and the sum of the amounts listed therein are due to rounding.

Our reporting currency is Renminbi because our business is primarily conducted in China and most of our revenue is denominated in Renminbi. This Offering Circular contains translations from Renminbi to U.S. dollars based on the exchange rate set forth in the H.10 statistical release of The Board of Governors of the Federal Reserve System solely for the convenience of the reader. Unless otherwise stated, all amounts in this Offering Circular have been translated from Renminbi to U.S. dollars at a rate of RMB6.5250 to US\$1.00, the exchange rate in effect as of December 31, 2020. We make no representation that any Renminbi or U.S. dollar amounts referred to in this Offering Circular could have been, or could be, converted to U.S. dollars or Renminbi, as the case may be, at any particular rate, or at all. The PRC government imposes control over its foreign currency reserves in part through direct regulation of the conversion of Renminbi into foreign exchange.

Market data and certain industry forecasts and statistics in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information, and industry publications. In many cases, there is no readily available external information (whether from trade associations, government bodies, or other organizations) to validate market-related analyses and estimates, requiring us to rely on our own internally developed estimates regarding our industry, our position in the industry, our market and segment share, and the market and segment shares of various industry participants based on experience, our own investigation of market conditions, and our review of industry publications, including information made available to the public by our competitors. Although this information is believed to be reliable, it has not been independently verified by us or the initial purchasers or our or their respective directors and advisors, and neither we or the initial purchasers nor our or their respective directors and advisors make any representation as to the accuracy or completeness of that information. Such information may not be consistent with other information compiled within or outside of China. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified.

## **PRESENTATION OF FINANCIAL INFORMATION**

Our consolidated financial statements/information included elsewhere in this Offering Circular are prepared in accordance with International Financial Reporting Standards (“**IFRS**”) issued by the International Accounting Standards Board (“**IASB**”), which differ in certain respects from generally accepted accounting principles in the United States and in certain other countries. There could be significant differences between IFRS and generally accepted accounting principles in the United States and in certain other countries as applied to the Company. We have made no attempt to describe or quantify the impact of those differences or reconcile to its IFRS financial information to accounting principles generally accepted in the United States and other countries. Accordingly, such information is not available to investors. In making an investment decision, investors must rely upon their own examination of us, the terms of the Bonds, and the consolidated financial statements/information we present herein. Potential investors should consult their own professional advisers for an understanding of the differences between IFRS and accounting principles generally accepted in other countries, including the United States, and how those differences might affect the consolidated financial statements/information presented herein.

This Offering Circular contains non-IFRS measures that are not required by, or presented in accordance with, IFRS, including adjusted EBITDA and adjusted net profit/(loss). We believe that the presentation of non-IFRS measures when shown in conjunction with the corresponding IFRS measures provides useful information to investors and management regarding financial and business trends in relation to our financial condition and results of operations, by eliminating any potential impact of items that our management does not consider to be indicative of our operating performance such as certain non-cash items and certain impact of investment transactions. We also believe that the non-IFRS measures are appropriate for evaluating our operating performance. However, the use of these non-IFRS measures has limitations as an analytical tool, and you should not consider them in isolation from, or as a substitute for analysis of, our results of operations or financial conditions as reported under IFRS. In addition, these non-IFRS measures may be defined differently from similar terms used by other companies and therefore may not be comparable to similar measures used by other companies.

## FORWARD-LOOKING STATEMENTS

Certain statements in this Offering Circular are forward-looking statements that are, by their nature, subject to significant risks and uncertainties. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions, or future events or performance (often, but not always, through the use of words or phrases such as “will,” “expect,” “anticipate,” “estimate,” “believe,” “going forward,” “ought to,” “may,” “seek,” “should,” “intend,” “plan,” “projection,” “could,” “vision,” “goals,” “aim,” “aspire,” “objective,” “target,” “schedules,” and “outlook”) are not historical facts, are forward-looking, and may involve estimates and assumptions and are subject to risks (including but not limited to the risk factors detailed in this Offering Circular), uncertainties, and other factors, some of which are beyond our control and which are difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

Our forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to us about the businesses that we operate. The risks, uncertainties, and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to:

- our business and growth strategies and our ability to implement such strategies;
- our ability to develop and manage our expanding operations;
- our ability to control operating costs and expenses;
- competition for, among other things, consumer spending, merchants, delivery riders, capital, technology, and skilled personnel;
- our ability to maintain and enhance our brands;
- changes to regulatory and operating conditions in the industries in which we operate; and
- all other risks and uncertainties described in “Risk Factors.”

Furthermore, these forward-looking statements merely reflect our current view with respect to future events and are not a guarantee of future performance. Our financial condition may differ materially from the information contained in the forward-looking statements due to a number of factors, including factors disclosed under “Risk Factors” and elsewhere in this Offering Circular.

Subject to the requirements of applicable laws, rules, and regulations, we do not have any obligation and do not intend to update or otherwise revise the forward-looking statements in this Offering Circular, whether as a result of new information, future events, or otherwise. Because of these risks, uncertainties, or assumptions, the forward-looking events and circumstances discussed in this Offering Circular might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking statements. All forward-looking statements contained in this Offering Circular are qualified by reference to this cautionary statement.

## **PRESENTATION AND INCORPORATION OF FINANCIAL INFORMATION**

The Company's consolidated financial information as of and for the years ended December 31, 2018, 2019 and 2020 have been extracted from the annual reports of the Company as of and for the years ended December 31, 2019 and 2020, which have been audited by PricewaterhouseCoopers ("PwC"), the independent auditors of the Company and included in this Offering Circular. The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRSs").

Certain amounts and percentages included in this Offering Circular have been rounded. Accordingly, in certain instances, the sum of the numbers in a column may not exactly equal the total figure for that column. Potential investors should not construe any exchange rate translations as representations that the relevant exchange and amounts could actually be converted into the amounts expressed.

## SUMMARY

*This summary may not contain all of the information that may be important to you. You should read this entire Offering Circular before making an investment decision to purchase the Bonds.*

### OUR MISSION

Our mission is: “We help people eat better, live better.”

We founded our Company with the belief that technology will make everyone’s life better. We remain excited and steadfast in our mission, and will continue using technology to help people eat better, live better.

### OVERVIEW

We are China’s leading e-commerce platform for services. Our platform uses technology to connect consumers, merchants and suppliers. Our platform addresses people’s daily needs for food, and extend further to broader local services, as well as grocery and other goods. In the twelve months ended December 31, 2020, we served 510.6 million Transacting Users and 6.8 million Active Merchants in over 2,800 cities and counties across China.

Through our flagship Meituan app and an array of other specialized apps, we focus on a “Food + Platform” strategy to deliver value propositions to our platform participants. Food is our primary service offering category as we believe it is a massive market and presents significant opportunities, fueling our growth. Our food-related service offerings include food delivery, restaurant booking, review and promotion, retail, restaurant management systems, and business-to-business food distribution service. Extending our food-related service offerings, we have established a platform of services, including hotel and travel, other local services, and new initiatives to satisfy consumers’ daily needs. Our platform also provides merchants with a trustworthy on-demand delivery network and an attractive marketplace with rich user content, location-based local search system, and diversified digital marketing tools.

We play an important role in consumers’ daily lives. Through our food-related services, we help consumers discover merchant information, make informed decisions, complete online and offline transactions, and enjoy on-demand delivery. We focus on mass-market, essential, and high-frequency service categories and have established market leadership in these primary categories. Our leadership in these primary categories allows us to attract a large and growing consumer base, increase user stickiness, and cater to evolving consumption habits. The number of our Transacting Users increased from 400.4 million in 2018 to 450.5 million in 2019, and further to 510.6 million in 2020. On average, the annual number of transactions each Transacting User made on our platform increased from 23.8 transactions in 2018 to 27.4 transactions in 2019, and further to 28.1 transactions in 2020.

Our leadership in food-related services also enables us to expand into new service categories efficiently. We have established many touch points with consumers’ daily lives through food-related services, which allow us to launch and cross-sell a broad range of additional service categories. For example, in 2020, over 75% of our new hotel-booking Transacting Users and about 85% of our new Transacting Users of other in-store local services were converted from Transacting Users of our food delivery and in-store dining services. The breadth of our service offerings allows us to enjoy low user acquisition cost, enhance user stickiness, and grow user lifetime value. Our platform has achieved significant operating leverage. Our selling and marketing expenses as a percentage of total revenues decreased from 24.3% in 2018 to 19.3% in 2019, and further to 18.2% in 2020. As our business further grows, we believe that our massive scale, combined with our strong network effects, will allow us to acquire consumers and merchants more cost-effectively and benefit from substantial economies of scale in the long term.



We aim to transform China's service industry by providing merchants with a wide range of solutions and digitizing their operations. Our solutions include targeted online marketing tools, cost-effective on-demand delivery network, restaurant management systems, business-to-business food distribution service, and financing solutions. We help merchants establish online presence, engage with consumers in real time, and improve operational efficiency. Merchants can grow on our platform beyond the physical boundaries of their stores. As a result, we have sustainably expanded our merchant base over time and fostered long-term merchant loyalty. Our Active Merchants increased from 5.8 million in 2018 to 6.2 million in 2019, and further to 6.8 million in 2020.

We have built and currently operate the world's leading on-demand delivery network in terms of the number of deliveries in 2020. Our network had an average of around 1 million daily active delivery riders in 2020. In 2020, our delivery network fulfilled more than 90% of total on-demand delivery transactions generated on our platform, while the remaining transactions were directly fulfilled by merchants. We manage to maintain stable cost per delivery and continue to improve the efficiency of our delivery network.

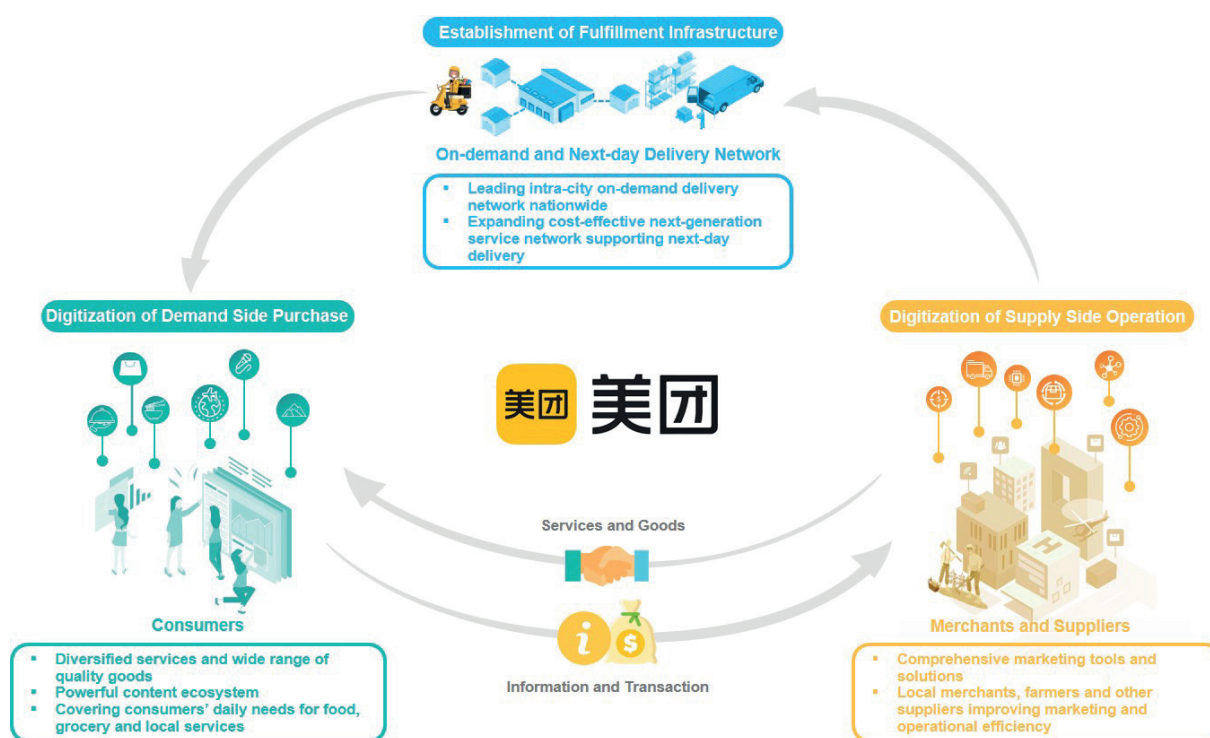
We enable the service industry with cutting-edge big data and AI technologies. Our data-driven personalized recommendations improve efficiency for consumers and merchants. Powered by AI technologies, our intelligent dispatch system optimizes order-rider matching based on the real-time locations of delivery riders, and runs the route planning algorithms 2.9 billion times per hour during the daily peak time. We are also utilizing AI-based autonomous driving technology to develop autonomous delivery vehicles and drones.

During the fourth quarter of 2020, we made significant investments to expand our retail business. As part of our dedicated "Food + Platform" strategy, we believe that the digitization of the local retail industry provides strategic value to our platform and opportunities for us to cross-sell more product categories to our consumers. In particular, we believe that the community e-commerce will address the needs of consumers in large number of low-tier cities and become the next-generation service network used for fulfilling people's daily consumption.

We are a pioneer of the service e-commerce model globally. We have evolved from a single-category service provider to a multi-category service e-commerce platform, and have expanded from large cities to small cities across China, creating a truly "online + offline" business model with nationwide coverage. We continued our innovation in exploring community e-commerce business, which further expands our platform into retail services. We have extended our platform from digitizing the demand side to the supply side, driving internet penetration of the entire service industry value chain. With our one-stop multi-category platform and highly efficient on-demand delivery network, we have been better serving the essential needs of people's daily lives and merchants' daily operations in the digitization era.

We have achieved significant growth. We generate revenues from commissions, online marketing services, and other services and sales. Our total revenues increased by 49.5% from RMB65.2 billion in 2018 to RMB97.5 billion in 2019, and further increased by 17.7% to RMB114.8 billion (US\$17.6 billion) in 2020.

The following diagram illustrates how we connect consumers, merchants and suppliers through our platform and accelerate the digitization on both demand and supply sides. On the consumer side, we offer diversified goods and services covering people's daily needs for food, grocery and broader local services to digitize consumer purchases. With the expansion of our retail business, we are now able to offer a wider range of quality goods more conveniently with value for money to consumers, especially those in less developed and rural areas. On the merchant side, we offer a wide range of solutions to digitize and optimize their operations. This is all supported by our strong local operation and execution capabilities, powerful content ecosystem, extensive and intelligent technology platform, and massive on-demand delivery network.



## KEY OPERATING METRICS

The following tables set forth certain key operating metrics for the periods indicated.

	For the Year Ended December 31,		
	2018	2019	2020
	(in millions)		
Number of Transacting Users . . . . .	400.4	450.5	510.6
Number of Active Merchants . . . . .	5.8	6.2	6.8
	(units)		
Average Number of Transactions Per Annual Transacting User . . . . .	23.8	27.4	28.1

	For the Year Ended December 31,		
	2018	2019	2020
	(in billions)		
GTV of Food Delivery (RMB) . . . . .	282.8	392.7	488.9
Number of Food Delivery Transactions . . . . .	6.4	8.7	10.1
	(in millions)		
Number of Domestic Hotel Room Nights . . . . .	283.9	392.5	354.5

## COMPANY FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED DECEMBER 31, 2020

As China's economic recovery accelerated as a result of the effective containment of the COVID-19 pandemic, our businesses recovered steadily during 2020. Total revenues increased by 17.7% year over year to RMB114.8 billion (US\$17.6 billion) from RMB97.5 billion in 2019. Our food delivery services delivered steady growth with revenue increasing by 20.8% year over year to RMB66.3 billion (US\$10.2 billion) in 2020. Operating profit from food delivery business increased to RMB2.8 billion (US\$434.2 million) in 2020 from RMB1.4 billion in 2019, while operating margin increased to 4.3% from 2.6% for

the same period. Gradually recovering from the COVID-19 pandemic, revenues from our in-store, hotel & travel businesses decreased by 4.6% year over year to RMB21.3 billion (US\$3.3 billion) in 2020 and operating profit from our in-store, hotel & travel businesses decreased to RMB8.2 billion (US\$1.3 billion) in 2020 from RMB8.4 billion in 2019, while operating margin increased to 38.5% from 37.7%. As we further expanded our platform to satisfy consumers' growing needs, revenues from the new initiatives and others segment increased by 33.6% year over year to RMB27.3 billion (US\$4.2 billion) in 2020, while operating loss from this segment increased to RMB10.9 billion (US\$1.7 billion) in 2020 from RMB6.7 billion in 2019. Both adjusted EBITDA and adjusted net profit experienced negative year-over-year growth and decreased to RMB4.7 billion (US\$726.1 million) and RMB3.1 billion (US\$478.3 million) in 2020, respectively. Our operating cash flow increased to RMB8.5 billion (US\$1.3 billion) in 2020 from RMB5.6 billion in 2019. We had cash and cash equivalents of RMB17.1 billion (US\$2.6 billion) and short-term treasury investments of RMB44.0 billion (US\$6.7 billion) as of December 31, 2020, compared to the balances of RMB13.4 billion and RMB49.4 billion, respectively, as of December 31, 2019.

## **COMPANY BUSINESS HIGHLIGHTS FOR THE YEAR ENDED DECEMBER 31, 2020**

### **Food delivery**

Food delivery became an increasingly essential service throughout the COVID-19 pandemic in 2020. Meanwhile, our strength in consumer base, merchant base and delivery network remained strong and continued to generate powerful network effects during 2020, enabling us to achieve solid growth. In 2020, GTV of our food delivery business increased by 24.5% year over year to RMB488.9 billion (US\$74.9 billion). Our growth rate for the number of food delivery transactions continued to surge year over year, with the daily average number of food delivery transactions increasing by 16.0% year over year to 27.7 million. The average value per order of our food delivery business increased by 7.0% year over year to RMB48.2 (US\$7.4). Monetization Rate of our food delivery business decreased to 13.6% from 14.0% in 2019. As a result, revenue increased by 20.8% year over year to RMB66.3 billion (US\$10.2 billion). Operating profit from food delivery business increased to RMB2.8 billion (US\$434.2 million) in 2020 from RMB1.4 billion in 2019, while operating margin increased to 4.3% from 2.6%. Our solid business performance in 2020 was a testament to our resilient business model and strong execution capabilities.

For the fourth quarter of 2020, GTV of our food delivery business increased by 39.4% year over year to RMB156.3 billion (US\$24.0 billion). The daily average number of food delivery transactions increased by 33.0% year over year to 36.2 million. The average value per order of our food delivery business increased by 4.8% year over year to RMB46.9 (US\$7.2). Monetization Rate of our food delivery business decreased to 13.8% from 14.0% in the same period of 2019. As a result, revenue increased by 37.0% year over year to RMB21.5 billion (US\$3.3 billion). Operating profit from our food delivery business increased to RMB882.4 million (US\$135.2 million) for the fourth quarter of 2020 from RMB482.8 million for the fourth quarter of 2019, while operating margin increased to 4.1% from 3.1%.

Thanks to our continuous effort to implement our effective food delivery membership program, refine the efficiency of our consumer marketing and operations, and augment the variety and quality of food delivery supplies on our platform, both the demand and supply sides continued to evolve into their next phases of growth during 2020. Lower-tier cities continued to be the main driver of our user growth in 2020, with a majority of new users still from third-tier cities and below. In the fourth quarter, quarterly transacting users and their purchase frequency both achieved healthy growth year over year. Meanwhile, monthly transacting users and their average transaction frequency also reached new highs during the quarter. Our food delivery membership program continued to ramp up the transaction frequency of high-potential consumers, while our monthly average membership subscribers more than doubled year over year. Certain consumption scenarios, such as breakfast, afternoon tea, and night-time snacks, continued to grow at a

faster pace than other consumption scenarios such as lunch and dinner in the fourth quarter. Long-distance orders from more than 3 kilometers away also accounted for an ever larger share of our total delivery orders. Our consumer base and transaction frequency growth not only reflects consumers' increasing preferences for food delivery and more consumption scenarios, but also demonstrates consumers' ongoing trust in and recognition of our food delivery services.

On the merchant side, the COVID-19 pandemic accelerated business digitization for more restaurants and made online operation improvement more important to them. Consequently, in 2020, the overall quality of restaurants on our platform improved, while the number of high-quality restaurants on our platform also grew meaningfully. Driven by the upgraded supply, the average value per order of our food delivery business increased by 7% year over year in 2020. Helping merchants accelerate digitization and improve operations are critically important to us as we strive to better cater to consumers' ever increasing demands and diversified consumption needs. In the fourth quarter, we launched the "New Restaurant Manager" program. Through this program, over the next three years, we plan to discover and train over one million restaurant owners or managers and to help them embrace the trend of digitization while increasing their profitability. By recognizing and solving merchant pain points, we have launched systems for merchant services, merchant growth, and talent training, respectively.

In terms of our delivery network, we faced an unexpected and challenging situation from the outset of the COVID-19 pandemic. Nevertheless, we remained committed to providing delivery riders, consumers, and merchants with the appropriate solutions. During the COVID-19 pandemic, for example, we quickly organized various teams to ensure that our delivery network maintained sufficient capacity. Meanwhile, we rolled out our pioneering "contactless delivery" method and organized nucleic testing for our delivery riders to provide our delivery riders and consumers with better protection. These measures reflected our quick emergency response capabilities as well as the ability of our delivery network to handle unexpected situations. By the end of 2020, a total of 9.5 million delivery riders had earned income on the Meituan platform. Among them, around 2.3 million delivery riders come from impoverished counties and have therefore been effectively lifted out of poverty through their work with Meituan. Moreover, we launched "Tongzhou Project" in the fourth quarter, which is a project focusing on delivery riders that aims to improve their job security, work experiences, career paths, and social well-being. We also organized numerous discussion panels with our delivery riders to listen to their feedback and better understand their needs and challenges. As we advance into 2021, we will continue to develop this project as our delivery riders' work and personal well-being remains a top priority.

### **In-store, hotel & travel**

Benefitting from the effective containment of the COVID-19 pandemic, local consumption in China experienced a steady recovery, and our in-store, hotel & travel businesses, which were the most impacted businesses in 2020, have been gradually ramping back up, but have yet to fully recover to normal levels. Revenues from our in-store, hotel & travel businesses decreased by 4.6% year over year to RMB21.3 billion (US\$3.3 billion) in 2020. Operating profit from our in-store, hotel & travel businesses decreased to RMB8.2 billion (US\$1.3 billion) in 2020 from RMB8.4 billion in 2019, while operating margin increased to 38.5% from 37.7%.

For the fourth quarter of 2020, revenues from our in-store, hotel & travel businesses increased by 12.2% year over year to RMB7.1 billion (US\$1.1 billion), despite the reoccurrence of the COVID-19 pandemic in several cities. Operating profit from our in-store, hotel & travel businesses increased to RMB2.8 billion (US\$432.5 million) from RMB2.3 billion for the fourth quarter of 2019, while operating margin increased to 39.5% from 36.7%.

For our in-store dining business, we introduced more options for quality light meal restaurants to our platform during 2020, which helped to further expand our merchant base and increase both orders and revenues. For top national and local chain restaurants, we have designed innovative transaction-based products and supported their unique advertising needs. The number of these types of restaurants significantly increased throughout our ecosystem, with their sales also growing considerably as a result of our tailored services. By optimizing the operation system, we further leverage the merchant base of our food delivery business to expand our in-store dining merchant base. As a result, more high potential restaurants have adopted our in-store marketing products and our platform captured more cross-selling opportunities.

For other in-store services, we effectively managed multiple service categories and improved our multi-dimensional operational capabilities in 2020 by correctly identifying the changes in consumer habits and future consumption trends. After the most severe periods of the COVID-19 pandemic, some new categories have proven to be quite popular, such as auto-related services and escape rooms, with both of these categories achieving relatively high year-over-year growth rates in GTV in the period to outpace their pre-pandemic growth. Other critical categories also maintained their high-growth trajectories, including medical aesthetics, healthcare, petcare, and more. For example, our medical aesthetics sales grew by more than 70% year over year in the fourth quarter. Meanwhile, we advanced our operational capabilities and better organized theme-based consumption festivals around holiday seasons, helping to better satisfy consumer demands and encourage local spending during 2020. For example, during the fourth quarter of 2020, we launched a series of promotional campaigns during Mid-Autumn Festival, National Day, Christmas and other festivals, such as “Double 11 Carnival,” “Double 12 Carnival,” “Wedding Festival,” “Mid-Autumn and National Day Food Festival” and more, all of these theme-based promotional campaigns were exceptionally well received by the market.

With respect to our hotel booking business, domestic room nights consumed on our platform declined by 9.7% year over year in 2020 due to the impact from the COVID-19 pandemic. Nonetheless, we took this opportunity to further solidify our advantages in consumer base, domestic supply and execution capabilities. During the year of 2020, the pent-up demand for overseas and long-distance domestic travel continued to spill over into domestic travel and weekend trip activity. In the fourth quarter, despite the reoccurrence of the COVID-19 pandemic in several cities which hampered the recovery of consumption in these regions, consumer demand for hotel booking services in other cities continued to unleash, with domestic room nights consumed on our platform increasing by 8.8% year over year. We also effectively brought more offline users onto our platform and channeled them into online hotel booking during the quarter. Meanwhile, our platform’s high-star hotel supply and bookings both expanded, with high-star hotels accounting for an increasing share of our total hotel supply and our number of high-star hotel room nights accounting for more than 15% of our total room nights in the fourth quarter. Our expansion of five-star hotels was particularly successful as we became an increasingly attractive channel for these hotels to grow their customer bases and sales. Notably, among total domestic room nights consumed on our platform, the number of room nights from five-star hotels increased by more than 110% year over year in the fourth quarter.

#### **New initiatives and others**

During 2020, we continued to ramp up our investments in new initiatives, especially in areas that we believed to have promising long-term growth potential and fit well into our “Food + Platform” strategy. Revenues from the new initiatives and others segment increased by 33.6% year over year to RMB27.3 billion (US\$4.2 billion) in 2020. Operating loss from new initiatives and others segment expanded to RMB10.9 billion (US\$1.7 billion) in 2020 from RMB6.7 billion in 2019, while operating margin decreased 6.7 percentage points year over year to negative 39.8%. For the fourth quarter of 2020, revenues from the



new initiatives and others segment increased by 51.9% year over year to RMB9.2 billion (US\$1.4 billion). Operating loss for the segment increased both year over year and quarter over quarter to negative RMB6 billion (US\$920.0 million) in the fourth quarter of 2020, while the operating margin decreased to negative 64.9%.

The digitization of the broader local retail industry accelerated during 2020. Retail business has important strategic value to us and was the key investment area. During the fourth quarter, we quickly expanded our community e-commerce business “Meituan Select” in over 2,000 cities and counties. As a result, Meituan Select now covers more than 90% of the cities and counties in China. While this business is still at an early stage, we believe that it can create tremendous value for consumers and up-stream suppliers, including farmers. Through our efforts to build out our supply chain and “next-day” delivery capabilities, this business model provides users with broader SKU selections, much more convenient shopping experience and lower prices, and in turn allows us to acquire vast new user base in less accessible and rural areas. During the fourth quarter, through cooperation with many local governments across the country, we launched the “Agricultural Produce Direct Sourcing” program in some pilot areas such as Yunnan, Jilin, and Guangxi, to source produce directly from farmers to reduce intermediary costs, improve our supply chain efficiency, help farmers generate additional revenues, and lower product prices for consumers. Meanwhile, we also made upfront planning and investment in our logistics network including warehousing and fulfillment during the quarter, to ensure that we can handle large volumes of agricultural products smoothly and deliver them in optimal condition in a timely manner even to lower-tier markets. Our marketplace business “Meituan Instashopping” achieved stellar growth as we continued to broaden and diversify merchant base, build out our marketplace capabilities, and convert more food delivery consumers into non-food categories consumers. High-potential verticals, such as flowers, medicine and more, continued to achieve rapid growth as we continued to bring more quality suppliers and merchants online and encourage user consumption through effective marketing. As a result, Meituan Instashopping’s daily peak orders reached around 4.5 million in the fourth quarter. For our self-operated “Meituan Grocery,” as we continued to increase coverage density across Beijing, Shanghai, Guangzhou and Shenzhen, both the quarterly transacting users and transaction volume grew rapidly during the fourth quarter.

## **OUR COMPETITIVE STRENGTHS**

We believe the following competitive strengths contribute to our success and differentiate us from our competitors:

- pioneer in one-stop e-commerce platform for local services and retail with tremendous scale and network effects;
- the “super app” with strong brand awareness;
- leading intra-city on-demand delivery network;
- comprehensive online solutions for merchants’ daily operations;
- proprietary and innovative technologies; and
- management with long-term vision and proven execution capabilities.

## **OUR STRATEGIES**

Our key strategies to further grow our business are to:

- serve more consumers more frequently;
- enable more merchants and suppliers with more solutions;
- leverage our unparalleled on-demand delivery network and next-day fulfillment network to provide easy and timely access to all goods and services;
- strengthen our Meituan ecosystem and enlarge our TAM through new initiatives; and
- continue to invest in technology innovations to improve operational efficiency and user experience.

## **CORPORATE INFORMATION**

Our principal executive offices are located at Blocks B&C, Hengjiweiye Building, No. 4 Wang Jing East Road, Chaoyang District, Beijing 100102, People's Republic of China. Our registered office in the Cayman Islands is located at P O Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. Our website is *www.meituan.com*. The information contained on our website is not a part of this Offering Circular.

## SUMMARY FINANCIAL INFORMATION

The following summary consolidated income statements and summary consolidated statements of cash flows of the Group for the years ended December 31, 2018, 2019, and 2020 and summary consolidated statements of financial position of the Group as of December 31, 2018, 2019, and 2020 have been derived from our audited consolidated financial statements as of and for the years ended December 31, 2019 and 2020 included elsewhere in the Offering Circular.

You should read this section in conjunction with the notes to those audited consolidated financial statements of the annual reports for the year ended December 31, 2019 and 2020 included elsewhere in this Offering Circular. The historical results are not necessarily indicative of the results of operations to be expected in the future.

### ADOPTION OF NEW ACCOUNTING STANDARDS

The Group has adopted IFRS 16 “Leases” (“**IFRS 16**”) with effect from January 1, 2019 and has not restated prior period’s consolidated financial statements. Therefore, the consolidated financial statements of the Group as of and for the year ended December 31, 2019 is not comparable with the consolidated financial statements of the Group as of and for the year ended December 31, 2018. For the impact on the adoption of IFRS 16, please refer to note 2.1.1 to the annual report for the year ended December 31, 2019.

### SUMMARY CONSOLIDATED INCOME STATEMENTS

The following table sets forth our consolidated income statements with line items in absolute amounts and as percentages of our revenues for the periods indicated:

	For the year ended December 31,						
	2018		2019		2020		
	RMB	%	RMB	%	RMB	US\$	%
	(unaudited)						
	(in thousands, except for percentages)						
Revenues . . . . .	65,227,278	100.0	97,528,531	100.0	114,794,510	17,593,028	100.0
Cost of revenues . . . . .	(50,122,320)	(76.8)	(65,208,143)	(66.9)	(80,744,368)	(12,374,616)	(70.3)
Gross profit . . . . .	15,104,958	23.2	32,320,388	33.1	34,050,142	5,218,412	29.7
Selling and marketing expenses. . . . .	(15,871,901)	(24.3)	(18,819,067)	(19.3)	(20,882,685)	(3,200,411)	(18.2)
Research and development expenses. . . . .	(7,071,900)	(10.8)	(8,445,664)	(8.7)	(10,892,514)	(1,669,351)	(9.5)
General and administrative expenses. . . . .	(5,546,037)	(8.5)	(4,338,954)	(4.4)	(5,593,895)	(857,302)	(4.9)
Net provision for impairment losses on financial assets. . . . .	(285,655)	(0.4)	(645,685)	(0.7)	(467,690)	(71,677)	(0.4)
Fair value changes on other financial investments at fair value through profit or loss . . . . .	1,836,382	2.8	77,699	0.1	4,955,909	759,526	4.3
Other gains, net . . . . .	748,356	1.0	2,531,143	2.6	3,160,835	484,419	2.8
Operating (loss)/profit . . . . .	(11,085,797)	(17.0)	2,679,860	2.7	4,330,102	663,616	3.8
Finance income. . . . .	294,047	0.5	166,217	0.2	213,684	32,749	0.2
Finance costs . . . . .	(44,732)	(0.1)	(191,042)	(0.2)	(370,016)	(56,707)	(0.3)
Fair value changes of convertible redeemable preferred shares . . . . .	(104,606,058)	(160.4)	—	—	—	—	—
Share of (losses)/gains of investments accounted for using the equity method . . . . .	(48,267)	(0.1)	107,353	0.1	264,105	40,476	0.2
(Loss)/profit before income tax . . . . .	(115,490,807)	(177.1)	2,762,388	2.8	4,437,875	680,134	3.9
Income tax (expenses)/credits . . . . .	(1,888)	(0.0)	(526,223)	(0.5)	269,737	41,339	0.2
(Loss)/profit for the year . . . . .	(115,492,695)	(177.1)	2,236,165	2.3	4,707,612	721,473	4.1

## SUMMARY CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As of December 31,			
	2018	2019	2020	
	RMB	RMB	RMB	US\$
				(unaudited)
	(in thousands)			
Total non-current assets . . . . .	47,512,119	49,877,870	78,268,647	11,995,195
Total current assets . . . . .	73,149,392	82,135,045	88,306,155	13,533,510
<b>Total assets . . . . .</b>	<b>120,661,511</b>	<b>132,012,915</b>	<b>166,574,802</b>	<b>25,528,705</b>
Total non-current liabilities . . . . .	2,326,683	3,365,958	17,792,886	2,726,879
Total current liabilities . . . . .	31,825,056	36,592,563	51,147,641	7,838,719
<b>Total liabilities . . . . .</b>	<b>34,151,739</b>	<b>39,958,521</b>	<b>68,940,527</b>	<b>10,565,598</b>
Share capital . . . . .	384	389	395	61
Share premium . . . . .	258,284,687	260,359,929	263,155,201	40,330,299
Other reserves . . . . .	(5,741,347)	(4,447,252)	(6,262,066)	(959,704)
Accumulated losses . . . . .	(166,039,390)	(163,800,621)	(159,200,503)	(24,398,545)
<b>Equity attributable to equity holders of the Company . . . . .</b>	<b>86,504,334</b>	<b>92,112,445</b>	<b>97,693,027</b>	<b>14,972,111</b>
<b>Non-controlling interests . . . . .</b>	<b>5,438</b>	<b>(58,051)</b>	<b>(58,752)</b>	<b>(9,004)</b>
<b>Total equity and liabilities . . . . .</b>	<b>120,661,511</b>	<b>132,012,915</b>	<b>166,574,802</b>	<b>25,528,705</b>
<b>Net current assets . . . . .</b>	<b>41,324,336</b>	<b>45,542,482</b>	<b>37,158,514</b>	<b>5,694,791</b>

## SUMMARY CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended December 31,			
	2018	2019	2020	
	RMB	RMB	RMB	US\$
				(unaudited)
	(in thousands)			
Net cash (used in) /generated from operating activities . . . . .	(9,179,818)	5,574,220	8,475,013	1,298,853
Net cash used in investing activities . . . . .	(23,438,686)	(10,174,018)	(21,232,004)	(3,253,947)
Net cash generated from financing activities . . . . .	29,295,294	1,114,267	17,418,081	2,669,438
<b>Net (decrease)/increase in cash and cash equivalents . . . . .</b>	<b>(3,323,210)</b>	<b>(3,485,531)</b>	<b>4,661,090</b>	<b>714,344</b>
Cash and cash equivalents at the beginning of the year . . . . .	19,408,839	17,043,692	13,396,185	2,053,055
Exchange gain/(loss) on cash and cash equivalents . . . . .	1,009,587	(173,442)	(963,716)	(147,696)
Cash and cash equivalents (included in the assets classified as held for sale)/reclassified from the assets classified as held for sale . . . . .	(51,524)	11,466	—	—
<b>Cash and cash equivalents at the end of the year . . . . .</b>	<b>17,043,692</b>	<b>13,396,185</b>	<b>17,093,559</b>	<b>2,619,703</b>

## NON-IFRS MEASURES: ADJUSTED EBITDA AND ADJUSTED NET (LOSS)/PROFIT

To supplement our consolidated results which are prepared and presented in accordance with IFRS, we also use adjusted EBITDA and adjusted net (loss)/profit as additional financial measures, which are not required by, or presented in accordance with IFRS. We believe that these non-IFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of items that our management does not consider to be indicative of our operating performance such as certain non-cash items and certain impact of investment transactions. The use of these non-IFRS measures have limitations as an analytical tool, and you should not consider them in isolation from, or as a substitute for analysis of, our results of operations or financial conditions as reported under IFRS. In addition, these non-IFRS financial measures may be defined differently from similar terms used by other companies. The following table sets forth our non-IFRS measures for the periods indicated:

For the year ended December 31,							
2018		2019		2020			
RMB	%	RMB	%	RMB	US\$	%	
(in thousands, except for percentages)							
<b>Non-IFRS Measures:</b>							
<b>Adjusted net</b>							
<b>(loss)/profit</b>							
<b>(unaudited)</b> . . . . .	(8,345,621)	(12.8)	4,656,685	4.8	3,120,605	478,254	2.7
<b>Adjusted EBITDA</b>							
<b>(unaudited)</b> . . . . .	(4,733,831)	(7.3)	7,253,634	7.4	4,737,837	726,105	4.1

We define adjusted net (loss)/profit as (loss)/profit for the year or period as adjusted by (i) share-based compensation expenses, (ii) fair value changes of convertible redeemable preferred shares, (iii) fair value gains on investments, (iv) gains on disposal of investments and subsidiaries, (v) gains from the remeasurement of investments, (vi) amortization of intangible assets resulting from acquisitions, (vii) impairment and expense provision/(reversal) for Mobike restructuring plan, (viii) impairment of intangible assets, (ix) impairment of goodwill, (x) net provision for impairment losses on financial assets, and (xi) tax effects on non-IFRS adjustments.

We define adjusted EBITDA as adjusted net (loss)/profit for the year or period as further adjusted by (i) income tax expenses/(credits), except for tax effects on non-IFRS adjustments, (ii) share of (gains)/losses of investments accounted for using equity method, (iii) finance income, (iv) finance costs, (v) other gains except for (gains)/losses related to fair value change, disposal and remeasurement of investments and subsidiaries, (vi) amortization of software and others, and (vii) depreciation on property, plant and equipment.



The following table sets forth the reconciliations of our non-IFRS financial measures for the periods indicated to the nearest measures prepared in accordance with IFRS:

	For the year ended December 31,			
	2018	2019	2020	
	RMB	RMB	RMB	US\$
	(in thousands)			
<b>(Loss)/profit for the year. . . . .</b>	<b>(115,492,695)</b>	<b>2,236,165</b>	<b>4,707,612</b>	<b>721,473</b>
Adjusted for:				
Share-based compensation expenses . . . . .	1,865,113	2,190,871	3,277,476	502,295
Fair value changes of convertible redeemable preferred shares . . . . .	104,606,058	–	–	–
Fair value gains on investments <sup>(1)</sup> . . . . .	(1,834,296)	(169,059)	(5,809,527)	(890,349)
Gains on disposal of investments and subsidiaries . . . . .	(29,426)	(201,061)	–	–
Gains from the remeasurement of investments <sup>(2)</sup> . . . . .	–	(176,880)	–	–
Impairment of goodwill . . . . .	–	–	58,166	8,914
Amortization of intangible assets resulting from acquisitions . . . . .	663,268	662,190	615,578	94,341
Impairment and expense provision/(reversal) for Mobike restructuring plan . . . . .	358,790	88,612	(5,272)	(808)
Impairment of intangible assets <sup>(3)</sup> . . . . .	1,346,000	–	–	–
Net provision for impairment losses on financial assets . . . . .	–	57,333	–	–
Tax effects on non-IFRS adjustments . . . . .	171,567	(31,486)	276,572	42,387

	For the year ended December 31,			
	2018	2019	2020	
	RMB	RMB	RMB	US\$
	(in thousands)			
<b>Adjusted net (loss)/profit</b> . . . . .	<b>(8,345,621)</b>	<b>4,656,685</b>	<b>3,120,605</b>	<b>478,254</b>
Adjusted for:				
Income tax (credits)/expenses, except for tax effects on non-IFRS adjustments . . . . .	(169,679)	557,709	(546,309)	(83,726)
Share of losses/(gains) of investments accounted for using equity method . . . . .	48,267	(107,353)	(264,105)	(40,476)
Finance income . . . . .	(294,047)	(166,217)	(213,684)	(32,749)
Finance costs . . . . .	44,732	191,042	370,016	56,707
Other gains except for gains related to fair value change, disposal and remeasurement of investments and subsidiaries . . . . .	(721,016)	(2,061,842)	(2,307,217)	(353,596)
Amortization of software and others . . . . .	451,241	528,817	375,908	57,610
Depreciation on property, plant and equipment. . . . .	4,252,292	3,654,793	4,202,623	644,080
<b>Adjusted EBITDA</b> . . . . .	<b>(4,733,831)</b>	<b>7,253,634</b>	<b>4,737,837</b>	<b>726,105</b>

*Notes:*

- (1) Represents gains from fair value changes on investments, including (i) fair value changes on other financial investments at fair value through profit or loss, (ii) dilution gain, and (iii) change in fair value from contingent consideration.
- (2) Certain contractual rights attached to an investment previously classified as investment accounted for using equity method have been changed, so we remeasured the investment with RMB176.9 million gains and re-designated the investment to other financial investments at fair value through profit or loss in 2019.
- (3) Represents impairment provision of intangible assets resulting from the change in the branding strategy for our bike-sharing services

## THE OFFERING

*The following contains summary information about the Bonds. Some of the terms described below are subject to important limitations and exceptions. Words and expressions defined in “Terms and Conditions of the Series 1 Bonds”, “Terms and Conditions of the Series 2 Bonds” and “Description of the Global Certificates” shall have the same meanings in this summary. For a more complete description of the terms of the Bonds, see “Terms and Conditions of the Series 1 Bonds” and “Terms and Conditions of the Series 2 Bonds” in this Offering Circular.*

<b>Issuer</b> . . . . .	Meituan 美团, a company controlled through weighted voting rights and incorporated in the Cayman Islands with limited liability.
<b>Series 1 Bonds</b> . . . . .	U.S. dollar-denominated zero coupon convertible bonds due 2027 in an aggregate principal amount of US\$1,483,600,000, convertible into fully-paid Class B Shares.
<b>Series 2 Bonds</b> . . . . .	U.S. dollar-denominated zero coupon convertible bonds due 2028 in an aggregate principal amount of US\$1,500,000,000, convertible into fully-paid Class B Shares.
<b>Interest</b> . . . . .	The Bonds will be zero coupon and will not bear interest. See “Terms and Conditions of the Series 1 Bonds – Interest” and “Terms and Conditions of the Series 2 Bonds – Interest”.
<b>Issue Price for the Series 1 Bonds</b> . . . . .	101.10 per cent. of the principal amount of the Series 1 Bonds.
<b>Issue Price for the Series 2 Bonds</b> . . . . .	100.00 per cent. of the principal amount of the Series 2 Bonds.
<b>Issue Date</b> . . . . .	April 27, 2021.
<b>Maturity Date for the Series 1 Bonds</b> . . . . .	April 27, 2027.
<b>Maturity Date for the Series 2 Bonds</b> . . . . .	April 27, 2028.
<b>Form and Denomination of the Bonds</b> . . . . .	The Bonds will be issued in registered form in the denomination of US\$200,000 and integral multiples of US\$100,000 in excess thereof.

<b>Status of the Bonds</b> . . . . .	The Bonds will constitute direct, unconditional, unsubordinated and (subject to Condition 4(a) of the Conditions) unsecured obligations of the Issuer and each series of the Bonds shall at all times rank <i>pari passu</i> and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable law and subject to Condition 4(a) of the Conditions, at all times rank at least equally with all of its other present and future unsecured and unsubordinated obligations. See “ <i>Terms and Conditions of the Series 1 Bonds – Status</i> ” and “ <i>Terms and Conditions of the Series 2 Bonds – Status</i> ”.
<b>Negative Pledge</b> . . . . .	So long as any Bond of the relevant series remains outstanding (as defined in the Trust Deeds), the Issuer will not create or have outstanding, and the Issuer will ensure that none of its Principal Controlled Entities will create or have outstanding, any Lien upon the whole or any part of their respective present or future undertaking, assets or revenues (including any uncalled capital) securing any Relevant Indebtedness, or create or have outstanding any guarantee or indemnity in respect of any Relevant Indebtedness either of the Issuer or of any of the Issuer’s Principal Controlled Entities, without (i) at the same time or prior thereto securing or guaranteeing the Bonds of the relevant series, as applicable, equally and rateably therewith or (ii) providing such other security or guarantee for the Bonds of the relevant series as shall be approved by an Extraordinary Resolution (as defined in the Trust Deeds) of the Bondholders. See “ <i>Terms and Conditions of the Series 1 Bonds – Covenants – Negative Pledge</i> ” and “ <i>Terms and Conditions of the Series 2 Bonds – Covenants – Negative Pledge</i> ”.
<b>Conversion Period</b> . . . . .	At any time on or after June 7, 2021 (a) up to the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the date falling 10 days prior to the Maturity Date (both days inclusive) (but, except as provided in Condition 6(A)(iii) of the Conditions, in no event thereafter), (b) if such Bond shall have been called for redemption by the Issuer before the relevant Maturity Date, then up to the close of business (at the place aforesaid) on a date no later than 10 days (in the place aforesaid) prior to the date fixed for redemption thereof (both days inclusive) or (c) if notice requiring redemption has been given by the holder of such bond pursuant to Condition 8(D) or Condition 8(E) of the Conditions, then up to the close of business (at the place aforesaid) on the business day (in the place aforesaid) prior to the giving of such notice (both days inclusive). See “ <i>Terms and Conditions of the Series 1 Bonds – Conversion Right</i> ” and “ <i>Terms and Conditions of the Series 2 Bonds – Conversion Right</i> ”.

<b>Conversion Price</b> . . . . .	(In respect of the Series 1 Bonds) HK\$431.24 per Class B Share and (in respect of the Series 2 Bonds) HK\$431.24 per Class B Share, each subject to adjustment for, among other things, consolidation, subdivision or reclassification, capitalization of profits or reserves, capital distributions, rights issues of or options over ordinary shares at less than 95 per cent. of the Current Market Price, rights issues of other securities, issues at less than 95 per cent. of the Current Market Price, other issues at less than 95 per cent. of the Current Market Price, modification of rights of conversion at less than 95 per cent. of the Current Market Price, other offers to Ordinary Shareholders and other events as described in Condition 6(C) of the Conditions.
<b>Final Redemption</b> . . . . .	Unless previously redeemed, converted or purchased and cancelled as provided in the Terms and Conditions of the Bonds, the Issuer will redeem each Bond at (in respect of the Series 1 Bonds) 100.00 per cent. of its principal amount and (in respect of the Series 2 Bonds) 101.80 per cent. of its principal amount, on the relevant Maturity Date. See “ <i>Terms and Conditions of the Series 1 Bonds – Redemption, Purchase and Cancellation – Maturity</i> ” and “ <i>Terms and Conditions of the Series 2 Bonds – Redemption, Purchase and Cancellation – Maturity</i> ”.
<b>Redemption for Taxation Reasons</b> . . . . .	The Series 1 Bonds or the Series 2 Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice (a “ <b>Tax Redemption Notice</b> ”) to the Bondholders in accordance with the Conditions and in writing to the Trustee and the Principal Agent (which notice shall be irrevocable) at the Early Redemption Amount of the Series 1 Bonds or the Early Redemption Amount of the Series 2 Bonds, as the case may be, if the Issuer satisfies the Trustee immediately prior to the giving of such notice that (i) the Issuer has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 9 of the Conditions as a result of any change in, or amendment to, the laws or regulations of Hong Kong, the Cayman Islands or the PRC or in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after April 19, 2021, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Tax Amounts were a payment in respect of the relevant series of Bonds then due. If the Issuer gives a Tax Redemption Notice, each Bondholder will have the right to elect that his Bond(s) shall not be redeemed and that the provisions of Condition 9 of the Conditions shall not apply in respect of any payment to be made in respect of such Bond(s) which falls due after the relevant Tax Redemption Date, whereupon no Additional Tax Amounts shall be payable in respect thereof pursuant to Condition 9 of the Conditions and payment of all amounts shall be made subject to the deduction or withholding of any taxation required to be withheld or deducted.

<b>Redemption at the Option of the Issuer . . . . .</b>	On giving not less than 30 nor more than 60 days' notice to the Bondholders in accordance with the Conditions and in writing to the Trustee and the Principal Agent, the Issuer may at any time redeem in whole, but not in part, the Series 1 Bonds or the Series 2 Bonds at the Early Redemption Amount of the Series 1 Bonds or the Early Redemption Amount of the Series 2 Bonds, as the case may be, if, immediately prior to the date the notice of redemption is given, 90 per cent. or more in principal amount of the Series 1 Bonds or the Series 2 Bonds, as the case may be, originally issued has already been converted, redeemed or purchased and cancelled.
<b>Redemption at the Option of the Bondholders . . . . .</b>	The Issuer will, at the option of the holder of any Series 1 Bond, redeem all or some only of such holder's Series 1 Bonds on April 27, 2025 (the " <b>Series 1 Bonds Put Option Date</b> ") at 100.37 per cent. of the principal amount of the Series 1 Bonds. The Issuer will, at the option of the holder of any Series 2 Bond, redeem all or some only of such holder's Series 2 Bonds on April 27, 2026 (the " <b>Series 2 Bonds Put Option Date</b> ") at 101.28 per cent. of the principal amount of the Series 2 Bonds. To exercise such option, the holder must complete, sign and deposit at the specified office of any Paying Agent a duly completed and signed put notice together with the Certificate evidencing the Bonds to be redeemed not more than 60 days and not less than 30 days prior to the Series 1 Bonds Put Option Date or the Series 2 Bonds Put Option Date, as the case may be.
<b>Redemption for Relevant Event . .</b>	<p>Following the occurrence of a Relevant Event, the holder of each Series 1 Bond or Series 2 Bond will have the right at such holder's option, to require the Issuer to redeem all or some only of such holder's Bonds on the Relevant Event Put Date at the Early Redemption Amount of the Series 1 Bonds or the Early Redemption Amount of the Series 2 Bonds, as the case may be.</p> <p>A "<b>Relevant Event</b>" occurs:</p> <ul style="list-style-type: none"> <li>(i) when the Class B Shares cease to be listed or admitted to trading or are suspended from trading for a period equal to or exceeding 30 consecutive Trading Days on the Relevant Stock Exchange; or</li> <li>(ii) when there is a Change of Control; or</li> </ul>



(iii) when (a) there is any change in or amendment to the laws, regulations and rules of the PRC or the official interpretation or official application thereof (a “**Change in Law**”) that results in (x) the Issuer and its Controlled Entities (collectively, the “**Group**”) (as in existence immediately subsequent to such Change in Law), as a whole, being legally prohibited from operating substantially all of the business operations conducted by the Group (as in existence immediately prior to such Change in Law) as of the last date of the period described in the Issuer’s consolidated financial statements for the most recent fiscal quarter and (y) the Issuer being unable to continue to derive substantially all of the economic benefits from the business operations conducted by the Group (as in existence immediately prior to such Change in Law) in the same manner as reflected in the Issuer’s consolidated financial statements for the most recent fiscal quarter and (b) the Issuer has not furnished to the Trustee, prior to the date that is 12 months after the date of the Change in Law, an opinion from an independent financial adviser or external legal counsel stating either (1) that the Issuer is able to continue to derive substantially all of the economic benefits from the business operations conducted by the Group (as in existence immediately prior to such Change in Law), taken as a whole, as reflected in the Issuer’s consolidated financial statements for the most recent fiscal quarter (including after giving effect to any corporate restructuring or reorganization plan of the Issuer) or (2) that such Change in Law would not materially adversely affect the Issuer’s ability to make principal, premium (if any) and interest payments (if any) on the Bonds when due or to convert the Bonds in accordance with the Conditions.

**Company and Shareholder's**

**Lock-up** .....

The Issuer has agreed in the Subscription Agreement that neither the Issuer nor any person acting on its behalf will: (a) issue, offer, sell, pledge, contract to sell or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in any Ordinary Shares or securities of the same class as the Bonds or the Ordinary Shares or any securities convertible into, exchangeable for or which carry rights to subscribe or purchase the Bonds, the Ordinary Shares or securities of the same class as the Bonds, the Ordinary Shares or other instruments representing interests in the Bonds, the Ordinary Shares or other securities of the same class as them, (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Ordinary Shares, (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of Ordinary Shares or other securities, in cash or otherwise or (d) announce or otherwise make public an intention to do any of the foregoing, in any such case without the prior written consent of the Joint Bookrunners between the date of the Subscription Agreement and the date which is 90 days after the Issue Date (both dates inclusive), except for (i) the Bonds and the new Class B Shares issued on conversion of the Bonds and the Class B Shares to be issued under the Placing and Subscription Agreement (as defined below); (ii) any Ordinary Shares or options or restricted share units granted pursuant to the Issuer's publicly disclosed share award schemes; (iii) the further issue of Class B Shares to Tencent (as defined below) arising from the Direct Subscription (as defined below) and (iv) the issue of new Ordinary Shares as consideration shares for any merger and acquisition transactions (if any) *provided that* the Issuer or any person acting on its behalf shall procure the relevant transferee, prior to the completion of the transfer, to execute an undertaking in writing to comply with the same restrictions as applicable to it as set out in this paragraph.

Wang Xing has executed a lock-up undertaking in respect of the 573,188,783 Class A Shares and 739 Class B Shares held directly (or through nominees) or indirectly through companies controlled by him or their subsidiaries (or through their nominees) (collectively, the "**Lock-up Shares**"), representing 77.92 per cent. and 0.00 per cent. respectively of the relevant class of Ordinary Shares of the Issuer, on the date of the Subscription Agreement, whereby he undertakes not to sell any Lock-up Shares or enter into other transactions with a similar effect for a period from the date of the undertaking to 90 days after the Issue Date provided that the foregoing shall not apply to the direct or indirect transfer (and shall not apply to any steps taken in anticipation of, conducive or necessary to, or to effect, such transfer) of any Ordinary Shares or any security convertible into the Ordinary Shares to any philanthropic organization or to any entity set up for, or pursuant to any donations for, charitable or philanthropic purposes.

<b>Events of Default</b> . . . . .	For a description of certain events of default that will permit the Bonds to become immediately due and payable at the relevant Early Redemption Amount of the Series 1 Bonds or the Series 2 Bonds, see “ <i>Terms and Conditions of the Series 1 Bonds – Events of Default</i> ” and “ <i>Terms and Conditions of the Series 2 Bonds – Events of Default</i> ”.
<b>Clearing Systems</b> . . . . .	Each series of the Bonds will be represented by beneficial interests in a Global Certificate, which will be registered in the name of a nominee of, and deposited on the Issue Date with, a common depositary for Euroclear and Clearstream. Beneficial interests in a Global Certificate will be shown on, and transfers thereof will be effected only through records maintained by, Euroclear and Clearstream. Except as described in the relevant Global Certificate, individual certificates for each series of the Bonds will not be issued in exchange for beneficial interests in such Global Certificate.
<b>Governing Law</b> . . . . .	The Bonds, the Trust Deeds and the Agency Agreements and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, the laws of England.
<b>Trustee</b> . . . . .	Citicorp International Limited.
<b>Registrar</b> . . . . .	Citicorp International Limited.
<b>Principal Paying Agent, Principal Transfer Agent and Principal Conversion Agent</b> . . . . .	Citibank, N.A., London Branch.
<b>Listing</b> . . . . .	Application will be made to the Hong Kong Stock Exchange for (i) the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only; and (ii) the listing of, and permission to deal in, the Class B Shares issuable on conversion, and such permissions are expected to become effective on April 28, 2021 and when such Class B Shares are issued, respectively.
<b>Use of Proceeds</b> . . . . .	See “ <i>Use of Proceeds</i> ”.
<b>Selling Restrictions</b> . . . . .	There are certain restrictions on the offer, sale and transfer of the Bonds and the Class B Shares to be issued upon conversion of the Bonds in certain jurisdictions including the United States and Hong Kong. For a description of the restrictions on the distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Bonds and the Class B Shares to be issued upon conversion of the Bonds, see “ <i>Subscription and Sale</i> ”.

<b>Ratings</b> . . . . .	The Series 1 Bonds and the Series 2 Bonds have been rated “Baa3” by Moody’s. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, qualification, suspension, reduction or withdrawal at any time by the assigning rating agency. Prospective investors should evaluate each rating independently of any other rating of the Bonds or other securities of the Issuer.
<b>Legal Entity Identifier</b> . . . . .	21380033K525E5JLIA77.
<b>ISIN</b> . . . . .	Series 1 Bonds: XS2333568751.  Series 2 Bonds: XS2333569056.
<b>Common Code</b> . . . . .	Series 1 Bonds: 233356875.  Series 2 Bonds: 233356905.
<b>Concurrent Equity Placement and Direct Subscription</b> . . . . .	Concurrent with the offering of the Bonds, there will be a concurrent equity placement (the “ <b>Concurrent Equity Placement</b> ”) with the issuance of 187,000,000 Class B Shares at a placing price (the “ <b>Placement Price</b> ”) of HK\$273.80, for a total offer size of approximately US\$6.6 billion by way of top-up placement. The Issuer has entered into a placing and subscription agreement (the “ <b>Placing and Subscription Agreement</b> ”) with Goldman Sachs (Asia) L.L.C. and Merrill Lynch (Asia Pacific) Limited, as the placing joint global coordinators and joint bookrunners (the “ <b>Placing Joint Global Coordinators</b> ”) and UBS AG Hong Kong Branch and CLSA Limited as the placing joint bookrunners (together with the Placing Joint Global Coordinators the “ <b>Placing Bookrunners</b> ”) and Tencent Mobility Limited (the “ <b>Tencent</b> ”) in respect of the Concurrent Equity Placement.

Concurrent with the Concurrent Equity Placement, a connected transaction involving subscription of new Class B Shares (the “**Direct Subscription**”) under specific mandate is proposed:

- Tencent has undertaken to subscribe for Class B Shares of the Issuer in an amount not exceeding US\$400 million and at a subscription price which is the same as the Placement Price in the Concurrent Equity Placement.
- The Tencent subscription shares will be allotted and issued under a specific mandate to be proposed for approval by the independent shareholders of the Issuer by way of an ordinary resolution at the general meeting to be convened.
- All of the Issuer’s shareholders holding Class A Shares of the Issuer (which carry weighted voting rights and who are independent shareholders of the Issuer) have entered into an irrevocable undertaking to vote in favour of the resolutions to approve the proposed subscription by Tencent.
- The signing of the subscription agreement between the Issuer and Tencent is expected to take place at the same time as the Placing and Subscription Agreement in respect of the Concurrent Equity Placement.

The Concurrent Equity Placement and the Direct Subscription will be conducted concurrently with the offering of the Bonds but the completion of the issuance of the Bonds, the Concurrent Equity Placement and the Direct Subscription are not inter-conditional. The closing date for the Concurrent Equity Placement is expected to be April 22, 2021 and the closing date of the Direct Subscription is expected to take place on the third business day following the date upon which the last of the conditions precedent in the subscription agreement is fulfilled or waived.

## RISK FACTORS

*You should carefully consider the risks described below and the other information contained in this Offering Circular before making an investment decision. The risks and uncertainties described below may not be the only ones that we face. Additional risks and uncertainties that we are not aware of or that we currently believe are immaterial may also adversely affect our business, financial condition, or results of operations. If any of the events described below should occur, our business, financial condition, or results of operations could be materially and adversely affected. In such case, we may not be able to satisfy our obligations under the Bonds, and you could lose all or part of your investment.*

### RISKS RELATING TO OUR BUSINESS AND INDUSTRY

**We may not be able to sustain our historical growth rates, and our historical performance may not be indicative of our future growth or financial results.**

We have achieved rapid growth since our inception. Our total number of transactions increased by 29.8% from 9.5 billion in 2018 to 12.3 billion in 2019, and further increased by 16.2% to 14.3 billion in 2020, while our total revenues increased by 49.5% from RMB65.2 billion in 2018 to RMB97.5 billion in 2019, and further increased by 17.7% to RMB114.8 billion (US\$17.6 billion) in 2020. However, we cannot assure you that we will be able to maintain our historical growth rates in future periods. Our growth rates may decline for any number of possible reasons, including adverse general economic conditions, decreasing consumer spending, increasing competition, declining growth of the consumer service industry or consumer service e-commerce industry in China, emergence of alternative business models, or changes in government policies. If our growth rates decline, investors' perceptions of our business and business prospects may be adversely affected. In addition, as we have a limited operating history in the new service categories that we offer, such as Meituan bike and car-hailing services, and we continue to expand our service offerings, it is difficult to evaluate our business and future prospects based on our historical performance.

**If we are unable to manage our growth or execute our strategies effectively, our business and prospects may be materially and adversely affected.**

Our business has grown substantially in recent years. Since our inception ten years ago, we have evolved from a single-service category provider to a multi-category service e-commerce platform, offering a wide range of services including food delivery, in-store, hotel, and travel services, and new initiatives and other services. Almost all aspects of our business have experienced rapid growth in recent years. We expect continued growth in our business and revenues. On the consumer side, we plan to further grow our consumer base, expand service offerings, and increase consumer wallet share. On the merchant side, we expect to further expand our merchant base and provide more solutions to more merchants.

In addition, as we continue growing our business, we need to work with existing and an increasingly large number of new merchants and other participants in our network efficiently and establish and maintain mutually beneficial relationships with them. We also need to continue to expand, train, manage, and motivate our growing workforce. To support our expansion, we also expect to implement a variety of new and upgraded managerial, operating, financial, and human resource systems, procedures, and controls. All these efforts will require significant managerial, financial, and human resources.

We cannot assure you that our historical growth rate will be sustainable or achieved at all in the future, that our new business initiatives will be successful, or that we will be able to implement all these managerial, operating, financial, and human resource systems, procedures, and control measures successfully. If we are not able to manage our growth or execute our strategies effectively, our expansion may not be successful and our business and prospects may be materially and adversely affected.



**We are subject to various regulations related to e-commerce business and internet platforms, and if it is determined that we failed to comply with these regulations, we could be subject to fines, penalties and other sanctions. In addition, future regulations may impose additional requirements and obligations on our business. Any of the above occurrences could harm our reputation and materially and adversely affect our business, financial condition, and results of operations.**

The industries in which we operate are highly regulated. As the consumer service e-commerce industry is evolving rapidly in China, new laws and regulations may be adopted to address new issues that arise from time to time and to impose additional restrictions on our current business.

If the PRC government establishes stricter supervision requirements in the future in order for us to conduct our business, we may be required to incur significantly higher compliance costs, and we cannot assure you that we would be able to meet all the supervision requirements in a timely manner, or at all. For example, the PRC E-Commerce Law that regulates e-commerce platform operators was promulgated by the Standing Committee of the National People's Congress in August 2018 and came into effect on January 1, 2019. It provides that, with respect to products or services affecting consumers' life and health, if an e-commerce platform operator fails to examine and verify the qualifications of a merchant operating on such platform, or it fails to fulfill its obligation to assure the safety of consumers, which results in detriment to consumers, the e-commerce platform operator must incur the corresponding liability. Furthermore, on December 22, 2020, the SAMR and the Ministry of Commerce held an administrative guidance meeting to establish regulations for the e-commerce community. The purpose of this meeting was to strengthen the supervision on the pricing activities, address anti-unfair competition issues among e-commerce operators, and establish regulations for the e-commerce industry. The relevant regulations require internet platform companies to strictly regulate its operations and not engage in the following acts: (i) abuse of independent pricing power, such as low-price dumping, price collusion, bull campaign, price fraud; (ii) illegally reaching any monopoly agreement; (iii) abuse of market dominance to, among other things, implement unjustified predatory pricing, refusal to trade and conduct tie-in sales; (iv) illegal implementation of any concentration of undertakings; (v) engaging in acts of unfair competition, such as commercial confusion, false propaganda, commercial slander; (vi) using data advantages to damage the legitimate rights and interests of consumers; (vii) using technological means to damage the order of competition and hinder the normal operation of other market entities; (viii) illegal collection and use of consumer personal information; and (ix) sales counterfeit products. Such new legislation and enforcement may result in additional compliance obligations and increased costs or place restrictions upon our current or future operations, and may materially and adversely affect our business, financial condition, and results of operations.

On February 7, 2021, the Anti-monopoly Commission of the State Council officially promulgated the Guidelines to Anti-Monopoly in the Field of Internet Platforms, or the Anti-Monopoly Guidelines for Internet Platforms. The Anti-Monopoly Guidelines for Internet Platforms prohibits certain monopolistic acts of internet platforms so as to protect market competition and safeguard interests of users and undertakings participating in internet platform economy, including without limitation, prohibiting platforms with dominant position from abusing their market dominance (such as discriminating customers in terms of pricing and other transactional conditions using big data and analytics, coercing counterparties into exclusivity arrangements, using technology means to block competitors' interface, favorable positioning in search results of goods displays, using bundle services to sell services or products, compulsory collection of unnecessary user data). In addition, the Anti-Monopoly Guidelines for Internet Platforms also reinforces antitrust merger review for internet platform related transactions to safeguard market competition. Pursuant to the new regulations, we may be subject to government investigations from time to time and may be subject to fines, penalties or rectification orders. For example, at the end of 2020, we received enquiries from the State Administration for Market Regulation of the People's Republic of

China (the “SAMR”) regarding the declaration of business operators’ concentration and recently received a notice regarding a fine of RMB500,000 imposed as a result of an unreported case of business operators’ concentration. In addition, on April 13, 2021, the SAMR, together with the Cyberspace Administration of China, (the “CAC”), and the State Administration of Taxation (the “SAT”), held an administrative guidance meeting for internet platform enterprises. In response to certain key issues that have been identified in relation to the internet platform industry, such as requiring operators on a platform to choose between “one of two” among competing platforms, such governmental authorities have stated that they will require all internet platform enterprises to conduct a comprehensive self-inspection within one month, and complete necessary rectifications. As of the date of this Offering Circular, we have published a “Commitment to Compliance Operation” on the official website of the SAMR and have undertaken to accept the supervision of the general public in accordance with the requirements discussed at such meeting. We could be subject to additional government investigations of our business practices, and be subject to fines, penalties, rectification orders and other sanctions as a result of any such investigation, which may result in a material and adverse effect on our ability to conduct our business and have a material and adverse impact on our business, financial condition, and results of operations.

In addition, as required by the Law of the People’s Republic of China against Unfair Competition, a business operator shall not deceive or mislead consumers by making false or misleading commercial publicity on its products. In particular, the Price Law of the People’s Republic of China prohibits the business operators to commit the specified unlawful pricing activities, such as dumping products at price below cost for the purpose of driving out rivals or monopolizing the market, using false or misleading prices to deceive consumers to transact, colluding with others to manipulate the market price, or conducting price discrimination against other business operators. The SAMR has recently imposed administrative penalties on various companies, including us, for certain unlawful pricing activities. For example, a fine of RMB1,500,000 was imposed on us in March 2021 for our failure to comply with such pricing regulations.

Furthermore, in light of the proliferation of bikes that are posing safety and social problems, the local authorities in certain Chinese cities have imposed more stringent measures to curb the bike-sharing companies’ rapid pace of expansion. The PRC government has also issued the Guidance Opinion on Encouraging and Regulating the Development of Internet Rental Bicycle to offer guidance on the operation of the bike-sharing companies, particularly with respect to their management of consumer deposits, and may further adopt new regulations to require bike-sharing companies to manage the deposits made by consumers in a separate account and restrict the use of such deposits for other purposes. Also, we face increased regulation on reserve fund embezzlement with respect to funds received through Meituan Payment. Failure to comply with relevant PRC laws and regulations on a timely and adequate basis may subject us to liability, administrative actions, or penalties imposed by the relevant authorities. The imposition of any of these penalties may result in a material and adverse effect on our ability to conduct our business and have a material and adverse impact on our business, financial condition, and results of operations.

In addition, we currently have operations in several overseas markets, primarily through Meituan bike, and we may enter into new geographical markets in the future. In particular, although Meituan bike’s operations in the overseas markets have been in compliance with the local laws and regulations historically, these operations may be subject to potential disputes regarding tax reporting and operating permit with relevant local authorities in the future. The occurrence of any of these risks could negatively affect our international operations and consequently our business and operating results.

As we continue to grow in scale and significance, we expect to face increased scrutiny, which will, at a minimum, result in an increase in our investment in compliance and related capabilities and systems. The increasing sophistication and development of our customer base will also increase the need for higher standards of consumer protection, privacy protection, and dispute management. Any increased involvement in inquiries or investigations could result in significantly higher legal and other costs and diversion of management and other resources, as well as negative publicity, which could materially and adversely affect our business, reputation, financial condition, and results of operations.

**Our success depends on the continuing efforts of our key management and experienced and capable personnel generally as well as our ability to preserve our corporate culture and values. As our business expands, we need to continuously recruit talents to develop our online and offline capabilities. If we fail to hire, retain, and motivate our staff, our business may suffer.**

Our future success is significantly dependent upon the continued service of our key management as well as experienced and capable personnel generally. In particular, Wang Xing, our co-founder, executive director, chief executive officer, and chairman of the board, Mu Rongjun, our co-founder, executive director, and senior vice president, and Wang Huiwen, our co-founder and executive director have been crucial to the development of our culture and strategic direction. If we lose the services of any member of key management, we may not be able to locate suitable or qualified replacements, and may incur additional expenses to recruit and train new staff, which could severely disrupt our business and growth. If any of our key management joins a competitor or forms a competing business, we may lose customers, know-how, and key professionals and staff members. Our management has entered into employment agreements and confidentiality and non-competition agreements with us. However, if any dispute arises between any of our management member and us, we may have to incur substantial costs and expenses in order to enforce such agreements in China or we may be unable to enforce them at all.

We believe that a critical component of our success is our corporate culture and values, which have generated strong cohesiveness that has attracted and retained many talents. As we continue to expand and grow our business, we may find it difficult to maintain these valuable aspects of our corporate culture and values. Any failure to preserve our corporate culture and values could negatively impact our ability to attract and retain employees, which would in turn jeopardize our future success.

Our rapid growth also requires us to hire and retain a wide range of talents who can adapt to a dynamic, competitive, and challenging business environment and are capable of helping us develop online and offline capabilities. We need to continue to attract and retain experienced and capable personnel at all levels as we expand our business and operations. Competition for talent in China's internet industry is intense, and we may need to offer a more attractive compensation and other benefits package, including share-based compensation, to attract and retain them. Even if we were to offer higher compensation and other benefits, there is no assurance that these individuals will choose to join or continue to work for us. Any failure to attract, retain, or motivate key management and experienced and capable personnel could severely disrupt our business and growth.

**Our business, financial condition, and results of operations have been and may continue to be adversely affected by the COVID-19 pandemic.**

Since early 2020, COVID-19 has severely impacted China and the rest of the world. On March 11, 2020, the World Health Organization declared COVID-19 a pandemic.

The COVID-19 pandemic has already adversely affected many aspects of our business. After the COVID-19 outbreak, strict pandemic prevention and control measures were adopted in China in order to prevent further spread of the disease. Commercial activities were restricted, tourism activities and public transportation were controlled, and public places were closed in affected regions. These restrictive measures and consumers' concerns about hygiene have reduced the consumers' demand for local lifestyle services, and a considerable amount of local lifestyle merchants have suspended their operations or postponed to resume operations. These situations had caused interference to our operations and adversely affected the demand of our services, which resulted a decline in the revenues of our food delivery and in-store, hotel, and travel segments in the first quarter of 2020.

In addition, as part of China's nationwide efforts to contain the spread of COVID-19, we made adjustments of operation hours and work-from-home arrangements when certain of our offices had been temporarily closed for a certain period of time. We had taken measures to facilitate our employees to work remotely, but we might still have experienced lower work efficiency and productivity in that period.

Although our business has been recovering after the spread of COVID-19 was generally contained in China, our business, financial condition, and results of operations depend on future developments of the COVID-19 pandemic, which remain highly uncertain and difficult to predict. At the same time, the continuing outbreak of the pandemic around the world may result in global economic distress, exacerbate market volatility, and have negative economic impact on China and the global market. If the global spread of the COVID-19 pandemic cannot be eliminated or contained in the near future, or a similar outbreak were to occur again, the resulting disruption may materially and adversely affect our business, financial condition, and results of operations.

**If our expansion into new businesses is not successful, our business, prospects, and growth momentum may be materially and adversely affected.**

We have a track record of successfully expanding into and becoming a leader in new service categories, such as on-demand delivery services and in-store dining, hotel and travel services. We entered into the bike-sharing market in connection with our acquisition of Mobike in April 2018 and are currently developing service offerings that are relatively new to us, such as retail services and additional merchant services including restaurant management systems and business-to-business food distribution service. We launched our community e-commerce model “Meituan Select” in July 2020 and quickly expanded this community e-commerce business in over 2,000 cities and counties during the fourth quarter of 2020, covering more than 90% of the cities and county districts in China. We cannot assure you, however, that we will be able to maintain this momentum in the future. Expansion into new service categories involves new risks and challenges. Our lack of familiarity with, and relevant user data relating to, these services may make it more difficult for us to keep pace with the evolving consumer demands and preferences. We also face the risk that we may not be able to attract a sufficient number of merchants that provide quality services. In addition, there may be one or more existing market leaders in any service category that we decide to expand into. Such companies may be able to compete more effectively than us by leveraging their experience in doing business in that market as well as their deeper data insight and greater brand recognition among consumers and merchants. We may also be subject to new risks, such as personal injury risks with respect to bike-sharing services and inventory and supply chain risks with respect to retail services, and may need to comply with new laws and regulations applicable to these businesses. Expansion into any new service category may place significant strain on our management and resources, and failure to expand successfully may also diminish investor confidence in our decision-making and execution capabilities, which could have a material adverse effect on our business and prospects.

**We had incurred significant losses in the past, and we may not be able to remain profitable or increase profitability in the future. Our operating philosophy of thinking long-term and seizing strategic business opportunities may also negatively affect our short-term financial performance.**

We had incurred losses in the past. In 2018, we had losses of RMB115.5 billion, primarily due to significant fair value changes of convertible redeemable preferred shares and selling and marketing expenses that we incurred to promote our brands and our services. We began profit-making in 2019 and 2020. In 2019 and 2020, we had a profit of RMB2.2 billion and RMB4.7 billion (US\$721.5 million), and an adjusted net profit of RMB4.7 billion and RMB3.1 billion (US\$478.3 million), respectively.

Our ability to maintain profitability will depend in large part on our ability to increase the number and engagement of our Transacting Users, to increase the number of Active Merchants and monetization from them, to manage our service offering mix as gross margins vary across different business segments, and to take advantage of our operating leverage to realize cost savings. As we continue growing our business in an intensified competitive landscape, we intend to invest heavily for the foreseeable future in the expansion of our consumer and merchant bases, as well as technology innovations and research and development capabilities to support such expansion. As a result, we may not be able to remain profitable or increase our profitability in the future. In particular, we may continue to record operating losses in the next few quarters as we ramp up our community e-commerce business. In addition, any change in the macroeconomic and regulatory environment, competitive dynamics, and our inability to respond to these changes in a timely and effective manner may also cause us to incur losses again in the future.

Consistent with our operating philosophy of thinking long-term and seizing strategic business opportunities, we may take actions that fail to generate short-term profitability, and we cannot assure you that these actions will produce long-term benefits. Our efforts have emphasized on expanding our customer base, satisfying unmet customer needs, and enhancing our network, rather than prioritizing short-term monetization. We also make investments in and acquire new services and products that may not provide economic benefits to us in the short-term.

**We require a significant amount of capital to fund our operations, especially with respect to those new service categories. We used to record negative cash flows from operating activities in the past. If we cannot obtain sufficient capital on acceptable terms to fund our operations, our business, financial condition, and prospects may be materially and adversely affected.**

Building a service e-commerce platform with scale is costly and time-consuming. Significant and continuous investments in sales and marketing are required to attract consumers and merchants to visit, use, and stay on our platform, especially with respect to new service offerings, such as the bike-sharing, the retail services and the community e-commerce services. We also invest heavily in technology innovations and research and development, which are the foundation of our business and are essential to our growth. It will typically take a long period of time to realize returns on such investments, if at all.

We experienced significant operating cash outflow in the past. We had net cash used in operating activities of RMB9.2 billion in 2018. We had cash inflow from operating activities and recorded net cash generated from operating activities of RMB5.6 billion and RMB8.5 billion (US\$1.3 billion) in 2019 and 2020, respectively. The cost of continuing operations could reduce our cash position, and a potential net cash outflow from operating activities could adversely affect our operations by reducing the amount of cash available to meet the cash needs for operating our businesses and to fund our investments in our business expansion. We have historically funded our cash requirements principally with capital contribution from shareholders, financing through issuance and sale of the preferred shares in private placement transactions, our initial public offering in September 2018, and our issuance of senior notes. If these resources are



insufficient to satisfy our cash requirements, we may seek to sell additional equity or debt securities or obtain a credit facility. The sale of additional equity securities could result in the dilution of our existing shareholders. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing covenants that would restrict our operations. It is uncertain whether financing will be available in amounts or on terms acceptable to us, if at all.

Our ability to obtain additional capital in the future, however, is subject to a number of uncertainties, including those relating to our future business development, financial condition and results of operations, general market conditions for financing activities by companies in our industry, and macroeconomic and other conditions in China and globally. If we cannot obtain sufficient capital to meet our capital needs, we may not be able to execute our growth strategies, and our business, financial condition, and prospects may be materially and adversely affected.

**We face intense competition in our businesses. Although we have a track record of competing effectively in major service categories, we may not be able to do so in the future, in which case we may lose market share and customers, and our business, financial condition, and results of operations may be materially and adversely affected.**

We face intense competition in our businesses, including on-demand delivery and in-store services business and hotel and travel and transportation ticketing services business. See “Business – Competition” for details on our competitive landscape. To obtain and maintain competitive advantage in any of these business segments would require us to divert significant managerial, financial, and human resources. In addition, each of our business segments is subject to rapid market changes and the potential development of new business models and the entry of new and well-funded competitors. Some of our current competitors have, and future competitors may have, greater financial, technical, or marketing resources, longer operating histories, greater brand recognition, or larger consumer bases than we do. Other companies also may enter into business combinations or alliances that strengthen their competitive positions. Increased competition has, in the past, negatively impacted our profitability and may reduce our market share and profitability and require us to increase our marketing and promotional efforts and capital commitment in the future, which could negatively affect our results of operations or force us to incur further losses. Although we have a track record of competing effectively against our competitors, there is no assurance that we will be able to continue to do so in the future against current or future competitors, and such competitive pressures may have a material adverse effect on our business, financial condition, and results of operations. Many of the service categories which we currently provide or plan to provide may require large cash spending to subsidize consumers in order to maintain or increase our market share, which may create pressure on our cash flow and liquidity.

**If we fail to adopt new technologies or adapt our mobile apps, websites, and systems to changing user requirements or emerging industry standards, our business may be materially and adversely affected.**

Although we have been successful in capturing the market opportunities created by the mobile internet boom, to remain competitive, we must continue to stay abreast of the constantly evolving industry trends and to enhance and improve the responsiveness, functionality and features of our mobile apps, websites, and systems. Our competitors are constantly innovating and introducing new services and interface features to increase their user base and enhance user experience. As a result, in order to attract and retain users and compete against our competitors, we must continue to invest significant resources in research and development to enhance our information technology and improve our existing services. The consumer service industry and the consumer service e-commerce industry are characterized by rapid technological evolution, changes in user requirements and preferences, frequent introduction of new services and



products embodying new technologies, and the emergence of new industry standards and practices, any of which could render our existing technologies and systems obsolete. Our success will depend, in part, on our ability to identify, develop, acquire, or license leading technologies useful in our business, and respond to technological advances and emerging industry standards and practices in a cost-effective and timely way. The development of mobile apps, websites, and other proprietary technology entails significant technical and business risks. We cannot assure you that we will be able to use new technologies effectively or adapt our mobile apps, websites, proprietary technologies, and systems to meet user requirements or emerging industry standards. If we are unable to adapt in a cost-effective and timely manner in response to changing market conditions or user preferences, whether for technical, legal, financial, or other reasons, our business may be materially and adversely affected.

**Growth of our business will depend on our strong brands, and any failure to maintain, protect, and enhance our brands would limit our ability to retain or expand our customer base, which would materially and adversely affect our business, financial condition, and results of operations.**

We believe that the strong recognition of our brands among consumers and merchants has reduced our user acquisition costs through word-of-mouth marketing and contributed significantly to the growth and success of our business. Accordingly, maintaining, protecting, and enhancing the recognition of our household brands is critical to our business and market position. Many factors, some of which are beyond our control, are important to maintaining, protecting, and enhancing our brands. These factors include our ability to:

- maintain the breadth, quality, and attractiveness of the services we offer;
- maintain the quality and integrity of the UGC, and other information available on our mobile apps and websites;
- increase brand awareness through marketing and brand promotion activities;
- maintain or improve satisfaction with our customer services;
- compete effectively against existing or future competitors;
- preserve our reputation and goodwill generally and in the event of any negative publicity on our services, consumer safety, internet security, or other issues affecting us or other service e-commerce companies in China; and
- maintain our cooperative relationships with other participants.

A public perception that we, merchants on our platform, or other participants do not provide satisfactory services to consumers, even if factually incorrect or based on isolated incidents, could damage our reputation, diminish the value of our brands, undermine the trust and credibility we have established, and have a negative impact on our ability to attract and retain consumers and merchants, which may materially and adversely affect our business, financial condition, and results of operations.

**If we fail to acquire new Transacting Users and Active Merchants in a cost-effective manner, to retain our existing Transacting Users and Active Merchants, or to maintain or increase their engagement, our business, financial condition, and results of operations may be materially and adversely affected.**

We must continue to attract new Transacting Users and Active Merchants, retain our existing Transacting Users and Active Merchants, and maintain and increase their engagement in order to increase the number of transactions on our platform, drive revenue growth and maintain profitability. To that end, we plan to continue to broaden and deepen our service offerings, deepen our service penetration, further enrich our content database, and provide superior consumer service. We also cross-sell low-frequency services on our platform by leveraging our market-leading position in those mass-market, high-frequency, essential service categories. Given that we operate in a rapidly evolving industry, we need to anticipate consumer needs and industry changes and respond to such changes in a timely and effective manner. In particular, as we derive a majority of our revenues from our food delivery services, if we fail to continue to provide innovative services that meet the evolving needs and preferences of consumers and retain our consumer base for our food delivery services, our business, financial condition, and results of operations may be materially and adversely affected. We must also continue to enable merchants to improve their service quality and operational efficiency, enable them to build online presence and recognition among consumers, and provide them with data insight and effective, targeted marketing tools to attract and retain consumers.

If consumers cannot find the services they are looking for on our platform, if our competitors offer more attractive prices, incentives, or better consumer services, or if consumers find the mobile apps or websites of our competitors to be more convenient to use or the content database to be more relevant or reliable, they may lose interest in us and visit our mobile apps or websites less frequently or even stop visiting our mobile apps or websites. Furthermore, as we rely on our platform's powerful network effects to grow, the decrease in our consumer base will affect our ability to attract merchants to and retain them on our platform, and the decrease in our merchant base will in turn attract fewer consumers. Merchants may choose our competitors if they charge lower commissions, marketing or other fees, or offer more attractive incentives, if merchants do not find our marketing and promotional services effective, or if our competitors provide more types of or more effective enabling services. We may also experience attrition in our merchants in the ordinary course of business resulting from reduction in marketing budgets, or closures or bankruptcies of merchants.

In addition, although we believe that many of our new Transacting Users and Active Merchants originate from word-of-mouth referrals and our broad service offerings and strong brands allow us to enjoy low user acquisition cost, we expect to continue to spend significant amount to acquire additional Transacting Users and Active Merchants. We cannot assure you that the revenue from them will ultimately exceed the cost of acquisition. If we are unable to retain our existing Transacting Users and Active Merchants or to acquire new Transacting Users and Active Merchants in a cost-effective manner, the revenue we generate may decrease and our results of operations will be adversely affected.

**If we are unable to continue to provide services to merchants or to implement our strategy to enable more merchants with more solutions, our business and prospects may be materially and adversely affected.**

We have been focusing on extending our platform from serving consumers to serving the supply end, driving internet penetration of the entire service industry value chain. Our wide range of services to merchants, such as targeted online marketing tools, cost-effective on-demand delivery network, restaurant management systems, business-to-business food distribution service, and financing solutions, help merchants attract and better serve more consumers more efficiently, increase sales, and enhance

profitability. We believe that such services represent significant market potential and will further enhance consumer experience, thus solidifying our market-leading position. We cannot assure you, however, that we will be successful in implementing such business initiatives as a result of the development of new business models or increased competition in this field. If we are unable to continue to provide services to merchants or to implement our strategy to enable more merchants with more solutions, our business and prospects may be materially and adversely affected.

**We rely on merchants and other participants in our network to provide quality services to consumers. Their illegal actions or misconduct, or any failure by them to provide satisfactory services or maintain their service levels, could materially and adversely affect our business, reputation, financial condition, and results of operations.**

Merchants are the ultimate providers of services listed on our platform, and our brand and reputation may be harmed by actions taken by merchants that are outside our control. For example, with respect to our food delivery services, we rely upon restaurants to provide quality food to consumers on a timely basis, and to the extent they choose to deliver by themselves, we also rely on them to deliver the food securely and expeditiously. With respect to our in-store, hotel, and travel services, we rely on merchants to ensure that the consumers enjoy a positive in-store experience and to reach a satisfactory resolution with consumers in case of any disputes. Any shortcomings of our merchants, such as difficulty in servicing consumer demand, producing safe and quality food, providing timely delivery and good service, or failure to provide services as advertised or generally meeting consumer expectations, may be attributed by consumers to us, thus damaging our reputation and brand value and potentially affecting our results of operations. In addition, negative publicity and consumer sentiment generated as a result of fraudulent or deceptive conduct by our merchants could damage our reputation, disrupt our ability to attract new consumers, or retain our current consumers, and diminish the value of our brand.

In addition to the services provided by merchants on our platform, we also rely on a large number of other participants in our network, such as delivery riders to perform the on-demand delivery services, drivers to perform the car-hailing services, and online marketing service providers to provide various services to merchants. To the extent they are unable to provide satisfactory services to consumers or merchants, which may be due to events that are beyond our or their control, such as inclement weather or transportation disruptions, we may suffer reputational damage, and our business, financial condition, and results of operations may be materially and adversely affected. The delivery riders and drivers that we work with may also subject us to additional risks. For example, we may be exposed to claims for personal injury, death, or property damage resulting from traffic accidents caused by delivery riders and drivers in performing their services. Such incidents may cause negative publicity in the local community and may negatively affect our brand image and reputation. In addition, as delivery riders and drivers interact directly with our consumers, we may suffer substantial reputational harm from any misconduct, illegal actions, or crimes committed by them. Such incidents have occurred in the past, and as they are beyond our control, we cannot assure you that they will not occur in the future regardless of the measures we have taken, and will take, to screen and supervise the delivery riders and drivers on our platform. Further, labor disputes initiated by employees and personnel of our participants could also directly or indirectly prevent or hinder our normal operating activities, and, if not resolved in a timely manner, lead to decreases in our revenue. If we are unable to effectively address these risks, our brand image, reputation, and financial performance may be materially and adversely affected.

**Our strategic alliances, investments, or acquisitions may have a material adverse effect on our business, reputation, financial condition, and results of operations.**

We have acquired and invested in a significant number of businesses, technologies, services, and products in recent years, such as the strategic transaction between Meituan Corporation and Dianping Holdings in October 2015, our acquisition of Mobike in April 2018, and our strategic investment in Li Auto Inc. We expect to continue to evaluate and consider a wide array of strategic alliances, investments, and acquisitions that we believe can extend and solidify our market-leading position as part of our overall business strategy. At any given time we may be engaged in discussions or negotiations with respect to one or more of these types of transactions. These transactions involve significant challenges and risks, including:

- difficulties in integrating into our operations the personnel, operations, products, services, technology, internal controls, and financial reporting of companies we acquire;
- disrupting our ongoing business, distracting our management and employees, and increasing our expenses;
- losing skilled professionals as well as established client relationships of the businesses we invest in or acquire;
- for investments over which we do not obtain management and operational control, we may lack influence over the controlling partners or shareholders, which may prevent us from achieving our strategic goals in such investment;
- new regulatory requirements and compliance risks that we become subject to as a result of acquisitions in new industries or otherwise;
- actual or alleged misconduct or non-compliance by any company we acquire or invest in (or by its affiliates) that occurred prior to our acquisition or investment, which may lead to negative publicity, government inquiry, or investigations against such company or against us;
- unforeseen or hidden liabilities or costs that may adversely affect us following our acquisition of such targets;
- regulatory hurdles including in relation to the anti-monopoly and competition laws, rules, and regulations of China and other countries in connection with any proposed investments and acquisitions;
- the risk that any of our pending or other future proposed acquisitions does not close;
- the costs of identifying and consummating investments and acquisitions;
- the use of substantial amounts of cash and potentially dilutive issuances of equity securities;
- the occurrence of significant goodwill impairment charges and amortization expenses for other intangible assets; and
- challenges in achieving the expected benefits of synergies and growth opportunities in connection with these acquisitions and investments.

Any such negative developments described above could disrupt our existing business and materially and adversely affect our business, reputation, financial condition, and results of operations.

**Change in business prospects of acquisitions may result in goodwill impairment and impairment of our other intangible assets acquired in a business combination, which could negatively affect our results of operations.**

As of December 31, 2020, we had intangible assets of RMB31.7 billion (US\$4.9 billion), including goodwill of RMB27.6 billion (US\$4.2 billion), which primarily arose from the strategic transaction between Meituan Corporation and Dianping Holdings in 2015 and our acquisitions of Qiandaibao in 2016 and Mobike in 2018. We assess the impairment of goodwill annually, or more frequently if certain events or changes in circumstances indicate that it might be impaired, by comparing the recoverable amounts of cash generating unit to the carrying amounts. We recorded nil, nil and RMB58.2 million (US\$8.9 million) net impairment loss for 2018, 2019 and 2020, respectively. In addition, adjustment of our business and branding strategy, technological changes and advancements may render our existing technologies less effective or even obsolete, or may cause our services to be less attractive to consumers and merchants, each of which may in turn result in impairment losses for goodwill and intangible assets associated with our cash generating units. Any significant impairment of goodwill or other intangible assets could materially and adversely affect our business, financial condition, and results of operations.

**We have invested significantly in a variety of sales and marketing efforts, including incurring significant selling and marketing expenses, in order to attract consumers and merchants, and some marketing campaigns and methods may turn out to be ineffective.**

We have invested significantly in sales and marketing activities to promote our brands and our services and to deepen our relationships with consumers and merchants, including incurring RMB15.9 billion, RMB18.8 billion and RMB20.9 billion (US\$3.2 billion) in selling and marketing expenses in 2018, 2019 and 2020, respectively. Such selling and marketing expenses represented 24.3%, 19.3% and 18.2% of our total revenues in the corresponding years. Our sales and marketing activities, however, may not be well received by consumers and merchants, and may not attract additional consumers and merchants as anticipated. The evolving marketing approaches and tools may require us to experiment with new marketing methods to keep pace with industry trends and consumer and merchant preferences. Failure to refine our existing marketing approaches or to introduce new effective marketing approaches in a cost-effective manner could reduce our market share and negatively impact our results of operations. In addition, we have a limited operating history in certain new service categories that we offer. We may be required to increase our selling and marketing expenses, including providing significant subsidies or discounts to consumers, in promoting our brand awareness as well as our new service categories. We cannot assure you that we will be able to recover costs of our sales and marketing activities or that these activities will be effective in generating new consumers and merchants for us.

**If our collaboration with any of our strategic partners is terminated or curtailed, or if we are no longer able to benefit from the synergies of our business collaborations with our strategic partners, our business may be adversely affected.**

Our business has benefited from our collaborations with our strategic partners. We cooperate with them in a number of areas, including joint marketing, payment, user traffic, and movie ticketing service. However, we cannot assure you that we will continue to maintain our cooperative relationships with our strategic partners and their respective affiliates in the future. If the services provided by these strategic partners become limited, compromised, restricted, curtailed, or less effective or become more expensive or unavailable to us for any reason, our business may be materially and adversely affected. To the extent we cannot maintain our cooperative relationships with these strategic partners, we may need to source other alternative partners to provide such services, which may divert significant management attention from existing business operations.

**The proper functioning of our technology architecture is essential to our business, and any failure to maintain the satisfactory performance, security, and integrity of our technology architecture would materially and adversely impair our ability to provide services and affect our business, reputation, financial condition, and results of operations.**

The proper functioning of our technology architecture is essential to the conduct of our business. Specifically, the satisfactory performance, reliability, and availability of our mobile apps and websites, our transaction-processing systems, and our network architecture are critical to our success and our ability to attract and retain users and provide adequate services. Our revenues depend on the user traffic on our mobile apps and websites and the volume of activities that traffic generates.

In addition, our ability to provide users with a high quality online experience depends on the continuing operation and scalability of our network architecture and information technology systems. The risks we face in this area include:

- our systems are potentially vulnerable to damage or interruption as a result of earthquakes, floods, fires, extreme temperatures, power loss, telecommunications failures, technical error, computer viruses, hacking, and similar events;
- we may encounter problems when upgrading our systems or services and undetected programming errors could adversely affect the performance of the software we use to provide our services. The development and implementation of software upgrades and other improvements to our internet services is a complex process, and issues not identified during pre-launch testing of new services may only become evident when such services are made available to our entire user base; and
- we rely on servers, data centers, and other network facilities provided by third parties, and the limited availability of third-party providers with sufficient capacity to house additional network facilities and broadband capacity in China may lead to higher costs or limit our ability to offer certain services or expand our business.

These and other events may lead to interruptions, decreases in connection speed, degradation of our services, or the permanent loss of user data and uploaded content. Any system interruptions caused by telecommunications failures, computer viruses, or hacking or other attempts to harm our systems that result in the unavailability of our mobile apps and websites or reduced performance would affect the attractiveness of the services offered on our platform. If we experience frequent or persistent service disruptions, whether caused by failures of our own systems or those of third-party service providers, our reputation or relationships with our users may be damaged and our users may switch to our competitors, which may have a material adverse effect on our business, financial condition, and results of operations.



**Any lack of requisite approvals, licenses, or permits applicable to our business may have a material and adverse impact on our business, financial condition, and results of operations.**

Our business is subject to governmental supervision and regulation by the relevant PRC governmental authorities. Together, these government authorities promulgate and enforce regulations that cover many aspects of our business operations, including but not limited to online and mobile commerce, food operations, online payment and other financial services, car hailing services, internet mapping services, audio-visual program operations, radio and television program services, online culture operations, travel agency operations, and cloud computing. In addition, governmental authorities are likely to continue to issue new laws, rules, and regulations governing these industries, enhance enforcement of existing laws, rules, and regulations, and require new and additional approvals, licenses or permits from us or participants on our platform. For detailed discussion of certain licenses and permits relevant to our business, see “Regulations.”

We have made great efforts to obtain all the applicable licenses and permits, but due to the large number of different service categories offered on our platform, we cannot assure you that we have obtained or applied for all the permits and licenses required and necessary for conducting our business or will be able to maintain our existing permits and licenses or obtain any new permits and licenses if required by any future laws or regulations. For example, if we fail to maintain the existing permits and licenses for our car-hailing services, we will have to cease our operation of the car-hailing business in respective cities according to the national and local regulations on online taxi booking. We may also not roll out the car-hailing services in new cities if we fail to obtain new permits and licenses in these cities. We had incidents in the past of failing to obtain licenses required for our internet audio-visual program services and internet mapping services.

In addition, we have in the past been subject to government inquiries, investigations and penalties for the lack of certain licenses required or necessary for operating our business. For example, in 2016, we were ordered by the People’s Bank of China to rectify our payment services for engaging in payment settlement and for collecting payments on behalf of merchants without having payment license. We have subsequently obtained the requisite payment license and have been in compliance with the relevant regulations applicable to our payment services in all material respects.

If we fail to obtain and maintain approvals, licenses, or permits required for our business, governmental authorities shall have the power to, among other things, levy fines, confiscate our income, revoke our business licenses, and require us to discontinue our relevant business or impose restrictions on the affected portion of our business. Any of these actions may have a material and adverse effect on our business, financial condition and results of operations.

**We face potential liabilities and legal claims based on the nature of our business, which could harm our business and results of operations.**

We face potential liability, expense for legal claims, and harm to our business relating to the nature of the service industry. For example, third parties could assert legal claims against us in connection with personal injuries related to food poisoning or tampering. Reports, whether true or not, of food-borne illnesses and injuries caused by food tampering at restaurants that are on our platform, could result in significant negative publicity, and severely diminish consumer confidence in us and the value of our brands. Even if such incidents are solely associated with restaurants that are not on our platform, the negative publicity and consumer sentiment about the restaurant industry in general resulting from such incidents could also materially and adversely affect our business, financial condition, and results of operations. Alternatively, we could be subject to legal claims relating to product liability, property damage, breach of contract, unfair competition, or other legal claims relating to the service offerings we make available on our platform.

In addition, we face potential liability and expense for claims relating to the information published on our mobile apps, smart mini programs, and websites, including claims for defamation, libel, negligence, copyright, patent or trademark infringement, fraud, other unlawful activity or other theories and claims based on the nature and content of information to which we link or that may be posted on our mobile apps, smart mini programs, or websites, generated by our users, or delivered or shared hypertext links to third-party websites, or video or image services, if appropriate licenses and/or third-party consents have not been obtained. For example, we have from time to time been subject to claims for intellectual property infringement, and infringement of right to reputation.

We have been involved in litigation relating principally to third-party intellectual property infringement claims, contract disputes, civil tort disputes, employment-related cases, and other matters in the ordinary course of our business. We have also been involved in litigation relating to unfair competition. We may also be held liable if other participants in our network, such as delivery riders or drivers, fail to comply with applicable rules and regulations, or for the personal injuries or property damages caused by them.

We have been and expect to continue to be subject to legal claims. The frequency of such claims could increase in proportion to the number of consumers and merchants that use our platform. These claims could divert management time and attention away from our business and result in significant costs to investigate and defend, regardless of the merits of the claims. In some instances, we may elect or be compelled to remove content or may be forced to pay substantial damages if we are unsuccessful in our efforts to defend against these claims, which could harm our business, financial condition and results of operations.

**Our business generates and processes a large amount of data, and any improper use or disclosure of such data could subject us to significant reputational, financial, legal, and operational consequences, and deter current and potential customers from using our services.**

Our business generates and processes a large quantity of personal, transaction, demographic, and behavioral data. We face risks inherent in handling large volumes of data and in protecting the security of such data. In particular, we face a number of challenges relating to data from transactions and other activities on our platform, including:

- protecting the data in and hosted on our system, including against attacks on our system by outside parties or fraudulent behavior by our employees;
- addressing concerns related to privacy and sharing, safety, security, and other factors; and
- complying with applicable laws, rules, and regulations relating to the collection, use, retention, disclosure, or security of personal information, including any requests from regulatory and government authorities relating to such data.

Any systems failure or security breach or lapse that results in the release of user data could harm our reputation and brand and, consequently, our business, in addition to exposing us to potential legal liability. We have encountered user data leakage incidents in the past. Any failure, or perceived failure, by us to comply with our posted privacy policies or with any regulatory requirements or privacy protection-related laws, rules, and regulations could result in proceedings or actions against us by governmental entities or others. These proceedings or actions may subject us to significant penalties and negative publicity, require us to change our business practices, increase our costs, and severely disrupt our business.

We are subject to domestic and international laws relating to the collection, use, retention, security, and transfer of personally identifiable information, with respect to our customers and employees. In many cases, these laws not only apply to third-party transactions, but also may restrict transfers of personally identifiable information among us and our international subsidiaries. Several jurisdictions have passed laws in this area, and other jurisdictions are considering imposing additional restrictions. These laws continue to develop and may vary from jurisdiction to jurisdiction. Complying with emerging and changing international requirements may cause us to incur substantial costs or require us to change our business practices. For example, recent legal developments in Europe have created compliance uncertainty regarding certain transfers of personal data. The General Data Protection Regulation, or the GDPR, which came into application in the European Union in May 2018, applies to all of our activities conducted from an establishment in the European Union or related to services that we offer to EU consumers, which primarily consist of activities conducted by Meituan bike in the European Union. The GDPR created a range of new compliance obligations, which could cause us to change our business practices, and significantly increased financial penalties for non-compliance. Failure to comply with the GDPR as well as other international data protection laws could subject us to significant penalties and negative publicity and severely disrupt our operations, particularly our international operations.

We also rely on contracts with our business partners and third-party service providers to ensure proper authorization and protection of private information transmitted from and to us. If we, our business partners, or third-party service providers inappropriately disclose any personally identifiable information, we could be subject to claims for identity theft or similar fraud claims or claims for other misuses of personally identifiable information, such as unauthorized marketing or unauthorized access to personally identifiable information. Our practices may become inconsistent with new laws or regulations of China and other jurisdictions concerning data protection, or the interpretation and application of existing consumer and data protection laws or regulations, which could, in addition to the possibility of fines, result in an order requiring that we change our practices, which in turn could adversely affect our business and results of operations.

**If our expansion into new geographical areas is not successful, our business and prospects may be materially and adversely affected.**

We have a track record of successfully expanding into new geographical areas. We cannot assure you, however, that we will be able to maintain this momentum in the future. We are expanding into more lower-tier cities and towns across China. Expansion into new geographical areas involves new risks and challenges. Our lack of familiarity with, and relevant user data relating to, these geographical areas may make it more difficult for us to keep pace with the evolving consumer demands and preferences. In addition, there may be one or more existing market leaders in any geographical area that we decide to expand into. Such companies may be able to compete more effectively than us by leveraging their experience in doing business in that market as well as their deeper data insight and greater brand recognition among consumers.

**If we fail to generate sufficient high-quality content and maintain their authenticity and transparency, we will be unable to provide users with the information they are searching for, which could negatively impact our business.**

Our success depends in part on our ability to provide users with the information they seek, which in turn depends on the quantity and quality of the content provided by our content contributors. For example, we may be unable to provide users with the information they seek if our users do not contribute content that is helpful and reliable, or if they remove content they previously submitted. Similarly, we may be unable to provide users with the information they seek if our users are unwilling to contribute content, or if the

information on our mobile apps, smart mini programs, and websites is not up-to-date. If our mobile apps, smart mini programs, and websites do not provide current information about Listed POIs or if users perceive reviews on our mobile apps, smart mini programs, and websites as less relevant, our brand and our business could be harmed.

If we are unable to provide users with the information they seek, or if they can find equivalent content on other services, they may stop or reduce their use of our platform, and traffic to our mobile apps and websites may decline. If our user traffic declines, merchants may stop or reduce the amount of marketing activities on our platform and our business could be harmed.

**Security breaches and attacks against our platform, and any potentially resulting breach or failure to otherwise protect confidential and proprietary information, could damage our reputation, negatively impact our business, and materially and adversely affect our financial condition and results of operations.**

Although we have employed significant resources to develop our security measures against breaches, our cybersecurity measures may not detect or prevent all attempts to compromise our systems, including distributed denial-of-service attacks, viruses, malicious software, break-ins, phishing attacks, social engineering, security breaches, or other attacks and similar disruptions that may jeopardize the security of information stored in and transmitted by our systems or that we otherwise maintain. Breaches of our cybersecurity measures could result in unauthorized access to our systems, misappropriation of information or data, deletion or modification of user information, or a denial of service or other interruption to our business operations. As techniques used to obtain unauthorized access to or sabotage systems change frequently and may not be known until launched against us or our third-party service providers, we may be unable to anticipate, or implement adequate measures to protect against, these attacks.

We have in the past been, and are likely again in the future to be, subject to these types of attacks, although to date no such attack has resulted in any material damages or remediation costs. If we are unable to avert these attacks and security breaches, we could be subject to significant legal and financial liability, our reputation would be harmed and we could sustain substantial revenue loss from lost sales and customer dissatisfaction. We may not have the resources or technical sophistication to anticipate or prevent rapidly evolving types of cyber-attacks. Cyber-attacks may target us, our consumers, merchants or other participants, or the communication infrastructure on which we depend. Actual or anticipated attacks and risks may cause us to incur significantly higher costs, including costs to deploy additional personnel and network protection technologies, train employees, and engage third-party experts and consultants.

**The wide variety of payment methods that we accept subjects us to third-party payment processing-related risks.**

Our online payment options include, among others, our proprietary payment method, Meituan Payment, other third-party payment methods, such as Weixin Pay, Apple Pay, and Union Pay, and credit and debit cards or transfers from an online bank account. For third-party payment methods and credit and debit cards, we pay varying service fees, which may increase over time and raise our operating costs and lower our profit margins. We may also be subject to fraud, security breaches, and other illegal activities in connection with the various payment methods we offer. In addition, we are subject to various rules, regulations, and requirements, regulatory or otherwise, governing payment processing, which could change or be reinterpreted to make it difficult or impossible for us to comply. If we fail to comply with these rules or requirements, we may be subject to fines and higher transaction fees and lose our ability to accept credit and debit card payments from our customers, process electronic funds transfers, or facilitate other types of online payments, and our business, financial condition and results of operations could be materially and adversely affected.

**We own loan receivables in connection with our micro loan business, and non-performance, or significant underperformance, of those loan receivables may adversely affect our business and results of operation.**

We hold loan receivables and have entered into certain financial guarantee contracts in connection with our micro loan business in 2018 and 2019. As of December 31, 2020, we had RMB6.9 billion (US\$1.1 billion) in loan receivables. During the period that we own the loan receivables, we bear the credit risk in the event that the borrowers default. Additionally, the loan receivables also require us to commit or obtain corresponding funding. In the event that we experience non-performance or significant underperformance of the loan receivables, our business and results of operation may be materially and adversely affected.

**The determination of the fair value changes and impairment of certain of our assets and liabilities requires the use of estimates that are based on unobservable inputs, and therefore inherently involves a certain degree of uncertainty.**

We use significant unobservable inputs, such as expected volatility, discount for lack of marketability, risk-free interest rate, expected rate of return, and discount rate, in valuing certain of our assets and liabilities, including other financial investments at fair value through profit or loss, treasury investments, financial liabilities at fair value through profit or loss, and convertible redeemable preferred shares. The fair value change of such financial instruments may significantly affect our financial position and results of operations. Accordingly, such determination requires us to make significant estimates, which may be subject to material changes, and therefore inherently involves a certain degree of uncertainty. Factors beyond our control can significantly influence and cause adverse changes to the estimates we use and thereby affect the fair value of such assets and liabilities. These factors include, but are not limited to, general economic condition, changes in market interest rates, and stability of the capital markets. Any of these factors, as well as others, could cause our estimates to vary from actual results, which could materially and adversely affect our results of operation and financial condition. In addition, the process for determining whether an impairment of financial asset is other-than-temporary usually requires complex and subjective judgments, which could subsequently prove to have been wrong.

**We may be subject to intellectual property infringement claims, which may be expensive to defend and may disrupt our business.**

We cannot be certain that our operations or any aspects of our business do not or will not infringe upon or otherwise violate trademarks, copyrights, or other intellectual property rights held by third parties. We have been, and from time to time in the future may be, subject to legal proceedings and claims relating to the intellectual property rights of others. In addition, there may be other third-party intellectual property that is infringed by services offered by our merchants and our services or other aspects of our business. We cannot assure you that holders of patents purportedly relating to some aspect of our technology architecture or business, if any such holders exist, would not seek to enforce such patents against us in China, the United States, or any other jurisdictions. Further, the application and interpretation of China's patent laws and the procedures and standards for granting patents in China are still evolving and are uncertain, and we cannot assure you that PRC courts or regulatory authorities would agree with our analysis. If we are found to have violated the intellectual property rights of others, we may be subject to liability for our infringement activities or may be prohibited from using such intellectual property, and we may incur licensing fees or be forced to develop alternatives of our own. Such infringement or licensing allegations and claims have been and may be brought by our suppliers. Defending against these claims and proceedings is costly and time consuming and may divert management's time and other resources from our business and operations, and the outcome of many of these claims and proceedings cannot be predicted. If a judgment, a fine, or a settlement involving a large amount of payment were to occur, or injunctive relief were issued against us, it may result in significant monetary liabilities and may materially disrupt our business and operations by restricting or prohibiting our use of the intellectual property in question, and our business, financial position, and results of operations could be materially and adversely affected.

In addition, we allow our users to upload content to our mobile apps and websites. In particular, our Dianping mobile app features a vast amount of detailed, authentic, and engaging content on merchants and services. However, content posted on our mobile apps and websites may expose us to allegations by third parties of infringement of intellectual property rights, unfair competition, invasion of privacy, defamation, and other violations of third-party rights. We have been involved in litigations based on allegations of infringement of third-party copyrights due to the content available on our mobile apps and websites, although to date none of such litigation has resulted in any material adverse impact on us. Our failure to identify unauthorized content posted on our mobile apps and websites may subject us to claims of infringement of third-party intellectual property rights or other rights, defending of which may impose a significant burden on our management and employees, and there can be no assurance that we will obtain final outcomes that are favorable to us. In addition, we may be subject to administrative actions brought by the National Copyright Administration of China or its local branches for alleged copyright infringement.

We use open source software in connection with our products and services. Companies that incorporate open source software into their products and services have, from time to time, faced claims challenging the ownership of open source software and compliance with open source license terms. As a result, we could be subject to suits by parties claiming ownership of what we believe to be open source software or noncompliance with open source licensing terms. Some open source software licenses require users who distribute open source software as part of their software to publicly disclose all or part of the source code to such software and make available any derivative works of the open source code on unfavorable terms or at no cost. Any requirement to disclose our source code or pay damages for breach of contract could be harmful to our business, financial condition and results of operations.

**Failure to deal effectively with any fraud perpetrated and fictitious transactions conducted on our platform could harm our business.**

We face risks with respect to fraudulent activities engaged by merchants on our platform. Merchants on our platform may engage in fictitious transactions with themselves or collaborate with third parties in order to artificially inflate their sales records, popularity and search results rankings.

Such activity may frustrate other merchants by enabling the perpetrating merchants to be favored over legitimate merchants, and may harm consumers by misleading them to believe that a merchant is more reliable or trustworthy than the merchant actually is. Although we have implemented strict measures to detect and penalize merchants who engaged in fraudulent activities on our platform, there can be no assurance that such measures will be effective in preventing fraudulent transactions.

Moreover, illegal, fraudulent, or collusive activities by our employees could also subject us to liability or negative publicity. We have discovered cases in which certain of our employees accepted payments from merchants or other service providers in order to receive preferential treatment on our platform. Although the employees who have been found to be responsible for these incidents have either resigned or have been terminated by us and we have implemented internal controls and policies with regard to the review and approval of merchant accounts, sales activities and other relevant matters, we cannot assure you that our controls and policies will prevent fraud or illegal activity by our employees or that similar incidents will not occur in the future. Any illegal, fraudulent, or collusive activity could severely damage our brand and reputation, which could drive consumers away from our platform, and materially and adversely affect our business, financial condition and results of operations.



**We face risks relating to natural disasters, health epidemics, and other outbreaks, which could significantly disrupt our business, financial condition, and results of operations.**

In addition to the COVID-19 pandemic, we and our merchants are vulnerable to natural disasters, health epidemics, and other calamities. Our business could be adversely affected if our employees, merchants, or delivery riders are affected by health epidemics or fear of spread of contagious diseases, such as the outbreak of Ebola virus disease (EVD), coronavirus disease 2019 (COVID-19), Middle East respiratory syndrome (MERS), severe acute respiratory syndrome (SARS), H1N1 flu, H7N9 flu, and avian flu. If any of our employees, merchants, or delivery riders is suspected of having contracted a contagious disease, we may be required to apply quarantines or suspend our operations.

Moreover, occurrences of natural disasters or other calamities could cause severe disruption to the daily operations of us and our merchants, and may even require a temporary closure of facilities, which may disrupt our business operations and adversely affect our results of operations. In addition, our results of operations could be adversely affected to the extent that any of these catastrophic events harms China's economy in general.

**We may increasingly become a target for public scrutiny, including complaints to regulatory agencies, negative media coverage, and malicious allegations, all of which could severely damage our reputation and materially and adversely affect our business and prospects.**

We process an extremely large number of transactions on a daily basis on our platform, and the high volume of transactions taking place on our platform as well as publicity about our business create the possibility of heightened attention from the public, regulators, and the media. Heightened regulatory and public concerns over consumer protection and consumer safety issues may subject us to additional legal and social responsibilities and increased scrutiny and negative publicity over these issues, due to the large number of transactions that take place on our platform and the increasing scope of our overall business operations. In addition, changes in our services or policies have resulted and could result in objections by members of the public, the traditional, new and social media, social network operators, merchants on our platform, or others. From time to time, these objections or allegations, regardless of their veracity, may result in consumer dissatisfaction or negative publicity, which could result in government inquiry or substantial harm to our brand, reputation, and operations. Moreover, as our business expands and grows, both organically and through acquisitions of and investments in other businesses, domestically and internationally, we may be exposed to heightened public scrutiny in jurisdictions where we already operate as well as in new jurisdictions where we may operate. There is no assurance that we would not become a target for regulatory or public scrutiny in the future or that scrutiny and public exposure would not severely damage our reputation as well as our business and prospects.

**If other companies copy information from our mobile apps and websites, and publish or aggregate it with other information for their own benefit, traffic to our mobile apps and websites may decline, and our business and prospects may be materially and adversely affected.**

We cannot assure you that other companies would not copy information from our mobile apps and websites, through website scraping, robots, or other means, and publish or aggregate it with other information for their own benefit. For example, we have in the past filed lawsuits against third parties for copying and publishing consumer comments and other content from our website without our consent. When third parties copy, publish, or aggregate content from our mobile apps and websites, it makes them more competitive, and decreases the likelihood that consumers will use our mobile apps and websites to find the information they seek, which could materially and adversely affect our business and results of operations. We may not be able to detect such third-party conduct in a timely manner and, even if we could, we may not be able to remove it. In addition, we may be required to expend significant financial or other resources to successfully enforce our rights.



**Our online marketing services may constitute internet advertisement, which subjects us to laws, rules, and regulations applicable to advertising.**

We derive a significant portion of our revenues from online marketing services. In July 2016, the SAMR, formerly known as the State Administration for Industry and Commerce, promulgated the Interim Administrative Measures on Internet Advertising, or the Internet Advertising Measures, effective September 2016, pursuant to which internet advertisements are defined as any commercial advertising that directly or indirectly promotes goods or services through internet media in any form including paid-for search results. See “Regulations – Regulations on Internet Advertising.” Under the Internet Advertising Measures, our online marketing services may constitute internet advertisement.

PRC advertising laws, rules, and regulations require advertisers, advertising operators, and advertising distributors to ensure that the content of the advertisements they prepare or distribute is fair and accurate and is in full compliance with applicable law. Violation of these laws, rules, or regulations may result in penalties, including fines, confiscation of advertising fees, orders to cease dissemination of the advertisements, and orders to publish corrective information. In circumstances involving serious violations, the PRC government may order a violator to terminate its advertising operation or even suspend or revoke its business license or license for operating advertising business. In addition, the Internet Advertising Measures require paid-for search results to be distinguished from natural search results so that consumers will not be misled as to the nature of these search results. As such, we are obligated to distinguish from others the merchants who purchase online marketing services from us or the relevant listings by these merchants. Pursuant to the PRC Advertising Law, as amended in October 2018, the release or distribution of advertisements via internet cannot affect users’ normal use of the internet. Advertisements released on webpages, such as pop-up advertisements, must display a conspicuous “close” button to ensure that the users may easily close such advertisements by one click. Complying with these requirements and any penalties or fines for any failure to comply may significantly reduce the attractiveness of our platform and increase our costs and could materially and adversely affect our business, financial condition, and results of operations.

In addition, for advertising content related to specific types of products and services, advertisers, advertising operators, and advertising distributors must confirm that the advertisers have obtained the requisite government approvals, including the advertiser’s operating qualifications, proof, of quality inspection of the advertised products and services, and, with respect to certain industries, government approval of the content of the advertisement and filing with the local authorities. Pursuant to the Internet Advertising Measures, we are required to take steps to monitor the content of advertisements displayed on our mobile apps, smart mini programs, and websites. This requires considerable resources and time, and could significantly affect the operation of our business, while at the same time also exposing us to increased liability under the relevant laws, rules, and regulations. The costs associated with complying with these laws, rules, and regulations, including any penalties or fines for our failure to so comply if required, could have a material adverse effect on our business, financial condition and results of operations. Any further change in the classification of our online marketing services by the PRC government may also significantly disrupt our operations and materially and adversely affect our business and prospects.

**We have granted and may continue to grant options, restricted share units, and other types of awards under our share option plan, which may result in increased share-based compensation expenses.**

We adopted our Pre-IPO ESOP, Post-IPO Share Option Scheme, and the Post-IPO Share Award Scheme, for the purpose of granting share-based compensation awards to various participants with the opportunity to acquire proprietary interests in our Company and to encourage them to work towards enhancing the value of us. We recognize expenses in our consolidated financial statements in accordance with IFRS. As of the date of this Offering Circular, the maximum aggregate number of Class B Shares that may be issued pursuant to options and RSUs under our various share incentive plans was 1,430,942,919, subject to adjustment and amendment. As of the date of this Offering Circular, 336,141,260 share options and 407,221,411 RSUs were granted (including options and RSUs which have been cancelled or forfeited) to our employees, directors and senior management. We believe that the granting of share-based compensation is important to attract and retain key personnel and employees, and we will continue to grant share-based compensation to the participants in the future. As a result, our expenses associated with share-based compensation may increase, which may have an adverse effect on our results of operations.

**Certain of our leasehold interests in leased properties have not been registered with the relevant PRC government authorities as required by PRC law, which may expose us to potential fines.**

Certain of our leasehold interests in leased properties have not been registered with the relevant PRC government authorities as required by PRC law, which may expose us to potential fines if we fail to remediate after receiving any notice from the relevant PRC government authorities. In case of failure to register or file a lease, the parties to the unregistered lease may be ordered to make rectifications (which would involve registering such leases with the relevant authority) before being subject to penalties. The penalty ranges from RMB1,000 to RMB10,000 for each unregistered lease, at the discretion of the relevant authority. Although we have proactively requested that the applicable lessors complete or cooperate with us to complete the registration in a timely manner, we are unable to control whether and when such lessors will do so. In the event that a fine is imposed on both the lessor and lessee, and if we are unable to recover from the lessor any fine paid by us, such fine will be borne by us.

**Our operations depend on the performance of the internet infrastructure and fixed telecommunications networks in China.**

Almost all access to the internet in China is maintained through state-owned telecommunication operators under the administrative control and regulatory supervision of the PRC Ministry of Industry and Information Technology. Moreover, we primarily rely on a limited number of telecommunication service providers to provide us with data communications capacity through local telecommunications lines and internet data centers to host our servers. We have limited access to alternative networks or services in the event of disruptions, failures, or other problems with China's internet infrastructure or the fixed telecommunications networks provided by telecommunication service providers. With the expansion of our business, we may be required to upgrade our technology and infrastructure to keep up with the increasing traffic on our website. We cannot assure you that the internet infrastructure and the fixed telecommunications networks in China will be able to support the demands associated with the continued growth in internet usage.

In addition, we have no control over the costs of the services provided by telecommunication service providers. If the prices we pay for telecommunications and internet services rise significantly, our results of operations may be materially and adversely affected. Furthermore, if internet access fees or other charges to internet users increase, our user traffic may decline and our business may be harmed.

**A severe or prolonged downturn in the Chinese or global economy could materially and adversely affect our business, financial condition, and results of operations.**

COVID-19 had a severe and negative impact on the Chinese and the global economy in the first half of 2020. The PRC National Bureau of Statistics reported a negative GDP growth of 6.8% for the first quarter in 2020 and a GDP growth of 3.2% for the second quarter in 2020. Other economies around the globe have also experienced stagnant or negative GDP growth in the first half of 2020. Whether this will lead to a prolonged downturn in the global economy is still unknown.

Even before the outbreak of COVID-19, the global macroeconomic environment was facing challenges, including the end of quantitative easing by the U.S. Federal Reserve, the economic slowdown in the Eurozone since 2014, uncertainties over the impact of Brexit, and the ongoing global trade disputes and tariffs. The growth of the Chinese economy has slowed down since 2012 compared to the previous decade and the trend may continue. According to the PRC National Bureau of Statistics, China's GDP growth was 6.6% in 2018 and 6.1% in 2019. There is considerable uncertainty over the long-term effects of the monetary and fiscal policies adopted by the central banks and financial authorities of some of the world's leading economies, including the United States and China. In addition, there have also been concerns about the relationship between China and the United States that resulted from the current trade tension between the two countries. There have been further uncertainties related to the drastic drop in oil prices and the U.S. Federal Reserve's progressive policies to strengthen the market in early 2020. It is unclear whether these challenges and uncertainties will be contained or resolved and what effects they may have on the global political and economic conditions in the long term. Economic conditions in China are sensitive to global economic conditions, as well as changes in domestic economic and political policies and the expected or perceived overall economic growth rate in China. Any prolonged slowdown in the global or Chinese economy may have a negative impact on our business, results of operations, and financial condition, and continued turbulence in the international markets may adversely affect our ability to access the capital markets to meet liquidity needs.

**Recent developments due to political tensions between the United States and China may materially and adversely affect our business and results of operations.**

The recent political tensions between the United States and China have escalated due to, among other things, trade disputes, the COVID-19 pandemic, sanctions imposed by the U.S. Department of Treasury on certain officials of the Hong Kong Special Administrative Region and the PRC central government, and the executive orders issued by former U.S. President Donald J. Trump in August 2020 that prohibit certain transactions with certain Chinese companies and their applications. Although we do not have significant operations or users in the United States, rising political tensions between the United States and China could reduce levels of trades, investments, technological exchanges, and other economic activities between the two major economies, which would have a material adverse effect on global economic conditions and the stability of global financial markets. Any of these factors could have a material adverse effect on our business, prospects, financial condition and results of operations.

**We may not be able to prevent others from unauthorized use of our intellectual property, which could harm our business and competitive position.**

We regard our trademarks, copyrights, patents, domain names, know-how, proprietary technologies, and similar intellectual property as critical to our success, and we rely on a combination of intellectual property laws and contractual arrangements, including confidentiality, invention assignment, and non-compete agreements with our employees and others, to protect our proprietary rights. Despite these measures, any of our intellectual property rights could be challenged, invalidated, circumvented, or

misappropriated, or such intellectual property may not be sufficient to provide us with competitive advantages. In addition, we cannot assure you that (i) our application for the registration of trademarks, patents, and other intellectual property rights will be approved, (ii) any intellectual property rights will be adequately protected, or (iii) such intellectual property rights will not be challenged by third parties or found by a judicial authority to be invalid or unenforceable. Further, because of the rapid pace of technological change in our industry, parts of our business rely on technologies developed or licensed by third parties, and we may not be able to obtain or continue to obtain licenses and technologies from these third parties at all or on reasonable terms.

It is often difficult to register, maintain, and enforce intellectual property rights in China. Statutory laws and regulations are subject to judicial interpretation and enforcement and may not be applied consistently due to the lack of clear guidance on statutory interpretation. Confidentiality, invention assignment, and non-compete agreements may be breached by counterparties, and there may not be adequate remedies available to us for any such breach. Accordingly, we may not be able to effectively protect our intellectual property rights or to enforce our contractual rights in China. Policing any unauthorized use of our intellectual property is difficult and costly and the steps we take may be inadequate to prevent the infringement or misappropriation of our intellectual property. In the event that we resort to litigation to enforce our intellectual property rights, such litigation could result in substantial costs and a diversion of our management and financial resources, and could put our intellectual property at risk of being invalidated or narrowed in scope. We cannot assure you that we will prevail in such litigation, and even if we do prevail, we may not obtain a meaningful recovery. In addition, our trade secrets may be leaked or otherwise become available to, or be independently discovered by, our competitors. Any failure in maintaining, protecting, or enforcing our intellectual property rights could have a material adverse effect on our business, financial condition, and results of operations.

**Overall tightening of the labor market or any possible labor unrest may affect our business.**

Our business requires a substantial number of personnel. Any failure to retain stable and dedicated labor by us and our delivery partners may lead to disruption to or delay in our services provided to customers. Although we or our delivery partners have not experienced any labor shortage to date, we have observed an overall tightening and increasingly competitive labor market. We have experienced, and expect to continue to experience, increases in labor costs due to increases in salary, social benefits, and employee headcount. We and our delivery partners compete with other companies in our industry and other labor-intensive industries for labor, and we and our delivery partners may not be able to offer competitive remuneration and benefits compared to them. If we or our delivery partners are unable to manage and control our labor costs, our business, financial condition, and results of operations may be materially and adversely affected.

Our delivery partners have been subject to labor disputes initiated by their employees and personnel from time to time, although none of them, individually or in the aggregate, have had a material adverse impact on us. Our delivery partners may continue to be subject to various legal or administrative proceedings relating to labor disputes in the ordinary course of business, which may have a material effect on us due to the magnitude of the labor force involved in our delivery network. Any labor unrest directed against our delivery partners could directly or indirectly prevent or hinder our normal operating activities, and, if not resolved in a timely manner, lead to decreases in our revenue. For example, a delivery rider strike that took place in May 2018 caused a prolonged service suspension in Chongqing, China, and we cannot assure you that similar incidents would not happen in the future. We and our delivery partners are not able to predict or control any labor unrest. Further, labor unrest may affect general labor market conditions or result in changes to labor laws, which in turn could materially and adversely affect our business, financial condition and results of operations.

**We have limited insurance coverage.**

Risks associated with our business and operations include, but are not limited to, business interruption due to power shortages or network failure, product liability claims, and losses of key personnel, any of which may result in significant costs or business disruption. The insurance industry in China is still at an early stage of development, and insurance companies in China currently offer limited business-related insurance products. In line with general market practice, we do not have any business liability or disruption insurance to cover our operations. We have determined that the costs of insuring for these risks and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for us to have such insurance. In addition, we also do not maintain insurance policies covering damages to our IT architecture. Any disruption in our IT architecture or natural disasters may cause us to incur substantial costs and divert our resources, and we have no insurance to cover such losses. With respect to our employees, we provide pension insurance, maternity insurance, unemployment insurance, work-related injury insurance and medical insurance, as well as supplemental commercial medical insurance and accident insurance. We maintain various insurance policies with respect to our car-hailing business, including property and casualty insurance for the drivers and passengers in our network. We also require personal accident, third party personal injury, and property damage insurance to be purchased for each delivery rider by our delivery partners. Any uninsured risks may result in substantial costs and the diversion of resources, which could adversely affect our results of operations and financial condition.

**Any revision, downgrade or withdrawal of our credit ratings may affect our ability to raise additional financing and may adversely affect the market price of the Bonds.**

We have received long-term ratings of “BBB-” from S&P, “BBB” from Fitch and “Baa3” from Moody’s. These ratings reflect the rating agencies’ views of our ability to make timely payment of principal and interest on senior unsecured debts, including the Bonds. There can be no assurance that these ratings will remain in effect for any given period or that the ratings will not be revised by the rating agencies at any time in the future if, in their judgment, circumstances so warrant. For example, on April 1, 2021, Moody’s announced that it had changed the outlook on our credit rating of “Baa3” from stable to negative.

Any negative rating revision, downgrade or withdrawal of our credit ratings by one or both of these agencies could have an adverse effect on the market price of the Notes as well as adversely impact on our ability to raise additional financing and the interest rates and other commercial terms at which such additional financing is available and could have a material adverse effect on our financial condition and results of operations.

**RISKS RELATING TO DOING BUSINESS IN CHINA****Adverse changes in economic and political policies of the PRC government could have a material adverse effect on overall economic growth in China, which could materially and adversely affect our business and results of operation.**

A significant portion of our operations are conducted in China and the majority of our revenue is sourced from China. Accordingly, our financial condition, results of operations, and prospects are influenced by economic, political, and legal developments in China. Economic reforms have resulted in significant economic growth in China in the past few decades. However, any economic reform policies or measures in China may from time to time be modified or revised. China’s economy differs from the economies of most developed countries in many respects, including with respect to the amount of government involvement, level of development, growth rate, control of foreign exchange, and allocation of resources. While China’s economy has experienced significant growth in the past few decades, the rate of growth has slowed down since 2012, and growth has been uneven across different regions and among various economic sectors.

The PRC government exercises significant control over China's economic growth through strategically allocating resources, controlling the payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Although China's economy has grown significantly in the past decade, that growth may not continue and any slowdown may have a negative effect on our business. Any adverse changes in economic conditions in China, in the policies of the PRC government or in the laws and regulations in China, could have a material adverse effect on the overall economic growth of China. Such developments could adversely affect our businesses, lead to reduction in demand for our services and adversely affect our competitive position.

**The legal system in China embodies uncertainties, which could limit the legal protections available to us.**

We conduct our business primarily through our PRC subsidiaries and Consolidated Affiliated Entities in China. Our operations in China are governed by PRC laws and regulations. The legal system in China is a civil law system based on written statutes. Unlike common law systems, it is a system in which decided legal cases have little precedential value. The legal system in China evolves rapidly, and the interpretations of many laws, regulations, and rules may contain inconsistencies. However, these laws, regulations, and legal requirements are constantly changing and their interpretation and enforcement involve uncertainties. These uncertainties could limit the legal protections available to us. In addition, we cannot predict the effect of future developments in the PRC legal system, particularly with regard to internet-related industries, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the preemption of local regulations by national laws. Such unpredictability towards our contractual, property (including intellectual property), and procedural rights could adversely affect our business and impede our ability to continue our operations. Furthermore, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

**Regulation and censorship of information disseminated over the internet in China may adversely affect our business and subject us to liability for content posted on our mobile apps and websites.**

Internet companies in China are subject to a variety of existing and new rules, regulations, policies, and license and permit requirements. The PRC government prohibits information that, among other things, violates PRC laws and regulations, impairs the national dignity of China or the public interest, contains terrorism or extremism content, or is reactionary, obscene, superstitious, fraudulent, or defamatory, from being distributed through the internet. PRC laws also prohibit the use of the internet in ways which, among other things, result in leakage of state secrets or distribution of socially destabilizing content. In connection with enforcing these rules, regulations, policies and requirements, relevant government authorities may suspend services by, or revoke licenses of, any internet or mobile content service provider that is deemed to provide illicit content online or on mobile devices. In particular, the PRC Cyberspace Administration has issued rules from time to time to increase mobile app and website operators' obligations to monitor the information displayed on the information platform and prevent dissemination of illegal contents.

We endeavor to eliminate illicit content from our mobile apps and websites. However, government standards and interpretations may change in a manner that could render our current monitoring efforts insufficient. We cannot assure you that our business and operations will be immune from government actions or sanctions in the future. If government actions or sanctions are brought against us, or if there are widespread rumors that government actions or sanctions have been brought against us, our reputation and brand image could be harmed, we may lose users and business partners, our revenue and results of operation may be materially and adversely affected.



**We may be classified as a “PRC resident enterprise” for PRC enterprise income tax purposes, which could result in unfavorable tax consequences to us and our noteholders and have a material adverse effect on our results of operations and the value of your investment.**

Under the PRC Enterprise Income Tax Law, or the EIT Law, which became effective on January 1, 2008 and was amended on December 29, 2018, an enterprise established outside China whose “de facto management body” is located in China is considered a “PRC resident enterprise” and will generally be subject to the uniform 25% enterprise income tax rate on its global income. Under the implementation rules of the EIT Law, “de facto management body” is defined as the organization body that effectively exercises management and control over such aspects as the business operations, personnel, accounting and properties of the enterprise.

On April 22, 2009, SAT released the Notice Regarding the Determination of PRC-Controlled Offshore Incorporated Enterprises as People’s Republic of China Tax Resident Enterprises on the Basis of De Facto Management Bodies, which was amended on December 29, 2017, or SAT Circular 82, that sets out the standards and procedures for determining whether the “de facto management body” of an enterprise registered outside of China and controlled by PRC enterprises or PRC enterprise groups is located within China. Further to SAT Circular 82, on July 27, 2011, SAT issued the Administrative Measures for Enterprise Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (Trial), or SAT Bulletin 45, to provide more guidance on the implementation of SAT Circular 82; the bulletin became effective on September 1, 2011 and was amended on June 15, 2018. SAT Bulletin 45 clarified certain issues in the areas of resident status determination, post-determination administration, and competent tax authorities’ procedures.

Under SAT Circular 82, a foreign enterprise controlled by a PRC enterprise or PRC enterprise group is considered a PRC resident enterprise if all of the following apply: (i) the senior management and core management departments in charge of daily operations are located mainly within China; (ii) financial and human resources decisions are subject to determination or approval by persons or bodies in China; (iii) major assets, accounting books, company seals and minutes and files of board and shareholders’ meetings are located or kept within China; and (iv) at least half of the enterprise’s directors with voting rights or senior management reside within China. SAT Bulletin 45 specifies that when provided with a copy of Chinese tax resident determination certificate from a resident Chinese controlled offshore incorporated enterprise, the payer should not withhold 10% income tax when paying the China-sourced dividends, interest, and royalties to the PRC-controlled offshore incorporated enterprise.

Although SAT Circular 82 and SAT Bulletin 45 explicitly provide that the above standards only apply to enterprises that are registered outside of China and controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreign individuals, SAT Circular 82 and SAT Bulletin 45 may reflect SAT’s criteria for how the “de facto management body” test should be applied in determining the tax residence of foreign enterprises in general, regardless of whether they are controlled by PRC enterprises or PRC enterprise groups or by the PRC or foreign individuals. If the PRC tax authorities determine that we are to be treated as a PRC resident enterprise for PRC enterprise income tax purposes, the 25% PRC enterprise income tax on our global taxable income could materially and adversely affect our ability to satisfy any cash requirements we may have.

**PRC laws and regulations establish more complex procedures for some acquisitions of PRC companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.**

A number of PRC laws and regulations, including the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors adopted by six PRC regulatory authorities in 2006 and amended in 2009, or the M&A Rules, the Anti-monopoly Law promulgated by the Standing Committee of the National People’s Congress in August 2007, the Rules of the Ministry of Commerce on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors



promulgated by the PRC Ministry of Commerce in August 2011, and the Measures for the Security Review of Foreign Investment in January, 2021, have established procedures and requirements that are expected to make merger and acquisition activities in China by foreign investors more time-consuming and complex. These include requirements in some instances that the approval from the Ministry of Commerce be obtained in circumstances where overseas companies established or controlled by PRC enterprises or residents acquire affiliated domestic companies. PRC laws and regulations also require certain merger and acquisition transactions to be subject to merger control review or security review. After the PRC Foreign Investment Law and its Implementation Regulations became effective on January 1, 2020, the provisions of the M&A Rules remain effective to the extent they are not inconsistent with the PRC Foreign Investment Law and its Implementation Regulations.

We have grown and may continue to grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the competent PRC government agencies, may delay or inhibit our ability to complete such transactions. It is unclear whether our business would be deemed to be in an industry that raises “national defense and security” or “national security” concerns. However, the PRC government agencies may publish explanations in the future determining that our business is in an industry subject to the security review, in which case our future acquisitions in China, including those by way of entering into contractual control arrangements with target entities, may be closely scrutinized or prohibited. Our ability to expand our business or maintain or expand our market share through future acquisitions would as such be materially and adversely affected.

**The heightened scrutiny over acquisition transactions by PRC tax authorities may have a negative impact on our business operations, our acquisition or restructuring strategy or the value of your investment in us.**

Pursuant to the Notice of State Administration for Taxation on Strengthening Administration of Enterprise Income Tax for Share Transfers by Resident Enterprises outside of China, or SAT Circular 698, issued by SAT in December 2009 with retroactive effect from January 1, 2008, where a non-resident enterprise transfers the equity interests of a PRC resident enterprise indirectly by disposition of the equity interests of an overseas non-public holding company, or an Indirect Transfer, and such overseas holding company is located in a tax jurisdiction that (i) has an effective tax rate of less than 12.5% or (ii) does not impose income tax on the foreign income of its residents, the non-resident enterprise, being the transferor, must report to the competent tax authority of the PRC resident enterprise this Indirect Transfer. Using a “substance over form” principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding, or deferring PRC tax.

On February 3, 2015, SAT issued the Announcement of SAT on Several Issues concerning the Enterprise Income Tax on Income from the Indirect Transfer of Assets by Non-Resident Enterprises, or SAT Circular 7, which abolished certain provisions in SAT Circular 698, as well as certain other rules providing clarification on SAT Circular 698. SAT Circular 7 provided comprehensive guidelines relating to, and also heightened the PRC tax authorities’ scrutiny over, indirect transfers by a non-resident enterprise of PRC taxable assets. Under SAT Circular 7, the PRC tax authorities are entitled to reclassify the nature of an indirect transfer of PRC taxable assets, when a non-resident enterprise transfers PRC taxable assets indirectly by disposing of equity interests in an overseas holding company directly or indirectly holding such PRC taxable assets, by disregarding the existence of such overseas holding company and considering the transaction to be a direct transfer of PRC enterprise income taxes and without any other reasonable commercial purpose. However, SAT Circular 7 contains certain exemptions, including (i) where a non-resident enterprise derives income from the indirect transfer of PRC taxable assets by acquiring and

selling shares of an overseas listed company which holds such PRC taxable assets on a public market; and (ii) where there is an indirect transfer of PRC taxable assets, but if the non-resident enterprise had directly held and disposed of such PRC taxable assets, the income from the transfer would have been exempted from PRC enterprise income tax under an applicable tax treaty or arrangement.

On October 17, 2017, SAT issued the Circular on the Source of Deduction of Income Tax for Non-resident Enterprises, or SAT Circular 37, which became effective on December 1, 2017, was amended on June 15, 2018, and abolished SAT Circular 698 and certain provisions in SAT Circular 7. SAT Circular 37 further clarifies the practice and procedure of withholding non-resident enterprise income tax. Pursuant to SAT Circular 37, where the party responsible for deducting such income tax did not or was unable to make such deduction, or the non-resident enterprise receiving such income failed to declare and pay the taxes that should have been deducted to the relevant tax authority, both parties may be subject to penalties. The taxable gain is calculated as balance of the total income from such transfer net deducting the net book value of equity interest.

We have conducted and may conduct acquisitions involving changes in corporate structures, and historically our shares were transferred by certain then shareholders to our current shareholders. We cannot assure you that the PRC tax authorities will not, at their discretion, adjust any capital gains and impose tax return filing obligations on us or require us to provide assistance for the investigation of PRC tax authorities with respect thereto. Any PRC tax imposed on a transfer of the Class B Shares or any adjustment of such gains would cause us to incur additional costs and may have a negative impact on the value of your investment in us.

**Discontinuation of preferential tax treatments we currently enjoy or other unfavorable changes in tax law could result in additional compliance obligations and costs.**

Operating in the high-technology industry, a number of our PRC operating entities enjoy various types of preferential tax treatment according to the prevailing PRC tax laws. Our PRC subsidiaries and Consolidated Affiliated Entities may, if they meet the relevant requirements, qualify for certain preferential tax treatment.

For a qualified high and new technology enterprise, the applicable enterprise income tax rate is 15%. The high and new technology enterprise qualification is re-assessed by the relevant authorities every three years. Moreover, a qualified software enterprise is entitled to a tax holiday consisting of a two-year tax exemption beginning with the first profit-making calendar year and a 50% tax reduction for the subsequent three years. If such PRC subsidiaries or VIEs fail to maintain their respective qualification under the relevant PRC laws and regulations, their applicable enterprise income tax rates may increase to up to 25%, which could materially and adversely affect our results of operations.

**PRC regulations of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of this offering to make loans or additional capital contributions to our PRC subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business.**

We may transfer funds to our PRC subsidiaries or finance our PRC subsidiaries by means of shareholders' loans or capital contributions after completion of this offering. Any loans to our PRC subsidiaries, which are foreign-invested enterprises, or FIEs, cannot exceed a statutory limit, and must be filed with SAFE or its local counterparts through the online filing system of SAFE after the loan agreement is signed and at least three business days before the borrower withdraws any amount from the foreign loan. In addition, any such loans with a term of at least one year are also subject to filing requirement with the NDRC or its local branches.

Furthermore, if we provide our PRC subsidiaries with capital contributions, such PRC subsidiaries are required to apply for registrations with the SAMR or its local branches, submit a change report to the Ministry of Commerce or its local counterpart through the online enterprise registration system, and complete the exchange registration with qualified banks. We may not be able to obtain these government registrations or approvals, or complete these government filings on a timely basis, if at all. If we fail to receive such registrations or approvals or complete such filings, our ability to provide loans or capital contributions to our PRC subsidiaries in a timely manner may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

On March 30, 2015, SAFE promulgated the Circular on Reforming the Administration Measures on Conversion of Foreign Exchange Registered Capital of Foreign-invested Enterprises, or SAFE Circular 19. SAFE Circular 19, however, allows FIEs in China to use their registered capital settled in Renminbi converted from foreign currencies to make equity investments, but the registered capital of an FIE settled in Renminbi converted from foreign currencies is still not allowed to be used for investment in the security markets, offering entrustment loans, or purchase of any investment properties, unless otherwise regulated by other laws and regulations. On June 9, 2016, SAFE further issued the Circular of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts, or SAFE Circular 16, which, among other things, amended certain provisions of SAFE Circular 19. According to SAFE Circular 19 and SAFE Circular 16, the flow and use of the Renminbi capital converted from foreign currency-denominated registered capital of an FIE is regulated such that Renminbi capital may not be used for business beyond its business scope, securities investment or other financial investment except for guaranteed financial products issued by banks, providing loans to non-affiliated enterprises unless otherwise permitted under its business scope, or constructing or purchasing real estate not for self-use. On October 23, 2019, SAFE issued the Circular on Further Promoting Cross-Border Trade and Investment Facilitation, or SAFE Circular 28, which expressly allows FIEs that do not have equity investments in their approved business scope to use their capital obtained from foreign exchange settlement to make domestic equity investments as long as the investments are real and in compliance with the foreign investment-related laws and regulations. If our Consolidated Affiliated Entities require financial support from us or our PRC subsidiaries in the future, and we find it necessary to use foreign currency-denominated capital to provide such financial support, our ability to fund our Consolidated Affiliated Entities' operations will be subject to statutory limits and restrictions, including those described above. The applicable foreign exchange circulars and rules may limit our ability to transfer the net proceeds from this offering to our PRC subsidiaries and convert the net proceeds into Renminbi, which may adversely affect our business, financial condition, and results of operations.

**We may be subject to penalties, including restrictions on our ability to inject capital into our PRC subsidiaries and our PRC subsidiaries' ability to distribute profits to us, if our resident shareholders or beneficial owners in China fail to comply with relevant PRC foreign exchange regulations.**

SAFE issued the Notice on Relevant Issues Relating to Domestic Residents' Investment and Financing and Round-Trip Investment through Special Purpose Vehicles, or SAFE Circular 37, effective on July 4, 2014. SAFE Circular 37 requires PRC residents, including PRC individuals and entities, to register with SAFE or its local branches in connection with their direct establishment or indirect control of an offshore special purpose vehicle, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests. In addition, such PRC residents must update their foreign exchange registrations with SAFE or its local branches when the offshore special purpose vehicle in which such residents directly hold the equity interests undergoes material events relating to any change of basic information (including change of such PRC individual shareholder, name, and operation term), increases or decreases in investment amount, share transfers or exchanges, or mergers or divisions.

If any shareholder holding interest in an offshore special purpose vehicle, who is a PRC resident as determined by SAFE Circular 37, fails to fulfill the required foreign exchange registration with the local SAFE branches, the PRC subsidiaries of that offshore special purpose vehicle may be prohibited from distributing their profits and dividends to their offshore parent company or from carrying out other subsequent cross-border foreign exchange activities, and the offshore special purpose vehicle may be restricted in its ability to contribute additional capital to its PRC subsidiaries. Moreover, failure to comply with the SAFE registration described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions.

On February 13, 2015, SAFE promulgated a Notice on Further Simplifying and Improving Foreign Exchange Administration Policy on Direct Investment, or SAFE Notice 13, effective June 1, 2015. In accordance with SAFE Notice 13, entities and individuals are required to apply for foreign exchange registration of foreign direct investment and overseas direct investment, including those required under SAFE Circular 37, with qualified banks, instead of SAFE. The qualified banks, under the supervision of SAFE, directly examine the applications and conduct the registration.

We may not be fully informed of the identities of all our shareholders or beneficial owners who are PRC residents, and therefore, we may not be able to identify all our shareholders or beneficial owners who are PRC residents to ensure their compliance with SAFE Circular 37 or other related rules. In addition, we cannot provide any assurance that all of our shareholders and beneficial owners who are PRC residents will comply with our request to make, obtain, or update any applicable registrations or comply with other requirements required by SAFE Circular 37 or other related rules in a timely manner. Even if our shareholders and beneficial owners who are PRC residents comply with such request, we cannot assure you that they will successfully obtain or update any registration required by SAFE Circular 37 or other related rules in a timely manner due to many factors, including those beyond our and their control. If any of our shareholders who is a PRC resident as determined by SAFE Circular 37 fails to fulfill the required foreign exchange registration, our PRC subsidiaries may be prohibited from distributing their profits and dividends to us or from carrying out other subsequent cross-border foreign exchange activities, and we may be restricted in our ability to contribute additional capital to our PRC subsidiaries, which may adversely affect our business.

**We principally rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have. Any limitation on the ability of our PRC subsidiaries to make payments to us could have a material adverse effect on our ability to conduct our business or financial condition.**

We are a holding company, and we principally rely on dividends and other distributions on equity that may be paid by our PRC subsidiaries and remittances from our Consolidated Affiliated Entities, for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to the holders of our ordinary shares and service any debt we may incur. If our PRC subsidiaries or our Consolidated Affiliated Entities incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other distributions to us.

Under PRC laws and regulations, wholly foreign-owned enterprises in China may pay dividends only out of their retained earnings as determined in accordance with PRC accounting standards and regulations. In addition, a wholly foreign-owned enterprise is required to set aside at least 10% of its after-tax profits each year, after making up previous years' accumulated losses, if any, to fund certain statutory reserve funds, until the aggregate amount of such a fund reaches 50% of its registered capital. At the discretion of the board of directors of the wholly foreign-owned enterprise, it may allocate a portion of its after-tax profits based on PRC accounting standards to other reserve funds. These reserve funds are not distributable as

cash dividends. Any limitation on the ability of our Consolidated Affiliated Entities to make remittance to our wholly-owned PRC subsidiaries to pay dividends or make other distributions to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business.

**Restrictions on the remittance of Renminbi into and out of China and governmental control of currency conversion may limit our ability to pay dividends and other obligations, and affect the value of your investment.**

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and the remittance of currency out of China. We receive substantially all of our revenue in Renminbi. Under our current corporate structure, our income will be primarily derived from dividend payments from our PRC subsidiaries. We may convert a portion of our revenue into other currencies to meet our foreign currency obligations, such as payments of dividends declared in respect of our Ordinary Shares, if any. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations.

Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. However, approval from or registration or filings with competent government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may at its discretion further restrict access to foreign currencies for current account transactions or capital account transactions in the future. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency needs, we may not be able to pay dividends in foreign currencies to our shareholders. Further, we cannot assure you that new regulations will not be promulgated in the future that would have the effect of further restricting the remittance of Renminbi into or out of China.

**Fluctuations in exchange rates could result in foreign currency exchange losses.**

The value of Renminbi against the Hong Kong dollar, the U.S. dollar, and other currencies fluctuates, is subject to changes resulting from the PRC government's policies, and depends to a large extent on domestic and international economic and political developments as well as supply and demand in the local market. Renminbi has fluctuated against the U.S. dollar, at times significantly and unpredictably. The value of Renminbi against the U.S. dollar and other currencies is affected by changes in China's political and economic conditions and by China's foreign exchange policies, among other things. With the development of the foreign exchange market and progress toward interest rate liberalization and Renminbi internationalization, the PRC government may in the future announce further changes to the exchange rate system, and we cannot assure you that the Renminbi will not appreciate or depreciate significantly in value against the Hong Kong dollar or the U.S. dollar in the future.

During the years ended December 31, 2018, and 2019 and 2020, we incurred net foreign exchange losses, recognized in other gains, net, in the amount of RMB1.5 million, RMB81.9 million, and RMB170.3 million (US\$26.1 million), respectively. During the same period, we had currency translation (losses)/gains of RMB(7.6) billion, RMB679.0 million, and RMB(2.9) billion (US\$(447.6) million), respectively, recognized in other comprehensive (loss)/income in our consolidated statements of comprehensive income.



The proceeds from the offering will be received in U.S. dollars. As a result, any appreciation of the Renminbi against the U.S. dollar, the Hong Kong dollar or any other foreign currencies may result in the decrease in the value of our proceeds from this offering. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on, our shares in foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. Furthermore, we are also currently required to complete filings with and obtain approvals from SAFE before converting significant sums of foreign currencies into Renminbi. All of these factors could materially and adversely affect our business, financial condition, results of operations, and prospects, and could reduce the value of, and dividends payable on, our shares in foreign currency terms.

**It may be difficult to effect service of process upon us or our directors or officers named in this Offering Circular who reside in China or to enforce foreign court judgments against them in China.**

Most of our assets are situated in China and most of our directors and officers named in this Offering Circular reside in, and most of their respective assets are located in, China. As a result, it may be difficult to effect service of process outside China upon most of our directors and officers, including with respect to matters arising under applicable securities laws. China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States and many other countries. Consequently, it may be difficult for you to enforce against us or our directors or officers in China any judgments obtained from courts outside of China.

On July 14, 2006, Hong Kong and China entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned, or the 2006 Arrangement, pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in China. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the 2006 Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in China if the parties in dispute have not agreed to enter into a choice of court agreement in writing. Although the 2006 Arrangement became effective on August 1, 2008, the outcome and effectiveness of any action brought under the 2006 Arrangement may still be uncertain. In addition, the recognition and enforcement of a final judgment of a Hong Kong court under an exclusive jurisdiction clause may be rejected by a PRC court if such court determines that the enforcement of such judgment is contrary to the basic principles of PRC Laws or violates state sovereignty, security, or the social and public interest or other circumstances specified by the 2006 Arrangement.

On January 18, 2019, Hong Kong and China signed the new Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region, or the 2019 Arrangement. Following the promulgation of a judicial interpretation by the PRC Supreme People's Court and the completion of the relevant procedures in Hong Kong, both sides would announce a date on which the 2019 Arrangement becomes effective. Upon effectiveness of the 2019 Arrangement, the 2006 Arrangement will be terminated. The 2019 Arrangement seeks to establish a mechanism for recognition and enforcement of judgments in a wider range of civil and commercial matters, but it will only apply to judgments made after its effectiveness date, which is not yet known. There are still uncertainties about the outcomes and effectiveness of enforcement or recognition of judgments under the 2019 Arrangement.

While it is expected that the PRC courts will recognize and enforce a judgment rendered by a Hong Kong court on a matter governed by English law, there can be no assurance that the PRC courts will do so for all such judgments as there is no established practice in this area. Compared to other similar debt securities issuances in the international capital markets where the relevant holders of the debt securities would not typically be required to submit to an exclusive jurisdiction, the holders of the Bonds will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts, and thus the holders of the Bonds' ability to initiate a claim outside of Hong Kong will be limited.

**Failure to make adequate contributions to various employee benefit plans as required by PRC regulations may subject us to penalties.**

Companies operating in China are required to participate in various government sponsored employee benefit plans, including certain social insurance, housing funds, and other welfare-oriented payment obligations, and contribute to the plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of our employees up to a maximum amount specified by the applicable municipal and provincial government from time to time. The requirement of employee benefit plans has not been implemented consistently by the municipal and provincial governments in China given the different levels of economic development in different locations. As a result, we cannot assure you that the relevant local government authorities will not impose penalty for failing to make adequate contributions to such employee benefit plans.

**RISKS RELATING TO OUR CORPORATE STRUCTURE**

**If the PRC government finds that the agreements that establish the structure for operating our business do not comply with PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.**

Current PRC laws and regulations impose certain restrictions or prohibitions on foreign ownership of companies that engage in certain categories of value-added telecommunications services and other related businesses, including but not limited to, the provision of internet information services, radio and television program services, and internet cultural services. In particular, under the Special Administrative Measures (Negative List) for Foreign Investment Access issued in 2020, the operation of certain value-added telecommunications services is considered "restricted," and the provision of radio and television program services and the internet cultural services are considered "prohibited." We are a company incorporated under the laws of the Cayman Islands. To comply with PRC laws and regulations, we conduct our internet-related business in China through a number of VIEs incorporated in China. The VIEs are owned by PRC citizens who are our co-founders or key employees, with whom we have contractual arrangements. The contractual arrangements give us effective control over each of the VIEs and enable us to obtain substantially all of the economic benefits arising from the VIEs as well as to consolidate the financial results of the VIEs in our results of operations. Although the structure we have adopted is consistent with longstanding industry practice, and is commonly adopted by comparable companies in China, the PRC government may not agree that these arrangements comply with PRC licensing, registration, or other regulatory requirements, with existing policies or with requirements or policies that may be adopted in the future. These VIEs hold the licenses, approvals, and key assets that are essential for the operations of our relevant businesses.



Han Kun Law Offices, our PRC legal counsel, has advised us that (i) the ownership structures of our material WFOEs and our material VIEs in China, both currently and immediately after giving effect to this offering, do not and will not violate any explicit provision of applicable PRC law, regulations, or rules currently in effect, and (ii) subject to the risks as disclosed in “– Risks Relating to Our Corporate Structure” and “Corporate Structure,” each agreement of the contractual arrangements between our material WFOEs, our material VIEs, and their respective equity holders governed by PRC law is valid, binding, and enforceable in accordance with its terms and applicable PRC laws and regulations currently in effect and does not violate any applicable PRC law currently in effect. There are, however, substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations. The relevant PRC regulatory authorities have broad discretion in determining whether a particular contractual structure violates PRC laws and regulations. Pursuant to the PRC Foreign Investment Law, “foreign investment” is defined to include any foreign investor’s direct and indirect investment in China, in particular, including making investment through other means provided by laws, administrative regulations, or State Council provisions. However, it remains unclear whether our contractual arrangements will cause our VIEs to be interpreted and deemed as foreign investment under the PRC Foreign Investment Law. In addition, on December 26, 2019, the Supreme People’s Court issued the Interpretations on Certain Issues Regarding the Applicable of Foreign Investment Law, or FIL Interpretations, which came into effect on January 1, 2020. In accordance with the FIL Interpretations, where a party claims an investment agreement to be invalid based on that it is for investment in prohibited industries under the negative list or it is for investment in restricted industries under the negative list and violates the restrictions set out therein, the courts should support such claim. There remains uncertainty as to whether our contractual arrangements will be deemed as investment agreements under the FIL Interpretations. Thus, we cannot assure you that the PRC government will not ultimately take a view contrary to the opinion of Han Kun Law Offices. If we are found in violation of any PRC laws or regulations or if the contractual arrangements among our material WFOEs, our material VIEs, and their respective equity holders are determined as illegal or invalid by any PRC court, arbitral tribunal, or regulatory authorities, the relevant governmental authorities would have broad discretion in dealing with such violation, including, without limitation:

- revoke the agreements constituting the contractual arrangements;
- revoke our business and operating licenses;
- require us to discontinue or restrict operations;
- restrict our right to collect revenue;
- restrict or prohibit our use of the proceeds from our public offering to fund our business and operations in China;
- shut down all or part of our websites or services;
- levy fines on us and/or confiscate the proceeds that they deem to have been obtained through non-compliant operations;
- require us to restructure the operations in such a way as to compel us to establish a new enterprise, re-apply for the necessary licenses, or relocate our businesses, staff and assets;
- impose additional conditions or requirements with which we may not be able to comply; or
- take other regulatory or enforcement actions that could be harmful to our business.

Furthermore, any of the assets under the name of any record holder of equity interest in material VIEs, including such equity interest, may be put under court custody in connection with litigation, arbitration, or other judicial or dispute resolution proceedings against that record holder. We cannot be certain that the equity interest will be disposed of in accordance with the contractual arrangements. In addition, new PRC laws, rules, and regulations may be introduced to impose additional requirements that may impose additional challenges to our corporate structure and contractual arrangements. The occurrence of any of these events or the imposition of any of these penalties may result in a material and adverse effect on our ability to conduct internet-related businesses. In addition, if the imposition of any of these penalties causes us to be unable to direct the activities of such VIEs and their respective subsidiaries or the right to receive their economic benefits, we would no longer be able to consolidate such VIEs into our consolidated financial statements, which could materially and adversely affect our financial condition and results of operations.

**Substantial uncertainties exist with respect to the interpretation and implementation of the PRC Foreign Investment Law and its Implementation Rules and how they may impact the viability of our current corporate structure, corporate governance, and operations.**

On March 15, 2019, the PRC National People's Congress approved the PRC Foreign Investment Law, which came into effect on January 1, 2020 and replaced the trio of existing laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law, and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations. On December 26, 2019, the PRC State Council approved the Implementation Rules of Foreign Investment Law, which came into effect on January 1, 2020. The PRC Foreign Investment Law and its Implementation Rules embody an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. However, since the PRC Foreign Investment Law and its Implementation Rules are relatively new, substantial uncertainties exist with respect to its interpretation and implementation.

The VIE structure has been adopted by many China-based companies, including us, to obtain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions in China. See “– Risks Relating to Our Corporate Structure” and “Corporate Structure.” Under the PRC Foreign Investment Law, “foreign investment” refers to the investment activities directly or indirectly conducted by foreign individuals, enterprises, or other entities in China. Although it does not explicitly classify contractual arrangements as a form of foreign investment, we cannot assure you that foreign investment via contractual arrangement would not be interpreted as a type of indirect foreign investment activities in the future. In addition, the definition contains a catch-all provision providing that investments made by foreign investors through other methods specified in laws or administrative regulations or other methods prescribed by the State Council, which leaves leeway for future laws, administrative regulations, or provisions promulgated by the State Council to provide for contractual arrangements as a method of foreign investment. Moreover, in accordance with the FIL Interpretations, where a party claims an investment agreement to be invalid based on that it is for investment in prohibited industries under the negative list or it is for investment in restricted industries under the negative list and violates the restrictions set out therein, the courts should support such claim. There remains uncertainty as to whether our contractual arrangements will be deemed as investment agreements under the FIL Interpretations. Given the foregoing, it is uncertain whether our contractual arrangements will be deemed to be in violation of the market entry clearance requirements for foreign investment under the PRC laws and regulations. There are uncertainties as to how the PRC Foreign Investment Law would be further interpreted and implemented. We cannot assure you that the interpretation and implementation of the PRC Foreign Investment Law made by the relevant governmental authorities in the future will not materially impact the viability of our current corporate structure, corporate governance, and business operations in any aspect.

**Our contractual arrangements may not be as effective in providing operational control as direct ownership, and our VIE shareholders may fail to perform their obligations under our contractual arrangements.**

Since PRC laws limit foreign equity ownership in certain businesses in China, we operate our relevant businesses in China through our VIEs, in which we have no ownership interest and rely on a series of contractual arrangements with our VIEs and their respective equity holders to control and operate these businesses. Our revenue and cash flow from our relevant businesses are attributed to our VIEs. The contractual arrangements may not be as effective as direct ownership in providing us with control over our VIEs. Direct ownership would allow us, for example, to directly or indirectly exercise our rights as a shareholder to effect changes in the boards of directors of our VIEs, which, in turn, could effect changes, subject to any applicable fiduciary obligations at the management level. However, under the contractual arrangements, as a legal matter, if our VIEs or their respective equity holders fail to perform their respective obligations under the contractual arrangements, we may have to (i) incur substantial costs, (ii) expend significant resources to enforce those arrangements, and (iii) resort to litigation or arbitration and rely on legal remedies under PRC laws. These remedies may include seeking specific performance or injunctive relief and claiming damages, any of which may not be effective. In the event we are unable to enforce these contractual arrangements or we experience significant delays or other obstacles in the process of enforcing these contractual arrangements, we may not be able to exert effective control over our VIEs and may lose control over the assets owned by our VIEs. As a result, we may be unable to consolidate our VIEs in our consolidated financial statements, which could materially and adversely affect our financial condition and results of operations.

**We may lose the ability to use, or otherwise benefit from, the licenses, approvals, and assets held by our VIEs, which could render us unable to conduct some or all of our business operations and constrain our growth.**

Although the significant majority of our revenues are generated, and the significant majority of our operational assets are held, by our offshore subsidiaries and WFOEs, our VIEs hold licenses, approvals, and assets that are necessary for the operation of our relevant businesses, as well as equity interests in a series of our portfolio companies, to which foreign investments are typically restricted or prohibited under applicable PRC law. The Contractual Arrangements contain terms that specifically obligate the equity holders of the VIEs to ensure the valid existence of the VIEs and restrict the disposition of material assets or any equity interest of the VIEs. However, in the event the equity holders of the VIEs breach the terms of these contractual arrangements and voluntarily liquidate our VIEs, or any of our VIEs declares bankruptcy and all or part of its assets become subject to liens or rights of third-party creditors, or are otherwise disposed of without our consent, we may be unable to operate some or all of our relevant businesses or otherwise benefit from the assets held by the VIEs, which could materially and adversely affect our business, financial condition, and results of operations. Furthermore, if any of our VIEs undergoes a voluntary or involuntary liquidation proceeding, its equity holders or unrelated third-party creditors may claim rights to some or all of the assets of such VIEs, thereby hindering our ability to operate our business as well as constraining our growth.

**The contractual arrangements with our VIEs may be subject to scrutiny by the tax authorities in China. Any adjustment of related party transaction pricing could lead to additional taxes, and therefore could substantially reduce our consolidated profit and the value of your investment.**

The tax regime in China is rapidly evolving, and there is significant uncertainty for taxpayers in China as PRC tax laws may be interpreted in significantly different ways. The PRC tax authorities may assert that we or our subsidiaries or VIEs or their equity holders owe or are required to pay additional taxes on previous or future revenue or income. In particular, under applicable PRC laws, rules, and regulations, arrangements, and transactions among related parties, such as the contractual arrangements with our VIEs, may be subject to audit or challenge by the PRC tax authorities. If the PRC tax authorities determine that any contractual arrangements were not entered into on an arm's length basis and therefore constitute a favorable transfer pricing, the PRC tax liabilities of the relevant subsidiaries or VIEs or equity holders of the VIEs could be increased, which could increase our overall tax liabilities. In addition, the PRC tax authorities may impose late payment interest. Our profit may be materially reduced if our tax liabilities increase.

**The equity holders, directors, and executive officers of the VIEs may have potential conflicts of interest with us.**

The PRC laws provide that a director or an executive officer owes a fiduciary duty to the company he or she directs or manages. The directors and executive officers of the VIEs, including Mr. Wang Xing, Mr. Mu Rongjun, and Mr. Wang Huiwen, must act in good faith and in the best interests of the VIEs and must not use their respective positions for personal gain. On the other hand, as our directors, each of Wang Xing, Mu Rongjun, and Wang Huiwen has a duty of care and loyalty to us and to our shareholders as a whole under Cayman Islands law. We control our VIEs through contractual arrangements, and the business and operations of our VIEs are closely integrated with the business and operations of our subsidiaries. Nonetheless, conflicts of interests for these individuals may arise due to dual roles both as directors and executive officers of the VIEs and as directors or employees of our Company, and may also arise due to dual roles both as equity holders of the VIEs and as directors or employees of our Company.

We cannot assure you that these individuals will always act in the best interests of our Company should any conflicts of interest arise, or that any conflicts of interest will always be resolved in our favor. We also cannot assure you that these individuals will ensure that the VIEs will not breach the existing contractual arrangements. If we cannot resolve any such conflicts of interest or any related disputes, we would have to rely on legal proceedings to resolve these disputes or take enforcement action under the contractual arrangements. There is substantial uncertainty as to the outcome of any such legal proceedings. See “– We may lose the ability to use, or otherwise benefit from, the licenses, approvals, and assets held by our VIEs, which could render us unable to conduct some or all of our business operations and constrain our growth.”

**We conduct our business operations in China through our VIEs by way of contractual arrangements, but certain of the terms of the contractual arrangements may be unenforceable or difficult and costly to enforce under PRC laws.**

All the agreements which constitute the contractual arrangements are governed by PRC laws and provide for the resolution of disputes through arbitration in China. Accordingly, these agreements would be interpreted in accordance with PRC laws and disputes would be resolved in accordance with PRC legal procedures. The legal environment in China may not be as developed as in certain other jurisdictions and uncertainties in the PRC legal system could limit our ability to enforce the contractual arrangements. In the event that we are unable to enforce the contractual arrangements, or if we experience significant time delays or other obstacles in enforcing them, it would be difficult to exert effective control over our VIEs, and our ability to conduct the relevant businesses and our financial condition and results of operations may be materially and adversely affected.

The contractual arrangements contain provisions to the effect that the arbitral body may award remedies over the shares or assets of our VIEs, or grant injunctive relief or winding up of our VIEs. These agreements also contain provisions to the effect that courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal. However, under PRC laws, these terms may not be enforceable. Under PRC laws, an arbitral body does not have the power to grant injunctive relief or to issue a provisional or final liquidation order for the purpose of protecting assets of or equity interests in our VIEs in case of disputes. In addition, interim remedies or enforcement orders granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in China. PRC laws do allow the arbitral body to grant an award of transfer of assets of or equity interests in our VIEs in favor of an aggrieved party. Therefore, in the event of breach of any agreements constituting the contractual arrangements by our VIEs or their respective equity holders, and if we are unable to enforce the contractual arrangements, we may not be able to exert effective control over our VIEs, which could negatively affect our ability to conduct our business.

**If we exercise the option to acquire equity ownership of our VIEs, the ownership transfer may subject us to certain limitations and substantial costs.**

Pursuant to the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises promulgated by the PRC State Council, foreign investors are not allowed to hold more than 50% of the equity interests of any company providing value-added telecommunications services, including internet content provider services, with the exception of those engaged in e-commerce business, domestic multi-party communications services business, store-and-forward business, and call center business, which may be 100% owned by foreign investors. In addition, the main foreign investor who invests in a value-added telecommunications business in China must possess prior experience in operating value-added telecommunications businesses and a proven track record of business operations overseas, or the Qualification Requirements. Currently none of the applicable PRC laws, regulations or rules provides clear guidance or interpretation on the Qualification Requirements. Although we have taken many measures to meet the Qualification Requirements, we still face the risk of not satisfying the requirement promptly. If the PRC laws are revised to allow foreign investors to invest in value-added telecommunications enterprises in China, we may be unable to unwind the contractual arrangements before we are able to comply with the Qualification Requirements, or if we attempt to unwind the contractual arrangements before we are able to comply with the Qualification Requirements we may become ineligible to operate our value-added telecommunication enterprises and may be forced to suspend their operations, which could materially and adversely affect our business, financial condition, and results of operations.

Pursuant to the contractual arrangements, we have the exclusive right to purchase all or any part of the equity interests in our VIEs from the respective equity holders for a nominal price, unless the relevant government authorities or PRC laws request that another amount be used as the purchase price and in which case the purchase price shall be the lowest amount under such request. Subject to relevant laws and regulations, the respective equity holders shall return any amount of purchase price they have received to our WFOEs. If such a return of purchase price takes place, the competent tax authority may require our WFOEs to pay enterprise income tax for ownership transfer income with reference to the market value, in which case the amount of tax could be substantial.

## **RISKS RELATING TO THE BONDS AND THE CLASS B SHARES**

### **The Bonds will be unsecured obligations.**

The Bonds will constitute our direct, unconditional, unsubordinated and (subject to Condition 4(a) of the Conditions) unsecured obligations, each series of the Bonds ranking *pari passu* and without any preference or priority among themselves. Our payment obligations under the Bonds, save for such exceptions as may be provided by mandatory provisions of applicable law and subject to the negative pledge contained in Condition 4(a) of the Conditions, will rank at least equally with all of our other present and future unsecured and unsubordinated obligations. Therefore, the Bonds will be our unsecured obligations. The payment obligations under the Bonds may be adversely affected if:

- we enter into bankruptcy, liquidation, rehabilitation or other winding-up proceedings;
- there is a default in payment under our future secured indebtedness or other unsecured indebtedness; or
- there is an acceleration of any of our indebtedness.

If any of the above events occurs, our assets and any amounts received from the sale of such assets may not be sufficient to pay amounts due on the Bonds.

### **The Trustee may request the Bondholders to provide an indemnity and/or security and/or prefunding to its satisfaction.**

In certain circumstances (including, without limitation, the giving of notice to the Issuer pursuant to Condition 10 of the Conditions and the taking of enforcement steps pursuant to Condition 15 of the Conditions), the Trustee may request Bondholders to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes any steps and/or actions and/or institute any proceedings on behalf of Bondholders. The Trustee shall not be obliged to take any such steps and/or actions and/or institute any such proceedings if it is not first indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding could be a lengthy process and may affect when such actions can be taken. The Trustee may not be able to take steps and/or actions and/or institute proceedings, notwithstanding the provision of an indemnity or security or prefunding to it, in breach of the terms of the Trust Deeds and/or the Conditions and in such circumstances, or where there is uncertainty or dispute as to the applicable law or regulations, to the extent permitted by the agreements and the applicable law and regulations, it would be for the Bondholders to take such steps and/or actions and/or institute such proceedings directly.

### **Bondholders will have no rights as holders of the Class B Shares prior to conversion of the Bonds.**

Unless and until the Bondholders acquire the Class B Shares upon conversion of the Bonds, Bondholders will have no rights with respect to the Class B Shares, including any voting rights or rights to receive any regular dividends or other distributions with respect to the Class B Shares. Upon conversion of the Bonds, these holders would be entitled to exercise the rights of holders of the Class B Shares only as to actions for which the applicable record date occurs after the date of conversion.



**Securities law restrictions on the resale and conversion of the Bonds may limit Bondholders' ability to sell the Bonds in the United States.**

The Bonds and the Class B Shares into which the Bonds are convertible have not been and will not be registered under the Securities Act, any state securities laws or the securities laws of any other jurisdiction. Unless and until they are registered, the Bonds and the Class B Shares issuable upon conversion may not be offered, sold or resold except pursuant to an exemption from registration under the Securities Act and applicable state laws or in a transaction not subject to such laws. The Bonds are being offered and sold outside the U.S. in reliance on Regulation S under the Securities Act. Hence, future resales of the Bonds and the Class B Shares into which the Bonds are convertible may only be made pursuant to an exemption from registration under the Securities Act and applicable state laws or in a transaction not subject to such laws.

**The Bondholders may be subject to tax on their income or gain from the Bonds.**

Prospective purchasers of the Bonds are advised to consult their own tax advisers concerning the overall tax consequences of the acquisition, ownership or disposition (including upon conversion of the Bonds) of the Bonds or the Class B Shares. See “*Taxation*” for certain Cayman Islands, PRC and Hong Kong tax consequences.

**Gains on the transfer of the Bonds may be subject to income tax under PRC tax laws.**

Under the Enterprise Income Tax Law of the PRC that came into effect on January 1, 2008 and amended on December 29, 2018 (the “**EIT Law**”) and its implementation rules, gains on the transfer of the Bonds may be subject to income tax under PRC tax laws.

In accordance with the EIT Law and its implementation regulations, a non-resident enterprise is generally subject to enterprise income tax at a rate of 10% with respect to PRC-sourced income if it (i) does not have an establishment or place of business in the PRC or (ii) has an establishment or place of business in the PRC but its PRC-sourced income is not connected with such establishment or place of business in the PRC. The aforesaid income tax payable by a non-resident enterprise is subject to withholding at source. The income tax must be withheld by the withholding agent at the time of payment of the gains. This tax could be exempted or reduced in accordance with the relevant tax treaty or agreement for avoiding double taxation. As at the date of this Offering Circular, no specific legislation or implementation rule has expressly provided whether it is required to and how to collect the tax from non-PRC resident enterprises on gains derived by them from the sale or transfer of the Bonds. It is possible that taxation authorities may formulate and promulgate specific implementation rules or relevant regulations for the collection of enterprise income tax on such gains in the future.

In addition, according to the Individual Income Tax Law of the PRC as amended on June 30, 2011 and August 31, 2018 (the “**IIT Law**”) and the implementation regulations, non-resident individuals are generally subject to individual income tax at a rate of 20% with respect to PRC-sourced income from interest, dividends and transfer of property unless such tax is reduced or exempted under relevant double taxation treaties. Under the IIT Law, a “non-resident individual” means any non-resident PRC individual who has no domicile and does not reside in the PRC or who has no domicile but has resided in mainland China for less than one year. As at the date of this Offering Circular, no specific legislation or implementation rules have expressly provided whether it is required to and how to collect the tax from non-PRC resident individuals on the gains derived by them from the sale or transfer of the Bonds. It is possible that taxation authorities may formulate and promulgate specific implementation rules or relevant regulations for the collection of individual income tax on such gains in the future.



If a Bondholder, being a non-resident enterprise or non-resident individual, is required to pay any PRC income tax on gains on the transfer of the Bonds, the value of the relevant Bondholder's investment in the Bonds may be materially and adversely affected. See "*Taxation – Mainland China*".

**The market value of the Bonds may fluctuate.**

Trading prices of the Bonds are influenced by numerous factors, including the results of operations and/or financial condition and business strategy (in particular further issuance of debt or corporate events such as share sales, reorganizations, takeovers or share buybacks) of the Group and/or the subsidiaries and/or associated companies of the Group, political, economic, financial, regulatory and any other factors that can affect the capital markets, the industry, the Group and/or the subsidiaries and/or associated companies of the Group generally. Adverse economic developments in the PRC could have a material and adverse effect on the results of operations and/or the financial condition of the Group and/or the subsidiaries and/or associated companies of the Group.

In addition, the market price of the Bonds is expected to be affected by fluctuations in the market price of the Class B Shares. There can be no certainty as to the effect, if any, that future issues or sales of Class B Shares, or the availability of such Class B Shares for future issue or sale, would have on the market price of the Class B Shares prevailing from time to time and therefore on the market price of the Bonds. Disposals of Class B Shares by shareholders or a perception in the market that such disposals could occur, may adversely affect the prevailing market price of the Class B Shares and the Bonds.

**The return on the Bonds may decrease due to inflation.**

Bondholders may suffer erosion on the return of their investments due to inflation. Bondholders would have an anticipated rate of return based on expected inflation rates on the purchase of the Bonds. An unexpected increase in inflation could reduce the actual returns.

**An active trading market for the Bonds may not develop.**

The Bonds will be a new issue of securities for which there is currently no trading market. Application will be made to the Hong Kong Stock Exchange for the listing, and permission to deal in, the Bonds by way of debt issues to Professional Investors only. However, no assurance can be given that an active trading market for the Bonds would develop or as to the liquidity or sustainability of any such market, the ability of Bondholders to sell their Bonds or the price at which Bondholders would be able to sell their Bonds. If an active market for the Bonds fails to develop or be sustained, the trading price of the Bonds could fall.

If an active trading market were to develop, the Bonds could trade at prices that may be lower than their initial offering price. Whether or not the Bonds would trade at lower prices depends on many factors, including:

- prevailing interest rates and the markets for similar securities;
- the price of the Class B Shares;
- the market prices of the Bonds;
- the publication of earnings estimates or other research reports and speculation in the press or the investment community;

- changes in the Group's industry and competition; and general market and economic conditions; or
- the Group's financial condition and historical financial performance and future prospects.

**The Bonds may not be a suitable investment for all investors.**

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained in this Offering Circular;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Bonds, including where principal or default interest is payable in one or more currencies, or where the currency for principal or default interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the Bonds and be familiar with the behavior of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Bonds will be complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Bonds unless he/she has the expertise (either alone or with a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of the Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

**The Bonds contain provisions regarding modification and waivers, which could affect the rights of Bondholders.**

The Conditions of each series of the Bonds and each Trust Deed will contain provisions for calling meetings of Bondholders of the relevant series of the Bonds to consider matters affecting their interests generally. These provisions will permit defined majorities to bind all Bondholders of the relevant series of the Bonds including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority. There is a risk that the decision of the majority of holders of the relevant series of the Bonds may be adverse to the interests of individual holders of that series of the Bonds.

The Conditions of each series of the Bonds will also provide that the Trustee may, without the consent of the holders of the relevant series of the Bonds, agree (i) to any modification (other than in respect of certain reserved matters) to, or the waiver or authorization of any breach or proposed breach of, the relevant series of the Bonds, the relevant Agency Agreement and/or the relevant Trust Deed which in the opinion of the Trustee would not be materially prejudicial to the interests of the holders of that series of the Bonds and (ii) to any modification of the relevant series of the Bonds, the relevant Agency Agreement or the relevant Trust Deed which in the Trustee's opinion is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of law.

In addition, the Trustee may (but shall not be obliged to), without the consent of the Bondholders of the relevant series of the Bonds, determine any Event of Default or a Potential Event of Default (both terms as defined in each Trust Deed) should not be treated as such, provided that in the opinion of the Trustee, the interests of the Bondholders of that series of the Bonds will not be materially prejudiced thereby.

**If we or any of our subsidiaries are unable to comply with the restrictions and covenants in our respective debt agreements, there could be a default under the terms of these agreements, which could cause repayment of its debt to be accelerated.**

If we or any of our subsidiaries are unable to comply with the restrictions and covenants in our respective current or future debt obligations and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend, accelerate repayment of the debt and declare all outstanding amounts due and payable or terminate the agreements, as the case may be. Furthermore, some of our debt agreements, contain cross-acceleration or cross-default provisions. As a result, a default under one debt agreement may cause the acceleration of repayment of not only such debt but also other debt, including the Bonds, or result in a default under our other debt agreements. If any of these events occur, there is no assurance that we would have sufficient assets and cash flow to repay in full all of its indebtedness, or that we would be able to find alternative financing. Even if we could obtain alternative financing, it could not guarantee that it would be on terms that are favorable or acceptable to us.

**Renminbi is not freely converted into foreign currency and remitted out of China, which may limit our ability to utilize its revenue effectively and affect the value of your investment.**

We expect that a substantial majority of our future revenues will be denominated in Renminbi. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval as long as certain routine procedural requirements are fulfilled. Therefore, our PRC subsidiaries are allowed to pay dividends in foreign currencies to us without prior SAFE approval by following certain routine procedural requirements. However, approval from or registration with competent government authorities is required where the Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future.

**Any failure to complete the relevant filings under the NDRC Circular within the prescribed time frame following the completion of the issue of the Bonds may have adverse consequences for the Issuer and/or the investors in the Bonds.**

On September 14, 2015, the NDRC promulgated the NDRC Circular, which came into effect on the same day. According to the NDRC Circular, if a PRC enterprise or an offshore enterprise controlled by a PRC enterprise wishes to issue bonds outside of the PRC with a maturity of more than one year, such enterprise must in advance of issuing such bonds, file certain prescribed documents with the NDRC and obtain a registration certificate from the NDRC in respect of such issue. According to the NDRC Circular, the NDRC will decide whether to accept a submission within five working days upon receipt of the submission and is expected to issue a decision on the submission within seven working days after it accepts the submission. The enterprise must also report certain details of the bonds to the NDRC within 10 business days upon the completion of the bond issue. The NDRC Circular is silent on the legal consequences of non-compliance with the pre-issue registration requirement. Similarly, there is no clarity on the legal consequences of non-compliance with the post-issue notification requirement under the NDRC Circular. Failure to comply with the post-issuance filing requirement may result in the relevant entities being put on the credit blacklist in the PRC and subject them to credit-related sanctions. Potential investors in the Bonds are advised to exercise due caution when making their investment decisions.

**Exchange rate risks and exchange controls may affect an investor's returns on the Bonds.**

We will pay principal on the Bonds in U.S. dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than U.S. dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of the U.S. dollar or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the U.S. dollar would decrease (i) the Investor's Currency-equivalent yield on the Bonds; (ii) the Investor's Currency-equivalent value of the principal payable on the Bonds; and (iii) the Investor's Currency-equivalent market value of the Bonds. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less principal than expected, or no principal.

**Legal investment considerations may restrict certain investments.**

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent:

- the Bonds are legal investments for it;
- the Bonds can be used as collateral for various types of borrowing; and
- any other restrictions apply to its purchase or pledge of the Bonds.

Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable risk-based capital or similar rules.

**The insolvency laws of the Cayman Islands and other local insolvency laws may differ from those of any other jurisdiction with which holders of the Bonds are familiar.**

Since we are incorporated under the laws of the Cayman Islands, an insolvency proceeding relating to us, even if brought in other jurisdictions, would likely involve Cayman Islands insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of bankruptcy law in other jurisdictions. We conduct most of our business operations in the PRC. The laws and regulations in the PRC relating to bankruptcy and insolvency and the legal proceedings in that regard may significantly differ from those of other jurisdictions with which the holders of the Bonds are familiar. Investors should analyze the risks and uncertainties carefully before they invest in the Bonds.

**Potential dilution of the ownership interest of existing Shareholders.**

The conversion of some or all of the Bonds will dilute the ownership interests of our existing shareholders. Any sales in the public market of the Class B Shares issuable upon such conversion could adversely affect prevailing market prices for the Class B Shares. In addition, the existence of the Bonds may facilitate short selling of the Class B Shares by market participants.

**We rely on dividends paid by our subsidiaries for cash needs, and limitations under PRC laws on the ability of our PRC subsidiaries to distribute dividends to us could adversely affect our ability to utilize such funds.**

As a holding company, we rely on dividends paid by our PRC subsidiaries for our cash and financing requirements, including the funds necessary to perform our payment obligations under the Bonds, to service any foreign currency debt we may incur and to make any offshore acquisitions. If any of our PRC subsidiaries incur debt on its own behalf in the future, the loan agreements may restrict its ability to pay dividends or make other distributions to us. Under PRC laws and regulations, our PRC subsidiaries may pay dividends only out of their respective accumulated profits as determined in accordance with PRC accounting standards and regulations. In addition, a wholly foreign-owned enterprise is required to set aside at least 10% of its accumulated after-tax profits each year, if any, to fund a certain statutory reserve fund, until the aggregate amount of such fund reaches 50% of its registered capital. Such reserve funds cannot be distributed to us as dividends. These limitations on the ability of our PRC subsidiaries to transfer funds to us limit our ability to receive and utilize such funds.

As a result of the foregoing, there is no assurance that we will have sufficient cash flow from dividends or advances from its subsidiaries to satisfy our obligations under the Bonds. Should we be unable to make due payments under the terms of the Bonds, the Bondholders would need to rely on the Trustee to take enforcement actions to recover their investment in the Bonds, the prospects of which are uncertain.

**The Bonds will be structurally subordinated to subsidiary debt.**

Payments under the Bonds will be structurally subordinated to the claims of all holders of debt securities and other creditors, including trade creditors, of ours and our subsidiaries, and to all of our secured creditors. A substantial part of our operations are conducted through our subsidiaries, associated companies and jointly controlled entities. Accordingly, we are and will be dependent on the operations of our subsidiaries, associated companies and jointly controlled entities to service its indebtedness, including interest and principal on the Bonds. In the event of an insolvency, bankruptcy, liquidation, reorganization, dissolution or winding up of the business of any of our subsidiaries, creditors of such subsidiary generally will have the right to be paid in full before any distribution is made to us.

**The liquidity and price of the Bonds following the offering may be volatile.**

The price and trading volume of the Bonds may be highly volatile. Factors such as variations in our revenue, earnings and cash flows, proposals for new investments, strategic alliances and/or acquisitions, changes in interest rates, fluctuations in price for comparable companies, government regulations and changes thereof applicable to its industry and general economic conditions nationally or internationally could cause the price of the Bonds to change. Any such developments may result in large and sudden changes in the trading volume and price of the Bonds. There is no assurance that these developments will not occur in the future.

**We may not have the ability to redeem the Bonds.**

Bondholders may require us, subject to certain conditions, to redeem for cash some or all of their Bonds at the option of the Bondholders upon a Relevant Event as described under “*Terms and Conditions of the Series 1 Bonds – Redemption, Purchase and Cancellation – Redemption for Relevant Event*” and “*Terms and Conditions of the Series 2 Bonds – Redemption, Purchase and Cancellation – Redemption for Relevant Event*” or on the Put Option Date of the Series 1 Bonds or the Put Option Date of the Series 2 Bonds, as the case may be, as described under “*Terms and Conditions of the Series 1 Bonds – Redemption, Purchase and Cancellation – Redemption at the Option of the Bondholders*” and “*Terms and Conditions of the Series 2 Bonds – Redemption, Purchase and Cancellation – Redemption at the Option of the Bondholders*”. We may not have sufficient funds or other financial resources to make the required redemption in cash at such time or the ability to arrange necessary financing on acceptable terms, or at all. Our ability to redeem the Bonds in such event may also be limited by the terms of other debt instruments. Our failure to repay, repurchase or redeem tendered Bonds would constitute an event of default under the Bonds, which may also constitute a default under the terms of our other indebtedness.

**The Bonds may be early redeemed at our option.**

We may, on giving not less than 30 nor more than 60 days’ notice, redeem the Bonds in whole, but not in part at the Early Redemption Amount of the Series 1 Bonds or the Early Redemption Amount of the Series 2 Bonds, as the case may be, at any time if, immediately prior to the date of such notice, Conversion Rights shall have been exercised and/or purchases (and corresponding cancelations) and/or redemptions effected in respect of 90 per cent. or more in aggregate principal amount of the Series 1 Bonds or Series 2 Bonds originally issued. In addition, the Bonds may be redeemed at our option in whole and not in part, on giving not less than 30 days’ nor more than 60 days’ notice, at the Early Redemption Amount of the Series 1 Bonds or the Early Redemption Amount of the Series 2 Bonds, as the case may be, if we satisfy the Trustee immediately prior to the giving of such notice that we have or will become obliged to pay Additional Tax Amounts as a result of certain events set out in the Conditions and such obligation cannot be avoided by taking reasonable measures available to us. As a result, the trading price of each series of Bonds may be affected when any redemption option of the Issuer in respect of such relevant series of Bonds becomes exercisable. Accordingly, Bondholders may not be able to sell their Bonds at an attractive price, thereby having a material adverse effect on the trading price and liquidity of the Bonds.

**Bondholders have limited anti-dilution protection.**

The Conversion Price in respect of each of the Series 1 Bonds and the Series 2 Bonds will be adjusted in the event that there is a sub-division, consolidation or re-denomination, rights issues, bonus issue, reorganization, capital distribution or other adjustment including an offer which affects Class B Shares, but only in the circumstances and only to the extent provided in “*Terms and Conditions of the Series 1 Bonds – Conversion*” and “*Terms and Conditions of the Series 2 Bonds–Conversion*”. There is no requirement that there should be an adjustment for every corporate or other event that may affect the value of the Class B Shares. Events in respect of which no adjustment is made may adversely affect the value of the Class B Shares and, therefore, adversely affect the value of the Series 1 Bonds or the Series 2 Bonds, as the case may be.



**Future issuances of Class B Shares or equity-related securities may depress the trading price of the Class B Shares.**

Any issuance of our equity securities after this offering could dilute the interest of the existing shareholders and could substantially decrease the trading price of the Class B Shares. We may issue equity securities in the future for a number of reasons, including to finance our operations and business strategy (including in connection with acquisitions, strategic collaborations or other transactions), to adjust our ratio of debt-to-equity, to satisfy our obligations upon the exercise of outstanding warrants, options or other convertible bonds or for other reasons. Sales of a substantial number of Class B Shares or other equity-related securities in the public market (or the perception that such sales may occur) could depress the market price of the Class B Shares. We cannot predict the effect that future sales of the Class B Shares or other equity-related securities would have on the market price of the Class B Shares. In addition, the price of the Class B Shares could be affected by possible sales of the Class B Shares by investors who view the Bonds as a more attractive means of obtaining equity participation in the Company and by hedging or engaging in arbitrage trading activity involving the Bonds.

**There may be less publicly available information about the Company than is available for public companies in certain other jurisdictions.**

There may be less publicly available information about companies listed in Hong Kong, such as the Company, than is regularly made available by public companies in certain other countries. In addition, our financial information in this Offering Circular has been prepared in accordance with IFRS which differ in certain respects from generally accepted accounting principles (“GAAPs”) in certain jurisdictions which might be material to the financial information contained in this Offering Circular. In making an investment decision, investors must rely upon their own examination of us, the terms of the offering and our financial information, and should consult their own professional advisers for an understanding of the differences between IFRS and the GAAPs in their home jurisdictions and how those differences might affect the financial information contained in this Offering Circular.

**Each series of the Bonds will initially be represented by a Global Certificate and holders of a beneficial interest in such Global Certificate must rely on the procedures of the relevant Clearing System.**

Each series of the Bonds will initially be represented by a Global Certificate. Such Global Certificates will be deposited with a common depositary for Euroclear and Clearstream (each of Euroclear and Clearstream, a “*Clearing System*”). Except in the circumstances described in the relevant Global Certificate, investors will not be entitled to receive definitive Bonds. The relevant Clearing System will maintain records of the beneficial interests in each Global Certificate. While each series of the Bonds are represented by a Global Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems.

While each series of the Bonds are represented by a Global Certificate, the Issuer will discharge its payment obligations under the relevant Bonds by making payments to the common depositary for Euroclear and Clearstream, for distribution to their account holders. A holder of a beneficial interest in each Global Certificate must rely on the procedures of the relevant Clearing System to receive payments under each series of the Bonds. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in such Global Certificate.

Holders of beneficial interests in each Global Certificate will not have a direct right to vote in respect of each series of the Bonds. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System to appoint appropriate proxies.

**Short selling of the Class B Shares by Bondholders could materially and adversely affect the market price of the Class B Shares.**

The issuance of the Bonds may result in downward pressure on the market price of the Class B Shares. Investors in convertible securities may seek to hedge their exposure in the underlying equity securities, often through short selling of the underlying equity securities or similar transactions. Any short selling and similar hedging activity could place significant downward pressure on the market price of the Class B Shares, thereby having a material adverse effect on the market value of the Class B Shares owned by an investor as well as on the trading price of the Bonds.

**The ratings assigned to the Bonds may be lowered or withdrawn in the future.**

The Bonds have been rated “Baa3” by Moody’s. The ratings address our ability to perform our obligations under the terms of the Bonds and credit risks in determining the likelihood that payments will be made when due under the Bonds. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. There can be no assurance that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. We have no obligation to inform holders of the Bonds of any such revision, downgrade or withdrawal. A suspension, reduction or withdrawal at any time of the rating assigned to the Bonds may adversely affect the market price of the Bonds.

## CAPITALIZATION AND INDEBTEDNESS

The following table sets forth our consolidated indebtedness and capitalization as of December 31, 2020 on an actual basis and as adjusted to give effect to the issuance of the Bonds before deducting the underwriting commissions and other estimated expenses of this offering. The following table should be read in conjunction with the summary financial information and audited consolidated financial statements and related notes included elsewhere in this Offering Circular.

The as adjusted information below is illustrative only and, except as described above, does not take into account any other changes in our capitalization after December 31, 2020.

	As of December 31, 2020			
	Actual		Adjusted	
	RMB	US\$( <sup>4</sup> )	RMB	US\$( <sup>4</sup> )
	(in thousands)			
Short-term debt:				
Borrowings under current liabilities . . . . .	6,395,002	980,077	6,395,002	980,077
Total short-term debt . . . . .	6,395,002	980,077	6,395,002	980,077
Long-term debt:				
Borrowings under non-current liabilities . . . . .	1,957,470	299,995	1,957,470	299,995
Notes payable under non-current liabilities . . . . .	12,966,341	1,987,179	12,966,341	1,987,179
Series 1 Bonds to be issued in this offering( <sup>3</sup> ) . . .	–	–	9,680,490	1,483,600
Series 2 Bonds to be issued in this offering( <sup>3</sup> ) . . .	–	–	9,787,500	1,500,000
Total long-term debt . . . . .	14,923,811	2,287,174	34,391,801	5,270,774
Total indebtedness( <sup>1</sup> ) . . . . .	21,318,813	3,267,251	40,786,803	6,250,851
Total equity . . . . .	97,634,275	14,963,107	97,634,275	14,963,107
Total capitalization( <sup>2</sup> ) . . . . .	118,953,088	18,230,358	138,421,078	21,213,958

*Notes:*

- (1) Total indebtedness equals total short-term debt plus total long-term debt of the Company. For a summary of our material indebtedness, see “Description of Other Material Indebtedness.”
- (2) Total capitalization equals total indebtedness plus total equity of the Company. On or about the date of the Subscription Agreement and in connection with the Offering, the Issuer proposes to enter into a Placing and Subscription Agreement with the Placing Joint Bookrunners and Tencent, whereby Tencent agrees to sell and the Placing Joint Bookrunners agree to procure purchasers to purchase up to a maximum number of 187,000,000 Class B Shares at a placement price of HKD273.80 per Class B Share. In addition, the Issuer has entered into a subscription agreement with Tencent, pursuant to which Tencent agrees to subscribe for and the Issuer agrees to allot and issue 11,352,600 Class B Shares to Tencent Mobility Limited at the price of HKD273.80 per Class B Share. See “*The Offering – Concurrent Equity Placement and Direct Subscription*”
- (3) The Bonds should be bifurcated into and separately accounted for as debt component and equity or derivative liability component according to International Financial Reporting Standards. For illustrative purposes only, the issuance of the Bonds as a whole have been presented as the Bonds to be issued under “Long-term debt” in the table.
- (4) Amounts in RMB have been translated into U.S. dollars at the rate of RMB6.5250 to US\$1.00. No representation is made that the RMB amounts should have been, could have been or may be converted to U.S. dollars, or vice versa, at that rate.

We have incurred and will continue to incur additional indebtedness since December 31, 2020 in our ordinary course of business. Except as disclosed herein, there have been no material changes in the Company’s total capitalization since December 31, 2020.

## **USE OF PROCEEDS**

The net proceeds from the Bonds (after deduction of underwriting commissions and other related expenses) are estimated to be approximately US\$2,971.5 million. The Company intends to apply the net proceeds for technology innovations, including the research and development of autonomous delivery vehicles, drones delivery, and other cutting-edge technology, and general corporate purposes.

The foregoing represents our current intentions based upon our present plans and business conditions to use and allocate the net proceeds of this offering. Our management, however, will have significant flexibility and discretion to apply the net proceeds of this offering subject to the applicable mainland China laws and regulations. If an unforeseen event occurs or business conditions change, we may use the proceeds of this offering differently than as described in this Offering Circular subject to the applicable mainland China laws and regulations.

## EXCHANGE RATE INFORMATION

The People's Bank of China (the "PBOC") sets and publishes daily a central parity exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. The PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. From 1994 to July 20, 2005, the conversion of Renminbi into foreign currencies had been based on rates set by the PBOC, which were set daily based on the previous day's interbank foreign exchange market rates and current exchange rates in the world financial markets. Although Chinese governmental policies were introduced in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currency for current account items, conversion of Renminbi into foreign exchange for capital items, such as foreign direct investment, loans or securities, requires the approval of SAFE and other relevant authorities. On July 21, 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. However, PBOC regularly intervenes in the foreign exchange market to limit fluctuations in Renminbi exchange rates and achieve policy goals. Following the removal of the U.S. dollar peg, the RMB appreciated more than 20% against the U.S. dollar over the following three years. On June 21, 2010, PBOC further reformed the Renminbi exchange rate to increase its flexibility, particularly with respect to the U.S. dollar. The PRC government has since made, and in the future may make, further adjustments to the exchange rate system.

The following table sets forth the exchange rates as set forth in the H. 10 statistical release of the Federal Reserve Board for and as of the indicated periods through March 31, 2021:

	Period End	Exchange Rate		
		Average <sup>(1)</sup>	High	Low
		(RMB per US\$1.00)		
2016 . . . . .	6.9430	6.6549	6.9580	6.4480
2017 . . . . .	6.5063	6.7350	6.9575	6.4773
2018 . . . . .	6.8755	6.6292	6.9737	6.2649
2019 . . . . .	6.9618	6.9014	7.1786	6.6822
2020 . . . . .	6.5250	6.8878	7.1681	6.5208
2021				
January . . . . .	6.4282	6.4672	6.4822	6.4282
February . . . . .	6.4730	6.4601	6.4869	6.4344
March (through March 31, 2021) . . . . .	6.5518	6.5109	6.5716	6.4648

*Note:*

- (1) Annual averages are calculated by averaging the rates on the last business day of each month during the relevant year. Monthly averages are calculated by averaging the daily rates during the relevant monthly period.

## **BUSINESS**

### **OUR MISSION**

Our mission is: “We help people eat better, live better.”

We founded our Company with the belief that technology will make everyone’s life better. We remain excited and steadfast in our mission, and will continue using technology to help people eat better, live better.

### **OVERVIEW**

We are China’s leading e-commerce platform for services. Our platform uses technology to connect consumers, merchants and suppliers. Our platform addresses people’s daily needs for food, and extend further to broader local services, as well as grocery and other goods. In the twelve months ended December 31, 2020, we served 510.6 million Transacting Users and 6.8 million Active Merchants in over 2,800 cities and counties across China.

Through our flagship Meituan app and an array of other specialized apps, we focus on a “Food + Platform” strategy to deliver value propositions to our platform participants. Food is our primary service offering category as we believe it is a massive market and presents significant opportunities, fueling our growth. Our food-related service offerings include food delivery, restaurant booking, review and promotion, retail, restaurant management systems, and business-to-business food distribution service. Extending our food-related service offerings, we have established a platform of services, including hotel and travel, other local services, and new initiatives to satisfy consumers’ daily needs. Our platform also provides merchants with a trustworthy on-demand delivery network and an attractive marketplace with rich user content, location-based local search system, and diversified digital marketing tools.

We play an important role in consumers’ daily lives. Through our food-related services, we help consumers discover merchant information, make informed decisions, complete online and offline transactions, and enjoy on-demand delivery. We focus on mass-market, essential, and high-frequency service categories and have established market leadership in these primary categories. Our leadership in these primary categories allows us to attract a large and growing consumer base, increase user stickiness, and cater to evolving consumption habits. The number of our Transacting Users increased from 400.4 million in 2018 to 450.5 million in 2019, and further to 510.6 million in 2020. On average, the annual number of transactions each Transacting User made on our platform increased from 23.8 transactions in 2018 to 27.4 transactions in 2019, and further to 28.1 transactions in 2020.

Our leadership in food-related services also enables us to expand into new service categories efficiently. We have established many touch points with consumers’ daily lives through food-related services, which allow us to launch and cross-sell a broad range of additional service categories. For example, in 2020, over 75% of our new hotel-booking Transacting Users and about 85% of our new Transacting Users of other in-store local services were converted from Transacting Users of our food delivery and in-store dining services. The breadth of our service offerings allows us to enjoy low user acquisition cost, enhance user stickiness, and grow user lifetime value. Our platform has achieved significant operating leverage. Our selling and marketing expenses as a percentage of total revenues decreased from 24.3% in 2018 to 19.3% in 2019, and further to 18.2% in 2020. As our business further grows, we believe that our massive scale, combined with our strong network effects, will allow us to acquire consumers and merchants more cost-effectively and benefit from substantial economies of scale in the long term.



We aim to transform China's service industry by providing merchants with a wide range of solutions and digitizing their operations. Our solutions include targeted online marketing tools, cost-effective on-demand delivery network, restaurant management systems, business-to-business food distribution service, and financing solutions. We help merchants establish online presence, engage with consumers in real time, and improve operational efficiency. Merchants can grow on our platform beyond the physical boundaries of their stores. As a result, we have sustainably expanded our merchant base over time and fostered long-term merchant loyalty. Our Active Merchants increased from 5.8 million in 2018 to 6.2 million in 2019, and further to 6.8 million in 2020.

We have built and currently operate the world's leading on-demand delivery network in terms of the number of deliveries in 2020. Our network had an average of around 1 million daily active delivery riders in 2020. In 2020, our delivery network fulfilled more than 90% of total on-demand delivery transactions generated on our platform, while the remaining transactions were directly fulfilled by merchants. We manage to maintain stable cost per delivery and continue to improve the efficiency of our delivery network.

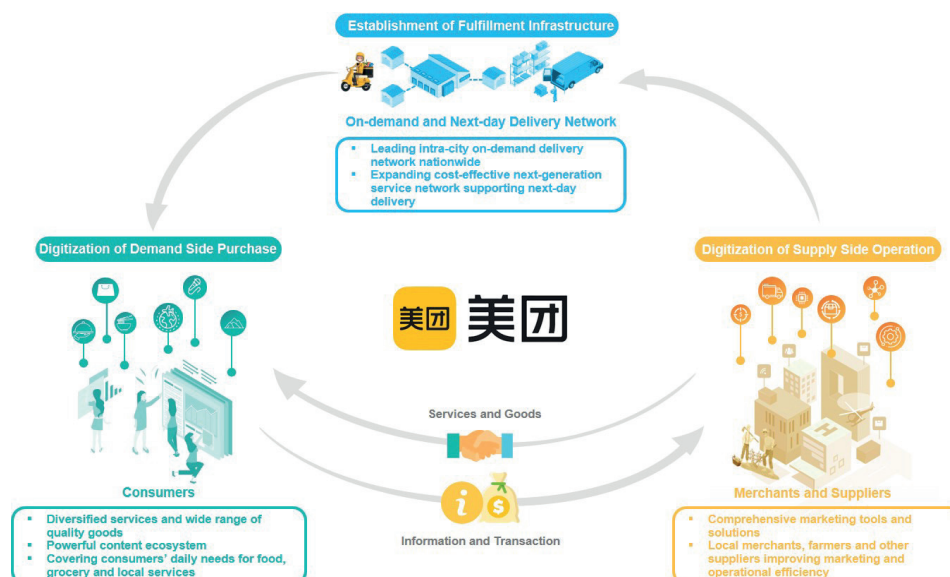
We enable the service industry with cutting-edge big data and AI technologies. Our data-driven personalized recommendations improve efficiency for consumers and merchants. Powered by AI technologies, our intelligent dispatch system optimizes order-rider matching based on the real-time locations of delivery riders, and runs the route planning algorithms 2.9 billion times per hour during the daily peak time. We are also utilizing AI-based autonomous driving technology to develop autonomous delivery vehicles and drones.

During the fourth quarter of 2020, we made significant investments to expand our retail business. As part of our dedicated "Food + Platform" strategy, we believe that the digitization of the local retail industry provides strategic value to our platform and opportunities for us to cross-sell more product categories to our consumers. In particular, we believe that the community e-commerce model will address the needs of consumers in large number of low-tier cities and become the next-generation service network used for fulfilling people's daily consumption.

We are a pioneer of the service e-commerce model globally. We have evolved from a single-category service provider to a multi-category service e-commerce platform, and have expanded from large cities to small cities across China, creating a truly "online + offline" business model with nationwide coverage. We continued our innovation in exploring community e-commerce business, which further expands our platform into retail services. We have extended our platform from digitizing the demand side to the supply side, driving internet penetration of the entire service industry value chain. With our one-stop multi-category platform and highly efficient on-demand delivery network, we have been better serving the essential needs of people's daily lives and merchants' daily operations in the digitization era.

We have achieved significant growth. We generate revenues from commissions, online marketing services, and other services and sales. Our total revenues increased by 49.5% from RMB65.2 billion in 2018 to RMB97.5 billion in 2019, and further increased by 17.7% to RMB114.8 billion (US\$17.6 billion) in 2020.

The following diagram illustrates how we connect consumers, merchants and suppliers through our platform and accelerate the digitization on both demand and supply sides. On the consumer side, we offer diversified goods and services covering people's daily needs for food, grocery and broader local services to digitize consumer purchases. With the expansion of our retail business, we are now able to offer a wider range of quality goods more conveniently with value for money to consumers, especially those in less developed and rural areas. On the merchant side, we offer a wide range of solutions to digitize and optimize their operations. This is all supported by our strong local operation and execution capabilities, powerful content ecosystem, extensive and intelligent technology platform, and massive on-demand delivery network.



## KEY OPERATING METRICS

The following tables set forth certain key operating metrics for the periods indicated.

	For the Year Ended December 31,		
	2018	2019	2020
	(in millions)		
Number of Transacting Users . . . . .	400.4	450.5	510.6
Number of Active Merchants . . . . .	5.8	6.2	6.8

	(units)		
	2018	2019	2020
Average Number of Transactions Per Annual Transacting User . . . . .	23.8	27.4	28.1

	For the Year Ended December 31,		
	2018	2019	2020
	(in billions)		
GTV of Food Delivery (RMB) . . . . .	282.8	392.7	488.9
Number of Food Delivery Transactions . . . . .	6.4	8.7	10.1

	(in millions)		
	2018	2019	2020
Number of Domestic Hotel Room Nights . . . . .	283.9	392.5	354.5

## **COMPANY FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED DECEMBER 31, 2020**

As China's economic recovery accelerated as a result of the effective containment of the COVID-19 pandemic, our businesses recovered steadily during 2020. Total revenues increased by 17.7% year over year to RMB114.8 billion (US\$17.6 billion) from RMB97.5 billion in 2019. Our food delivery services delivered steady growth with revenue increasing by 20.8% year over year to RMB66.3 billion (US\$10.2 billion) in 2020. Operating profit from food delivery business increased to RMB2.8 billion (US\$434.2 million) in 2020 from RMB1.4 billion in 2019, while operating margin increased to 4.3% from 2.6% for the same period. Gradually recovering from the COVID-19 pandemic, revenues from our in-store, hotel & travel businesses decreased by 4.6% year over year to RMB21.3 billion (US\$3.3 billion) in 2020 and operating profit from our in-store, hotel & travel businesses decreased to RMB8.2 billion (US\$1.3 billion) in 2020 from RMB8.4 billion in 2019, while operating margin increased to 38.5% from 37.7%. As we further expanded our platform to satisfy consumers' growing needs, revenues from the new initiatives and others segment increased by 33.6% year over year to RMB27.3 billion (US\$4.2 billion) in 2020, while operating loss from this segment increased to RMB10.9 billion (US\$1.7 billion) in 2020 from RMB6.7 billion in 2019. Both adjusted EBITDA and adjusted net profit experienced negative year-over-year growth and decreased to RMB4.7 billion (US\$726.1 million) and RMB3.1 billion (US\$478.3 million) in 2020, respectively. Our operating cash flow increased to RMB8.5 billion (US\$1.3 billion) in 2020 from RMB5.6 billion in 2019. We had cash and cash equivalents of RMB17.1 billion (US\$2.6 billion) and short-term treasury investments of RMB44.0 billion (US\$6.7 billion) as of December 31, 2020, compared to the balances of RMB13.4 billion and RMB49.4 billion, respectively, as of December 31, 2019.

## **COMPANY BUSINESS HIGHLIGHTS FOR THE YEAR ENDED DECEMBER 31, 2020**

### **Food delivery**

Food delivery became an increasingly essential service throughout the COVID-19 pandemic in 2020. Meanwhile, our strength in consumer base, merchant base and delivery network remained strong and continued to generate powerful network effects during 2020, enabling us to achieve solid growth. In 2020, GTV of our food delivery business increased by 24.5% year over year to RMB488.9 billion (US\$74.9 billion). Our growth rate for the number of food delivery transactions continued to surge year over year, with the daily average number of food delivery transactions increasing by 16.0% year over year to 27.7 million. The average value per order of our food delivery business increased by 7.0% year over year to RMB48.2 (US\$7.4). Monetization Rate of our food delivery business decreased to 13.6% from 14.0% in 2019. As a result, revenue increased by 20.8% year over year to RMB66.3 billion (US\$10.2 billion). Operating profit from food delivery business increased to RMB2.8 billion (US\$434.2 million) in 2020 from RMB1.4 billion in 2019, while operating margin increased to 4.3% from 2.6%. Our solid business performance in 2020 was a testament to our resilient business model and strong execution capabilities.

For the fourth quarter of 2020, GTV of our food delivery business increased by 39.4% year over year to RMB156.3 billion (US\$24.0 billion). The daily average number of food delivery transactions increased by 33.0% year over year to 36.2 million. The average value per order of our food delivery business increased by 4.8% year over year to RMB46.9 (US\$7.2). Monetization Rate of our food delivery business decreased to 13.8% from 14.0% in the same period of 2019. As a result, revenue increased by 37.0% year over year to RMB21.5 billion (US\$3.3 billion). Operating profit from our food delivery business increased to RMB882.4 million (US\$135.2 million) for the fourth quarter of 2020 from RMB482.8 million for the fourth quarter of 2019, while operating margin increased to 4.1% from 3.1%.

Thanks to our continuous effort to implement our effective food delivery membership program, refine the efficiency of our consumer marketing and operations, and augment the variety and quality of food delivery supplies on our platform, both the demand and supply sides continued to evolve into their next phases of growth during 2020. Lower-tier cities continued to be the main driver of our user growth in 2020, with a majority of new users still from third-tier cities and below. In the fourth quarter, quarterly transacting users and their purchase frequency both achieved healthy growth year over year. Meanwhile, monthly transacting users and their average transaction frequency also reached new highs during the quarter. Our food delivery membership program continued to ramp up the transaction frequency of high-potential consumers, while our monthly average membership subscribers more than doubled year over year. Certain consumption scenarios, such as breakfast, afternoon tea, and night-time snacks, continued to grow at a faster pace than other consumption scenarios such as lunch and dinner in the fourth quarter. Long-distance orders from more than 3 kilometers away also accounted for an ever larger share of our total delivery orders. Our consumer base and transaction frequency growth not only reflects consumers' increasing preferences for food delivery and more consumption scenarios, but also demonstrates consumers' ongoing trust in and recognition of our food delivery services.

On the merchant side, the COVID-19 pandemic accelerated business digitization for more restaurants and made online operation improvement more important to them. Consequently, in 2020, the overall quality of restaurants on our platform improved, while the number of high-quality restaurants on our platform also grew meaningfully. Driven by the upgraded supply, the average value per order of our food delivery business increased by 7% year over year in 2020. Helping merchants accelerate digitization and improve operations are critically important to us as we strive to better cater to consumers' ever increasing demands and diversified consumption needs. In the fourth quarter, we launched the "New Restaurant Manager" program. Through this program, over the next three years, we plan to discover and train over one million restaurant owners or managers and to help them embrace the trend of digitization while increasing their profitability. By recognizing and solving merchant pain points, we have launched systems for merchant services, merchant growth, and talent training, respectively.

In terms of our delivery network, we faced an unexpected and challenging situation from the outset of the COVID-19 pandemic. Nevertheless, we remained committed to providing delivery riders, consumers, and merchants with the appropriate solutions. During the COVID-19 pandemic, for example, we quickly organized various teams to ensure that our delivery network maintained sufficient capacity. Meanwhile, we rolled out our pioneering "contactless delivery" method and organized nucleic testing for our delivery riders to provide our delivery riders and consumers with better protection. These measures reflected our quick emergency response capabilities as well as the ability of our delivery network to handle unexpected situations. By the end of 2020, a total of 9.5 million delivery riders had earned income on the Meituan platform. Among them, around 2.3 million delivery riders come from impoverished counties and have therefore been effectively lifted out of poverty through their work with Meituan. Moreover, we launched "Tongzhou Project" in the fourth quarter, which is a project focusing on delivery riders that aims to improve their job security, work experiences, career paths, and social well-being. We also organized numerous discussion panels with our delivery riders to listen to their feedback and better understand their needs and challenges. As we advance into 2021, we will continue to develop this project as our delivery riders' work and personal well-being remains a top priority.

## **In-store, hotel & travel**

Benefitting from the effective containment of the COVID-19 pandemic, local consumption in China experienced a steady recovery, and our in-store, hotel & travel businesses, which were the most impacted businesses in 2020, have been gradually ramping back up, but have yet to fully recover to normal levels. Revenues from our in-store, hotel & travel businesses decreased by 4.6% year over year to RMB21.3 billion (US\$3.3 billion) in 2020. Operating profit from our in-store, hotel & travel businesses decreased to RMB8.2 billion (US\$1.3 billion) in 2020 from RMB8.4 billion in 2019, while operating margin increased to 38.5% from 37.7%.

For the fourth quarter of 2020, revenues from our in-store, hotel & travel businesses increased by 12.2% year over year to RMB7.1 billion (US\$1.1 billion), despite the reoccurrence of the COVID-19 pandemic in several cities. Operating profit from our in-store, hotel & travel businesses increased to RMB2.8 billion (US\$432.5 million) from RMB2.3 billion for the fourth quarter of 2019, while operating margin increased to 39.5% from 36.7%.

For our in-store dining business, we introduced more options for quality light meal restaurants to our platform during 2020, which helped to further expand our merchant base and increase both orders and revenues. For top national and local chain restaurants, we have designed innovative transaction-based products and supported their unique advertising needs. The number of these types of restaurants significantly increased throughout our ecosystem, with their sales also growing considerably as a result of our tailored services. By optimizing the operation system, we further leverage the merchant base of our food delivery business to expand our in-store dining merchant base. As a result, more high potential restaurants have adopted our in-store marketing products and our platform captured more cross-selling opportunities.

For other in-store services, we effectively managed multiple service categories and improved our multi-dimensional operational capabilities in 2020 by correctly identifying the changes in consumer habits and future consumption trends. After the most severe periods of the COVID-19 pandemic, some new categories have proven to be quite popular, such as auto-related services and escape rooms, with both of these categories achieving relatively high year-over-year growth rates in GTV in the period to outpace their pre-pandemic growth. Other critical categories also maintained their high-growth trajectories, including medical aesthetics, healthcare, petcare, and more. For example, our medical aesthetics sales grew by more than 70% year over year in the fourth quarter. Meanwhile, we advanced our operational capabilities and better organized theme-based consumption festivals around holiday seasons, helping to better satisfy consumer demands and encourage local spending during 2020. For example, during the fourth quarter of 2020, we launched a series of promotional campaigns during Mid-Autumn Festival, National Day, Christmas and other festivals, such as “Double 11 Carnival,” “Double 12 Carnival,” “Wedding Festival,” “Mid-Autumn and National Day Food Festival” and more, all of these theme-based promotional campaigns were exceptionally well received by the market.

With respect to our hotel booking business, domestic room nights consumed on our platform declined by 9.7% year over year in 2020 due to the impact from the COVID-19 pandemic. Nonetheless, we took this opportunity to further solidify our advantages in consumer base, domestic supply and execution capabilities. During the year, the pent-up demand for overseas and long-distance domestic travel continued to spill over into domestic travel and weekend trip activity. In the fourth quarter, despite the reoccurrence of the COVID-19 pandemic in several cities which hampered the recovery of consumption in these regions, consumer demand for hotel booking services in other cities continued to unleash, with domestic room nights consumed on our platform increasing by 8.8% year over year. We also effectively brought more offline users onto our platform and channeled them into online hotel booking during the quarter.

Meanwhile, our platform's high-star hotel supply and bookings both expanded, with high-star hotels accounting for an increasing share of our total hotel supply and our number of high-star hotel room nights accounting for more than 15% of our total room nights in the fourth quarter. Our expansion of five-star hotels was particularly successful as we became an increasingly attractive channel for these hotels to grow their customer bases and sales. Notably, among total domestic room nights consumed on our platform, the number of room nights from five-star hotels increased by more than 110% year over year in the fourth quarter.

### **New initiatives and others**

During 2020, we continued to ramp up our investments in new initiatives, especially in areas that we believed to have promising long-term growth potential and fit well into our "Food + Platform" strategy. Revenues from the new initiatives and others segment increased by 33.6% year over year to RMB27.3 billion (US\$4.2 billion) in 2020. Operating loss from new initiatives and others segment expanded to RMB10.9 billion (US\$1.7 billion) in 2020 from RMB6.7 billion in 2019, while operating margin decreased 6.7 percentage points year over year to negative 39.8%. For the fourth quarter of 2020, revenues from the new initiatives and others segment increased by 51.9% year over year to RMB9.2 billion (US\$1.4 billion). Operating loss for the segment increased both year over year and quarter over quarter to negative RMB6.0 billion (US\$920.0 million) in the fourth quarter of 2020, while the operating margin decreased to negative 64.9%.

The digitization of the broader local retail industry accelerated during 2020. Retail business has important strategic value to us and was the key investment area. During the fourth quarter, we quickly expanded our community e-commerce business "Meituan Select" in over 2,000 cities and counties. As a result, Meituan Select now covers more than 90% of the cities and counties in China. While this business is still at an early stage, we believe that it can create tremendous value for consumers and up-stream suppliers, including farmers. Through our efforts to build out our supply chain and "next-day" delivery capabilities, this business model provides users with broader SKU selections, much more convenient shopping experience and lower prices, and in turn allows us to acquire vast new user base in less accessible and rural areas. During the fourth quarter, through cooperation with many local governments across the country, we launched the "Agricultural Produce Direct Sourcing" program in some pilot areas such as Yunnan, Jilin, and Guangxi, to source produce directly from farmers to reduce intermediary costs, improve our supply chain efficiency, help farmers generate additional revenues, and lower product prices for consumers. Meanwhile, we also made upfront planning and investment in our logistics network including warehousing and fulfillment during the quarter, to ensure that we can handle large volumes of agricultural products smoothly and deliver them in optimal condition in a timely manner even to lower-tier markets. Our marketplace business "Meituan Instashopping" achieved stellar growth as we continued to broaden and diversify merchant base, build out our marketplace capabilities, and convert more food delivery consumers into non-food categories consumers. High-potential verticals, such as flowers, medicine and more, continued to achieve rapid growth as we continued to bring more quality suppliers and merchants online and encourage user consumption through effective marketing. As a result, Meituan Instashopping's daily peak orders reached around 4.5 million in the fourth quarter. For our self-operated "Meituan Grocery," as we continued to increase coverage density across Beijing, Shanghai, Guangzhou and Shenzhen, both the quarterly transacting users and transaction volume grew rapidly during the fourth quarter.



## OUR STRENGTHS

### **Pioneer in one-stop e-commerce platform for local services and retail with tremendous scale and network effects**

We are China's leading e-commerce platform for services. Operating in over 2,800 cities and counties in China, we have transformed the ways consumers enjoy their daily lives and merchants conduct their businesses. In 2020, we expanded our platform's retail business by offering goods, which further accelerated the digitization of the broader local retail industry.

For the twelve months ended December 31, 2020, we served 510.6 million Transacting Users and 6.8 million Active Merchants. We have established market leadership for our on-demand food delivery service, with RMB488.9 billion (US\$74.9 billion) of food delivery GTV for the twelve months ended December 31, 2020. We have also built an industry-leading on-demand delivery network, consisting of an average of around 1 million daily active delivery riders in 2020. Our in-store, hotel & travel businesses also established market leadership. For in-store services, our platform has a broad coverage of more than 180 service categories. For the hotel business, domestic hotel room nights booked on our platform reached 354.5 million in 2020. In the fourth quarter of 2020, we strategically allocated resources to roll out our community e-commerce business "Meituan Select," which has rapidly penetrated over 2,000 cities and counties in China. With our massive scale and online plus offline operational capability, we are well positioned to further penetrate these market opportunities.

Our platform, with a massive consumer and merchant base as well as the leading on-demand delivery network, enjoys significant network effects that increase the value of our services to consumers, merchants, and other participants and thus increase their stickiness and loyalty through a virtuous cycle.

Leveraging our first mover advantage in providing direct on-demand delivery service to enhance user experience, our delivery network also has large and sufficient capacity in serving merchants on our platform. Merchants are attracted to our platform for our high-quality delivery services and the large consumer base on our platform, and we provide them with opportunities for more revenues as well as additional services, such as marketing tools, restaurant management systems, and business-to-business food distribution service, to help merchants improve both their online and offline operations. Reciprocally, our merchants contribute to our nationwide service coverage, develop long-standing relationship with us, and bring industry know-how into our network. As our platform grows, our consumers enjoy the broader selection of merchants on our platform, enhanced and more consistent delivery experience, optimized user experience, more intelligent recommendation, and attractive membership program.

The beneficial interactions among our delivery network, merchants, and consumers form a virtuous cycle: our on-demand delivery network attracts an increasing number of merchants; more merchants on our platform increase the choices available to consumers; more consumers will attract more merchants to our platform. In addition, our large and engaged consumer and merchant bases generate a massive amount of authentic comments and data, which in turn enable consumers to make better decisions, merchants to provide better services, and riders to serve consumers and merchants more efficiently guided by our AI-empowered intelligent dispatch system. Our massive scale, coupled with these network effects, enable us to further solidify our competitive advantages.

## **The “super app” with strong brand awareness**

We operate our flagship Meituan app and an array of other specialized apps. With a focus on “Food + Platform,” we believe Meituan has become a household name and a “super app” covering a full spectrum of local services and local retail.

We focus on mass-market, essential, and high-frequency service categories, particularly food delivery and in-store dining services. These primary categories present enormous market opportunities. Our market position in food delivery and in-store dining is well established. With our strong presence in these primary categories, we are able to increase consumer stickiness as evidenced by the growth in transactions per Transacting User. On average, the annual number of transactions each Transacting User made on our platform increased from 23.8 transactions in 2018, to 27.4 transactions in 2019, and further to 28.1 transactions in 2020.

Our one-stop platform offers diversified goods and services covering many aspects of consumers’ daily lives. Leveraging our strength in high-frequency categories, we have been able to quickly and efficiently increase our consumer touchpoints through cross-selling to a broad range of new service categories, such as hotel, travel, beauty, medical aesthetics, parent and child services, and many other local services, and through expanding to the retail business. For example, in 2020, over 75% of our new hotel-booking Transacting Users and about 85% of our new Transacting Users of other in-store local services were converted from Transacting Users of our food delivery and in-store dining services. In addition, Meituan Select enables us to attract a vast amount of new users, especially in lower-tier cities and less accessible and rural areas across China. The breadth of our platform offerings allows us to enjoy low user acquisition cost, enhance user stickiness, and grow user lifetime value.

## **Leading intra-city on-demand delivery network**

We have built and currently operate the world’s leading intra-city on-demand delivery network in terms of number of deliveries completed in 2020. In 2020, this network consisted of an average of around 1 million daily active delivery riders and fulfilled more than 90% of the total on-demand delivery transactions generated on our platform.

We have entered into multiple types of arrangements with our delivery partners, which give us the flexibility to scale up the delivery network quickly and enable us to complete additional deliveries at low incremental costs. We believe that our on-demand delivery network fosters strong economies of scale and network effect, constitutes a significant entry barrier, and lays the foundation for a comprehensive intra-city on-demand delivery network spanning all types of consumer goods. The larger scale of food delivery orders leads to higher order density in a given commercial zone, so that we can batch more orders in a given delivery route and lower delivery cost per order. In addition, more orders lead to more location-based data to be analyzed by our intelligent dispatch system, which in turn can help optimize route planning and improve the efficiency of our delivery network.

We faced an unexpected and challenging situation from the outset of the COVID-19 pandemic. Nevertheless, we remained committed to providing delivery riders, consumers, and merchants with the appropriate solutions. During the COVID-19 pandemic, for example, we quickly organized various teams to ensure that our delivery network maintained sufficient capacity. Meanwhile, we rolled out our pioneering “contactless delivery” method and organized nucleic testing for our delivery riders to provide our delivery riders and consumers with better protection. These measures reflected our quick emergency response capabilities as well as the ability of our delivery network to handle unexpected situations.

In addition, our delivery riders' work and personal well-being remains a top priority to us. By the end of 2020, a total of 9.5 million delivery riders had earned income on the Meituan platform. Among them, around 2.3 million delivery riders come from impoverished counties and have therefore been effectively lifted out of poverty through their work with Meituan. Moreover, we launched "Tongzhou Project" in the fourth quarter, which is a project focusing on delivery riders that aims to improve their job security, work experiences, career paths, and social well-being. We also organized numerous discussion panels with our delivery riders to listen to their feedback and better understand their needs and challenges.

### **Comprehensive online solutions for merchants' daily operations**

We provide merchants with a variety of solutions, with the goal of digitizing China's service industry. We help merchants establish online presence and engage with consumers in real time. We provide merchants with on-demand delivery services, marketplace tools, targeted online marketing solutions, production and operation digitization solutions, restaurant management systems, business-to-business food distribution solutions, financing solutions, and more. Our broad selection of merchant enabling services helps them attract and serve more consumers more efficiently, increase sales and enhance profitability.

As a result, we have sustainably expanded our merchant base over time and fostered long-term merchant loyalty. Our Active Merchants increased from 5.8 million in 2018 to 6.2 million in 2019, and further to 6.8 million in 2020.

### **Proprietary and innovative technologies**

We use technology to fulfill our mission. We enhance traditional service industries with cutting-edge big data and AI technologies.

We utilize our extensive data and proprietary algorithms across all of our service categories. Our data-driven personalized recommendations help consumers quickly discover desired services, holistically evaluate choices, and make informed decisions. Our targeted marketing solutions help merchants acquire consumers more effectively. Our data analytics capabilities also help merchants better understand consumer behavior and enable them to operate more intelligently and efficiently. Additionally, the data insights from consumers' full consumption patterns and UGC also allow us to successfully expand into new service categories. The massive amount of data also creates a multitude of use cases, enabling us to continuously upgrade our application of AI technology and enhance our data analytics capabilities.

Powered by AI technology, our intelligent dispatch system optimizes order-rider matching based on the real time locations of delivery riders, and runs our route planning algorithms 2.9 billion times per hour during the daily peak time and calculates as many as 97% of the optimized delivery routes in an average of 0.552 milliseconds. We are also exploring the application of a series of other cutting-edge technologies, such as intelligent hardware, internet of things, robotics, image and voice recognition, and autonomous delivery system.

### **Management with long-term vision and proven execution capabilities**

Our management team pioneered the service e-commerce model globally. Led by their vision, we have evolved from a single-category service provider into a multi-category service e-commerce platform. We have expanded our footprint from large cities to small cities and counties across China, creating a truly "online + offline" integrated operating model with nationwide coverage. We have established our leadership position in multiple businesses, such as food delivery, in-store dining, in-store services, hotel booking, attraction ticketing, and movie ticketing etc. We have extended our platform from serving only

consumers to serving merchants and the supply side as well, driving digital transformation across the entire service industry value chain. We are continuously expanding our nationwide on-demand delivery network as the next-generation service network for society. We are now further expanding from providing consumers services to providing goods through retail businesses such as community e-commerce. We have demonstrated strong execution capabilities to capture emerging business opportunities.

Our management believes that our success is measured by the value that we create for consumers, merchants and the society, which requires patience and persistence over the long term. We will continue to improve ourselves and are committed to pursuing long-term success over short-term interests.

## **OUR STRATEGIES**

The key elements of our strategy to further grow our business are:

### **Serve more consumers more frequently**

Growth in our consumer base and their consumption frequency is a fundamental driver for our business. We intend to attract new consumers and increase their consumption frequency by providing better and more goods and services. In terms of consumer acquisition, we plan to further penetrate lower-tier cities across all age groups with offline resources and incentivize online referrals. In terms of frequency enhancement, we plan to further increase the transaction frequency of our food delivery services through more diversified consumption scenarios, further enhanced membership program, more intelligent recommendations based on big data analysis, and continuous expansion of the selections, available delivery hour and delivery distance of the supply on our platform. We will continue to offer more local service categories on our platform and enhance our service cross-selling capabilities to further increase the transaction frequency of in-store, hotel, and travel services, leveraging the high-quality traffic from our food delivery services. Meanwhile, the various new initiatives that we are developing also serve as new touch points with consumers and can help us reach more consumers and to increase the overall consumption frequency of our overall consumer base. In 2020, we expanded our platform to cover local retail with our community e-commerce business “Meituan Select,” as a key strategic initiative. We believe Meituan Select will enlarge our user base in lower-tier cities, especially in less accessible and rural areas across China, improve transaction frequency as well as user retention on our platform. Additionally, we will further invest in our high-frequency bike-sharing services, Meituan bike and Meituan electric mopeds, to satisfy the short-distance travel needs of Chinese consumers.

### **Enable more merchants and suppliers with more solutions**

Merchants and suppliers are critical to the success of our business. We intend to expand our merchant and suppliers base and strengthen our relationships with them through expanding and improving our service offerings to them.

We had approximately 6.8 million Active Merchants in the twelve months ended December 31, 2020. We seek to further increase the merchant and suppliers base of our platform through expansion of supply side service categories and deepened penetration within each service category. To achieve this goal, we will continue to offer merchants and suppliers access to our massive consumer base and targeted, quality user traffic. Meanwhile, we will help merchants enhance their operating efficiency through expansion of our product and service offerings, including on-demand food delivery services for restaurants, diverse advertising products to improve merchants’ marketing efficiency and online operations, and additional online marketing tools to customize merchant offerings to better meet online users’ needs. We will continue to invest and develop more solutions for suppliers of our local retail, such as community e-commerce business.

**Leverage our unparalleled on-demand delivery network and next-day fulfillment network to provide easy and timely access to all goods and services**

We have built and currently operate the world's leading on-demand delivery network. We intend to increase consumer wallet share and competitive strength through leveraging our on-demand delivery network, which we believe presents significant growth potential. Meituan Instashopping is such an initiative in the retail sector leveraging our established on-demand delivery network. We intend to cover more product categories as well as improve our on-demand delivery efficiency to provide more convenience for our consumers and to increase quality sales volume for merchants.

Since 2020, we started to establish a nationwide, multi-tiered warehousing and logistics network that enables next-day delivery for our community e-commerce business. We will continue our investments in establishing a next-generation service network in order to smoothly handle large volumes of goods, especially for fresh produce and perishable products, and fulfill orders timely, in order to provide consumers with a consistent and high-quality user experience.

**Strengthen our Meituan ecosystem and enlarge our TAM through new initiatives**

Aligning with our “Food + Platform” strategy, we continue to explore new initiatives in order to capture a larger total addressable market, enhance consumer and merchant stickiness, build next-generation service network, and foster a stronger ecosystem. In addition to our primary business categories, we have started to provide retail services, additional merchant services including restaurant management systems, and business-to-business food distribution service, mobility services through bike-sharing and car-hailing, and financial services. In particular, we launched “Meituan Select” in 2020 for our community e-commerce business, which we believe allows us to expand our TAM from a food consumption business to a broader consumer retail business.

We believe that retail is a massive market opportunity and our community e-commerce business is the best way to tap into the local retail market and further expand into the entire retail market. We remain committed to making investments in opportunities that are capable of delivering long-term growth and providing consumers and all participants with more value. We will allocate sufficient resources to accelerate the development of Meituan Select while continuously improving its operating efficiency. We have always focused on long-term growth rather than short-term profits, adhering to a long-term oriented investment philosophy.

**Continue to invest in technology innovations to improve operational efficiency and user experience**

We aim to further strengthen our platform through technology innovations. We will continue to invest in technology, including AI, and further develop our data analytics capabilities to effectively utilize the massive amount of user and transaction data generated on our platform. We plan to recruit top-notch industry talent, including industry-leading researchers, experienced engineers, and top graduates from world-renowned institutions.

We plan to continue to invest in technology innovations to enhance user experience and improve operational efficiency. We intend to leverage our massive datasets and big data analytics capabilities to enhance personalized recommendations, increase user conversion from visits to transactions, and improve consumer loyalty. In addition, we intend to further improve our intelligent dispatch system, Meituan map technology, autonomous vehicle and drone delivery technology, and logistics technology to increase on-demand delivery efficiency and e-commerce order fulfillment capability.

## **OUR SERVICE OFFERINGS**

We are China's leading e-commerce platform for services. Our platform uses technology to connect consumers and merchants and accelerate digitization on both consumer purchases and merchant operations.

Our mission is: “We help people eat better, live better.” We have established and continue to expand our one-stop e-commerce platform of multi-category goods and services to address people's daily needs for food, grocery and broader local services. We have tapped into the retail market and further extended our offerings to grocery, FMCG and general merchandise. For example, we launched our community e-commerce business “Meituan Select” in July 2020, which allows us to cross-sell a much broader range of non-food and non-grocery products to our consumers nationwide.

We are dedicated to creating values to both consumers and merchants on our platform. Our platform offers a wide selection of local services to consumers, such as food delivery, in-store dining, hotel and travel, retail and other new initiatives and services. We enable merchants with a wide range of solutions, such as on-demand delivery services, marketplace tools, targeted online marketing solutions, production and operation digitization solutions, restaurant management systems, business-to-business food distribution solutions, and financing solutions.

We maintain an array of apps for consumer and merchant services. Consumers may access all of our service offerings through our Meituan app. We also offer various apps dedicated to certain specific categories of our service offerings, such as Meituan Waimai (on-demand delivery services), Meituan Select (pre-sale and next-day delivery services) and Meituan Grocery (self-operated on-demand grocery delivery services) for consumer services, and various management tools for merchant services. Consumers can also access our service offerings through apps operated by third parties. Through our strategic alliance with Tencent, access to our services is embedded into Tencent's Weixin Wallet and/or QQ apps. The strategic alliance enables us to broaden our user reach by leveraging the vast, high-frequency user base of both Weixin and QQ.

## **SERVICE OFFERINGS TO CONSUMERS**

We develop our service offerings based on our “Food + Platform” strategy, with the purpose of deepening penetration into food-related services to better satisfy consumer demands in all food-related scenarios, expanding our service offerings to other local services by utilizing our one-stop platform and exploring the retail business to provide much broader goods and services to our consumers. We have also built a powerful location-based search engine for local services by leveraging our rich content database, which provides consumers with a vast amount of detailed, authentic, and transparent information on Listed POIs.

We operate in over 2,800 cities and counties in China, creating a truly “online + offline” operating model with nationwide coverage. Our business is widely dispersed across the cities and counties where we operate.

### **Food Delivery**

Our food delivery mainly includes delivery of ready-to-eat meals prepared by restaurants, with an average of 27.7 million daily transactions completed across over 2,800 cities and counties in China during the twelve months ended December 31, 2020. The GTV of our food delivery service for the twelve months ended December 31, 2020 was RMB488.9 billion (US\$74.9 billion).



Our food delivery transactions were primarily generated on our Meituan, Meituan Waimai, and Dianping apps. Consumers enter or confirm the GPS-positioned delivery address and are presented with nearby restaurants that provide delivery services. Utilizing our data and analytics capabilities, we provide consumers with personalized content and interface that match their consumption habits, taste preferences, and time sensitivity. Consumers can further filter the results based on cuisine types, popularity, proximity, and certain other features such as delivery speed, ratings, and average spending per person. They can also search merchant names or menu items directly. Available discounts and e-vouchers are displayed on merchants' storefront page or on the menu directly and can be applied or redeemed immediately at check-out. Once consumers have found what they are looking for, they can provide specific instructions and make payments through various payment channels. Once we receive an order, we transmit it to the restaurant, save the consumer preference for future orders, and automatically dispatch the order to appropriate riders leveraging our intelligent dispatch system. We also design and offer our membership program to incentivize transaction frequency of food-related consumers with high potential.

Highly efficient on-demand delivery network is essential to our businesses. Our delivery capabilities and efficiency continue to improve, and the importance of an on-demand delivery network as a critical component of our society's broader logistical network has substantially elevated. Our delivery network helps ensure continuity in people's daily lives during the COVID- 19 pandemic and serves as a stabilizing force for the society by creating abundant employment opportunities. By maintaining our commitment and continuing to invest over the years, we have built up a top-notch delivery network that covers over 2,800 cities and manage an average of around 1 million daily active delivery riders in 2020. Our delivery riders are an excellent illustration of our fast evolving society, which continues to be advanced by the integration of internet and services. We are confident that our delivery network will become the bedrock of our society and help facilitate the change in people's lifestyle in the new era.

### **In-Store, Hotel, and Travel**

Our platform also offers digitized daily consumer services outside consumers' home and office settings, including in-store dining, hotel reservation, travel services, and a variety of other in-store local services. Our in-store, hotel, and travel services bring online consumers to offline merchants. "In-store" refers to the specific use case from a consumer perspective to consume the services offline in a physical location where the merchants conduct their businesses. On our platform, consumers can search and discover merchants, check reviews, make reservations, purchase e-vouchers, order food, make online payments, and write reviews. Our full-spectrum content offerings help consumers discover local services that fit their demands, and cultivate a highly-engaged local community. Our unique interest-based feeds further fuel user engagement and drive merchant exposure through location-based features, our rich and interactive content, and customized recommendations powered by complex algorithms and data analysis capabilities.

#### ***In-Store Dining***

We operate a powerful online platform for in-store dining services in China. The rich user content and other information available on our platform enable consumers to make informed decisions in selecting desirable restaurants. With inputs from our review contributors, consumers are able to quickly identify attractive features and potential issues of restaurants, and most of the restaurants are tagged with relevant features such as free parking, free Wi-Fi, baby chairs, smoke-free, or late evening dining. Consumers can also take advantage of the various themed posts where local foodies in our communities share their dining experiences. Consumers can browse restaurants as well as filter results by a number of criteria, such as Black Pearl Restaurants, Must-Eat List, types of cuisine, package deals or promotions, available-for-reservations, new restaurants only, and good for groups. Consumers can also sort the listed restaurants by price, proximity, popularity, and rating.

We provide attractive restaurant deals to consumers. Consumers can purchase package deals and e-vouchers that can be redeemed in the restaurants directly through our apps, typically at discounted prices compared with making in-store payments to the restaurants directly. We work with selected restaurants and offer special deals on popular cuisines to effectively bridge such featured restaurants with consumers. Our versatile packaged deals are able to facilitate a variety of consumption scenarios, such as eating alone, dating, family eating-out, business meals, and other gatherings, so that everyone is able to benefit from our restaurant deals. In addition, consumers can quickly and conveniently book tables at restaurants using our mobile apps for free or make reservations at certain high-end restaurants for a fee, without having to call restaurants. Using our apps, consumers can also put their names on a restaurant's waiting list and monitor the lineup remotely, and even browse menus and order food online, without having to visit and queue at the restaurant.

Launched in January 2018, our Black Pearl Restaurant Guide currently highlights about 300 restaurants in 22 cities in China and 3 cities abroad. Restaurants are selected through a vigorous critiquing process by anonymous master chefs, culinary experts, and special advisors. We do not pay the judges for their reviews. The Black Pearl Restaurant Guide reflects the highest culinary standards from a Chinese perspective. The launch of the Black Pearl Restaurant Guide has further solidified our authority and influence in China's dining sector, enabled us to better serve the high-end consumers in China, and strengthened our brand image of the go-to platform for dining recommendations among our consumers. Furthermore, we have regularly published Must Eat List since 2017, which is the first gourmet list in China based on massive, real user testimonials and verification, covering special cuisines, food courts, and value-for-money restaurants popular among local residents and tourists. Compared with the Black Pearl Restaurant Guide, the Must Eat List provides a more comprehensive coverage of popular restaurants of a broad price range. The Must Eat List covers 44 domestic cities, explores and discovers special urban cuisines, and provides users with handy, efficient, and authoritative references. It continues to encourage the food and restaurant industry to improve quality and strengthens the brand image of our platform.

#### ***Other In-Store Local Services***

Leveraging the large number of consumers in the high-frequency service categories, we cross-sell lower-frequency and high-value services covering a wide range of service categories. Consumers make purchases principally in forms of package deals and e-vouchers.

- **Leisure and Entertainment.** We connect consumers with merchants that meet a variety of consumers' leisure and entertainment needs, ranging from karaoke clubs, pet services, sports and fitness, bars and teahouses to internet cafes and board game cafes.
- **Beauty, Medical Aesthetic, and Healthcare.** Consumers visit our beauty, medical aesthetic, and healthcare categories to discover and transact with businesses such as hairdressers, mani-pedis, skin care, medical beauty clinic, dental clinic and many more services.
- **Education, Parent, and Child.** We help meet parents' needs to explore diversified child-related services, including pregnancy care, child photography, child entertainment facilities, early education centers, and family-friendly shopping malls. Meanwhile, we connect users with after-school tutoring merchants, including sports training, overseas education application services, language services, professional training, and online education services.
- **Life Events.** Our local service offerings also cover the consumer needs for daily life events, such as wedding and related services, home decoration, car washing, and house cleaning and maid services.

Expanding from our Must Eat List, we also regularly publish our Must List Series, including Must-Stay List for hotels, Must-Visit List for tourist attractions, Must-Shop List for shopping malls, and Must-Go List for cities. The Must List Series have further strengthened our unrivaled brand awareness among consumers and helped to reinforce the positioning of our platform as both the most reliable online marketing channel for merchants as well as the go-to platform for consumers to discover and explore local services in a wide range of categories.

### ***Hotel***

We are world's leading online hotel booking platform in terms of domestic room nights booked in 2020. Our major type of cooperation arrangements with hotels is the pre-paid model, under which consumers book and pre-pay for hotel room nights. Payments to the hotels are collected by us first, which will be remitted to hotels deducting our commissions after the actual consumption of hotel room nights.

The quality and depth of our hotel network enable us to offer a wide selection of hotel accommodations, from four-and five-star upscale hotels to mass-market hotels to family-run and small boutique hotels. We have expanded our hotel network into more upscale hotels as a result of the increasing purchasing power of our Transacting Users on the demand side and our enhanced cooperation arrangements with leading international and domestic hotel chains on the supply side. We have introduced “Hotel + X” project to strengthen our cooperation with upscale hotels. Leveraging the massive Transacting Users on our platform and consumers' increasing interest in local services, we help upscale hotels enhance their sales of dining, entertainment, wedding catering, and other non-lodging hotel services, and expand our cooperation with upscale hotels and our penetration in higher-tier cities. During the COVID-19 pandemic, we have further strengthened our cooperation with upscale hotels that demand more high-quality marketing channels. Meanwhile, we increased our investments in customer service for consumers seeking low- to high-star hotels while also setting up a special, dedicated service team for consumers seeking high-star hotels, enabling us to better cater to each group's specific needs and improve our ability to serve a broader group of consumers.

### ***Travel***

Our platform also provides online domestic attraction and excursion packaged ticketing services. We provide a convenient, secure, and inexpensive means for consumers to purchase attraction and excursion packaged tickets nationwide. We offer leisure travelers group tours, semi-group tours, and packaged tours.

### **New Initiatives and Other Services to Consumers**

Our new initiatives and other services to consumers primarily include retail, mobility, and financial services.

### ***Retail***

Our retail services consist of Meituan Select, Meituan Instashopping, and Meituan Grocery, providing food and other merchandise retail services with varied geographical coverage.

- Meituan Select. We launched our community e-commerce business “Meituan Select” in July 2020 and quickly expanded to over 2,000 cities and counties during the fourth quarter of 2020, covering more than 90% of the cities and county districts in China. Meituan Select generally applies pre-sale and next-day delivery model. Through our Meituan app, Meituan Select app or Weixin mini program, our platform aggregates orders from consumers and then sources goods

from selected suppliers. We arrange for order fulfilment through our nationwide multi-tiered warehousing and logistics network so that goods are delivered from suppliers to designated self-pickup points on the next day after a consumer places an order. On the supply side, a majority of the goods on our platform are sourced from different local suppliers or distributors. In some pilot provinces, we started to source fresh produce directly from farmers to improve our supply chain efficiency, help farmers generate additional revenues, and lower prices for consumers. On the consumer side, we offer selected SKUs, at large quantities, which would enable us to negotiate attractive prices and ship directly to locations near consumers. Consumers, especially those in lower-tier cities, counties and rural areas, can access more selections with more reliable quality, lower prices and next-day delivery. We work with group leaders in each community to assist new consumers with the ordering process and help manage the self-pickup sites. We bring additional income as well as more offline foot traffic to those group leaders.

- **Meituan Instashopping.** Accelerated by the impact of the COVID-19 pandemic, consumers' needs for on-demand delivery have been largely expanded from food to broader categories. Our nationwide online marketplace "Meituan Instashopping" connects consumers with local merchants with respect to tens of thousands of SKUs ranging from high-frequency, essential groceries such as fresh produce to other daily necessities such as FMCG, flowers, medicine, and pet products. Consumers choose from a broad offering of merchandise for which we deliver timely leveraging our on-demand delivery network to fulfil their on-demand needs. Meituan Instashopping is highly scalable as it operates under a marketplace model and achieves stellar growth as we continue to broaden and diversify merchant base, build out our marketplace capabilities, and convert more food delivery consumers into non-food categories consumers. High-potential verticals, such as flowers, medicine and more, continue to achieve rapid growth as we continue to bring more quality suppliers and merchants online and encourage user consumption through effective marketing. As a result, Meituan Instashopping's daily peak orders reached around 4.5 million in the fourth quarter of 2020.
- **Meituan Grocery.** Meituan Grocery leverages our self-operated front distribution centers and on-demand delivery capabilities, targeting the daily grocery needs of consumers who focus more on high-quality and convenience in higher-tier cities in China. We take control of the supply chain, including inventory management, to ensure quality of carefully curated SKUs available to consumers. As of December 31, 2020, we had over 320 front distribution centers in Beijing, Shanghai, Guangzhou, and Shenzhen. These front distribution centers are located in high-density communities and aim to serve a consumer base within a short radius locally and deliver groceries in a timely manner or another specified time by means of high-efficiency delivery services.

### ***Mobility***

- **Bike-Sharing.** We currently offer Meituan bikes and Meituan electric mopeds to satisfy consumers' daily commuting needs. We rebranded Mobike to Meituan bike in 2019 and consumers can unlock the dockless bikes by scanning QR codes with Meituan app. The embedded GPS allows the bikes to be tracked and dispatched to locations of higher demand. We have optimized the design and interface of Meituan bike to enhance our overall offline image across China. In 2020, we introduced Meituan electric mopeds service, which has optimized the pricing matrix for our bike-sharing services. Meituan electric mopeds help supplement consumers' short-distance travel needs with better turnover rate and user experience compared to traditional bikes.

- **Car-Hailing.** By the end of 2020, we offer car-hailing services in over 100 cities in China to capture the high-frequency local mobility market. These services are self-operated in Nanjing and Shanghai, China, where we directly manage the supply of drivers, route planning, and transportation allocation. We carry out car-hailing services in other cities through aggregation of third-party operators. Since 2019, we introduced an aggregated model for our car-hailing business on our Meituan app, which serves as an end-to-end marketplace to connect third-party car-hailing service providers with Meituan app users.

### ***Financial Services***

We offer financial services to facilitate our main businesses and promote transactions, and support financing and payment needs of our consumers.

Our consumer financing services are a natural extension of our main businesses and target consumers with limited credit risk exposure. These services primarily include cash loans, joint credit cards, and credit payment. The vast majority of the cash loans outstanding on our platform are off-balance sheet loans through joint loan model or loan facilitation model. We prudently conduct our finance business and will carefully control the pace of growth and scale to ensure it to abide by the latest regulations.

Consumers have various payment options with us, both online and offline. Our online payment options include our proprietary payment method Meituan Payment and other third-party payment methods. Using the integrated payment systems that we developed for merchants which provide all-channel checkout services, consumers can make offline payments through our smart POS terminals, Xiaomei Box, and Meituan QR codes.

### **Content Offerings**

Capitalizing on our years of experience in building a rich content database, we provide consumers with a vast amount of detailed, authentic, and transparent information on Listed POIs. This includes in-depth reviews, recommendations, detailed ratings, photos, short-form videos, and live streaming. We have also built highly active and engaged local communities of content contributors. As of December 31, 2020, we have accumulated approximately 10 billion user-generated reviews on millions of merchants regarding about tens of millions Listed POIs in over 2,800 cities and counties in China and over 900 cities abroad. The level of details enhances consumers' search experience and enables them to rely on us for a variety of everyday purchasing decisions.

With our complex algorithms, powerful database, and the massive amount of accumulated data, we are able to provide multi-dimensional, diverse, and customized recommendations to our users. To ensure the credibility of our database, we use our massive database and proprietary algorithms to filter fraudulent reviews, and incentivize opinion leaders and other consumers to continuously contribute and maintain accurate information, and do not engage in sponsored arrangements that may distort ratings or reviews. The authority and diversity of our content offerings further enhance the overall value of our platform to consumers.

## **SERVICE OFFERINGS TO MERCHANTS**

Merchant enabling is an important component of our value propositions for merchants. We offer merchants a wide range of functionalities and services that increase their operational efficiencies.

The creation of listings on our platform is typically free of charge. We enter into legally binding, renewable onboarding agreements with Listed Merchants who elect to purchase our services, such as marketing, order taking, bill settlement, or reservation services.

### **Online Marketing Solutions**

Using our platform, merchants can establish their online presence, and promote and sell services and products directly to consumers online. Leveraging our large user base and user review and rating database, we provide merchants with a consumer acquisition channel through which they can gain user traffic by providing exceptional services. In addition, by selling value-for-money services and goods directly and increasing their exposure to consumers on our platform, merchants can also use our platform as a marketing and promotional channel in order to attract new consumers.

We offer merchants diversified online marketing products, including performance-based paid searches, brand displays, coupons and smart marketing tools, and other packaged marketing solutions, which help merchants improve marketing efficiency and reach more targeted consumers. In addition, we also help merchants increase traffic through a broad range of marketing tools, including transaction-based services such as deals and coupons, and advertising-based services such as cost-per-click and subscription-based advertising. We offer merchants multiple advertisement options in order to meet their various marketing needs. Utilizing our proprietary location-based search algorithm, unique data and big data analytics capacities, our system is also able to make personalized recommendations to consumers, which serves as an effective targeted marketing tool to attract and retain consumers. These diversified online marketing products enable us to optimize our robust profitability and capture opportunities matching budgets of local merchants.

### **On-Demand Delivery Network**

We help merchants fulfill the transactions placed on our platform. See “– Our On-demand Delivery Network and Other Logistics Network” for more details on our delivery network and delivery arrangements with merchants.

### **Restaurant Management Systems**

We have developed restaurant management systems enabling restaurants to accept payments, streamline operations, and analyze business information. The systems include hardware and software that integrate and digitize table booking, digital menu, online order placement, queue management, takeout delivery, kitchen management, multiple payment methods, pre-paid coupons, invoicing, inventory, payroll, and customer relationship management into one system with cloud connection, thus streamlining merchants’ offline and online operations, improving merchants’ efficiencies and lowering costs. Our restaurant management systems feature comprehensive ERP functionality. We also provide restaurants with a variety of hardware supplies such as touch-screen order panels, POS terminals, QR code scanners, kitchen displays, and printers. For restaurants that still use Windows-based software, we also provide open application programming interfaces, which make our system compatible and capable of directly connecting with these restaurants’ existing ERP systems, in order to help them perform certain cloud-based functions, such as online order placement. In addition, through the use of cloud-based analytics of inventory data, our restaurant management systems help restaurants make informed business decisions to stay competitive. Once a payment is completed, the restaurant is able to further utilize the established point of contact with the consumer by soliciting reviews or distributing e-vouchers, which helps the



restaurant convert offline transactions into online user traffic and expand sales channels. We expect to further drive the adoption and penetration of our restaurant management systems across high-quality restaurants on our platform to further help them digitize their businesses.

### **Business-to-Business Food Distribution Service**

We aim to help merchants establish and maintain a more efficient supply chain through our business-to-business food distribution service. Our services allow restaurants to order raw materials, food ingredients, and disposable restaurant supplies from a large variety of vendors, and also provide delivery services for these items. By bringing mobile commerce to restaurant procurement, we help merchants improve operating efficiency. Our business-to-business food distribution service enables merchants to see real-time prices and inventories. They can order whenever and wherever they want, and we provide next-day delivery services. By aggregating orders from a large merchant base, we could consolidate purchasing and fulfillment to lower the cost of distribution, and further pass the efficiency gains to the merchants.

We focus on the development and maintenance of targeted high-quality merchants as well as the growth of average revenue per restaurant through an increase in their wallet share, purchase frequency, and ticket size. In addition, we dynamically adjust our product structure to better satisfy the demands of our targeted merchants. During the COVID-19 pandemic, our business-to-business food distribution service also has opened green channels for medical institutions and helped many restaurants ensure adequate supply of raw materials for operations.

### **Merchant Financing**

We provide uncollateralized micro loans to merchants on our platform. Our merchant financing service helps merchants scale their businesses and improve their business operations, and thus increase merchant stickiness. Leveraging our risk management capabilities based on big data and our insight into the merchant owners' profile, we are well-positioned to evaluate borrowers' creditworthiness.

## **OUR ON-DEMAND DELIVERY NETWORK AND OTHER LOGISTICS NETWORK**

We have built and currently operate the world's leading on-demand delivery network in terms of the number of deliveries in 2020. Our on-demand delivery network had an average of around 1 million daily active delivery riders in 2020. This network also lays the foundation for an intra-city on-demand logistics network spanning all types of consumer goods, which we believe represents promising growth opportunities. For a discussion of our intelligent dispatch system, see "– Technology – AI and Deep Learning – Real-Time Intelligent Dispatch System."

Merchants on our platform have the option to either engage us to provide the delivery service or deliver by themselves. In 2020, more than 90% of the on-demand delivery transactions generated on our platform were fulfilled by our delivery network. The delivery arrangements with merchants are structured under two models: Premium Delivery and Speedy Delivery. We require our delivery partners to establish strict recruiting standards and regular training programs for the delivery riders. We do not enter into employment agreements with delivery riders under either the Premium Delivery model nor the Speedy Delivery model.

- **Premium Delivery.** The delivery riders are engaged by our delivery partners as full-time employees or contractors. We license our trade name to our delivery partners, who agree to abide by the operating standards specified by us. We also require our delivery partners to incentivize and supervise the delivery riders according to our standards. We provide our delivery partners with high-quality support and resources in order to ensure merchants who select Premium Delivery enjoy the highest level of delivery service.

- **Speedy Delivery.** In this model, orders are typically fulfilled by delivery riders through a crowdsourcing platform established by us. The crowdsourced delivery riders are typically not full-time delivery riders. The delivery riders are also required to abide by the delivery service standards set by our delivery partners.

To support our retail services, we have started to establish a nationwide, multi-tiered warehousing and logistics network to ensure that consumers can enjoy next-day delivery for the goods ordered through our platform since 2020. We will continue to invest in local warehouses and increase our fulfillment capabilities, and develop our logistics technology to smoothly handle large volume of goods and to ensure timely fulfilment across communities in China, even in lower-tier cities and less accessible and rural areas.

## **TECHNOLOGY**

Technology is the foundation of our Company and a key component of our strengths. We have used off-the-shelf technology as well as internally developed proprietary technology in building our technology architecture. Our research and development team comprises of over 10,000 engineers, product managers, user interface, and user experience designers. We incurred RMB7.1 billion, RMB8.4 billion, and RMB10.9 billion (US\$1.7 billion) in research and development expenses in 2018, 2019 and 2020, respectively.

### **Standardized Core-Architecture Environment**

Our standardized core-architecture includes service-oriented architecture, or SOA, governance, middleware services such as Key-Value storage service, various research and development tools such as deployment systems and data architecture such as Hadoop cluster. Our standardized core-architecture facilitates our research and development activities, service calls across business groups and data onboarding.

### **SOA**

Based on our standardized core-architecture, we have built an SOA that is highly scalable and capable of rapid iteration in order to meet our business development needs. The SOA also enables easier monitoring and maintenance.

### **AI and Deep Learning**

We leverage AI and deep learning to deliver an optimized user experience.

We use deep-learning-powered natural language processing to perform text analysis, semantic matching, search result recalling, and engine ranking to return the most relevant merchants and services when a user conducts a search. Given a search phrase may mean totally different things in different scenarios, we use the users' historical activities authorized by users on our platform in the past to guide our semantic match model optimization when training the deep learning models. We use computer vision technology to enhance text and object recognition, image classification and image quality ranking to present the most attractive pictures of a merchant or service to a consumer based on his or her sensitivity and preference with image properties, such as color, resolution, and composition.

Utilizing the aforementioned technologies, we have developed a series of innovative systems and products, such as our real-time intelligent dispatch system and autonomous delivery vehicles and drones.

### ***Real-Time Intelligent Dispatch System***

Leveraging big data, AI, cloud computing, and our innovative technologies such as accurate rider modeling and distributed interactive simulation, we have developed a proprietary real-time intelligent dispatch system. The system tracks the direction and location of each delivery rider on a real-time basis and calculates optimized delivery routes based on the locations of the delivery rider, the merchant and the consumer. Orders placed on our platform are generally dispatched automatically by our proprietary real-time intelligent dispatch system, and these orders are delivered to consumers in a timely manner after they are placed. The system also reduces delivery time fluctuations resulting from human factors and therefore delivers consistent user experience. Powered by AI technology, our real-time intelligent dispatch system optimizes order-rider matching based on the real time locations of delivery riders, and is able to perform 2.9 billion times of the route planning algorithms per hour during the daily peak time and calculate as many as 97% of the optimized delivery routes in an average of 0.552 milliseconds. The system is also self-learning and self-adaptive. Using big data and AI, we have built an industry-leading two dimensional space-time dispatching capacity. Our real-time intelligent dispatch system integrates order pool controlling, order dispatching, and order re-dispatching and is able to automatically detect delivery delay risks and re-dispatch accordingly.

### ***Autonomous Delivery Vehicles and Drones***

We are exploring the use of autonomous driving vehicles and drones for autonomous delivery. Autonomous delivery vehicles have to tackle automatic driving technology-related issues as well as challenges from complex actual application scenarios, and typically involve advanced technologies such as scenario-specific vehicle chassis, multi-sensor fusion, high-definition maps, and AI-based driving. During the COVID-19 pandemic, we pilot tested autonomous vehicle delivery in Shunyi district, Beijing and successfully completed more than 15,000 deliveries. In the meantime, we also pilot tested Meituan UAV and drone delivery in Shenzhen. We expect to further invest in autonomous delivery and start implementing autonomous delivery in particular scenarios, with the ultimate goal of large-scale adoption.

## **CUSTOMER SERVICE**

We continuously strive to improve consumer satisfaction by offering high-quality customer services. Our dedicated in-house team of customer service associates and contracted customer service staff serve consumers and merchants through telephone hotlines and online inquiry systems. We also offer self-service tools and AI-powered automated customer service to solve problems efficiently. Our management team evaluates consumers' feedback on a regular basis, identifies underlying reasons for consumer dissatisfaction, and solves these issues. We give our customer service staff the authority and flexibility needed to adapt instantly to situations, responding with better services and experiences for our consumers. We also allow merchants and delivery riders to contact consumers in real time to ensure consumers' issues are resolved expeditiously. We are promoting the use of virtual numbers to better protect the privacy of consumers.

## **MARKETING AND SALES**

We maintain a two-tiered marketing team. Our marketing department at the group level is responsible for marketing activities that promote our brands as a whole, aiming at attracting more users to our platform. Our marketing teams at each business segment level is responsible for the marketing activities specific to such segment's business, aiming at converting users on our platform to Transacting Users.

We believe that our one-stop platform, wide variety of services offered, and positive consumer experience are our best and most effective marketing tools, allowing us to benefit from strong word-of-mouth referrals. We employ a variety of marketing activities to promote our brands and services. Our online marketing activities consist of paid marketing through highly popular apps and other high-traffic online channels in China and display advertisements. See “– Strategic Alliance with Tencent.” Our offline marketing activities include promotions via traditional mainstream media, such as outdoor advertisements, public relations activities, and sponsored events to increase our visibility and promote our brands. We regularly monitor the effectiveness of our marketing activities to control the overall costs of our marketing programs. We utilize an automated tracking system to monitor the traffic directed through our advertisements and promptly adjust our spending in different marketing channels based on the results with strategic and pricing considerations.

We currently acquire users primarily through targeted subsidies to first-time food delivery users, and also through our marketing efforts, search engines, and through our pre-installed apps on mobile devices through our collaboration with all major mobile device brands in China.

We develop relationships with merchants through the following ways: (i) offline direct sales, such as the business development activities by our local on-the-ground sales force, telemarketing, and key account sales; (ii) online direct sales, such as sales of our integrated payment system hardware through online marketplaces; (iii) distribution agents in certain cities, who engage sales force to acquire merchants; and (iv) merchant self-service onboarding platform. We keep improving the efficiencies of our sales force, which is evidenced by the increasing number of merchants each sales person serves.

## **INTELLECTUAL PROPERTY**

Intellectual property rights are fundamental to our business, and we devote significant time and resources to their development and protection. We rely on a combination of patent, trademark, copyright, and domain name protection in China and other jurisdictions, as well as confidentiality procedures and contractual provisions to protect our intellectual property rights. In general, our employees must enter into a standard employment contract which includes a clause acknowledging that all inventions, trade secrets, developments and other processes generated by them on our behalf are our properties, and assigning to us any ownership rights that they may claim in those works. Despite our precautions, however, third parties may obtain and use intellectual property that we own or license without our consent. In 2018, 2019 and 2020, we did not find any material breaches of our intellectual property rights. However, unauthorized use of our intellectual property by third parties and the expenses incurred in protecting our intellectual property rights from such unauthorized use may adversely affect our business and results of operations. See “Risk Factors – Risks Relating to Our Business and Industry-We may not be able to prevent others from unauthorized use of our intellectual property, which could harm our business and competitive position.”

As of December 31, 2020, we had 1,871 patents registered with the State Intellectual Property Office of China and 1,957 pending patent applications in China. Globally, we had 75 patents registered and 183 pending patent applications in various overseas countries and jurisdictions.

As of December 31, 2020, we owned 4,035 trademarks in various categories and registered with the China Trademark Office. In addition, we had 813 trademark applications, each in various categories, pending with China Trademark Office. In addition, we had 546 registered trademarks in various overseas countries and jurisdictions.

As of December 31, 2020, we held 435 software copyrights and 115 other copyrights registered with the State Copyright Bureau of China.

As of December 31, 2020, we owned 306 registered domain names. We generally renew our domain name registrations once every year and applications for their renewal are usually made one to three months prior to their expiration. Under normal circumstances, the domain name registrations take effect immediately after the payment of renewal fees. As of the date of this Offering Circular, 306 of our registered domain names are in effect. If any of our domain name registrations cannot be renewed for any reason, the domain name registrar may deregister the relevant domain name.

## **COMPETITION**

Although there is no single competitor that can provide the broad range of services similar to us, we face competition in each of our business segments. The number of competitors in each business segment has decreased in the past few years as smaller market players dropped out or consolidated. However, there remain multiple existing market players, and there may be new entrants emerging, in each of our business segments, and these market players compete to attract, engage and retain consumers and merchants. Some of these competitors are backed by internet giants in China. Key competitive factors among e-commerce players for services are scale and breadth of services provided, technology and data, and execution capabilities.

## **STRATEGIC ALLIANCE WITH TENCENT**

We have formed a strategic alliance with Tencent, a leading provider of internet value added services in China. As of December 31, 2020, Tencent, through its wholly-owned or beneficially owned entities, indirectly controlled an aggregate of 17.7% of our issued and outstanding shares.

Through our strategic alliance with Tencent, access to our services is embedded into Tencent's Weixin Wallet and/or QQ mobile apps. Under such alliance, we benefit from Tencent's vast user base, while Tencent benefits from enhanced consumer experience. In addition, Tencent provides marketing services, promotion services, payment services, cloud services, mapping services, and other technical services to us. For example, the payment services allow our consumers to make online payment for our service offerings through Tencent's payment channels on both mobile devices and personal computers or directly on Tencent's payment interface embedded on our apps and websites. Our high-frequency consumer base also contributed to Tencent's revenue increase in payment business for commercial transactions.

## **EMPLOYEES**

As of December 31, 2020, we had a total of 69,205 full-time employees. Substantially all of our employees are based in China, primarily at our headquarters in Beijing and Shanghai, with the rest in Xiamen, Shijiazhuang, Yangzhou, Chengdu, and other cities in China.

Our success depends on our ability to attract, retain and motivate qualified personnel. As part of our recruiting and retention strategy, we offer employees competitive salaries, performance-based cash bonuses, and certain other incentives.

As required under the PRC regulations, we participate in housing fund and various employee social security plans that are organized by applicable local municipal and provincial governments, including housing, pension, medical, maternity, work-related injury, and unemployment benefit plans, under which we make contributions at specified percentages of the salaries of our employees. We also purchase commercial health and accidental insurance for our employees. Bonuses are generally discretionary and based in part on employee performance and in part on the overall performance of our business. We have granted and plan to continue to grant share-based incentive awards to our employees in the future to incentivize their contributions to our growth and development.

None of our employees are currently represented by labor unions. We believe that we maintain a good working relationship with our employees and we did not experience any significant labor disputes or any difficulty in recruiting staff for our operations.

## **PROPERTIES**

We operate our businesses through leased properties in Beijing, Shanghai, and various other cities in China. Our leased properties in China serve as our offices. Our servers and network facilities used for providing services to our users are not kept in any of our aforementioned leased properties. As of December 31, 2020, our leased properties had a total gross floor area of 613,476 square meters. Certain of our leasehold interests in leased properties have not been registered with the relevant PRC government authorities as required by PRC law, which may expose us to potential fines if we fail to remediate after receiving any notice from the relevant PRC government authorities. See “Risk Factors – Risks Relating to Our Business and Industry – Certain of our leasehold interests in leased properties have not been registered with the relevant PRC government authorities as required by PRC law, which may expose us to potential fines.”

## **INSURANCE**

We consider our insurance coverage to be adequate as we have in place all the mandatory insurance policies required by PRC laws and regulations and in accordance with the commercial practices in our industry. Our employee-related insurance consists of pension insurance, maternity insurance, unemployment insurance, work-related injury insurance, medical insurance, and housing funds, as required by PRC laws and regulations. We also purchase supplemental commercial medical insurance and accident insurance for our employees.

We maintain various insurance with respect to our various businesses, including property and casualty insurance for the drivers and passengers in our network. We also require personal accident, third party personal injury, and property damage insurance to be purchased for each delivery rider by our delivery partners.

In line with general market practice, we do not maintain any business interruption insurance or product liability insurance, which are not mandatory under PRC laws. See “Risk Factors – Risks Relating to Our Business and Industry – We have limited insurance coverage.” We do not maintain keyman life insurance, insurance policies covering damages to our network or information technology systems, or any insurance policies for our properties.

## **LEGAL PROCEEDINGS**

From time to time we may become involved in legal proceedings or be subject to claims arising in the ordinary course of our business. We are not presently a party to any legal proceedings that, if determined adversely to us, would individually or taken together have a material adverse effect on our business, results of operations, financial condition, or cash flows. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources, and other factors.



## **REGULATIONS**

### **REGULATIONS ON VALUE-ADDED TELECOMMUNICATIONS SERVICES AND FOREIGN INVESTMENT RESTRICTIONS**

#### **Restrictions on Foreign Investment**

On September 25, 2000, the Telecommunications Regulations of the People's Republic of China, or the Telecom Regulations, were issued by the State Council, which was amended and became effective on February 6, 2016, as the primary governing law on telecommunication services. The Telecom Regulations set out the general framework for the provision of telecommunication services by PRC companies. Pursuant to the Telecom Regulations, telecommunications service providers are required to procure operating licenses prior to their commencement of operations. The Telecom Regulations draw a distinction between "basic telecommunications services" and "value-added telecommunications services." The Catalog of Telecommunications Business was issued as an attachment to the Telecom Regulations, to categorize telecommunications services as "basic" or "value-added," and online data processing and transaction processing services and information services via public communication networks such as fixed networks, mobile networks and internet are classified as value-added telecommunications services.

Pursuant to the Provisions on Administration of Foreign Invested Telecommunications Enterprises, promulgated by the State Council on December 11, 2001 and further amended on September 10, 2008 and February 6, 2016, if any foreign investor intends to invest in telecommunications business in China, a foreign-invested telecommunications enterprise must be established, and the ultimate foreign equity ownership in a value-added telecommunications services provider cannot exceed 50%, except for online data processing and transaction processing businesses (operating e-commerce business) which may be 100% owned by foreign investors. Moreover, for a foreign investor to acquire any equity interest in a value-added telecommunications business in China, it must satisfy a number of stringent performance and operational experience requirements, including demonstrating a good track record and experience in operating value-added telecommunications business overseas. Foreign investors that meet these requirements must obtain approvals from the Ministry of Industry and Information Technology, or the MIIT, or its authorized local counterparts, which retain considerable discretion in granting such approvals.

The Special Administrative Measures for Entry of Foreign Investment (Negative List) (2020 Version), or the 2020 Negative List, jointly promulgated by the NDRC and the Ministry of Commerce on June 23, 2020 and took effect on July 23, 2020, also imposes the 50% restrictions on foreign ownership in value-added telecommunications business except for the operation of e-commerce business, domestic multi-party communication, information storage, and re-transmission or call center business. In addition, the 2020 Negative List prohibited the foreign investors to provide the services for releasing information by the public through internet.

On July 13, 2006, the MIIT issued the Circular on Strengthening the Administration of Foreign Investment in and Operation of Value-added Telecommunications Business, which requires foreign investors to set up foreign-invested enterprises, or FIEs, and obtain a license for value-added telecommunications services, or the VATS License, to conduct any value-added telecommunications business in China. Pursuant to the circular, a domestic company that holds a VATS License is prohibited from leasing, transferring or selling the license to foreign investors in any form, and from providing any assistance, including providing resources, sites or facilities, to foreign investors that conduct value-added telecommunications business illegally in China. Furthermore, the relevant trademarks and domain names that are used in the value-added telecommunications business must be owned by the local VATS License holder or its shareholder. The circular further requires each VATS License holder to have the necessary facilities for its approved business operations and to maintain such facilities in the regions covered by its license.

## **Regulations on the Provision of Internet Content Services**

On July 3, 2017, the MIIT promulgated the Administrative Measures for Telecommunications Business Operating Permit, which took effect on September 1, 2017. The measures confirm that there are two types of telecom operating licenses for operators in China, namely, license for basic telecommunications services and the VATS License. The operation scope of the license will detail the permitted activities of the enterprise to which it was granted. An approved telecommunication services operator must conduct its business in accordance with the specifications listed in its VATS License. In addition, a VATS License's holder is required to obtain approval from the original permit-issuing authority in respect of any change to its shareholders.

The Administrative Measures on Internet Information Services, or the Internet Measures, which was promulgated by the State Council on September 25, 2000 and amended on January 8, 2011, set out guidelines on the provision of internet information services. Pursuant to the Internet Measures, commercial internet information services operators must obtain a value-added telecommunications business operating license, or the ICP License, from the relevant government authorities before engaging in any commercial Internet information services operations in China.

The content of the internet information is highly regulated in China. Internet information service operators must guarantee the contents of the information provided is lawful. According to the Internet Measures, violators who provide prohibited internet content may be subject to penalties, including criminal sanctions, operation suspension and rectification, or even revocation of ICP Licenses. Commercial Internet information services operators are also required to monitor their websites. They may not post or disseminate any content that falls within the prohibited categories, and must remove any such content from their websites, save the relevant records and make a report to the relevant governmental authorities. For example, at the end of 2019, the CAC issued the Provisions on the Management of Internet Information Content Ecology, which became effective on March 1, 2020, to strengthen the regulation and management of internet information content. Pursuant to the order, each internet information service provider is required, among others, (i) not to disseminate any information prohibited by laws and regulations, such as information jeopardizing national security; (ii) to strengthen the examination of advertisements published on such internet information content service platform; (iii) to promulgate management rules and platform convention and improve user agreement, such that the internet information content service platform could clarify users' rights and obligations and perform management responsibilities required by laws, regulations, rules, and conventions; (iv) to establish convenient means for complaints and reports; and (v) to prepare annual work report regarding its management of internet information content ecology. In addition, an internet information service provider must not, among others, (i) utilize new technologies such as deep-learning and virtual reality to engage in activities prohibited by laws and regulations; (ii) engage in online traffic fraud, malicious traffic rerouting and other activities related to fraudulent account, illegal transaction account or maneuver of users' account; or (iii) infringe a third party's legitimate rights or seek illegal interests by way of interfering with information display.

## **Regulations on E-Commerce Services**

The Standing Committee of the National People's Congress promulgated the E-Commerce Law of the People's Republic of China, on August 31, 2018, which took effect on January 1, 2019. The E-commerce Law clarifies obligations for the operators of e-commerce platforms. For example, among other things, an operator of an e-commerce platform must (i) require merchants that apply to sell products or provide services on its platform to submit truthful information, including the identities, addresses, contacts, and licenses; (ii) verify and examine such information; (iii) establish registration archives and verify, examine, and update such information on a regular basis; (iv) submit identification information of merchants on its

platform to market regulatory authorities and remind merchants that have not registered with market regulatory authorities to complete the relevant registration; (v) submit identities and tax payment-related information of the merchants on its platform to tax authorities and remind merchants that have not registered with tax authorities to complete the relevant tax registration; (vi) conspicuously display the terms of platform service agreements, transaction rules or links to such information on the homepage of the platform, and ensure that merchants and consumers are able to read and download such information conveniently; and (vii) restrain from deleting any comments made by consumers on any products sold or service provided on its platform. Where an e-commerce platform operator fails to take necessary measures when it knows or should have known that the products or services provided by a merchant on its platform do not meet the requirements regarding personal or property safety, or commits any other acts that impair the lawful rights and interests of consumers, such operator will be held jointly liable with the merchants on its platform. Where an e-commerce platform operator fails to verify and examine the qualifications of a merchant on its platform or fails to fulfill its obligation to assure the safety of consumers with respect to products or services affecting consumers' life and health, which results in damage to consumers, such operator must take the corresponding liability. Where an e-commerce platform operator knows or should have known that a merchant on its platform has infringed any intellectual property right of other third parties, it must take necessary measures, such as deleting or blocking the relevant information, disabling the relevant links, and terminating the relevant transactions and services; otherwise, such operator will be held jointly liable with the infringing party.

On March 15, 2021, the SAMR, promulgated the Measures for the Supervision and Administration of Online Transactions, or Online Transactions Measures, which will take effect from May 1, 2021, providing more detailed requirements for the operators and platforms, such as clarifying the specific acts infringing consumers' personal information in online transactions, the prohibited contents contained in the standard terms used by the operators, and elaborating the measures shall be applicable to the operating activities of selling goods or providing services through social network and network live-streaming. In particular, the Online Transaction Measures require that online transaction operators shall not force customers, whether or not in a disguised manner, to consent to the collection and use of information not directly related to their business activities by means of one-off general authorization, default authorization, bundling with other authorizations, or the suspension of installation and use. Otherwise, such online transaction operator may be subject to fines and consequences under related laws and regulations, including without limitation suspension of business for rectification and revocation of permits and licenses.

### **Regulations on Mobile Internet Applications Information Services**

In addition to the Telecommunications Regulations and other regulations above, mobile internet applications and the internet application store are specifically regulated by the Administrative Provisions on Mobile Internet Application Information Services, which were promulgated by the CAC, on June 28, 2016 and took effect on August 1, 2016. Pursuant to the Administrative Provisions on Mobile Internet Application Information Services, application information service providers must obtain the relevant qualifications prescribed by laws and regulations, strictly implement their information security management responsibilities and carry out certain duties, including establish and complete user information security protection mechanism and information content inspection and management mechanisms, protect users' right to know and right to choose in the process of usage, and to record users' daily information and preserve it for 60 days. Application store services providers must, within 30 days of the business going online and starting operations, conduct filing procedures with the local cybersecurity and information department. Furthermore, internet application store service providers and internet application information service providers must sign service agreements to determinate both sides' rights and obligations.

Furthermore, on December 16, 2016, the MIIT promulgated the Interim Measures on the Administration of Pre-Installation and Distribution of Applications for Mobile Smart Terminals, which took effect on July 1, 2017. The interim measures require that, among others, internet information service providers must ensure that a mobile application, as well as its ancillary resource files, configuration files, and user data can be uninstalled by a user on a convenient basis, unless it is a basic function software, which refers to a software that supports the normal functioning of hardware and operating system of a mobile smart device.

## **REGULATIONS ON INFORMATION SECURITY AND PRIVACY PROTECTION**

Internet content in China is regulated and restricted from a state security standpoint. The Standing Committee of the National People's Congress, or the SCNPC, enacted the Decisions on the Maintenance of Internet Security on December 28, 2000, which was amended on August 27, 2009, that may subject persons to criminal liabilities in China for any attempt to: (i) gain improper entry to a computer or system of strategic importance; (ii) disseminate politically disruptive information; (iii) leak state secrets; (iv) spread false commercial information or (v) infringe upon intellectual property rights. On December 16, 1997, the Ministry of Public Security issued the Administration Measures on the Security Protection of Computer Information Network with International Connections, which took effect on December 30, 1997 and were amended by the State Council on January 8, 2011 and prohibit using the internet in ways which, among others, result in a leakage of state secrets or a spread of socially destabilizing content. The Ministry of Public Security has supervision and inspection powers in this regard, and relevant local security bureaus may also have jurisdiction. If an ICP License holder violates these measures, the PRC government may revoke its ICP License and shut down its websites.

According to Network Security Law of the People's Republic of China promulgated by SCNPC on November 7, 2016 and took effect on June 1, 2017, network operators must comply with laws and regulations and fulfill their obligations to safeguard security of the network when conducting business and providing services. Those who provide services through networks must take technical measures and other necessary measures pursuant to laws, regulations and compulsory national requirements to safeguard the safe and stable operation of the networks, respond to network security incidents effectively, prevent illegal and criminal activities, and maintain the integrity, confidentiality and usability of network data, and the network operator cannot collect the personal information irrelevant to the services it provides or collect or use the personal information in violation of the provisions of laws or agreements between both parties, and network operators of key information infrastructure must store within the territory of China all the personal information and important data collected and produced within the territory of China. The purchase of network products and services that may affect national security must be subject to national cybersecurity review. On April 13, 2020, the CAC, NDRC, MIIT, Ministry of Public Security, Ministry of State Security, Ministry of Finance, Ministry of Commerce, People's Bank of China, or the PBOC, SAMR, and other PRC government authorities jointly promulgated the Measures on Internet Security Examination which took effect on June 1, 2020, to provide more detailed rules regarding cybersecurity review requirements. Pursuant to the Measures on Internet Security Examination, the providers of network products and services must cooperate with the security examination process. The "network products or services" as defined in the Internet Security Review Measures mainly refer to core network facilities, high-performance computers and servers, mass storage devices, large database, applications or software, cyber security devices, clouding computing services, and other products and services which may have significant effect on security of the key information infrastructures.

On December 13, 2005, the Ministry of Public Security issued the Regulations on Technological Measures for Internet Security Protection, effective on March 1, 2006, which requires internet service providers to take proper measures including anti-virus, data back-up, and other related measures, and to keep records of certain information about their users (including user registration information, log-in and log-out time, IP address, content, and time of posts by users) for at least 60 days, discover and detect illegal information, stop transmission of such information, and keep relevant records. Internet services providers are prohibited from unauthorized disclosure of users' information to any third parties unless such disclosure is required by the laws and regulations. They are further required to establish management systems and take technological measures to safeguard the freedom and secrecy of the users' correspondences.

On December 28, 2012, the SCNPC promulgated the Decision on Strengthening Network Information Protection, which took effect on the same date, to enhance the legal protection of information security and privacy on the internet. On July 16, 2013, the MIIT promulgated the Provisions on Protection of Personal Information of Telecommunication and Internet Users, which took effect on September 1, 2013, to regulate the collection and use of users' personal information in the provision of telecommunication services and internet information services in China and the personal information includes a user's name, birth date, identification card number, address, phone number, account name, password and other information that can be used independently or in combination with other information for identifying a user.

On December 29, 2011, the MIIT promulgated the Several Provisions on Regulation of the Order of Internet Information Service Market, which took effect on March 15, 2012. The Provisions stipulate that without the consent of users, internet information service providers cannot collect information relevant to the users that can lead to the recognition of the identity of the users independently or in combination with other information (hereinafter referred to as "personal information of users"), nor can they provide personal information of users to others, unless otherwise provided by laws and administrative regulations.

On May 8, 2017, the Supreme People's Court and the Supreme People's Procuratorate released the Interpretations of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues Concerning the Application of Law in the Handling of Criminal Cases Involving Infringement of Citizens' Personal Information, or the Interpretations, which took effect on June 1, 2017. The Interpretations clarify several concepts regarding the crime of "infringement of citizens' personal information" stipulated by Article 253A of the Criminal Law of the People's Republic of China, including "citizen's personal information," "provision," and "unlawful acquisition." Also, the Interpretations specify the standards for determining "serious circumstances" and "particularly serious circumstances" of this crime. On October 21, 2019, the Supreme People's Court and the Supreme People's Procuratorate jointly issued the Interpretations on Certain Issues Regarding the Application of Law in Handling Criminal Case Involving Illegal Use of Information Networks and Assisting Committing Internet Crimes, which came into effect on November 1, 2019, and further clarifies the meaning of Internet service operators and the severe situations of the relevant crimes.

On May 28, 2020, the National People's Congress promulgated the PRC Civil Code, which came into effect on January 1, 2021, pursuant to which the information processor shall take technical measures and other necessary measures to protect the personal information collected and stored by it and to prevent any information from being leaked, falsified and lost. In the event that any personal information is or may be leaked, falsified or lost, the information processor shall take immediate remedial measures, inform the natural person concerned and escalate such situation to the competent department as required.



With respect to the security of information collected and used by mobile apps, pursuant to the Announcement of Conducting Special Supervision against the Illegal Collection and Use of Personal Information by Apps, which was issued on January 23, 2019, app operators should collect and use personal information in compliance with the Network Security Law and should be responsible for the security of personal information obtained from users and take effective measures to strengthen personal information protection. Furthermore, app operators should not force their users to make authorization by means of bundling, suspending installation or in other default forms and should not collect personal information in violation of laws, regulations or breach of user agreements. Such regulatory requirements were emphasized by the Notice on Launching Special Rectification of Apps Infringing upon User's Personal Rights and Interests, which was issued by MIIT on October 31, 2019, and the Notice on Deepening Special Rectification of Apps Infringing upon User's Personal Rights and Interests, which was issued by MIIT on July 22, 2020. On November 28, 2019, the CAC, the MIIT, the Ministry of Public Security and the SAMR jointly issued the Methods of Identifying Illegal Acts of Apps to Collect and Use Personal Information. This regulation further illustrates certain commonly-seen illegal practices of apps operators in terms of personal information protection, including: (i) failure to publicize rules for collecting and using personal information; (ii) failure to expressly state the purpose, manner, and scope of collecting and using personal information; (iii) collection and use of personal information without consent of users of such App; (iv) collecting personal information irrelevant to the services provided by such app in violation of the principle of necessity; (v) provision of personal information to others without users' consent; (vi) failure to provide the function of deleting or correcting personal information as required by laws; and (vii) failure to publish information such as methods for complaints and reporting. Pursuant to the Notice on Promulgation of the Rules on the Scope of Necessary Personal Information for Common Types of Mobile Internet Applications jointly promulgated by the CAC, the MIIT and certain other government authorities on March 12, 2021, and will take effect on May 1, 2021, "necessary personal information" refers to the personal information necessary for ensuring the normal operation of a mobile app's basic function services, without which the mobile app cannot achieve its function services. For food delivery mobile apps, the basic function services are "purchase and delivery of food and beverage", and the necessary personal information includes (i) mobile phone numbers of registered users, (ii) name, address and contact number of the consignee, and (iii) time, amount and channel of payment and other payment information.

## **REGULATIONS ON PAYMENT SERVICES OF NON-FINANCIAL INSTITUTIONS**

According to Measures for the Administration of Payment Services of Non-Financial Institutions, promulgated by the PBOC on June 14, 2010, took effect on September 1, 2010, and further amended on April 29, 2020, and Detailed Implementing Rules for the Measures for the Administration of Payment Services of Non-Financial Institution, promulgated by the PBOC and took effect on December 1, 2010, and amended on June 2, 2020, the payment services provided by non-financial institutions refer to some or all of the following monetary capital transfer services provided by the non-financial institutions as intermediary agencies between payers and payees: (i) payment through the internet; (ii) issuance and acceptance of prepaid cards; (iii) bankcard acquiring; and (iv) other payment services as determined by the PBOC. Non-financial institutions which provide payment services must obtain a "Payment Business License" and become a "payment institution." Payment Business License is valid for five years from the date of issuance. Payment institutions must carry out business activities in compliance with the scope of business approved by the Payment Business License, and cannot outsource any businesses, transfer, lease, or lend its Payment Business License. Any non-financial institutions and individuals cannot directly or indirectly engage in the payment business without the approval of the PBOC.



The Guidance Letter on Promoting the Sound Development of Internet Finance, jointly issued by the PBOC and several other authorities with immediate effect on July 18, 2015, provides that banking financial institutions and third-party payment institutions that are engaged in online payment services should comply with applicable laws and regulations. When collaborating with other institutions, third-party payment institutions are required to clearly define each party's rights and obligations and establish effective risk insulation and mechanisms to protect clients' rights. Payment institutions should make adequate disclosure regarding their services and clear disclosure regarding risks related to their businesses and should avoid exaggerating the nature and functions of the payment service intermediaries. The guidance letter also confirms PBOC as the supervisory body of online payment businesses.

The Administrative Measures on Online Payments by Non-bank Payment Institutions, or the Administrative Measures on Online Payment, were promulgated by the PBOC on December 28, 2015 and came into effect on July 1, 2016. According to the Administrative Measures on Online Payment, "online payment services" refers to money transfer services provided by payment institutions when a payer and a payee, through computers and mobile terminals, remotely initiate payment instructions relying on public network information systems with no interaction between the payer's electronic device and the payee's personal equipment. The Administrative Measures on Online Payment set out requirements on various aspects of online payment, including business scope, limitations on payment, client management, risk management, supervision and penalty. Specifically, they require payment institutions to establish a "know your customer" system. Accounts should be opened on a real-name basis and payment institutions should take steps to verify clients' identification information and link different accounts of the same client. Personal payment accounts are divided into Type I, II, and III depending on the identity verification methods and the reliability of such verification, and are regulated differently. Type I and Type II payment accounts can only be used for consumption and fund transfer. Type III payment accounts can be used for consumption, fund transfer and investments and have higher payment limits. The Administrative Measures on Online Payment also require payment institutions to have risk management in place and to protect clients' rights and interests. They require payment institutions to establish a transaction risk management system and transaction monitoring system and take steps, such as investigation, delaying settlement and termination of services, to stop suspected fraud, illegal cash-out, money laundering, illegal financing, terrorist financing and the like. In addition, payment institutions are required to protect clients' funds security, data security, right of choice and information rights. Specifically, payment institutions should establish a sound risk control system and transaction compensation system, and should compensate clients for any loss of funds that are not attributable to such clients' negligence or bad faith.

To liberalize the payment service market and explicit policies on entry and supervision of foreign-invested payment institutions, on March 19, 2018, PBOC promulgated Issues Concerning Foreign-invested Payment Institutions, which took effect on the same day. Overseas institutions intending to provide electronic payment services for domestic entities must establish FIEs in China and obtain the Payment Business License pursuant to the Measures for the Administration of Payment Services of Non-Financial Institutions. Foreign-invested payment institutions established by overseas institutions must: (i) have a secure and compliant business system and disaster recovery system that are capable of independently completing the processing of payment business within the territory of China; and (ii) store, process and analyze the personal information and financial information collected and generated within the territory of China. Where such information needs to be transmitted overseas for the purpose of processing cross-border transactions, foreign-invested payment institutions must comply with laws, administrative regulations and the provisions of relevant regulatory departments, require overseas parties to fulfill corresponding information confidentiality obligations, and obtain consent from the parties involved in such personal information. Their corporate governance, daily operations, risk management, fund processing, deposit of excess reserves and contingent arrangements must comply with PBOC's requirements on non-bank payment institutions.

## **REGULATIONS ON M&A RULES**

On August 8, 2006, six PRC regulatory agencies, including the Ministry of Commerce, State-owned Assets Supervision and Administration Commission of the State Council, SAT, SAMR, China Securities Regulatory Commission, or the CSRC, and SAFE issued the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rules, which took effect on September 8, 2006 and was amended on June 22, 2009. The M&A Rules established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex. These rules require, among other things, that the approval of the Ministry of Commerce must be obtained in circumstances where overseas companies established or controlled by PRC enterprises or residents acquire domestic companies affiliated with PRC enterprises or residents. After the PRC Foreign Investment Law and its implementation regulations became effective on January 1, 2020, the provisions of the M&A Rules remain effective to the extent they are not inconsistent with the PRC Foreign Investment Law and its implementation regulations. In addition, national security review rules issued by the PRC governmental authorities in 2011 require acquisitions by foreign investors of domestic companies engaged in military-related or certain other industries that are crucial to national security to be subject to prior security review. These rules also prohibit any transactions attempting to bypass such security review, including by controlling entities through contractual arrangements. Moreover, the Anti-Monopoly Law requires that the SAMR must be notified in advance of any concentration of undertaking, occurring inside or outside China, if certain thresholds are triggered.

## **REGULATIONS ON COMPANY ESTABLISHMENT AND FOREIGN INVESTMENT**

The establishment, operation and management of companies in China is governed by the PRC Company Law, as amended in 2005, 2013 and 2018 subsequently. According to the PRC Company Law, companies established in China are either limited liability companies or joint stock limited liability companies. The PRC Company Law applies to both PRC domestic companies and foreign-invested companies, unless the PRC laws on foreign investment have stipulated otherwise.

The establishment procedures, approval procedures, registered capital requirements and day-to-day operational matters of a wholly foreign-owned enterprise are regulated by the PRC Foreign Investment Law, effective on January 1, 2020, and the Implementation Rules of the PRC Foreign Investment Law, effective on January 1, 2020. The Foreign Investment Law replaced the trio of laws regulating foreign investment in China, namely, the Sino-Foreign Equity Joint Venture Enterprise Law, the PRC Sino-Foreign Contractual Joint Ventures Law, and the PRC Wholly Foreign-owned Enterprise Law, together with their implementation rules and ancillary regulations. According to the Foreign Investment Law, “foreign investment” refers to the investment activities conducted directly or indirectly by foreign individuals, enterprises or other entities in China, including the following circumstances: (i) the establishment of foreign-invested enterprises in China by foreign investors solely or jointly with other investors, (ii) a foreign investors’ acquisition of shares, equity interests, property portions or other similar rights and interests of enterprises in China, (iii) investment in new projects in China by foreign investors solely or jointly with other investors, and (iv) investments made by foreign investors through means stipulated in laws or administrative regulations or other methods prescribed by the State Council. Pursuant to the Foreign Investment Law, China has adopted a system of national treatment which includes a negative list with respect to foreign investment administration. The negative list will be issued by, amended or released upon approval by the State Council, from time to time. The negative list will consist of a list of industries in which foreign investments are prohibited and a list of industries in which foreign investments are restricted. Foreign investment in prohibited industries is not allowed, while foreign investment in restricted industries must satisfy certain conditions stipulated in the negative list. Foreign investments and domestic investments in industries outside the scope of the prohibited industries and restricted industries

stipulated in the negative list will be treated equally. The most recent version of the negative list was issued in 2020. Foreign Investment Law and the Implementation Regulations allow foreign-invested enterprises established prior to January 1, 2020 and having corporate structure and governance inconsistent with the PRC Company Law or the PRC Partnership Enterprise Law, as applicable, to maintain their corporate structure and governance within a five-year transition period, but require adjustment for compliance with the PRC Company Law or the PRC Partnership Enterprise Law, as applicable, must be completed prior to the expiration of such transition period.

On December 30, 2019, the Ministry of Commerce and the SAMR issued the Measures for the Reporting of Foreign Investment Information, which became effective on January 1, 2020 and replaced the Interim Administrative Measures for the Record-filing of the Establishment and Modification of Foreign-invested Enterprises promulgated by Ministry of Commerce in October 2016. Pursuant to this regulation, the requirement of record-filing with or approval from the commerce authorities is replaced with a reporting requirement, regardless of whether such foreign investment is subject to the special entry administration measures under the negative list.

The NDRC and the Ministry of Commerce jointly promulgated the Measures for the Security Review of Foreign Investment, or the Security Review Measures on the Foreign Investment on December 19, 2020, which has come into effect since January 18, 2021. Pursuant to the Security Review Measures on the Foreign Investment, the NDRC and the PRC Ministry of Commerce will establish a working mechanism office in charge of the security review of foreign investment, and any foreign investment which has or would possibly have an impact on the national security shall be subject to security review by such working mechanism office. The Security Review Measures on the Foreign Investment define foreign investment as direct or indirect investment by foreign investors in the PRC, which includes (i) investment in new onshore projects or establishment of wholly foreign owned onshore companies or joint ventures with foreign investors; (ii) acquiring equity or asset of onshore companies by merger and acquisition; and (iii) onshore investment by and through any other means. It further requires that a foreign investor or its domestic affiliate shall apply for clearance of national security review with the working mechanism office before they conduct any investment into any of the following fields: (i) investment in the military industry or military-related industry, and investment in areas in proximity of defense facilities or military establishment; and (ii) investment in any important agricultural product, important energy and resources, critical equipment manufacturing, important infrastructure, important transportation services, important cultural products and services, important information technologies and internet products and services, important financial services, critical technologies and other important fields which concern the national security where actual control over the invested enterprise is obtained.

## **REGULATIONS ON FOOD SERVICE**

### **Food Safety Law**

According to the PRC Food Safety Law, which was promulgated by SCNPC on February 28, 2009, took effect on June 1, 2009, and recently amended on December 29, 2018, and the PRC Regulations for the Implementation of the Food Safety Law, which were promulgated by the State Council, took effect on July 20, 2009, and recently amended on December 1, 2019, businesses engaging in food production and trading must obtain relevant food production and trading licenses in accordance with the law. The supervision and management of food production and trading activities must be carried out by the State Council departments of food safety administration. The Food Safety Law and its implementation rules stipulate certain requirements for online food trades. The Food Safety Law mandates that online food traders must register its real name on the platform, and clearly set forth the traders' responsibilities and the platform providers' examination duties. Third party platform providers of online transactions of foodstuffs must

implement real name registration for participating food business operators, and specify their food safety management responsibilities. Third party platform providers of online transactions of foodstuffs must, upon discovery of any violation by participating food business operators of the provisions of this Law, promptly stop the offender and forthwith report to the food safety administration department of the county People's Government at the locality; upon discovery of a serious illegal act, the third party platform provider must forthwith cease provision of online trading platform service.

To strengthen the supervision and administration of food safety of online catering services, on November 6, 2017, the SAMR promulgated Measures for the Supervision and Administration of Food Safety of Online Catering Services, which was amended on October 23, 2020 and took effect on the same date, to regulate the business activities of provider of a third-party online catering services platform, or the Platform Provider, and catering service providers who provide catering services through third-party platforms and self-developed websites, or the Online Catering Service Provider. Pursuant to the measures, the Platform Provider must within 30 working days after approval by the competent communications administration, go through record-filing with the provincial food and drug administration at its domicile, review the food business permit of an Online Catering Service Provider and ensure that the authenticity of the information. The Online Catering Service Provider must have physical stores, operate the food business permit pursuant to the law, and engage in business activities according to the main business model and business items specified in its food business permit. The Platform Provider and an Online Catering Service Provider must strengthen food safety training and management of food delivery personnel. Where a delivery entity is entrusted with food delivery services, the delivery entity must strengthen food safety training and management of food delivery personnel. Where a local food safety administration at or above the county level finds that an Online Catering Service Provider it is investigating and dealing with has committed grave violations of the law, the said administration must notify the Platform Provider, and require the Platform Provider to immediately stop online transaction platform services for the Online Catering Service Provider. To specify food safety responsibilities, the provider of a third-party online catering services platform must sign a food safety agreement with an Online Catering Service Provider.

### **Food Operation Licensing**

The Administrative Measures for Food Operation Licensing, which were promulgated on August 31, 2015, by the SAMR and took effect on October 1, 2015, and amended on November 17, 2017, provide that the food operation must be licensed in accordance with the law to engage in food selling and catering service within the territory of China. The principle of one license for one enterprise must apply to the licensing for food operation, that is, the same food seller engaged in food operation activities must obtain a food operation license. The Administrative Measures for Food Operation Licensing also provide application requirements regarding operators who engage in the sale of food using vending equipment.

The SAMR will take charge of the supervision over and guidance to the nationwide food operation licensing administration. Local food safety regulatory authorities at and above the county level should take charge of food operation licensing within their respective administrative regions. The date on which the decision on licensing is made should be the date of issuance of the food operation license. The Food Operation License will be valid for five years.

## **REGULATIONS ON TRAVEL AGENCY**

The State Council promulgated the Regulations on Travel Agencies on February 20, 2009, which took effect on May 1, 2009 and was recently amended on November 29, 2020. On April 25, 2013, the SCNPC promulgated the PRC Tourism Law, which took effect on October 1, 2013 and was recently amended on October 26, 2018. Pursuant to the PRC Tourism Law, travel agencies may engage in domestic tourism, outbound tourism, border tourism and inbound tourism. According to the Implementing Rules of the Regulations on Travel Agencies promulgated by the Ministry of Culture and Tourism, or the MCT, and took effect on December 12, 2016, outbound tourism business means the travel agencies' businesses of soliciting, organizing, and receiving residents of the mainland of China to travel abroad, and to Hong Kong Special Administrative Region, Macao Special Administrative Region and Taiwan region, and their businesses of soliciting, organizing, and hosting foreigners in the mainland of China, and residents of Hong Kong Special Administrative Region, Macao Special Administrative Region and Taiwan region in the mainland of China to travel outside the mainland of China. Pursuant to such regulations and laws, the travel agency engaging in domestic tourism business and inbound tourism business must apply for business operation permit for travel agency. After obtaining such business operation permit for travel agency for two years without fines and severe punishment by administrative organs for infringing tourists' legal rights and interests, the travel agency may then apply for outbound tourism business. Further, pursuant to the Measures for Administration of Outbound Tours by Chinese Citizens promulgated by the State Council on May 27, 2002, took effect on July 1, 2002, and amended on March 1, 2017, the travel agency applying for operating the outbound tour business must have obtained the qualification as an international travel agency over one year, have prominent performance of inbound tour business and have no material unlawful acts and major service problems.

## **REGULATIONS ON TICKET SALES AGENCY**

The ticket sales agency business is subject to the supervision of China Air Transport Association and its regional branches. In 2019, the principal regulation governing ticket sales agency in China, the Measures for the Recognition of Sales Agency Qualifications, was abolished and air transportation sales agencies can operate ticket sales agency business without permits as was previously required. Alternatively, the Self-Discipline Measures for Air Passenger and Freight Transportation Sales Agency Business, was promulgated by China Air Transport Association on March 1, 2019, which encourages self-discipline administration for air transportation sale agency business. China Air Transport Association has further promulgated the Business Standards of Air Passenger Transportation Sales Agencies and the Business Standards of Air Freight Transportation Sales Agencies, which introduce general business standards applied by airlines for selecting and authorizing their sales agents. For example, basic requirements for passenger air transportation sales agencies include (i) obtaining appropriate business license with the business scope of air ticket sales agency business or similar items, (ii) holding a VATS License for its online air-ticketing sales business, (iii) having the paid-in capital suitable for business scale, (iv) providing capital guarantee or pledge in favor of airlines, (v) that such agency and its principals must be without any poor credit records, and (vi) having skilled and trained employees suitable for business scale.

## **REGULATIONS ON EXPRESS DELIVERY SERVICES**

According to the Administrative Measures on Business Licensing for Express Delivery Services promulgated by Ministry of Transport on September 1, 2009, took effect on October 1, 2009, and amended on November 28, 2019, operators of express delivery services must obtain the Business License for Express Delivery Services issued by Postal Service Administrations pursuant to the law, and accept the supervision and administration by Postal Service Administrations and other relevant departments. The Business License for Express Delivery Services will be valid for a period of five years. An enterprise



providing express delivery services must comply with the licensing scope and term of validity as specified in the Business License for Express Delivery Services. In addition, pursuant to the Interim Regulations of Courier which came into effect in May 2018 and was further amended in March 2019, express delivery operators and their branches may open express delivery terminal outlets according to their business needs, and must file with the local postal administrations in the places where such terminal outlets are located within 20 days from the date of opening such terminal outlets.

## **REGULATIONS ON ONLINE TAXI BOOKING SERVICES**

Online taxi booking services are a relatively new business model in China. On July 27, 2016, the Ministry of Transport, MIIT, Ministry of Public Security, Ministry of Commerce, SAMR and the CAC jointly promulgated Administrative Measures for the Business of Online Taxi Booking Services which took effect on November 1, 2016 and further amended on December 28, 2019, to regulate the business activities of online taxi booking services, and ensure operational safety for the passengers. Before carrying out online taxi booking services, an online taxi booking service platform company must obtain the permit for online taxi booking business and complete the record-filing of internet information services to the provincial communications administration in the place of its enterprise registration. When collecting the personal information of drivers and passengers, an online taxi booking service platform enterprise cannot exceed the scope of information requisite for its online taxi booking business. Vehicles engaging the online taxi booking services must install satellite positioning devices and fulfill the criteria of safe operations. The competent administrative departments of the taxi industry in the service locations of a vehicle owner will issue the transportation permit for online taxi booking services for vehicles that satisfy the prescribed conditions and are registered as vehicles for pre-booked passenger transport by taxi. Drivers engaging in the online taxi booking services must satisfy the requirement of driving experience, no record of criminal offence and violent crimes to obtain his license for online taxi booking services. Except for the regulation on the national level, many local authorities have promulgated detailed implementing rules to further stipulate the requirements for online taxi booking service platform, vehicles and drivers.

## **REGULATIONS ON INTERNET ADVERTISING**

On July 4, 2016, the SAMR promulgated the Interim Measures on Internet Advertising, which took effect on September 1, 2016, regulate any advertisement published on the internet, including but not limited to, through websites, webpage and apps, in the form of word, picture, audio and video and provides more detailed guidelines to the advertisers, advertising operators and advertising distributors. Internet advertisers, advertising operators and/or advertisement publishers must enter into written contracts in conducting internet advertising business and activities. Internet advertisers are responsible for the authenticity of the content of advertisements and may publish advertisements by setting up a website or an internet medium legally used by them, or by entrusting internet advertising operators or advertising publishers to publish advertisements. Internet information service providers must stop any person from using their information services to publish illegal advertisements if they are aware of, or should reasonably be aware of, such illegal advertisements even though the internet information service provider merely provides information services and is not involved in the internet advertising businesses. The following activities are prohibited pursuant to the measures: (i) providing or using applications and hardware to block, filter, skip over, tamper with, or cover up lawful advertisements provided by others; (ii) using network access, network equipment and applications to disrupt the normal transmission of lawful advertisements provided by others or adding or uploading advertisements without permission; or (iii) harming the interests of others by using fake statistics or traffic data. The industry and commerce administrative department is the relevant local administrative authority that supervises and enforces punishments for any illegal act in internet advertising. In addition, pursuant to the amended PRC Advertising Law in October 2018, all the provisions thereunder apply to the advertising activities



conducted via the internet. The amended PRC Advertising Law further provides that the release or distribution of advertisements via internet cannot affect the normal use of the internet by users. Advertisements released on internet pages such as pop-up advertisements must be indicated with clear close button to ensure that the users may close such advertisements by one click. Any violation of these laws and regulations may result in fines, prohibition of publishing advertisements for a period of time or withdrawal of business licenses, etc. Furthermore, advertising operators or advertising distributors may be subject to civil liability if they infringe on the legal rights and interests of third parties.

## **REGULATIONS ON INTERNET AUDIO-VISUAL PROGRAM SERVICES**

According to the Certain Decisions on the Entry of the Non-state-owned Capital into the Cultural Industry promulgated by the State Council and took effect on April 13, 2005, and the Several Opinions on Canvassing Foreign Investment into the Culture Sector promulgated by the MCT, State Administration of Press, Publication, Radio, Film and Television (currently known as the National Radio and Television Administration, or the NRTA), NDRC and Ministry of Commerce and took effect on July 6, 2005, non-state-owned capital and foreign investors are not allowed to conduct the business of transmitting audio-visual programs via an information network.

On February 17, 2011, the MCT promulgated the Interim Administrative Provisions on Internet Culture, which was amended on December 15, 2017. According to the provisions, “internet culture activities” includes, among other things, online dissemination of internet cultural products and the production, reproduction, importation, publication and broadcasting of internet cultural products. In May 2019, the MCT issued a circular to adjust the applicable scope for the online culture operating permit, pursuant to which it will no longer be the authority supervising the online game industry and therefore the business scope of an online culture operating permit issued by it and its local counterparts will only cover internet cultural products including online music, online plays or programs, online performance, online works of art, online cartoon and exhibition, and online matches, but excluding online games. Internet cultural entities are classified into operational internet cultural entities and non-operational internet cultural entities. Operational internet cultural entities must file an application for establishment to the competent culture administration authorities for approval and must obtain the online culture operating permit.

According to the Administrative Regulations on Internet Audio-Visual Program Service, promulgated by the NRTA and the MIIT on December 20, 2007, took effect on December 20, 2007, and were amended on August 28, 2015, “internet audio-video program services” means producing, editing and integrating of audio-video programs, supplying audio-video programs to the public via the internet, and providing audio-video programs uploading and transmission services to a third party. Entities providing internet audio-video programs services must obtain an internet audio-video program transmission license. According to the Administrative Regulations on Internet Audio-Visual Program Service and other relevant laws and regulations, audio-video programs provided by the entities supplying internet audio-video program services cannot contain any illegal content or other content prohibited by the laws and regulations, such as any content against the basic principles in the PRC Constitution, any content that damages the sovereignty of the country or national security, and any content that disturbs social order or undermine social stability.

On November 18, 2019, the CAC, the MCT and the NRTA jointly issued the Administrative Provisions on Online Audio-visual Information Services, which took effective on January 1, 2020. According to the provisions, Online audio-visual information services refer to the services of producing, publishing and disseminating audio-visual information offered to the public via internet platforms, such as websites and application programs. The provisions also require that no individual or entity is allowed to (i) use the online audio-visual information services or related technologies to engage in any activities which may

jeopardize national security, undermine social stability or infringe legitimate right of others; (ii) produce, publish or disseminate any audio-visual information prohibited by the laws and regulations, such as internet rumors. The provider of audio-visual information services must establish, maintain and optimize a rumors refuting regime, under which once it identifies that any user of audio-visual information services produces, publishes or disseminates any rumor by virtue of the technology of producing forged pictures or audio-visual information based on deep-learning or virtual reality, such provider must take measures to refute such rumors in a timely manner and file such situations with the competent authorities governing Internet information, culture and tourism, and radio and television.

## **REGULATIONS ON RADIO AND TELEVISION PROGRAMS**

On August 11, 1997, the State Council promulgated Administrative Regulations on Radio and Television, which came into effect on September 1, 1997 and were amended on December 7, 2013, March 1, 2017 and November 29, 2020. Units for the production and management of radio television programs are established upon the approval of the administrative departments for radio and television under the people's governments at or above the provincial level. Only radio stations, television stations and units for the production and management of radio television programs can produce radio and television programs. No radio or television station may broadcast any program produced by units which are not licensed to produce and manage radio or television programs.

According to the Provisions for the Administration of the Production and Distribution of Radio and Television Programs promulgated by the NRTA on July 19, 2004, which took effect on August 20, 2004 and was recently amended on October 29, 2020, any business that produces or operates radio or television programs must first obtain a Radio and Television Program Production and Operation Permit. Entities holding such permits must conduct their business within the permitted scope as provided in their permits. In addition, foreign-invested enterprises are not allowed to engage in the above-mentioned services.

## **REGULATIONS ON INTERNET PHARMACEUTICAL INFORMATION SERVICE**

The Administration Measures on Pharmaceutical Information Service on the Internet, promulgated by the SAMR on July 8, 2004, took effect on the same date and amended on November 17, 2017, define the provision of profit-making and non-profit-making online medicine information services on the internet. Where any website intends to provide internet drug information services, to obtain the Qualification Certificate for Internet Drug Information, it must first file an application with the food and drug administration department of the province level at the domicile of the website's sponsor, and then apply for an operation permit from the State Council's department in charge of information industry or the telecom administrative authority at the provincial level or complete the procedures for record-filing.

## **REGULATIONS ON MICRO CREDIT INDUSTRY**

China Banking and Insurance Regulatory Commission, or the CBIRC, and PBOC jointly promulgated the Guidance on the Pilot Programs for Microcredit Company on May 4, 2008. To establish a microcredit company, the investors must apply to the competent governmental body at provincial level and, upon approval, register at competent local branch of the SAMR where the company will be domiciled and obtain the business license. Within five days after the registration, the microcredit company must submit relevant materials to the local public security department and local branches of the CBIRC and the PBOC. Microcredit companies must be subject to public supervision and cannot illegally raise funds in any form. On September 7, 2020, the CBIRC issued the Circular on Strengthening the Supervision and Administration of Microcredit Company, which took effect on the same date, to further regulate the business operation of the microcredit companies and put forward certain new requirements in terms of the microcredit company's business scope, external financing ratio, loan amount, loan purpose, business area, loan interest rate, etc.

All provinces, autonomous regions, and municipalities directly under the PRC central government must appoint their own regulatory authority for the microcredit industry. Currently, the microcredit industry in China is primarily regulated by the financial affairs offices of the people's governments of the relevant provinces, autonomous regions and municipalities directly under the PRC central government. According to the Chongqing Municipal Instructions on Promoting Pilot Microcredit Companies promulgated by Chongqing Municipal People's Government on August 1, 2008, Notice on Forwarding "Chongqing Municipal Interim Measures of Pilot Microcredit Companies" by General Office of Chongqing Municipal People's Government, Notice on Issues concerning the Adjustment of "Chongqing Municipal Interim Measures of Pilot Microcredit Companies" by General Office of Chongqing Municipal People's Government, and Suggestion on Further Promoting the Development of Microcredit Companies by General Office of Chongqing Municipal People's Government promulgated by General Office of Chongqing Municipal People's Government on August 1, 2008, April 27, 2009, and April 12, 2011, respectively, in preparing for the establishment of a microcredit company, all the investors as the applicants must submit an application to the financial affairs office for approval. Microcredit company with approval of establishment must put a deposit no less than 10% of its registered capital into a specified account before the establishment. With the approval of the financial affairs office, the microcredit company can carry out the businesses listed as below: 1) granting loans; 2) handling the discounting of negotiable instruments; 3) handling asset transfer. Microcredit companies cannot perform any kind of illegal fund-raising or absorb public deposits in a disguised way. Microcredit companies with good management status and risk-control capability, and with capital equal to or more than RMB200 million, can establish branches in the administrative jurisdiction of Chongqing Municipal and conduct business across counties and autonomous counties after approval. Foreign investors are encouraged to hold shares of or own microcredit companies.

Meanwhile, we collaborated with certain commercial banks for our loan facilitation business. In July 2020, CBIRC promulgated the Interim Measures for Administrative of Online Loans by Commercial Banks, or Online Loans Measures, which aims to formulate the regulation regime for online lending business conducted by commercial banks. The Online Loans Measures require that a commercial bank shall not grant an individual with a credit line of more than RMB200,000 and the term of loan to an individual shall not exceed one year in the case of repayment of the principal due in a lump sum. In addition, the Online Loans Measures set several rules for commercial banks to collaborate with external institutions on online loans, including: (i) commercial bank shall conduct pre-admission assessments on cooperative external institution based on its operating conditions, management capabilities, risk control capabilities, technical strength, service quality, business compliance and institutional reputation, etc.; (ii) the collaboration agreement between the commercial banks and the cooperative external institutions shall specify that the cooperative external institution shall not charge any interest or expense to the borrower in any form; (iii) commercial bank shall independently carry out risk assessment and credit approval for the loans it contributes, and assume the primary responsibility for post-loan management; (iv) commercial banks shall not accept any direct or disguised credit enhancement service provided by any third-party institution without guarantee qualifications or which fails to meet the regulatory requirements for credit insurance and guaranteed insurance business qualifications; and (v) commercial banks shall not finance the loans through the cooperative external institutions.

## **REGULATIONS ON INTERNET MAPPING SERVICES**

According to the Administrative Rules of Surveying Qualification Certificate promulgated by the PRC Ministry of Natural Resources, or the MNR, on July 1, 2014 and took effect on August 1, 2014, the provision of internet mapping services by any non-surveying and mapping enterprise is subject to the approval of the MNR and requires a surveying and mapping qualification certificate. Internet maps refer to maps called or transmitted through the internet. Pursuant to the Notice on Further Strengthening the Administration of Internet Mapping Services Qualification issued by the MNR on December 23, 2011, any entity without a Surveying and Mapping Qualification Certificate for Internet Surveying and Mapping is prohibited from providing any internet mapping services. According to the Provisions on the Administration of Examination of Maps promulgated by the MNR on June 23, 2006 and took effect on August 1, 2006 and recently amended on July 24, 2019, subject to limited exceptions, an enterprise must first apply for an approval by the relevant regulatory authority, if it intends to engage in any of the following activities: (i) publication, display, production, posting, import or export of a map or a product attached with a map, (ii) re-publication, re-display, re-production, re-posting, re-import or re-export of a map the content of which has been changed after it is approved, or other commercial products attached with such a map, and (iii) publication or display of a map or a product attached with a map overseas. The operator of an approved internet map is required to file the updated contents of the map with the relevant regulatory authority semi-annually, and re-apply for a new approval of the map when the two-year term of the existing approval expires.

## **REGULATIONS ON BIKE-SHARING**

According to the Guiding Opinions on Encouraging and Regulating the Development of Internet Bike Rental promulgated by the Ministry of Transport, Publicity Department of the Communist Party of China Central Committee, Office of the Central Leading Group for Cyberspace Affairs, NDRC, MIIT, Ministry of Public Security, Ministry of Housing and Urban-rural Development, PBOC, SAMR and MCT and took effect on August 1, 2017, the internet bike-sharing operators must establish the users' real name registration mechanism and enter into a service agreement with users to define their respective rights and obligations and specify the requirements on users' riding and parking. To strengthen the protection of the networks and information security, internet bike-sharing operators must set up their servers within the territory of China, implement the network security hierarchical protection, data security management and personal information protection systems and establish a network and information security management system and technical support measures. Additionally, internet bike-sharing operators must refine their internal control mechanism, including rigorously distinguish enterprise self-owned funds from deposits and advance from users, open special accounts for user's deposits and advance, and prevent and control user fund risks. In addition, pursuant to the Measures for the Administration of User Funds in New Forms of Transport Business (for Trial Implementation) jointly promulgated by several governmental authorities on May 9, 2019, internet bike-sharing operators, online ride hailing operators and other providers of transportation services based on information technology shall not charge deposit payments from users as a general principle, but if there is a necessity for deposit collection, operators shall allow users to choose either the operator's special deposit account or the users' individual bank settlement accounts for keeping and managing these deposits.

## **REGULATIONS ON CONSUMER PROTECTION**

The Law of the People's Republic of China on the Protection of Consumer Rights and Interests, which was promulgated by the SCNPC on October 31, 1993, further amended on October 25, 2013, and became effective on March 15, 2014, sets out the obligations of business operators and the rights and interests of the consumers. Pursuant to the law, business operators must guarantee the quality, function, usage, term of validity, personal or property safety requirement of the goods and services and provide customers with authentic information about the goods and services. Consumer whose legitimate rights and interests are harmed in the purchase of goods or receipt of services rendered through an online trading platform may seek compensation from the seller or the service provider. Where the online trading platform provider is unable to provide the true name, address and valid contact method of the seller or the service provider, the consumer may seek compensation from the online trading platform provider; where the online trading platform provider makes an undertaking which is more favorable to the consumer, the undertaking must be performed. Upon compensation by the online trading platform provider, the online trading platform provider must have the right to recover the compensation from the seller or the service provider. Where the online trading platform provider is or should be aware that the seller or the service provider is using its platform to harm the legitimate consumer rights and interests but failed to adopt the requisite measures, the online trading platform provider will be liable jointly and severally with the seller or the service provider pursuant to the law.

## **REGULATIONS ON AI, AUTONOMOUS DRIVING VEHICLES AND DRONES**

The Chinese government has issued a series of guidelines to encourage and support the research and development of AI technology, such as the Three-Year Implementing Plan for Internet Plus Artificial Intelligence issued in May 2016 and the Development Planning on the New Generation of Artificial Intelligence issued in July 2017. In particular, the MIIT, the Ministry of Public Security and the Ministry of Transport, issued the Circular on the Norms on Administration of Road Testing of Autonomous Driving Vehicles (Trial Implementation) in April 2018, which became effective from May 1, 2018 and is the primary regulation governing protocol of road testing of autonomous driving vehicles in the PRC. Pursuant to this circular, any entity intending to conduct a road testing of autonomous driving vehicles must apply for and obtain a road-testing certificate and a temporary license plate for each tested car. To qualify for these required licenses, an applicant entity must satisfy, among others, the following requirements: (i) it must be an independent legal person registered under PRC law with the capacity to conduct manufacturing, technological research or testing of automobiles and automobile parts, which has established protocol to test and assess the performance of autonomous driving system and is capable of conducting real-time remote monitor of the tested cars; (ii) the vehicle under road testing must be equipped with a driving system that can switch between autonomous pilot model and human driving model in a safe, quick and simple manner and allows human driver to take control of the vehicle any time immediately when necessary; (iii) the tested vehicle must be equipped with the function of recording, storing and real-time monitoring the condition of the vehicle and is able to transmit real-time data of the vehicle, such as the driving model, location and speed; (iv) the applicant entity must sign an employment contract or a labor service contract with the driver of the tested vehicle, who must be a licensed driver with more than three years' driving experience and a track record of safe driving and is familiar with the testing protocol for autonomous driving system and proficient in operating the system; (v) the applicant entity must insure each tested vehicle for at least RMB5 million against car accidents or provide a letter of guarantee covering the same. During testing, the testing entity should post a noticeable identification logo for autonomous driving test on each tested car and should not use autonomous driving model unless in the permitted testing areas specified in the road-testing certificate. If the testing entity intends to conduct road testing in the region beyond the administrative territory of the certificate issuing authority, it must apply for a separate road-testing certificate and a separate temporary license plate from the relevant authority

supervising the road-testing of autonomous cars in that region. In addition, the testing entity is required to submit to the road-testing certificate issuing authority a periodical testing report every six months and a final testing report within one month after completion of the road testing. In the case of a car accident causing severe injury or death of personnel or vehicle damage, the testing entity must report the accident to the road-testing certificate issuing authority within 24 hours and submit a comprehensive analysis report in writing covering cause analysis, final liability allocation results, etc. within five working days after the traffic enforcement agency determines the liability for the accident. Some local governments, such as Beijing, Shanghai, Chongqing, Hunan and Tianjin, have issued local rules and regulations to regulate road testing of autonomous driving cars accordingly.

## **REGULATIONS ON UNFAIR COMPETITION**

According to the Law of the People's Republic of China against Unfair Competition promulgated by the SCNPC on September 2, 1993 and further amended on November 4, 2017 and April 23, 2019, respectively, operators cannot undermine their competitors by engaging in improper activities, including but not limited to, taking advantage of powers or influence to affect a transaction, market confusion, commercial bribery, misleading false publicity, infringement of trade secrets, price dumping, illegitimate premium sale and commercial libel. Any operators who violate the law by engaging in the foregoing unfair competitive activities must be ordered to cease such illegal activities, eliminate the influence of such activities or compensate for the damages caused to any party. The competent supervision and inspection authorities may also confiscate the illegal gains or impose fines on such operators.

## **REGULATIONS ON ANTI-MONOPOLY MATTERS RELATED TO INTERNET PLATFORM COMPANIES.**

The PRC Anti-monopoly Law, which took effect on August 1, 2008, prohibits monopolistic conduct such as entering into monopoly agreements, abusing market dominance and concentration of undertakings that may have the effect of eliminating or restricting competition. On February 7, 2021, the Anti-monopoly Commission of the State Council officially promulgated the Guidelines to Anti-Monopoly in the Field of Internet Platforms, or the Anti-Monopoly Guidelines for Internet Platforms. Pursuant to an official interpretation from the Anti-monopoly Commission of the State Council, the Anti-Monopoly Guidelines for Internet Platforms mainly covers five aspects, including general provisions, monopoly agreements, abusing market dominance, concentration of undertakings, and abusing of administrative powers eliminating or restricting competition. The Anti-Monopoly Guidelines for Internet Platforms prohibits certain monopolistic acts of internet platforms so as to protect market competition and safeguard interests of users and undertakings participating in internet platform economy, including without limitation, prohibiting platforms with dominant position from abusing their market dominance (such as discriminating customers in terms of pricing and other transactional conditions using big data and analytics, coercing counterparties into exclusivity arrangements, using technology means to block competitors' interface, favorable positioning in search results of goods displays, using bundle services to sell services or products, compulsory collection of unnecessary user data). In addition, the Anti-Monopoly Guidelines for Internet Platforms also reinforces antitrust merger review for internet platform related transactions to safeguard market competition.



## **REGULATIONS RELATING TO FOREIGN EXCHANGE**

### **Regulation on Foreign Currency Exchange**

Pursuant to the Foreign Exchange Administration Regulations, which was promulgated by the State Council on January 29, 1996, took effect on April 1, 1996 and last amended on August 5, 2008, Renminbi is freely convertible into other currencies for current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions, but not for capital account items, such as direct investments, loans, repatriation of investments and investments in securities outside of China, unless prior approval is obtained from SAFE and prior registration with SAFE is made.

Pursuant to the Notice of the SAFE on Further Improving and Adjusting Foreign Exchange Administration Policies for Direct Investment promulgated by SAFE on November 19, 2012, or SAFE Notice No. 59, which became effective on December 17, 2012 and was further amended on May 4, 2015, October 10, 2018 and December 30, 2019, respectively, approval is not required for the opening of an account entry in foreign exchange accounts under direct investment. SAFE Notice No. 59 also simplified the capital verification and confirmation formalities for foreign invested entities, the foreign capital and foreign exchange registration formalities required for the foreign investors to acquire equities from Chinese party, and further improved the administration on exchange settlement of foreign exchange capital of foreign invested entities.

On March 30, 2015, SAFE promulgated the Circular on Reforming the Administration Measures on Conversion of Foreign Exchange Registered Capital of Foreign-invested Enterprises, or the Circular 19, which was amended on December 30, 2019. SAFE further promulgated the Circular of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts, or the Circular 16, on June 9, 2016, which, among other things, amend certain provisions of the Circular 19. According to the Circular 19 and the Circular 16, the flow and use of the Renminbi capital converted from foreign currency denominated registered capital of a foreign-invested company is regulated such that Renminbi capital may not be used for business beyond its business scope or to provide loans to persons other than affiliates unless otherwise permitted under its business scope, securities investment or other financial investment except for guaranteed financial products issued by banks, providing loans to non-affiliated enterprises unless otherwise permitted under its business scope or constructing or purchasing real estate not for self-use. On October 23, 2019, the SAFE issued the Circular on Further Promoting Cross-border Trade and Investment Facilitation, which expressly allows FIEs that do not have equity investments in their approved business scope to use their capital obtained from foreign exchange settlement to make domestic equity investments as long as the investments are real and in compliance with the foreign investment-related laws and regulations. Violations of these regulations could result in administrative penalties.

On January 26, 2017, the SAFE promulgated the Notice on Improving the Check of Authenticity and Compliance to Further Promote Foreign Exchange Control, or the Circular 3, which stipulates several capital control measures with respect to the outbound remittance of profit from domestic entities to offshore entities, including (i) under the principle of genuine transaction, banks must check board resolutions regarding profit distribution, the original version of tax filing records and audited financial statements; and (ii) domestic entities must hold income to account for previous years' losses before remitting the profits. Moreover, pursuant to the Circular 3, domestic entities must make detailed explanations of the sources of capital and utilization arrangements, and provide board resolutions, contracts and other proof when completing the registration procedures in connection with an outbound investment.

## **Regulations on Dividend Distribution**

Under applicable PRC laws and regulations, FIEs in China may pay dividends only out of their retained earnings, if any, determined in accordance with PRC accounting standards and regulations. A PRC company is required to set aside as statutory reserve funds at least 10% of its after-tax profit, until the cumulative amount of such reserve funds reaches 50% of its registered capital unless laws regarding foreign investment provide otherwise. At the discretion of the board of directors of a FIE, it may allocate a portion of its after-tax profits based on PRC accounting standards to other reserve funds. These reserve funds are not distributable as cash dividends. In addition, a PRC company cannot distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

## **Regulations on Foreign Exchange Registration of Overseas Investment by PRC Residents**

On July 4, 2014, SAFE promulgated the Notice on Relevant Issues Relating to Domestic Residents' Investment and Financing and Round-Trip Investment through Special Purpose Vehicles, or the Circular 37, for the purpose of simplifying the approval process, and for the promotion of the cross-border investment. The Circular 37 supersedes the Notice on Relevant Issues on the Foreign Exchange Administration of Raising Funds through Overseas Special Purpose Vehicle and Investing Back in China by Domestic Residents, and revises and regulates the relevant matters involving foreign exchange registration for round-trip investment. Under the Circular 37, (i) a resident in mainland China must register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing; and (ii) following the initial registration, PRC resident must update his or her SAFE registration when the offshore special purpose vehicle undergoes material events relating to any change of basic information (including change of such PRC citizens or residents, name and operation term, increases or decreases in investment amount, transfers or exchanges of shares, or mergers or divisions).

Pursuant to the SAFE Circular Further Simplification and Improvement Foreign Exchange Administration on Direct Investment, promulgated on February 13, 2015, effective on June 1, 2015, and further amended on December 30, 2019, the aforementioned registration must be directly reviewed and handled by qualified banks, and SAFE and its branches must perform indirect regulation over the foreign exchange registration via qualified banks.

Failure to comply with the registration procedures set forth in the Circular 37 may result in restrictions being imposed on the foreign exchange activities of the relevant onshore company, including the payment of dividends and other distributions to its offshore parent or affiliate, and may also subject relevant PRC residents to penalties under PRC foreign exchange administration regulations. PRC residents who control the company from time to time are required to register with the SAFE in connection with their investments in the company. Moreover, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

## **Regulations on Stock Incentive Plans**

On February 15, 2012, SAFE promulgated the Notice on Foreign Exchange Administration of PRC Residents Participating in Share Incentive Plans of Offshore Listed Companies, pursuant to which individuals participating in any stock incentive plan of any overseas publicly listed company who are Chinese citizens or foreign citizens who reside in mainland China for a continuous period of not less than one year, subject to a few exceptions, are required to register with SAFE or its local branches and complete

certain other procedures through a domestic qualified agent, which could be a Chinese subsidiary of such overseas listed company, and complete certain other procedures. The participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the agent in mainland China is required to further amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the mainland Chinese agent or the overseas entrusted institution or other material changes. The mainland Chinese agents must, on behalf of the mainland Chinese residents who have the right to exercise the employee share options, apply to SAFE or its local branches for an annual quota for the payment of foreign currencies in connection with the mainland Chinese residents' exercise of the employee share options. The foreign exchange proceeds received by the mainland Chinese residents from the sale of shares under the stock incentive plans granted and dividends distributed by the overseas listed companies must be remitted into the bank accounts in mainland China opened by the mainland Chinese agents before distribution to such mainland Chinese residents. Under the Circular of the State Administration of Taxation on Issues Concerning Individual Income Tax in Relation to Equity Incentives promulgated by the SAT and effective from August 24, 2009, listed companies and their domestic organizations must, according to the individual income tax calculation methods for "wage and salary income" and stock option income, lawfully withhold and pay individual income tax on such income.

## **REGULATION ON INTELLECTUAL PROPERTY**

### **Copyright and Software Products**

On September 7, 1990, the National People's Congress promulgated PRC Copyright Law (Revised in 2010), which was further amended in November 2020 and will take effect in June 2021. The PRC Copyright Law provides that Chinese citizens, legal persons, or other organizations must, whether published or not, enjoy copyright in their works, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software. In addition, internet activities, products disseminated over the internet and software products also enjoys copyright. There is a voluntary registration system administered by the China Copyright Protection Center.

In order to further implement the Computer Software Protection Regulations promulgated by the State Council on December 20, 2001, took effect on March 1, 2013, and amended on January 30, 2013, the State Copyright Bureau issued the Computer Software Copyright Registration Procedures on February 20, 2002 and amended on June 18, 2004, which apply to software copyright registration, license contract registration and transfer contract registration. The National Copyright Administration of China must be the competent authority for the nationwide administration of software copyright registration and the Copyright Protection Center of China is designated as the software registration authority. The Copyright Protection Center of China must grant registration certificates to the Computer Software Copyrights applicants which conforms to the provisions of both the Software Copyright Measures and the Computer Software Protection Regulations (Revised in 2013).

Provisions of the Supreme People's Court on Certain Issues Related to the Application of Law in the Trial of Civil Cases Involving Disputes over Infringement of the Right of Dissemination through Information Networks provide that web players or web service providers who create works, performances or audio-video products, for which others have the right of dissemination through information networks or are available on any information network without authorization will be deemed to have infringed upon the right of dissemination through information networks.

## **Trademarks**

Trademarks are protected by the PRC Trademark Law (Revised in 2019) promulgated by the National People's Congress on August 23, 1982 and subsequently amended on February 22, 1993, October 27, 2001, August 30, 2013, and April 23, 2019, as well as the Implementation Regulation of the PRC Trademark Law promulgated by the State Council on August 3, 2002 and amended on April 29, 2014. The Trademark Office of the PRC National Intellectual Property Administration, or the Trademark Office, handles trademark registrations and grants a term of ten years to registered trademarks and another ten years if requested upon expiry of the first or any renewed ten-year term. Trademark registrant may license its registered trademark to another party by entering into a trademark license agreement. Trademark license agreements must be filed with the Trademark Office to be recorded. The licensor must supervise the quality of the commodities on which the trademark is used, and the licensee must guarantee the quality of such commodities. Trademark license agreements must be filed with the Trademark Office for record. The PRC Trademark Law has adopted a "first-to-file" principle with respect to trademark registration. Where a trademark for which a registration has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a "sufficient degree of reputation" through such party's use. Trademark license agreements should be filed with the Trademark Office or its regional offices.

## **Domain Names**

Internet domain name registration and related matters are primarily regulated by the Measures on Administration of Domain Names for the Chinese Internet, promulgated by MIIT on November 5, 2004 and took effect on December 20, 2004 which was superseded by the Measures on Administration of Internet Domain Names promulgated by MIIT on August 24, 2017 and took effect on November 1, 2017, and Implementation Rules on Registration of National Top-level Domain Names promulgated by China Internet Network Information Center and took effect on June 18, 2019. Domain name owners are required to register their domain names and the MIIT is in charge of the administration of PRC internet domain names. The domain name services follow a "first come, first file" principle. Applicants for registration of domain names must provide their true, accurate, and complete information of such domain names to and enter into registration agreements with domain name registration service institutions. The applicants will become the holders of such domain names upon the completion of the registration procedure.

## **The Patent Law**

According to the PRC Patent Law (Revised in 2008) promulgated by the SCNPC, which was further amended on October 17, 2020 and will take effect on June 1, 2021, and its Implementation Rules (Revised in 2010) promulgated by the State Council on January 9, 2010 and took effect on February 1, 2010, the PRC State Intellectual Property Office is responsible for administering patents in China. The patent administration departments of provincial or autonomous regions or municipal governments are responsible for administering patents within their respective jurisdictions. The PRC Patent Law and its implementation rules provide for three types of patents, "invention," "utility model," and "design." Invention patents are valid for twenty years, while design patents and utility model patents are valid for ten years, from the date of application. The Chinese patent system adopts a "first come, first file" principle, which means that where more than one person files a patent application for the same invention, a patent will be granted to the person who files the application first. To be patentable, invention or utility models must meet three criteria: novelty, inventiveness and practicability. A third-party player must obtain consent or a proper license from the patent owner to use the patent. Otherwise, the use constitutes an infringement of the patent rights.

## REGULATIONS ON TAXES

### Enterprise Income Tax

Pursuant to the EIT Law and its implementing rules, enterprises are classified into resident enterprises and non-resident enterprises. PRC resident enterprises typically pay an enterprise income tax at the rate of 25% while non-PRC resident enterprises without any branches in China should pay an enterprise income tax in connection with their income from the PRC at the tax rate of 10%.

The Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as People's Republic of China Tax Resident Enterprises on the Basis of De Facto Management Bodies promulgated by the SAT on April 22, 2009, took effect on January 1, 2008, and recently amended on December 29, 2017, sets out the standards and procedures for determining whether the “de facto management body” of an enterprise registered outside of mainland China and controlled by mainland Chinese enterprises or mainland Chinese enterprise groups is located within mainland China.

On July 27, 2011, SAT issued a trial version of the Administrative Measures for Enterprise Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises, which came into effect on September 1, 2011 and was amended on June 15, 2018, to clarify certain issues in the areas of resident status determination, post-determination administration and competent tax authorities' procedures.

The EIT Law and the implementation rules provide that an income tax rate of 10% will normally be applicable to dividends payable to investors that are “non-resident enterprises,” and gains derived by such investors, which (a) do not have an establishment or place of business in China or (b) have an establishment or place of business in China, but the relevant income is not effectively connected with the establishment or place of business to the extent such dividends and gains are derived from sources within China. Such income tax on the dividends may be reduced pursuant to a tax treaty between China and other jurisdictions. Pursuant to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation on Income, or the Double Tax Avoidance Arrangement, promulgated by the SAT on August 21, 2006, and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5% upon receiving approval from in-charge tax authority. However, based on the Notice on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties promulgated and took effect on February 20, 2009 by the SAT, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. Based on the Announcement on Recognition of “Beneficial Owner” in Tax Treaties issued by the SAT on February 3, 2018 and effective on April 1, 2018, when determining the applicant's status of the “beneficial owner” regarding tax treatments in connection with dividends, interests or royalties in the tax treaties, several factors, including without limitation, whether the applicant is obligated to pay more than 50% of its income in twelve months to residents in third country or region, whether the business operated by the applicant constitutes the actual business activities, and whether the counterparty country or region to the tax treaties does not levy any tax or grant tax exemption on relevant incomes or levy tax at an extremely low rate, will be taken into account, and it will be analyzed according to the actual circumstances of the specific cases.

## **Value-added Tax and Business Tax**

According to the Provisional Regulations on Value-added Tax promulgated by the State Council on December 13, 1993 and amended on November 1 2008, January 8, 2011, February 6, 2016, and November 19, 2017, and the Implementing Rules of the Provisional Regulations on Value-added Tax promulgated by the Ministry of Finance on December 25, 1993 and amended on February 22, 1995, December 15, 2008 and October 28, 2011, all taxpayers selling goods, providing processing, repairing or replacement services or importing goods in China must pay value-added tax.

Pursuant to the PRC Provisional Regulations on Business Tax, which took effect on January 1, 1994 and were subsequently amended on November 10, 2008, and its implementation rules, all institutions and individuals providing taxable services, transferring intangible assets, or selling real estate in China must pay business tax. The scope of services which constitute taxable services and the rates of business tax are prescribed in the List of Items and Rates of Business Tax attached to the regulation. On November 19, 2017, the regulations in relation to business tax was abolished.

Since January 1, 2012, the Ministry of Finance and the SAT have implemented the Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax, which imposes VAT in lieu of business tax for certain “modern service industries” in certain regions and eventually expanded to nation-wide application in 2013. According to the implementation circulars released by the Ministry of Finance and the SAT on the VAT Pilot Program, the “modern service industries” include research, development and technology services, information technology services, cultural innovation services, logistics support, lease of corporeal properties, attestation and consulting services. According to the Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner, or the SAT Circular 36, promulgated by the Ministry of Finance and SAT and took effect on May 1, 2016, entities and individuals engaging in the sale of services, intangible assets or fixed assets within the territory of China are required to pay value-added tax instead of business tax. On March 20, 2019, the MOF, the SAT and the General Administration of Customs jointly issued the Announcement on Policies for Deepening the VAT Reform to further slash value-added tax rates. The Announcement on Policies for Deepening the VAT Reform came into effect on April 1, 2019 and prevails in case of any conflict with previous provisions.

## **REGULATIONS RELATING TO EMPLOYMENT AND SOCIAL WELFARE**

### **The Labor Contract Law**

Pursuant to the PRC Labor Law promulgated by the SCNPC on July 5, 1994, took effect on January 1, 1995 and recently amended on December 29, 2018, the PRC Labor Contract Law promulgated by the SCNPC on June 29, 2007, took effect on January 1, 2008 and amended on December 28, 2012, and the Implementing Regulations of the Employment Contracts Law promulgated by the State Council and took effect on September 18, 2008, labor relationships between employers and employees must be executed in written form. Wages may not be lower than the local minimum wage. Employers must establish a system for labor safety and sanitation, strictly abide by state standards and provide relevant education to its employees. Employees are also required to work in safe and sanitary conditions.



## **Social Insurance and Housing Fund**

Under PRC laws, rules and regulations, including the Social Insurance Law promulgated by the State Council on October 28, 2010 and took effect on July 1, 2011, and amended on December 29, 2018, the Interim Regulations on the Collection and Payment of Social Security Funds promulgated by the State Council and took effect on January 22, 1999, and amended on March 24, 2019, and the Regulations on the Administration of Housing Accumulation Funds promulgated by the State Council and took effect on April 3, 1999, and amended on March 24, 2002, and amended on March 24, 2019, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity leave insurance, and housing accumulation funds. These payments are made to local administrative authorities and any employer who fails to contribute may be fined and ordered to pay the deficit amount.

## DIRECTORS AND SENIOR MANAGEMENT

### DIRECTORS

Our board of directors currently consists of eight directors, comprising three executive directors, two non-executive directors, and three independent non-executive directors. The following table sets out the name, age, and position of our directors as of the date of this Offering Circular:

Name	Age	Position
Wang Xing . . . . .	42	Co-founder, Executive Director, Chief Executive Officer, and Chairman of the Board
Mu Rongjun . . . . .	41	Co-founder, Executive Director, and Senior Vice President
Wang Huiwen . . . . .	42	Co-founder, Executive Director
Lau Chi Ping Martin . . . . .	48	Non-executive Director
Neil Nanpeng Shen . . . . .	53	Non-executive Director
Orr Gordon Robert Halyburton . . . . .	58	Independent Non-executive Director
Leng Xuesong . . . . .	52	Independent Non-executive Director
Shum Heung Yeung Harry . . . . .	54	Independent Non-executive Director

### EXECUTIVE DIRECTORS

**Wang Xing** (王興), aged 42, is our co-founder, executive director, chief executive officer, and chairman of the board. Wang Xing is responsible for the overall strategic planning, business direction, and management of our company. He oversees the senior management team. Wang Xing founded meituan.com in 2010 and currently holds directorship in various subsidiaries, consolidated affiliated entities, and operating entities of our company.

Wang Xing has over 10 years of managerial and operational experience in the internet industry. Prior to co-founding our company, he co-founded xiaonei.com (校內網), China's first college social network website in December 2005 and worked there as chief executive officer from December 2005 to April 2007. xiaonei.com (校內網) was sold to China InterActive Corp in October 2006 which was later renamed as Renren Inc. (NYSE Ticker: RENN). Wang Xing also co-founded fanfou.com (飯否網), a social media company specializing in microblogging, in May 2007 and was responsible for the management and operation of this company from May 2007 to July 2009.

Wang Xing received his bachelor's degree in electronic engineering from Tsinghua University in July 2001 and his master's degree in computer engineering from University of Delaware in January 2005.

**Mu Rongjun** (穆榮均), aged 41, is our co-founder, executive director, and senior vice president. He is responsible for our financial services and corporate affairs.

Mu Rongjun has over 10 years of managerial and operational experience in the internet industry. Prior to co-founding our company, he worked as senior software engineer and project manager in Baidu, Inc. (Nasdaq Ticker: BIDU), the leading Chinese language internet search provider, from July 2005 to May 2007. Mu Rongjun was also a co-founder and the engineering director of fanfou.com (飯否網), a social media company specializing in microblogging, from May 2007 to July 2009.

Mu Rongjun received his bachelor's degree in automation engineering from Tsinghua University in July 2002 and his master's degree in computer science and technology from Tsinghua University in July 2005.

**Wang Huiwen** (王慧文), aged 42, is our co-founder, and executive director. Wang Huiwen is responsible for our on-demand delivery and certain new initiatives. He withdrew from his day-to-day management duties in the Company in December 2020, but continues to perform his director's duties by devoting himself to the strategic planning, organizational growth, and talent development of the Company after withdrawing from his day-to-day duties.

Wang Huiwen has over 10 years of managerial and operational experience in the internet industry. Prior to co-founding our company, he co-founded xiaonei.com (校內網), China's first college social network website, in December 2005 and worked there as co-founder from December 2005 to October 2006. xiaonei.com (校內網) was sold to China InterActive Corp in October 2006 which was later renamed as Renren Inc. (NYSE Ticker: RENN). In January 2009, Wang Huiwen co-founded taofang.com and worked there from June 2008 to October 2010. Wang Huiwen has become an independent non-executive director of Kuaishou Technology (HKEx Stock Code: 1024) since February 2021.

Wang Huiwen received his bachelor's degree in electronic engineering from Tsinghua University in July 2001.

## **NON-EXECUTIVE DIRECTORS**

**Lau Chi Ping Martin** (劉熾平), aged 48, is our non-executive director. He is responsible for providing advice on business and investment strategies, general market trends, and other matters subject to the board guidance and approval.

Lau Chi Ping Martin joined Tencent in 2005 as the chief strategy and investment officer. In 2006, Lau Chi Ping Martin was promoted as the president of Tencent to manage the day-to-day operation of Tencent. In 2007, he was appointed as an executive director of Tencent. Prior to joining Tencent, Lau Chi Ping Martin was an executive director at Goldman Sachs (Asia) L.L.C.'s investment banking division and the chief operating officer of its Telecom, Media and Technology Group. Prior to that, he worked at McKinsey & Company, Inc. as a management consultant.

Lau Chi Ping Martin received a Bachelor of Science degree in Electrical Engineering from the University of Michigan in July 1994, a Master of Science degree in Electrical Engineering from Stanford University in July 1995 and an MBA degree from Kellogg Graduate School of Management, Northwestern University in June 1998.

In July 2011, Lau Chi Ping Martin was appointed as a non-executive director of Kingsoft Corporation Limited (HKEx Stock Code: 3888), an internet based software developer, distributor, and software service provider listed in Hong Kong. In March 2014, Lau Chi Ping Martin was appointed as a director of JD.com, Inc. (Nasdaq Ticker: JD) (HKEx Stock Code: 9618). From March 2014 to August 2020, Lau Chi Ping Martin serves as a director of Leju Holdings Limited (NYSE Ticker: LEJU). In July 2016, Lau Chi Ping was appointed as a director of Tencent Music Entertainment Group (formerly known as China Music Corporation) (NYSE Ticker: TME). In December 2017, Lau Chi Ping Martin was appointed as a director of Vipshop Holdings Limited (NYSE Ticker: VIPS), an online discount retailer company listed on the New York Stock Exchange.

**Neil Nanpeng Shen** (沈南鵬), aged 53, is our non-executive director. He is responsible for providing advice on investment and business strategies, financial discipline, and other matters subject to the board guidance and approval.

Neil Nanpeng Shen founded Sequoia Capital China in September 2005 and has been serving as the founding managing partner since then. Prior to founding Sequoia Capital China, he co-founded Ctrip.com International, Ltd., or Ctrip (Nasdaq Ticker: CTRP), a leading travel service provider in China, in 1999. Neil Nanpeng Shen served as Ctrip's president from August 2003 to October 2005 and its chief financial officer from 2000 to October 2005. Neil Nanpeng Shen also co-founded and served as non-executive Co-Chairman of Homeinns Hotel Group, a leading economy hotel chain in China, which commenced operations in July 2002.

Neil Nanpeng Shen received his bachelor's degree in applied mathematics from Shanghai Jiao Tong University in July 1988 and his master's degree from Yale University in November 1992.

Neil Nanpeng Shen has been an independent non-executive director of Trip.com Group Limited (NASDAQ Ticker: TCOM), formerly Ctrip.com International, Ltd. (NASDAQ Ticker: CTRP) since October 2008, a non-executive director of Ninebot Limited (SHSE Stock Code: 689009) since July 2015, a non-executive director of Noah Holdings Limited (NYSE Ticker: NOAH) since January 2016, a non-executive director of BTG Hotels Group (SHSE Stock Code: 600258) since January 2017, and an independent non-executive director of Pinduoduo Inc. (Nasdaq Ticker: PDD) since April 2018.

## **INDEPENDENT NON-EXECUTIVE DIRECTORS**

**Orr Gordon Robert Halyburton**, aged 58, is our independent non-executive director. He is responsible for providing independent advice on financial and accounting affairs and corporate governance matters, and other matters subject to the board guidance and approval.

Orr Gordon Robert Halyburton joined McKinsey & Company in 1986 and served as senior partner of McKinsey & Company from July 1998 until August 2015 when he retired. He was a member of McKinsey's global shareholder board from July 2003 until June 2015.

Orr Gordon Robert Halyburton acquired extensive corporate governance experience during his position as a senior partner of McKinsey & Company, as well as a director and member of board committees in Lenovo Group Limited (HKEx Stock Code: 992) and Swire Pacific Limited (HKEx Stock Code: 00019 and 00087). His corporate governance experience includes, among others, (i) reviewing, monitoring and making recommendations as to the companies' policies, practices and compliance; (ii) proposing measures to ensure effective communication between the board and shareholders; (iii) opining on proposed connected transactions; and (iv) understanding requirements of the Listing Rules and directors' duty to act in the best interest of the company and the shareholders as a whole.

Orr Gordon Robert Halyburton received his bachelor's degree in engineering science from Oxford University in June 1984 and his master's degree in business administration from Harvard University in June 1986.

Orr Gordon Robert Halyburton has been an independent non-executive director of EQT AB (Stockholm Stock Code: EQT) since September 2019. He was appointed as a non-executive director of Lenovo Group Limited (HKEx Stock Code: 992) in September 2015 and redesignated as an independent non-executive director in September 2016. He has also been an independent non-executive director of Swire Pacific Limited (HKEx Stock Code: 00019 and 00087) since August 2015. He is also the vice chairman of China-Britain Business Council.

**Leng Xuesong** (冷雪松), aged 52, is our independent non-executive director. He is responsible for providing independent advice on finance, executive compensation and corporate governance matters, and other matters subject to the board guidance and approval.

Leng Xuesong joined Warburg Pincus, an international private equity firm, in September 1999 as an associate and served as managing director when he left in August 2007. From September 2007 to December 2014, he served as managing director at General Atlantic LLC, where he focused on investment opportunities in North Asia. In January 2015, Leng Xuesong founded Lupin Capital, a China-focused private equity fund.

Leng Xuesong acquired extensive corporate governance experience through his position as managing director of private equity funds and as non-executive director of various listed companies in Hong Kong and the US. He has accumulated corporate governance experience in (i) reviewing, monitoring, and providing recommendations as to the companies' policies and compliance; (ii) facilitating effective communication between the board and shareholders; and (iii) understanding requirements of the Listing Rules and directors' duty to act in the best interest of the company and the shareholders as a whole.

Leng Xuesong received his bachelor's degree in international industrial trade from Shanghai Jiao Tong University in July 1992 and his master's degree in business administration from the Wharton School of the University of Pennsylvania in May 1999.

Leng Xuesong served as non-executive director of China Huiyuan Juice Group Limited (HKEx Stock Code: 1886) from July 2006 to August 2007 and Zhongsheng Group Holdings Limited (HKEx Stock Code: 881) from August 2008 to June 2015. He served as non-executive director of Wuxi Pharmatech (Cayman) Inc. (NYSE Ticker: WX) from March 2008 to December 2015 and Soufun Holdings Ltd. (NYSE Ticker: SFUN) from September 2010 to December 2014. He has also served as non-executive director of China Index Holdings Limited (NASDAQ Ticker: CIH) since July 2019.

**Shum Heung Yeung Harry** (沈向洋), aged 54, is our independent non-executive director. He is responsible for providing independent advice on technology innovation, the global technology, and internet industry trends, and other matters subject to the board guidance and approval.

Shum Heung Yeung Harry joined Microsoft Research in November 1996 as a researcher based in Redmond, Washington. In November 1998, he moved to Beijing as one of the founding members of Microsoft Research China (later renamed Microsoft Research Asia) and spent nine years there first as a researcher, subsequently moving on to become managing director of Microsoft Research Asia and a distinguished engineer of Microsoft Corporation. From October 2007 to November 2013, Shum Heung Yeung Harry served as the corporate vice president responsible for Bing search product development. From November 2013 to February 2020, he served as the executive vice president of Microsoft Corporation. He has been an independent non-executive director of Youdao, Inc. (NYSE Ticker: DAO) since October 2019.

Shum Heung Yeung Harry has acquired corporate governance experience in his capacity as the executive vice president of Microsoft Corporation. His key corporate governance experience includes (i) making recommendations as to internal control systems and policies; (ii) regular communication with the board of directors; and (iii) implementing corporate governance measures.

Shum Heung Yeung Harry received his Ph.D. in Robotics from Carnegie Mellon University in August 1996. He was elected into the National Academy of Engineering of United States in February 2017.

## SENIOR MANAGEMENT (NON-DIRECTORS)

**Chen Shaohui** (陳少暉), aged 40, is our chief financial officer and senior vice president. He is responsible for overseeing our finance, strategic planning, investments, and capital market activities.

Before joining the Company in November 2014, Chen Shaohui worked as an analyst in A.T. Kearney from June 2004 to October 2005, an investment manager in WI Harper from October 2005 to August 2008 and an investment director in Tencent (HKEx Stock Code: 700) from January 2011 to October 2014.

In August 2018, Chen Shaohui was appointed as a director of Beijing Enlight Media Co., Ltd. (SZSE Stock Code: 300251). In July 2018, he was appointed as a non-executive director of Maoyan Entertainment (HKEx Stock Code: 1896).

Chen Shaohui received his bachelor's degree in economics from Peking University in June 2004 and his master's degree in business administration from Harvard University in May 2010.

**Chen Liang** (陳亮), aged 41, is our senior vice president and is responsible for overseeing our retail business.

Prior to joining the Company in January 2011, Chen Liang worked as a software engineer in Guangzhou Institute of Communications (廣州通信研究所) from August 2002 to November 2004 and the chief technology officer in Shenzhen Tianshitong Technology Co., Ltd. (深圳天時通科技有限公司) from November 2004 to December 2005. He co-founded xiaonei.com (校內網) in December 2005 and worked there from January 2006 to October 2006. xiaonei.com (校內網) was subsequently sold to China InterActive Corp in October 2006 which was later renamed as Renren Inc. (NYSE Ticker: RENN). Chen Liang worked as the research and development manager of the communication division in Beijing Yahoo Network Information Technology Co., Ltd. from May 2007 to June 2008. After that, he co-founded taofang.com (淘房網) in June 2008 and worked there from 2008 to 2010.

Chen Liang received his bachelor's degree in mechatronic engineering from South China University of Technology in July 2002.

**Zhang Chuan** (張川), aged 45, is our senior vice president and is responsible for overseeing our in-store services business.

Before joining the Company in January 2017, Zhang Chuan worked as development manager in the Information Centre of Ministry of Education from September 1997 to 2005, senior product manager at Yonyou Software Co., Ltd. (SHSE Stock Code: 600588) from May 2005 to August 2006, product director at Baidu, Inc. (Nasdaq Ticker: BIDU) from August 2006 to October 2011, and executive vice president at 58.com Inc. (NYSE Ticker: WUBA) from October 2011 to December 2016.

Zhang Chuan received his bachelor's degree in computer science from Beijing Normal University in July 1997 and his master's degree in business administration from Tsinghua University in June 2003.



## **SHARE OPTION AND SHARE AWARD SCHEMES**

As of December 31, 2020, we have adopted three share options schemes, namely the Pre-IPO ESOP, the Post-IPO Share Option Scheme, and the Post-IPO Share Award Scheme.

### **Pre-IPO ESOP**

The Pre-IPO ESOP was approved and adopted pursuant to the written resolutions of all the then shareholders of the Company dated October 6, 2015. The eligible participants include employees, consultants and Directors, as determined by a committee authorized by the Board. The maximum aggregate number of Shares which may be issued is 683,038,063, subject to any adjustments for other dilutive issuances. The Pre-IPO ESOP commenced on October 6, 2015 and will expire on the tenth anniversary of the commencement date.

### **Post-IPO Share Option Scheme**

The Post-IPO Share Option Scheme was approved and adopted by all the then shareholders of the Company on August 30, 2018. The eligible participants include any individual, being an employee, director, officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner, or service provider of any member of us, our subsidiaries, or our Consolidated Affiliated Entities, or any affiliate who the Board or its delegate(s) considers, in their sole discretion, to have contributed or will contribute to our company. On April 24, 2020, we granted 1,356,000 options to our employees pursuant to the Post-IPO Share Option Scheme, subject to acceptance by the grantees. Each option entitles the grantees to subscribe for one Class B Share at the exercise price of HK\$100.15 per share. As of December 31, 2020, the total number of Class B Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other schemes is 475,568,628 Class B Shares.

### **Post-IPO Share Award Scheme**

The Post-IPO Share Award Scheme was approved and adopted by all the then shareholders of the Company on August 30, 2018. The eligible participants include any individual, being an employee, director (including executive Directors, non-executive Directors and independent non-executive Directors), officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of us, our subsidiaries, or our Consolidated Affiliated Entities, or any affiliate (an “Eligible Person” and collectively “Eligible Persons”) who the Board or its delegate(s) considers, in its sole discretion, to have contributed or will contribute to the Company. The aggregate number of Class B Shares underlying all grants made pursuant to the Post-IPO Share Award Scheme (excluding Award Shares which have been forfeited in accordance with the Post-IPO Share Award Scheme) will not exceed 272,336,228 Shares.

## **COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT**

During the year ended December 31, 2018, 4,700,000 share options and 4,330,000 RSUs were granted to five of our directors. During the year ended December 31, 2019, no share options or RSUs were granted to any of our directors or senior management. During the year ended December 31, 2020, 1,356,000 share options and 4,500,000 RSUs were granted to our senior management.

For more information on the compensation of our director and senior management, see note 32 of the audited consolidated financial statements for the year ended December 31, 2019 and note 33 of the audited consolidated financial statements for the year ended December 31, 2020 included in this Offering Circular.

## SUBSTANTIAL SHAREHOLDERS AND DIRECTORS' INTERESTS

As of December 31, 2020, to the best knowledge of the Directors, the following persons had interests or short positions in the Ordinary Shares or underlying shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Substantial Shareholder	Capacity/ Nature of interest	Number and class of Shares held	Approximate percentage of interest in each class of Shares <sup>(5)</sup>
<b><i>Class A Shares – Wang Xing</i></b>			
Crown Holdings <sup>(1)</sup>	Beneficial interest	489,600,000 Class A Shares	66.56%
Shared Patience <sup>(1)</sup>	Beneficial interest	83,588,783 Class A Shares	11.36%
Songtao Limited <sup>(1)</sup>	Interest in controlled corporation	489,600,000 Class A Shares	66.56%
TMF (Cayman) Ltd.	Trustee	489,600,000 Class A Shares	66.56%
Wang Xing	Beneficiary of a trust <sup>(1)</sup>	489,600,000 Class A Shares	66.56%
	Founder of a trust <sup>(1)</sup>	489,600,000 Class A Shares	66.56%
	Interest in controlled corporation <sup>(1)</sup>	83,588,783 Class A Shares	11.36%
<b><i>Class A Shares – Mu Rongjun</i></b>			
Charmway Enterprises <sup>(2)</sup>	Beneficial interest	118,650,000 Class A Shares	16.13%
Shared Vision <sup>(2)</sup>	Beneficial interest	7,330,000 Class A Shares	1.00%
Day One Holdings Limited <sup>(2)</sup>	Interest in controlled corporation	118,650,000 Class A Shares	16.13%
TMF (Cayman) Ltd.	Trustee	118,650,000 Class A Shares	16.13%
Mu Rongjun	Beneficiary of a trust <sup>(2)</sup>	118,650,000 Class A Shares	16.13%
	Founder of a trust <sup>(2)</sup>	118,650,000 Class A Shares	16.13%
	Interest in controlled corporation <sup>(2)</sup>	7,330,000 Class A Shares	1.00%
<b><i>Class B Shares – Tencent</i></b>			
Huai River Investment Limited <sup>(3)</sup>	Beneficial interest	623,420,905 Class B Shares	12.11%
Tencent Mobility Limited <sup>(3)</sup>	Beneficial interest	383,955,705 Class B Shares	7.46%
Morespark Limited <sup>(3)</sup>	Beneficial interest	8,850,245 Class B Shares	0.17%
Great Summer Limited <sup>(3)</sup>	Beneficial interest	25,000,000 Class B Shares	0.49%
THL A Limited	Beneficial interest	496,661 Class B Shares	0.01%
THL A25 Limited	Beneficial interest	12,912 Class B Shares	0.00%
Distribution Pool Limited	Beneficial interest	1,018,420 Class B Shares	0.02%
<b><i>Class B Shares – Sequoia</i></b>			
Sequoia Capital China Funds, Sequoia Capital Global Growth Funds and Other Controlled Entities <sup>(4)</sup>	Beneficial interest	387,668,586 Class B Shares	7.53%
	Other	9,520,506 Class B Shares	0.18%

Notes:

- (1) Crown Holdings is wholly owned by Songtao Limited which is in turn wholly owned by TMF (Cayman) Ltd. The entire interest in Songtao Limited is held by TMF (Cayman) Ltd. as trustee for a trust established by Wang Xing (as settlor) for the benefit of Wang Xing and his family. Wang Xing is deemed to be interested in the 489,600,000 Class A Shares held by Crown Holdings under the SFO. Shared Patience is wholly owned by Wang Xing.

- (2) Charmway Enterprises is wholly owned by Day One Holdings Limited which is in turn wholly owned by TMF (Cayman) Ltd. The entire interest in Day One Holdings Limited is held by TMF (Cayman) Ltd. as trustee for a trust established by Mu Rongjun (as settlor) for the benefit of Mu Rongjun and his family. Mu Rongjun is deemed to be interested in the 118,650,000 Class A Shares held by Charmway Enterprises under the SFO. Shared Vision is wholly owned by Mu Rongjun.
- (3) Huai River Investment Limited, a company incorporated under the laws of the British Virgin Islands, Tencent Mobility Limited, a company incorporated under the laws of Hong Kong, Morespark Limited, a company incorporated under the laws of Hong Kong, Great Summer Limited, a company incorporated under the laws of the British Virgin Islands, Distribution Pool Limited, a company incorporated under the laws of the British Virgin Islands, THL A Limited and THL A25 Limited and companies incorporated under the laws of the British Virgin Islands, are wholly owned subsidiaries of Tencent.
- (4) Sequoia Capital China Funds refers to Sequoia Capital China I, L.P., Sequoia Capital China Partners Fund I, L.P., Sequoia Capital China Principals Fund I, L.P., Sequoia Capital China II, L.P., Sequoia Capital China Partners Fund II, L.P., Sequoia Capital Chi-na Principals Fund II, L.P., Sequoia Capital 2010 CV Holdco, Ltd., SCC Venture V Holdco I, Ltd., SCC Venture VI Holdco, Ltd., SCC Venture VI Holdco B, Ltd., SCC Growth 2010-Top Holdco, Ltd., Sequoia Capital 2010 CGF Holdco, Ltd., SCC Growth IV Holdco A, Ltd. and Sequoia Capital China Growth Fund IV, L.P. (which hold approximately 0.79%, 0.09%, 0.12%, 2.40%, 0.06%, 0.40%, 0.61%, 0.01%, 0.03%, 0.01%, 0.88%, 0.07%, 0.02% and 0.12%, respectively, of the outstanding Shares), and Sequoia Capital Global Growth Funds refers to Sequoia Capital Global Growth Fund, L.P., Sequoia Capital Global Growth Principals Fund, L.P. and SC GGFII Holdco, Ltd. (which hold approximately 0.36%, 0.01% and 0.50%, respectively, of the outstanding Shares). The Sequoia Capital China Funds and the Sequoia Capital Global Growth Funds may act together with respect of the holding, disposal and casting of voting rights of the Shares.

The general partner of each of Sequoia Capital China I, L.P., Sequoia Capital China Partners Fund I, L.P. and Sequoia Capital China Principals Fund I, L.P. is Sequoia Capital China Management I, L.P. ("SCC Management I"). The general partner of each of Sequoia Capital China II, L.P., Sequoia Capital China Partners Fund II, L.P. and Sequoia Capital China Principals Fund II, L.P. is Sequoia Capital China Management II, L.P. ("SCC Management II"). The sole shareholder of Sequoia Capital 2010 CV Holdco, Ltd. is Sequoia Capital China Venture 2010 Fund, L.P. ("China Venture 2010 Fund"), whose general partner is SC China Venture 2010 Management, L.P. ("SCCV 2010 Management"). The sole shareholder of SCC Venture V Holdco I, Ltd. is Sequoia Capital China Venture Fund V, L.P. ("China Venture Fund V"), whose general partner is SC China Venture V Management, L.P. ("SCCV V Management"). The sole shareholder of each of SCC Venture VI Holdco, Ltd. and SCC Venture VI Holdco B, Ltd. is Sequoia Capital China Venture Fund VI, L.P. ("China Venture Fund VI"), whose general partner is SC China Venture VI Management, L.P. ("SCCV VI Management"). The controlling shareholder of SCC Growth 2010-Top Holdco, Ltd. and the sole shareholder of Sequoia Capital 2010 CGF Holdco, Ltd. is Sequoia Capital China Growth 2010 Fund, L.P. ("China Growth Fund 2010"), whose general partner is SC China Growth 2010 Management, L.P. ("SCCGF 2010 Management"). In respect of the casting of votes held by China Growth Fund 2010 in SCC Growth 2010-Top Holdco, Ltd., China Growth Fund 2010 is accustomed to act in accordance with the instructions of Sequoia Capital China Growth Fund I, L.P. ("China Growth Fund I"), whose general partner is Sequoia Capital China Growth Fund Management I, L.P. ("SCCGF Management I"). The sole shareholder of SCC Growth IV Holdco A, Ltd. is Sequoia Capital China Growth Fund IV, L.P., whose general partner is SC China Growth IV Management, L.P. ("SCCGF IV Management" and, together with SCC Management I, SCC Management II, SCCV 2010 Management, SCCV V Management, SCCV VI Management, SCCGF 2010 Management and SCCGF Management I, collectively, the "General Partners"). The general partner of each of the General Partners is SC China Holding Limited, which is a wholly owned subsidiary of SNP China Enterprises Limited. Neil Nanpeng Shen is the sole shareholder of SNP China Enterprises Limited, and has a beneficial interest of 9,520,506 Class B Shares. In addition, Neil Nanpeng Shen is interested in more than 33.3% limited partnership interest in Sequoia Capital China Partners Fund I, L.P. Other Controlled Entities refers to URM Management Limited and N&J Investment Holdings Limited (which hold approximately 0.0013% and 0.10%, respectively, of the out-standing Shares) and are controlled by Neil Nanpeng Shen. Therefore, each of China Venture 2010 Fund, China Venture Fund V, China Venture Fund VI, China Growth Fund I, China Growth Fund 2010, the General Partners, SC China Holding Limited, SNP China Enterprises Limited and Neil Nanpeng Shen is deemed to be interested in 6.75% interest in the share capital of the Company (or 7.71% of the total issued Class B Shares).

The general partner of Sequoia Capital Global Growth Fund, L.P. and Sequoia Capital Global Growth Principals Fund, L.P. is SCGGF Management, L.P., whose general partner is SC US (TTGP), Ltd. Therefore, each of SCGGF Management, L.P. and SC US (TTGP), Ltd. is deemed to be interested in the 0.37% interest in the share capital of the Company (or 0.42% of the total issued Class B Shares).

The controlling shareholder of SC GGFII Holdco, Ltd. is Sequoia Capital Global Growth Fund II, L.P. The general partner of Sequoia Capital Global Growth Fund II, L.P. is SC Global Growth II Management, L.P., whose general partner is SC US (TTGP), Ltd. Therefore, each of Sequoia Capital Global Growth Fund II, L.P., SC Global Growth II Management, L.P. and SC US (TTGP), Ltd. is deemed to be interested in the 0.50% interest in the share capital of the Company (or 0.58% of the total issued Class B Shares).

- (5) As at December 31, 2020, the Company had 5,885,419,585 issued Shares in total, comprising of 735,568,783 Class A Shares and 5,149,850,802 Class B Shares. The above calculation is based on the total number of relevant class of Shares or the total number of Shares in issue as of December 31, 2020.

## DIRECTORS' INTERESTS

As of December 31, 2020, the interests and short positions of the Directors and the chief executives of the Company in the Ordinary Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which have been 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 were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 of the Listing Rules were as follows:

### (A) Interest of Directors and Chief Executives in the Company

Name of Director or chief executive	Nature of interest <sup>(1)</sup>	Relevant company	Number and class of securities	Approximate percentage of interest in each class of Shares <sup>(7)</sup>
Wang Xing <sup>(2)</sup> . . . . .	Beneficiary and founder of a Trust (L)	Trust	489,600,000 Class A Shares	66.56%
	Interest in controlled corporation (L)	Songtao Limited	489,600,000 Class A Shares	66.56%
	Interest in controlled corporation (L)	Crown Holdings	489,600,000 Class A Shares	66.56%
	Interest in controlled corporation (L)	Shared Patience	83,588,783 Class A Shares	11.36%
			739 Class B Shares	0.00%
Mu Rongjun <sup>(3)</sup> . . . . .	Beneficiary and founder of a Trust (L)	Trust	118,650,000 Class A Shares	16.13%
	Interest in controlled corporation (L)	Day One Holdings Limited	118,650,000 Class A Shares	16.13%
	Interest in controlled corporation (L)	Charmway Enterprises	118,650,000 Class A Shares	16.13%
	Interest in controlled corporation (L)	Shared Vision	7,330,000 Class A Shares	1.00%
			500,001 Class B Shares	0.01%
	Beneficial interest (L)	–	5,499,999 Class B Shares	0.11%
Wang Huiwen <sup>(4)</sup> . . . . .	Beneficiary and founder of a Trust (L)	Trust	36,400,000 Class A Shares	4.95%
			2,134,660 Class B Shares	0.04%
	Interest in controlled corporation (L)	Aim Mars Investment Limited	36,400,000 Class A Shares	4.95%
			2,134,660 Class B Shares	0.04%
	Interest in controlled corporation (L)	Kevin Sunny	36,400,000 Class A Shares	4.95%
			2,134,660 Class B Shares	0.04%
	Interest in controlled corporation (L)	Galileo Space Limited	5,321,335 Class B Shares	0.10%

Name of Director or chief executive	Nature of interest <sup>(1)</sup>	Relevant company	Number and class of securities	Approximate percentage of interest in each class of Shares <sup>(7)</sup>
	Beneficial interest (L)	–	12,822,605 Class B Shares	0.25%
Neil Nanpeng Shen <sup>(5)</sup> . . . . .	Interest in controlled corporations (L)	Sequoia Capital China Funds, Sequoia Capital Global Growth Funds and Other Controlled Entities	387,668,586 Class B Shares	7.53%
	Beneficial interest (L)	–	9,520,506 Class B Shares	0.18%
Orr Gordon Robert Halyburton <sup>(6)</sup> . . . .	Beneficial interest (L)	–	60,000 Class B Shares	0.00%
Leng Xuesong <sup>(6)</sup> . . . .	Beneficial interest (L)	–	60,000 Class B Shares	0.00%
Shum Heung Yeung Harry <sup>(6)</sup> . . . . .	Beneficial interest (L)	–	60,000 Class B Shares	0.00%

*Notes:*

- (1) The letter “L” denotes the person’s Long Position in such Shares.
- (2) Crown Holdings is wholly owned by Songtao Limited. The entire interest in Songtao Limited is held through a trust which was established by Wang Xing (as settlor) for the benefit of Wang Xing and his family. Wang Xing is deemed to be interested in the 489,600,000 Class A Shares held by Crown Holdings under the SFO. Shared Patience is wholly owned by Wang Xing.
- (3) Charmway Enterprises is wholly owned by Day One Holdings Limited. The entire interest in Day One Holdings Limited is held through a trust which was established by Mu Rongjun (as settlor) for the benefit of Mu Rongjun and his family. Mu Rongjun is deemed to be interested in the 118,650,000 Class A Shares held by Charmway Enterprises under the SFO. Shared Vision is wholly owned by Mu Rongjun. Mu Rongjun was granted RSUs equivalent to 1,000,000 Class B Shares and options with respect to 5,000,000 Class B Shares under the Pre-IPO ESOP subject to vesting/exercise. As at December 31, 2020, 500,001 Class B Shares were issued to Shared Vision with respect to the vesting of 500,001 RSUs granted to Mu Rongjun under the Pre-IPO ESOP.
- (4) Kevin Sunny is wholly owned by Aim Mars Investment Limited. The entire interest in Aim Mars Investment Limited is held through a trust established by Wang Huiwen (as settlor) for the benefit of Wang Huiwen and his family. Wang Huiwen is deemed to be interested in the 36,400,000 Class A Shares held by Aim Mars Investment Limited under the SFO. Galileo Space Limited is wholly-controlled by Wang Huiwen. Wang Huiwen was granted RSUs equivalent to 15,700,000 Class B Shares, and options with respect to 7,578,600 Class B Shares under the Pre-IPO ESOP. As at December 31, 2020, (i) 972,160 Class B Shares were issued to Kevin Sunny with respect to the exercise of 972,160 share options; and 1,162,500 Class B Shares were issued to Kevin Sunny with respect to the vesting 1,162,500 RSUs under the Pre-IPO ESOP; (ii) 1,550,500 Class B Shares were issued to Galileo Space Limited with respect to the exercise of 1,550,500 share options; and 6,770,835 Class B Shares were issued to Galileo Space Limited with respect to the vesting 6,770,835 RSUs under the Pre-IPO ESOP.
- (5) Sequoia Capital China Funds refers to Sequoia Capital China I, L.P., Sequoia Capital China Partners Fund I, L.P., Sequoia Capital China Principals Fund I, L.P., Sequoia Capital China II, L.P., Sequoia Capital China Partners Fund II, L.P., Sequoia Capital China Principals Fund II, L.P., Sequoia Capital 2010 CV Holdco, Ltd., SCC Venture V Holdco I, Ltd., SCC Venture VI Holdco, Ltd., SCC Venture VI Holdco B, Ltd., SCC Growth 2010-Top Holdco, Ltd., Sequoia Capital 2010 CGF Holdco, Ltd., SCC Growth IV Holdco A, Ltd. and Sequoia Capital China Growth Fund IV, L.P. (which hold approximately 0.79%, 0.09%, 0.12%, 2.40%, 0.06%, 0.40%, 0.61%, 0.01%, 0.03%, 0.01%, 0.88%, 0.07%, 0.02% and 0.12%, respectively, of the outstanding Shares), and Sequoia Capital Global Growth Funds refers to Sequoia Capital Global Growth Fund, L.P., Sequoia Capital Global Growth Principals Fund, L.P. and SC GGFII Holdco, Ltd. (which hold approximately 0.36%, 0.01% and 0.50%, respectively, of the outstanding Shares). The Sequoia Capital China Funds and the Sequoia Capital Global Growth Funds may act together with respect of the holding, disposal and casting of voting rights of the Shares.



The general partner of each of Sequoia Capital China I, L.P., Sequoia Capital China Partners Fund I, L.P. and Sequoia Capital China Principals Fund I, L.P. is Sequoia Capital China Management I, L.P. (“SCC Management I”). The general partner of each of Sequoia Capital China II, L.P., Sequoia Capital China Partners Fund II, L.P. and Sequoia Capital China Principals Fund II, L.P. is Sequoia Capital China Management II, L.P. (“SCC Management II”). The sole shareholder of Sequoia Capital 2010 CV Holdco, Ltd. is Sequoia Capital China Venture 2010 Fund, L.P., whose general partner is SC China Venture 2010 Management, L.P. (“SCCV 2010 Management”). The sole shareholder of SCC Venture V Holdco I, Ltd. is Sequoia Capital China Venture Fund V, L.P., whose general partner is SC China Venture V Management, L.P. (“SCCV V Management”). The sole shareholder of each of SCC Venture VI Holdco, Ltd. and SCC Venture VI Holdco B, Ltd. is Sequoia Capital China Venture Fund VI, L.P., whose general partner is SC China Venture VI Management, L.P. (“SCCV VI Management”). The controlling shareholder of SCC Growth 2010-Top Holdco, Ltd. and the sole shareholder of Sequoia Capital 2010 CGF Holdco, Ltd. is Sequoia Capital China Growth 2010 Fund, L.P. (“China Growth Fund 2010”), whose general partner is SC China Growth 2010 Management, L.P. (“SCCGF 2010 Management”). In respect of the casting of votes held by China Growth Fund 2010 in SCC Growth 2010-Top Holdco, Ltd., China Growth Fund 2010 is accustomed to act in accordance with the instructions of Sequoia Capital China Growth Fund I, L.P., whose general partner is Sequoia Capital China Growth Fund Management I, L.P. (“SCCGF Management I”). The sole shareholder of SCC Growth IV Holdco A, Ltd. is Sequoia Capital China Growth Fund IV, L.P., whose general partner is SC China Growth IV Management, L.P. (“SCCGF IV Management” and, together with SCC Management I, SCC Management II, SCCV 2010 Management, SCCV V Management, SCCV VI Management, SCCGF 2010 Management and SCCGF Management I, collectively, the “General Partners”). The general partner of each of the General Partners is SC China Holding Limited, which is a wholly owned subsidiary of SNP China Enterprises Limited. Neil Nanpeng Shen is the sole shareholder of SNP China Enterprises Limited, and has a beneficial interest of 9,520,506 Class B Shares. Other Controlled Entities refers to URM Management Limited and N&J Investment Holdings Limited (which hold approximately 0.0013% and 0.10%, respectively, of the outstanding Shares) and are controlled by Neil Nanpeng Shen.

In view of the above, the Sequoia Capital China Funds and the Sequoia Capital Global Growth Funds are deemed to be interested in the Shares held by each other and by Neil Nanpeng Shen and Other Controlled Entities and vice versa; and is therefore each deemed to be interested in 6.75% interest in the share capital of the Company (or 7.71% of the total issued Class B Shares).

- (6) Each of the independent non-executive Directors, namely Orr Gordon Robert Halyburton, Leng Xuesong and Shum Heung Yeung Harry was granted RSUs equivalent to 60,000 Class B Shares under the Post-IPO Share Award Scheme.
- (7) As at December 31, 2020, the Company had 5,885,419,585 issued Shares in total, comprising of 735,568,783 Class A Shares and 5,149,850,802 Class B Shares. The above calculation is based on the total number of relevant class of Shares or the total number of Shares in issue as of December 31, 2020.

***(B) Interests of Directors and Chief Executives in Associated Corporations of the Company***

None of the Directors or chief executives of the Company had interests and short positions in shares, underlying shares or debentures in associated corporations of the Company as of December 31, 2020.

Save as disclosed above, as of December 31, 2020, none of the Directors or the chief executives of the Company had or was deemed to have any interest or short position in the Ordinary Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was 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 required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## RELATED PARTY TRANSACTIONS

The following discussion describes certain material related party transactions between us, our subsidiaries, Consolidated Affiliated Entities, associated companies, key management and other related parties. The related party transactions were carried out in the normal course of business and at terms negotiated. For further information on our related party transactions, see note 37 to our audited consolidated financial statements of the annual report for the year ended December 31, 2020 included in this Offering Circular.

### CONTRACTUAL ARRANGEMENTS

Mainland China's laws and regulations currently prohibit or restrict foreign ownership and investment in a variety of businesses in China in which we operate, including but not limited to online culture business, radio and television program services, e-commerce platform services, cloud storage services, and other value-added telecommunications services. As a result, we operate the relevant businesses through a number of VIEs and their subsidiaries based on a series of contractual arrangements that we, through our WFOEs, entered into with the VIEs and their subsidiaries and the VIEs' shareholders. Pursuant to these contractual arrangements, we obtained effective control over and had the right to receive all economic benefits from the business and operations of the VIEs and their subsidiaries. For information on the risks relating to the contractual arrangements, see "Risk Factors – Risks Relating to Our Corporate Structure."

The contractual arrangements primarily include the following:

***Exclusive Business Cooperation Agreements***, pursuant to which the VIEs agreed to engage our WFOEs as their respective exclusive provider of technical support, consultation, and various other services and to provide service fee consisting of 100% of their total consolidated profits to the WFOEs in return, subject to certain customary adjustments;

***Exclusive Option Agreements***, pursuant to which the WFOEs have the rights to require the shareholders of the VIEs to transfer any or all their equity interests in the VIEs to the WFOEs and/or a designated third party in whole or in part at any time and from time to time, for considerations equivalent to the respectively outstanding loans owed to the VIEs' shareholders (or part of the loan amounts in proportion to the equity interests being transferred) or for a nominal price, unless otherwise required by relevant government authorities;

***Equity Pledge Agreements***, pursuant to which the shareholders of the VIEs agreed to pledge all their respective equity interests in the VIEs to the WFOEs as a security interest to guarantee the performance of contractual obligations and the payment of outstanding debts. The pledge in respect of the VIEs takes effect upon the completion of registration with the SAMR or its relevant local branch and will remain valid until after all the contractual obligations of the VIEs' shareholders and the VIEs under the relevant contractual arrangements have been fully performed and all the outstanding debts of them under the relevant contractual arrangements have been fully paid.

***Powers of Attorney***, pursuant to which the shareholders of the VIEs irrevocably appointed the WFOEs and their designated persons as their attorneys-in-fact to exercise on their behalf, and agreed and undertook not to exercise without such attorneys-in-fact's prior written consent, any and all right that they have in respect of their equity interests in the VIEs; and

***Loan Agreements***, pursuant to which the relevant WFOEs agreed to provide loans to certain shareholders of the VIEs to be exclusively used as investment in the relevant VIEs.

## **2018 MARKETING AND PROMOTION SERVICES FRAMEWORK AGREEMENT**

On September 1, 2018, we entered into a framework agreement with Shenzhen Tencent Computer (for itself and on behalf of other members of Tencent), pursuant to which Tencent would provide marketing and promotion services for us (including but not limited to advertisement solicitation services on Tencent's social media network, provision of links to our platform, technical support to enable us to give virtual "red packets" to our users via our platform and mobile apps, and grant of access to Tencent's platform to provide our services to Tencent's clients) (the "2018 Marketing and Promotion Services Framework Agreement"). The precise scope of service, service fee calculation, method of payment and other details of the service agreement will be agreed between the relevant parties separately.

The term of the 2018 Marketing and Promotion Services Framework Agreement commenced on September 20, 2018 and expired on December 31, 2020.

## **2018 CLOUD SERVICES AND TECHNICAL SERVICES FRAMEWORK AGREEMENT**

On September 1, 2018, we entered into a framework agreement with Shenzhen Tencent Computer (for itself and on behalf of other members of Tencent), pursuant to which Tencent agreed to provide cloud services, cloud storage and cloud services related technical support to us for service fees (the "2018 Cloud Services and Technical Services Framework Agreement"). The precise scope of service, service fee calculation, method of payment and other details of the service arrangement will be agreed between the relevant parties separately.

The term of the 2018 Cloud Services and Technical Services Framework Agreement commenced on September 20, 2018 and expired on December 31, 2020.

## **2018 PAYMENT SERVICES FRAMEWORK AGREEMENT**

On September 1, 2018, we entered into a framework agreement with Shenzhen Tencent Computer (for itself and on behalf of other members of Tencent), pursuant to which Tencent agreed to provide us with payment services in order to enable our consumers to make online payment for our service offerings through Tencent payment channels on both mobile devices and personal computers or directly on Tencent payment interface embedded on our mobile apps and website (the "2018 Payment Services Framework Agreement"). We shall in return pay payment service commissions to Tencent. The precise scope of service, commission rate, the applicable payment channel and other details of the arrangement shall be agreed between the relevant parties.

The term of the 2018 Payment Services Framework Agreement commenced on September 20, 2018 and expired on December 31, 2020.

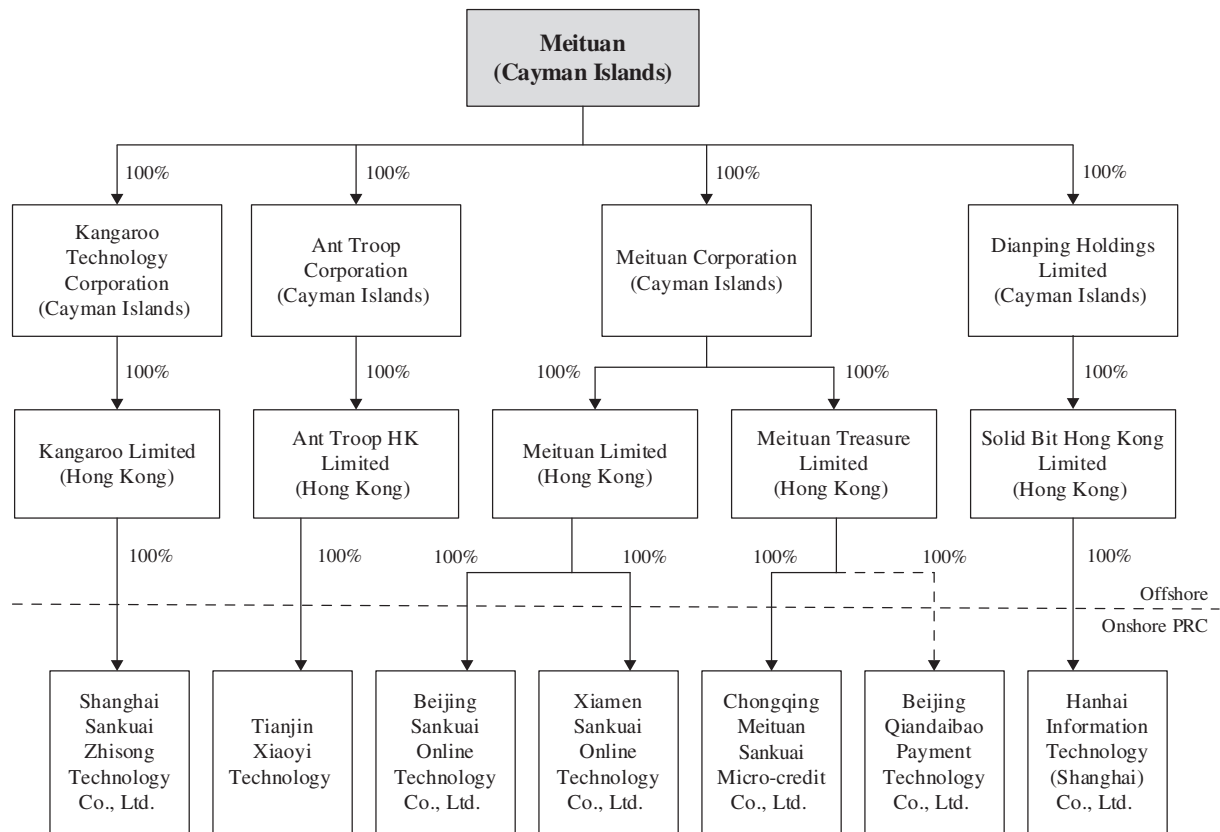
## **RENEWAL OF THE 2018 AGREEMENTS**

On September 30, 2020, we and Shenzhen Tencent Computer agreed to renew the 2018 Marketing and Promotion Services Framework Agreement, 2018 Cloud Services and Technical Services Framework Agreement, and 2018 Payment Services Framework Agreement to extend the expiration date for each of the agreement to December 31, 2023. The terms under the renewed agreement also include annual caps for the maximum total fees payable by us to Tencent and by Tencent to us, respectively, for the years ending December 31, 2021, 2022, and 2023.

## **KEY MANAGEMENT COMPENSATION**

Members of key management and their close family members of the Company are also considered as related parties. For the years ended December 31, 2018, 2019 and 2020, the total key management compensation (including fees, basic salaries, bonuses, pension costs and other employee benefits, share-based compensation expenses and others) amounted to RMB248.4 million, RMB516.5 million and RMB453.5 million (US\$69.5 million).

## CORPORATE STRUCTURE



—→ Direct Ownership  
 - - -→ Indirect Ownership

## DESCRIPTION OF OTHER MATERIAL INDEBTEDNESS

The following summary of the general information regarding our material indebtedness does not purport to be a complete description of and may not contain all of the information that may be important to prospective investors. Investors should read the audited consolidated financial statements for the years ended December 31, 2019 and 2020 (including but not limited to note 31 and note 32 attached thereto).

	Audited As of December 31, 2020	
	RMB	US\$
	(in thousands)	
Included in non-current liabilities		
Borrowings <sup>(1)</sup>	1,957,470	299,995
Notes payable <sup>(2)</sup>	12,966,341	1,987,179
Total long-term debt	14,923,811	2,287,174
Included in current liabilities		
Borrowings <sup>(1)</sup>	6,395,002	980,077
Total short-term debt	6,395,002	980,077
Total indebtedness <sup>(3)</sup>	21,318,813	3,267,251

### Notes:

- (1) As of December 31, 2020, the balance of our borrowing was RMB8.4 billion, with the effective interest rates of 1.54%-3.85% (2019: 3.68%-6.50%). For the twelve months ended December 31, 2020, the weighted average effective interest rate for our borrowings was 3.21% (2019: 5.242%).
- (2) As of December 31, 2020, the notes payable include US\$750 million 2.125% senior notes due 2025 and US\$1.25 billion 3.05% senior notes due 2030 issued on October 29, 2020.
- (3) Total indebtedness equals total short-term debt plus total long-term debt of the Company. For a summary of our material indebtedness, see “Description of Other Material Indebtedness.”

## 2025 NOTES

On October 29, 2020, we entered into an indenture (as amended and supplemented from time to time, the “2025 Notes Indentures”) pursuant to which we issued the US\$750,000,000 2.125% senior notes due 2025. As of the date of this Offering Circular, all of the 2025 Notes remained outstanding.

### Interest

The 2025 Notes bear an interest rate of 2.125% per annum. Interest is payable semi-annually in arrears.

### Ranking

The 2025 Notes constitutes our senior unsecured obligations. The 2025 Notes ranks senior in right of payment to all of our existing and future obligations expressly subordinated in right of payment to the 2025 Notes and ranks at least equal in right of payment with all of our existing and future unsecured and unsubordinated obligations (subject to any priority rights pursuant to applicable law). However, the 2025 Notes will be effectively subordinated to all of our existing and future secured obligations, to the extent of the value of the assets serving as security therefor.

## **Covenants**

Subject to certain conditions and exceptions, the 2025 Notes Indenture contains certain covenants which limit our ability to, among other things:

- create or permit to subsist certain security interests; and
- consolidate, merge or sell its assets substantially as an entirety.

The 2025 Notes Indentures do not otherwise restrict or limit our ability to incur additional indebtedness by ourselves or our subsidiaries or our ability to enter into transactions with, or to pay dividends or make other payments to, affiliates.

## **Events of Default**

The 2025 Notes Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the 2025 Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the 2025 Notes Indenture. If an event of default occurs and is continuing, the trustee under the 2025 Notes Indenture or the holders of at least 25% of the outstanding 2025 Notes may declare the principal of the 2025 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

## **Triggering Event**

Upon the occurrence of a triggering event, we are obligated to make an offer to repurchase all outstanding 2025 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

## **Optional Redemption**

At any time, we may redeem the 2025 Notes prior to September 28, 2025, in whole or in part, at a redemption price equal to the greater of (i) 100% of the principal amount of the 2025 Notes to be redeemed and (ii) the make-whole amount, plus, in each case, accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time, we may redeem the 2025 Notes on or after September 28, 2025, in whole or in part, at a redemption price equal to 100% of the principal amount of the 2025 Notes to be redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date.

## **2030 NOTES**

On October 29, 2020, we entered into an indenture (as amended and supplemented from time to time, the “2030 Notes Indentures”) pursuant to which we issued the US\$1,250,000,000 3.05% senior notes due 2030. As of the date of this Offering Circular, all of the 2025 Notes remained outstanding.

## **Interest**

The 2030 Notes bear an interest rate of 3.05% per annum. Interest is payable semi-annually in arrears.



## **Ranking**

The 2030 Notes constitutes our senior unsecured obligations. The 2030 Notes ranks senior in right of payment to all of our existing and future obligations expressly subordinated in right of payment to the 2030 Notes and ranks at least equal in right of payment with all of our existing and future unsecured and unsubordinated obligations (subject to any priority rights pursuant to applicable law). However, the 2030 Notes will be effectively subordinated to all of our existing and future secured obligations, to the extent of the value of the assets serving as security therefor.

## **Covenants**

Subject to certain conditions and exceptions, the 2030 Notes Indenture contains certain covenants which limit our ability to, among other things:

- create or permit to subsist certain security interests; and
- consolidate, merge or sell its assets substantially as an entirety.

The 2030 Notes Indentures do not otherwise restrict or limit our ability to incur additional indebtedness by ourselves or our subsidiaries or our ability to enter into transactions with, or to pay dividends or make other payments to, affiliates.

## **Events of Default**

The 2030 Notes Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the 2030 Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the 2030 Notes Indenture. If an event of default occurs and is continuing, the trustee under the 2030 Notes Indenture or the holders of at least 25% of the outstanding 2030 Notes may declare the principal of the 2030 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

## **Triggering Event**

Upon the occurrence of a triggering event, we are obligated to make an offer to repurchase all outstanding 2030 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

## **Optional Redemption**

At any time, the Company may redeem the 2030 Notes prior to July 28, 2030, in whole or in part, at a redemption price equal to the greater of (i) 100% of the principal amount of the 2030 Notes to be redeemed and (ii) the make-whole amount, plus, in each case, accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time, the Company may redeem the 2030 Notes on or after July 28, 2030, in whole or in part, at a redemption price equal to 100% of the principal amount of the 2030 Notes to be redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date.

## TERMS AND CONDITIONS OF THE SERIES 1 BONDS

*The following, subject to completion and amendment, and save for the paragraphs in italics, is the text of the Terms and Conditions of the Bonds which will be endorsed on the Certificate issued in respect of the Bonds and be referred to in the Global Certificate relating to the Bonds.*

The issue of the U.S.\$1,483,600,000 in aggregate principal amount of zero coupon convertible bonds due 2027 (the “**Bonds**”, which term shall include, unless the context requires otherwise, any further bonds issued in accordance with Condition 17 and consolidated and forming a single series therewith) of Meituan (the “**Issuer**”) and the right of conversion into Class B Shares (as defined in Condition 6(A)(iv)) was authorized by the board of directors of the Issuer on February 25, 2021. The Bonds are constituted by the trust deed (as amended and/or supplemented from time to time, the “**Trust Deed**”) dated April 27, 2021 (the “**Issue Date**”) between the Issuer and Citicorp International Limited (the “**Trustee**”, which expression shall, whenever the context so permits, include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for itself and the holders (as defined below) of the Bonds. These terms and conditions (the “**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bonds. The Bondholders (as defined below) are entitled to the benefit of, and are bound by, and are deemed to have notice of, all of the provisions of the Trust Deed, and are deemed to have notice of those provisions applicable to them of the paying, conversion and transfer agency agreement dated April 27, 2021 (the “**Agency Agreement**”) relating to the Bonds between the Issuer, the Trustee, Citibank, N.A., London Branch as principal paying agent, principal conversion agent and principal transfer agent (collectively in such capacities, the “**Principal Agent**”), Citicorp International Limited as registrar (the “**Registrar**”) and the other paying agents, conversion agents and transfer agents appointed under it (each a “**Paying Agent**”, a “**Conversion Agent**” or, as applicable, a “**Transfer Agent**” and together with the Registrar and the Principal Agent, the “**Agents**”) relating to the Bonds. References to the “**Paying Agents**” and the “**Conversion Agents**” each include the Principal Agent. References to the “**Principal Agent**”, the “**Registrar**”, the “**Transfer Agent**” and the “**Agents**” below are references to the principal agent, the registrar, the transfer agent and the agents for the time being for the Bonds.

Copies of the Trust Deed and of the Agency Agreement are available for inspection by the Bondholders at all reasonable times during usual business hours (being between 9:00 a.m. and 4:00 p.m. from Monday to Friday other than a public holiday) at the principal office for the time being of the Trustee (being at the Issue Date at 20/F, Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong) following prior written request and proof of holding and identity satisfactory to the Trustee.

Unless otherwise defined, terms used in these Conditions have the meanings specified in the Trust Deed. In these Conditions, “**Bondholder**” and (in relation to a Bond) “**holder**” mean the person in whose name a Bond is registered.

### 1 FORM, DENOMINATION AND TITLE

#### (A) Form and Denomination

The Bonds are issued in registered form in the denomination of U.S.\$200,000 and integral multiples of U.S.\$100,000 in excess thereof (each, an “**Authorized Denomination**”). A bond certificate (each a “**Certificate**”) will be issued to each Bondholder in respect of its registered holding of Bonds. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Bondholders (the “**Register**”) which the Issuer will procure to be kept by the Registrar.

*Upon issue, the Bonds will be represented by a global certificate (the “**Global Certificate**”) registered in the name of a nominee of, and deposited with, a common depositary for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream**”). The Conditions are modified by certain provisions contained in the Global Certificate. See “Description of the Global Certificate”.*

*Except in the limited circumstances described in the Global Certificate, owners of interests in the Bonds represented by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of Bonds. The Bonds are not issuable in bearer form.*

**(B) Title**

Title to the Bonds will pass only by transfer and registration in the Register as described in Condition 3. The holder of any Bond will (except as otherwise required by law or as ordered by a court of competent jurisdiction) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder.

**2 STATUS OF THE BONDS**

The Bonds constitute direct, unconditional, unsubordinated and (subject to Condition 4(a)) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable legislation and subject to Condition 4(a), at all times rank at least equally with all of its other present and future unsecured and unsubordinated obligations.

**3 TRANSFERS OF BONDS; ISSUE OF CERTIFICATES**

**(A) Register**

The Issuer will cause the Register to be kept at the specified office of the Registrar outside the United Kingdom and in accordance with the terms of the Agency Agreement on which shall be entered the names and addresses of the holders of the Bonds and the particulars of the Bonds held by them and of all transfers, redemptions and conversions of the Bonds. Each Bondholder shall be entitled to receive only one Certificate in respect of its entire holding of Bonds.

**(B) Transfer**

Subject to Condition 3(E) and the terms of the Agency Agreement, a Bond may be transferred by delivery of the Certificate issued in respect of that Bond, with the form of transfer on the back duly completed and signed by the holder or his attorney duly authorized in writing, to the specified office of the Registrar or any of the Transfer Agents. No transfer of a Bond will be valid or effective unless and until entered on the Register.

*Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.*

**(C) Delivery of New Certificates**

Each new Certificate to be issued upon a transfer of Bonds will, within seven business days of receipt by the Registrar or, as the case may be, any Transfer Agent of the original Certificate and the form of transfer duly completed and signed, be made available for collection at the specified office of the Registrar or such Transfer Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder entitled to the Bonds (but free of charge to the holder and at the Issuer's expense) to the address specified in the form of transfer.

Where only some of the Bonds (being that of one or more Bonds) in respect of which a Certificate is issued is to be transferred, converted, redeemed or repurchased, a new Certificate in respect of the Bonds not so transferred, converted, redeemed or repurchased will, within seven business days of delivery of the original Certificate to the Registrar or, as the case may be, any Transfer Agent, be made available for collection at the specified office of the Registrar or such Transfer Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder of the Bonds not so transferred, converted, redeemed or repurchased (but free of charge to the holder and at the Issuer's expense) to the address of such holder appearing on the Register.

For the purposes of this Condition 3, "**business day**" means a day (other than a Saturday, Sunday or public holiday) on which commercial banks are generally open for business in the city in which the specified office of the Registrar or the Transfer Agent, as the case may be, with whom a Certificate is deposited in connection with a transfer or conversion is located.

**(D) Formalities Free of Charge**

Registration of a transfer of Bonds and issuance of new Certificates will be effected without charge subject to (i) the person making such application for transfer paying or procuring the payment of any taxes, duties and/or other governmental charges in connection therewith, (ii) the Registrar or the Transfer Agent being satisfied with the documents of title and/or identity of the person making the application and (iii) the detailed regulations concerning transfer and registration of the Bonds set out in the Agency Agreement (as such regulations may be changed (a) by the Registrar, with the prior written approval of the Trustee and/or (b) by the Issuer, with the prior written consent of the Trustee and the Registrar).

**(E) Restricted Transfer Periods**

No Bondholder may require the transfer of a Bond to be registered (i) during the period of seven days ending on (and including) the dates for payment of any principal pursuant to these Conditions (including any date of redemption pursuant to Conditions 8(B) or Condition 8(C)); (ii) after a Conversion Notice (as defined in Condition 6(B)(i)) has been delivered with respect to a Bond; or (iii) after a Relevant Event Put Exercise Notice (as defined in Condition 8(D)) or a Put Option Notice (as defined in Condition 8(E)) has been deposited in respect of such Bond pursuant to Condition 8(D) or Condition 8(E). Each such period is a "**Restricted Transfer Period**".

## 4 COVENANTS

### (A) Negative Pledge

So long as any Bond remains outstanding (as defined in the Trust Deed), the Issuer will not create or have outstanding, and will ensure that none of its Principal Controlled Entities will create or have outstanding, any Lien upon the whole or any part of their respective present or future undertaking, assets or revenues (including any uncalled capital) securing any Relevant Indebtedness or create or have outstanding any guarantee or indemnity in respect of any Relevant Indebtedness either of the Issuer, or of any of its Principal Controlled Entities, without (i) at the same time or prior thereto securing or guaranteeing the Bonds, equally and rateably therewith or (ii) providing such other security or guarantee for the Bonds as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.

The foregoing restriction will not apply to:

- (a) any Lien arising or already arisen automatically by operation of law which is timely discharged or disputed in good faith by appropriate proceedings;
- (b) any Lien in respect of the obligations of any Person which becomes a Principal Controlled Entity or which merges with or into the Issuer or a Principal Controlled Entity after the Issue Date which is in existence at the date on which it becomes a Principal Controlled Entity of the Issuer or merges with or into the Issuer or a Principal Controlled Entity; *provided that* any such Lien was not incurred in anticipation of such acquisition or of such Person becoming a Principal Controlled Entity or being merged with or into the Issuer or a Principal Controlled Entity;
- (c) any Lien created or outstanding in favour of the Issuer;
- (d) any Lien in respect of Relevant Indebtedness of the Issuer or any Principal Controlled Entity with respect to which the Issuer or such Principal Controlled Entity has paid money or deposited money or securities with a fiscal agent, trustee or depository to pay or discharge in full the obligations of the Issuer or such Principal Controlled Entity in respect thereof (other than the obligation that such money or securities so paid or deposited, and the proceeds therefrom, be sufficient to pay or discharge such obligations in full);
- (e) any Lien created in connection with Relevant Indebtedness of the Issuer or any Principal Controlled Entity denominated in Renminbi and initially offered, marketed or issued primarily to Persons resident in the PRC;
- (f) any Lien created in connection with a project financed with, or created to secure, Non-recourse Obligations; or
- (g) any Lien arising out of the refinancing, extension, renewal or refunding of any Relevant Indebtedness secured by any Lien permitted by Conditions 4(A)(b) or 4(A)(f); *provided that* such Relevant Indebtedness is not increased beyond the principal amount thereof (together with the costs of such refinancing, extension, renewal or refunding) and is not secured by any additional property or assets.

## **(B) NDRC Post-Issuance Filing**

The Issuer undertakes that it will, within 10 PRC Business Days after the Issue Date, file or cause to be filed with the National Development and Reform Commission of the PRC or its local counterparts (the “**NDRC**”) the requisite information and documents in accordance with the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知 (發改外資[2015]2044號)) (the “**NDRC Circular**”) issued by the NDRC and effective as of 14 September 2015, the Approval of Foreign Debt Quota Administration Reform Trial Enterprise (Second Batch) for 2017 issued by the NDRC on 22 March 2017 and any implementation rules and/or regulations as issued by the NDRC from time to time (the “**NDRC Post-Issuance Filing**”).

The Trustee shall have no obligation or duty to monitor or ensure that the NDRC Post-Issuance Filing is filed with the NDRC or completed within the prescribed timeframe in accordance with these Conditions, the NDRC Circular and/or any other applicable PRC laws and regulations or to assist with the NDRC Post-Issuance Filing or to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the NDRC Post-Issuance Filing or to give notice to the Bondholders confirming the submission of the NDRC Post-Issuance Filing, and shall not be liable to the Issuer, the Bondholders or any other person for not doing so.

## **(C) Definitions**

In these Conditions:

“**Capital Stock**” of any Person means any and all shares, interests, rights to purchase, warrants, options, participations, or other equivalents of or interests in (however designated) equity of such Person, including any Preferred Shares and limited liability or partnership interests (whether general or limited), but excluding any debt securities convertible or exchangeable into such equity;

“**Consolidated Affiliated Entity**” of any Person means any corporation, association or other entity which is or is required to be consolidated with such Person under IFRS 10: Consolidated Financial Statements, IFRS 11: Joint Arrangements and IFRS 12: Disclosure of Interests in Other Entities issued by the International Accounting Standards Board (including any changes, amendments or supplements thereto) or, if such Person prepares its financial statements in accordance with accounting principles other than IFRS, the equivalent of IFRS 10: Consolidated Financial Statements, IFRS 11: Joint Arrangements and IFRS 12: Disclosure of Interests in Other Entities issued by the International Accounting Standards Board under such accounting principles. Unless otherwise specified herein, each reference to a Consolidated Affiliated Entity will refer to a Consolidated Affiliated Entity of the Issuer;

“**Controlled Entity**” of any Person means a Subsidiary or a Consolidated Affiliated Entity of such Person;

“**IFRS**” refers to International Financial Reporting Standards as issued by the International Accounting Standards Board;

“**Lien**” means any mortgage, charge, pledge, lien or other form of encumbrance or security interest;



**“Non-Listed Controlled Entities”** means the Controlled Entities other than (i) any Controlled Entities with shares of common stock or other common equity interests listed on an internationally recognised stock exchange; and (ii) any Subsidiaries or Consolidated Affiliated Entities of any Controlled Entity referred to in clause (i) of this definition;

**“Non-recourse Obligations”** means indebtedness or other obligations substantially related to (i) the acquisition of assets (including any person that becomes a Controlled Entity) not previously owned by the Issuer, or any of the Issuer’s Controlled Entities or (ii) the financing of a project involving the purchase, development, improvement or expansion of properties of the Issuer or any of the Issuer’s Controlled Entities, as to which the obligee with respect to such indebtedness or obligation has no recourse to the Issuer or any of the Issuer’s Controlled Entities or to the Issuer or any such Controlled Entity’s assets other than the assets which were acquired with the proceeds of such transaction or the project financed with the proceeds of such transaction (and the proceeds thereof);

a **“Person”** means any individual, corporation, firm, limited liability company, partnership, joint venture, undertaking, association, joint stock company, trust, unincorporated organization, trust, state, government or any agency or political subdivision thereof or any other entity (in each case whether or not being a separate legal entity);

**“PRC”** means the People’s Republic of China, excluding, for purposes of this definition, the Hong Kong Special Administrative Region, the Macao Special Administrative Region and Taiwan;

**“PRC Business Day”** means a day other than a Saturday, Sunday or a day on which banking institutions in the PRC are authorized or obligated by law, regulation or executive order to remain closed;

**“Preferred Shares”** as applied to the Capital Stock of any corporation, means Capital Stock of any class or classes (however designated) that is preferred as to the payment of dividends upon liquidation, dissolution or winding up;

**“Principal Controlled Entities”** at any time shall mean one of the Issuer’s Non-Listed Controlled Entities

- (i) as to which one or more of the following conditions is/are satisfied:
  - (a) its total revenue or (in the case of one of the Non-Listed Controlled Entities which has one or more Non-Listed Controlled Entities) consolidated total revenue attributable to the Issuer is at least 10 per cent. of the Issuer’s consolidated total revenue;
  - (b) its net profit or (in the case of one of the Non-Listed Controlled Entities which has one or more Non-Listed Controlled Entities) consolidated net profit attributable to the Issuer (in each case before taxation and exceptional items) is at least 10 per cent. of the Issuer’s consolidated net profit (before taxation and exceptional items); or
  - (c) its net assets or (in the case of one of the Non-Listed Controlled Entities which has one or more Non-Listed Controlled Entities) consolidated net assets attributable to the Issuer (in each case after deducting minority interests in Subsidiaries) are at least 10 per cent. of the Issuer’s consolidated net assets (after deducting minority interests in Subsidiaries);

all as calculated by reference to the then latest audited financial statements (consolidated or, as the case may be, unconsolidated) of such Non-Listed Controlled Entity and the Issuer's then latest audited consolidated financial statements; *provided that*, in relation to paragraphs (a), (b) and (c) of this definition above:

- (1) in the case of a corporation or other business entity becoming a Non-Listed Controlled Entity after the end of the financial period to which the Issuer's latest consolidated audited accounts relate, the reference to the Issuer's then latest consolidated audited accounts and the Issuer's Non-Listed Controlled Entities for the purposes of the calculation above shall, until the Issuer's consolidated audited accounts for the financial period in which the relevant corporation or other business entity becomes a Non-Listed Controlled Entity are issued, be deemed to be a reference to the then latest consolidated audited accounts of the Issuer and its Non-Listed Controlled Entities adjusted to consolidate the latest audited accounts (consolidated in the case of a Non-Listed Controlled Entity which itself has Non-Listed Controlled Entities) of such Non-Listed Controlled Entity in such accounts;
  - (2) if at any relevant time in relation to the Issuer or any Non-Listed Controlled Entity which itself has Non-Listed Controlled Entities, no consolidated accounts are prepared and audited, total revenue, net profit or net assets of the Issuer and/or any such Non-Listed Controlled Entity shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by or on behalf of the Issuer;
  - (3) if at any relevant time in relation to any Non-Listed Controlled Entity, no accounts are audited, its net assets (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Non-Listed Controlled Entity prepared for this purpose by or on behalf of the Issuer; and
  - (4) if the accounts of any Non-Listed Controlled Entity (not being a Non-Listed Controlled Entity referred to in proviso (1) above of this definition) are not consolidated with the Issuer's accounts, then the determination of whether or not such Non-Listed Controlled Entity is a Principal Controlled Entity shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the Issuer's consolidated accounts (determined on the basis of the foregoing); or
- (ii) to which is transferred all or substantially all of the assets of a Controlled Entity which immediately prior to the transfer was a Principal Controlled Entity; *provided that*, with effect from such transfer, the Controlled Entity which so transfers its assets and undertakings shall cease to be a Principal Controlled Entity (but without prejudice to paragraph (i) above of this definition) and the Controlled Entity to which the assets are so transferred shall become a Principal Controlled Entity.

An officer's certificate in English of the Issuer signed by an Authorized Signatory (as defined in the Trust Deed) of the Issuer delivered to the Trustee certifying in good faith as to whether or not a Non-Listed Controlled Entity is a Principal Controlled Entity shall be conclusive in the absence of manifest error and the Trustee shall be entitled to rely conclusively upon such officer's certificate (without further investigation or enquiry) and shall not be liable to any person for so accepting and relying on such officer's certificate;

**“Relevant Indebtedness”** means any indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended to be or are commonly, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market, except (i) any indebtedness in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities initially offered, marketed or issued primarily to Persons resident in the PRC and dominated in Renminbi, and (ii) any Non-recourse Obligations (for the avoidance of doubt, in the case of (i) and (ii), regardless of whether such indebtedness or Non-recourse Obligations are quoted, listed or dealt in or traded on any stock exchange or over-the counter or other securities market); and

a **“Subsidiary”** of any Person means (i) any corporation, association or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50 per cent. of the total ordinary voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof (or Persons performing similar functions) or (ii) any partnership, joint venture limited liability company or similar entity of which more than 50 per cent. of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, is, in the case of (i) and (ii) of this definition, voting at the time owned or controlled, directly or indirectly, by (a) such Person, (b) such Person and one or more Subsidiaries of such Person or (c) one or more Subsidiaries of such Person. Unless otherwise specified herein, each reference to a Subsidiary will refer to a Subsidiary of the Issuer.

## **5 DEFAULT INTEREST**

The Bonds are zero coupon and do not bear interest unless, upon due presentation thereof, payment of principal is improperly withheld or refused. If the Issuer fails to pay any sum in respect of the Bonds when the same becomes due and payable under these Conditions, interest shall accrue on the overdue sum at the rate of one per cent. per annum from the due date up to whichever is the earlier of (A) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant holder and (B) the day falling seven days after the Trustee or the Principal Agent has notified the Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions). If interest is required to be calculated for a period of less than one year, it will be calculated on the basis of a 360-day year consisting of twelve months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

## **6 CONVERSION**

### **(A) Conversion Right**

- (i) *Conversion Period:* Subject as provided in these Conditions, each Bond shall entitle the holder to convert such Bond into Class B Shares (as defined in Condition 6(A)(iv)) credited as fully paid at any time during the Conversion Period referred to below (the **“Conversion Right”**).

Subject to and upon compliance with these Conditions, the Conversion Right in respect of a Bond may be exercised, at the option of the holder thereof, at any time (subject to any applicable fiscal or other laws or regulations and as hereinafter provided) on or after June 7, 2021 (a) up to the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the date falling 10 days prior to the Maturity Date (as defined in Condition 8) (both days inclusive) (but, except as provided in Condition 6(A)(iii), in no

event thereafter), or (b) if such Bond shall have been called for redemption by the Issuer before the Maturity Date, then up to the close of business (at the place aforesaid) on a date no later than 10 days (in the place aforesaid) prior to the date fixed for redemption thereof (both days inclusive), or (c) if notice requiring redemption has been given by the holder of such Bond pursuant to Condition 8(D) or Condition 8(E), then up to the close of business (at the place aforesaid) on the business day (in the place aforesaid) prior to the giving of such notice (both days inclusive) (the “**Conversion Period**”).

A Conversion Right may not be exercised (x) in respect of a Bond where the holder shall have exercised its right, by delivering or depositing the relevant notice, to require the Issuer to redeem or repurchase such Bond pursuant to Condition 8(D) or Condition 8(E) or (y) except as provided in Condition 6(A)(iii), following the giving of notice by the Trustee pursuant to Condition 10.

The price at which Class B Shares will be issued upon exercise of a Conversion Right (the “**Conversion Price**”) will initially be HK\$431.24 per Class B Share, but will be subject to adjustment in the circumstances described in Condition 6(C).

The number of Class B Shares to be issued on exercise of a Conversion Right shall be determined by dividing the principal amount of the Bonds to be converted (translated into Hong Kong dollars at the fixed rate of HK\$7.7709 = U.S.\$1.00 (the “**Fixed Exchange Rate**”)) by the Conversion Price in effect on the relevant Conversion Date (as defined in Condition 6(B)(i) below). A Conversion Right may only be exercised in respect of one or more Bonds. If more than one Bond held by the same holder is converted at any one time by the same holder, the number of Class B Shares to be issued upon such conversion will be calculated on the basis of the aggregate principal amount of the Bonds to be converted.

- (ii) *Fractions of Class B Shares:* Fractions of Class B Shares will not be issued on exercise of Conversion Rights and no cash payment or other adjustment will be made in lieu thereof. However, if the Conversion Right in respect of more than one Bond is exercised at any one time such that Class B Shares to be issued on conversion are to be registered in the same name, the number of such Class B Shares to be issued in respect thereof shall be calculated on the basis of the aggregate principal amount of such Bonds being so converted and rounded down to the nearest whole number of Class B Shares. Notwithstanding the foregoing, in the event of a consolidation or re-classification of Class B Shares by operation of law or otherwise occurring after April 19, 2021 which reduces the number of Class B Shares outstanding, the Issuer will upon conversion of Bonds pay in cash in U.S. dollars a sum equal to such portion of the principal amount of the Bond or Bonds evidenced by the Certificate deposited in connection with the exercise of Conversion Rights, aggregated as provided in Condition 6(A)(i), as corresponds to any fraction of a Class B Share not issued as a result of such consolidation or re-classification aforesaid, provided that such sum exceeds U.S.\$10. Any such sum shall be paid not later than five Class B Share Stock Exchange Business Days (as defined in Condition 6(B)(i)) after the relevant Conversion Date by a U.S. dollar-denominated cheque or by transfer to a U.S. dollar account maintained by the payee with a bank, in accordance with instructions given by the relevant Bondholder in the Conversion Notice.

- (iii) *Revival and/or Survival after Default*: Notwithstanding the provisions of Condition 6(A)(i), if (a) the Issuer shall default in making payment in full in respect of any Bond which shall have been called or put for redemption on the date fixed for redemption thereof; (b) any Bond has become due and payable prior to the Maturity Date by reason of the occurrence of any of the events under Condition 10; or (c) any Bond is not redeemed on the Maturity Date in accordance with Condition 8(A), the Conversion Right attaching to such Bond will revive and/or will continue to be exercisable up to, and including, the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the date upon which the full amount of the moneys payable in respect of such Bond has been duly received by the Principal Agent or the Trustee and notice of such receipt has been duly given to the Bondholders in accordance with Condition 11 and notwithstanding the provisions of Condition 6(A)(i), any Bond in respect of which the Certificate and the Conversion Notice (as defined below) are deposited for conversion prior to such date shall be converted on the relevant Conversion Date (as defined below) notwithstanding that the full amount of the moneys payable in respect of such Bond shall have been received by the Principal Agent or the Trustee before such Conversion Date or that the Conversion Period may have expired before such Conversion Date.
- (iv) *Meaning of "Shares"*: As used in these Conditions, the expression (i) "**Class B Shares**" means class B ordinary shares in the share capital of the Issuer with a par value of U.S.\$0.00001 each, conferring a holder of a Class B Share one vote per share on any resolution tabled at the Issuer's general meetings, (ii) "**Class A Shares**" means class A ordinary shares in the share capital of the Issuer with a par value of U.S.\$0.00001 each, conferring weighted voting rights in the Issuer such that a holder of a Class A Share is entitled to 10 votes per share on any resolution tabled at the Issuer's general meetings, save for resolutions with respect to any reserved matters as set out in the amended and restated memorandum and articles of association of the Issuer, in which case they shall be entitled to one vote per share, and (iii) "**Ordinary Shares**" means the Class B Shares, the Class A Shares and any fully-paid and non-assessable shares of any class or classes of the ordinary shares of the Issuer authorized after the Issue Date which have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation or dissolution of the Issuer.

## **(B) Conversion Procedure**

- (i) *Conversion Notice*: Conversion Rights may be exercised by a Bondholder during the Conversion Period by delivering, at the Bondholder's own expense, the relevant Certificate to the specified office of any Conversion Agent during normal business hours (being between 9:00 a.m. and 4:00 p.m. on a business day) at the place where the Certificate evidencing such Bond is deposited for conversion accompanied by a duly completed and signed notice of conversion (a "**Conversion Notice**") in the form (for the time being current) obtainable from any Conversion Agent, together with (a) the relevant Certificate; and (b) confirmation that any amounts required to be paid by the Bondholder under Condition 6(B)(ii) have been so paid.

If such delivery is made after 4:00 p.m. on any business day or on a day which is not a business day in the place of the specified office of the relevant Conversion Agent, such delivery shall be deemed for all purposes of these Conditions to have been made on the next following such business day. For the purposes of this Condition 6, "**business day**" means a day (other than a Saturday, Sunday or public holiday) on which commercial banks are generally open for business in the city in which the specified office of the relevant Conversion Agent is located.

Any determination as to whether any Conversion Notice has been duly completed and properly delivered shall be made by the relevant Conversion Agent and shall, save in the case of manifest error, be conclusive and binding on the Issuer, the Trustee, the Conversion Agents and the relevant Bondholder.

Conversion Rights may only be exercised in respect of an Authorized Denomination. A Conversion Notice, once delivered, shall be irrevocable and may not be withdrawn unless the Issuer consents in writing to such withdrawal.

The conversion date in respect of a Bond (the “**Conversion Date**”) must fall at a time when the Conversion Right attaching to that Bond is expressed in these Conditions to be exercisable (subject to the provisions of Condition 6(A)(iii)) and will be deemed to be the Class B Share Stock Exchange Business Day (as defined below) immediately following the later of the date of the surrender of the Certificate in respect of such Bond and delivery of such Conversion Notice (if they are not surrendered and delivered on the same day) and, if applicable, the date of making any payment or giving any indemnity under these Conditions in connection with the exercise of such Conversion Right. “**Class B Share Stock Exchange Business Day**” means any day (other than a Saturday or Sunday) on which the Relevant Stock Exchange (as defined in Condition 6(F) below) is open for trading of securities.

- (ii) *Stamp Duty etc.*: A Bondholder exercising Conversion Rights must pay directly to the relevant authorities any taxes and/or capital, stamp, issue and registration and transfer taxes and duties (collectively, “**Duties**”) arising on such exercise (other than any Duties payable in Hong Kong, the Cayman Islands and, if relevant, in the place of the Alternative Stock Exchange, by the Issuer in respect of the allotment and issue of Class B Shares and listing of the Class B Shares on the Relevant Stock Exchange on conversion (such Duties payable by the Issuer being the “**Issuer Duties**”, and the Duties payable by the Bondholder and the Issuer Duties being collectively “**Taxes**”). In addition to paying any Issuer Duties, the Issuer will pay all other expenses arising on the issue of Class B Shares on conversion of Bonds and all charges of the Agents and the share transfer agent for the Class B Shares (the “**Share Transfer Agent**”). The Bondholder (and, if different, the person to whom the Class B Shares are to be issued) must declare in the relevant Conversion Notice that any and all amounts payable to the relevant tax authorities in settlement of Taxes payable by the Bondholders pursuant to this Condition 6(B)(ii) have been, or (where permitted by law) will be, paid.

If the Issuer shall fail to pay any Issuer Duties, the relevant holder shall be entitled to tender and pay the same and the Issuer, as a separate and independent stipulation, covenants to reimburse and indemnify each Bondholder on demand in respect of any payment thereof and any penalties payable in respect thereof.

Such Bondholder must also pay all, if any, taxes, duties, charges and assessments imposed on it and arising by reference to any disposal or deemed disposal of a Bond or interest therein in connection with the exercise of Conversion Rights by it.

Neither the Trustee nor any of the Agents shall be responsible or liable for paying any Taxes, expenses or other amounts referred to in this Condition 6(B)(ii) or for determining whether such Taxes, expenses or other amounts are payable or determining the amount thereof and none of them shall be responsible or liable for any failure by the Issuer or any Bondholder to pay such Taxes, expenses or other amounts.

- (iii) *Registration*: Upon exercise by a Bondholder of its Conversion Right and compliance with Conditions 6(B)(i) and 6(B)(ii) the Issuer will, as soon as practicable, and in any event not later than seven Class B Share Stock Exchange Business Days after the Conversion Date, register the person or persons designated for the purpose in the Conversion Notice as holder(s) of the relevant number of Class B Shares in the Issuer’s Class B share register and will, if the



Bondholder has also requested in the Conversion Notice and to the extent permitted under applicable law and the rules and procedures of the Central Clearing and Settlement System of Hong Kong (“CCASS”) and the Issuer’s share registrar effective from time to time, take all necessary action to procure that Class B Shares are delivered through CCASS for so long as the Class B Shares are listed on the Hong Kong Stock Exchange; or will make such certificate or certificates available for collection at the office of the Issuer’s share registrar in Hong Kong (currently Computershare Hong Kong Investor Services Limited) notified to Bondholders in accordance with Condition 11 or, if so requested in the relevant Conversion Notice, will cause its share registrar to mail (at the risk, and, if sent at the request of such person otherwise than by ordinary mail, at the expense, of the person to whom such certificate or certificates are sent) such certificate or certificates to the person and at the place specified in the Conversion Notice, together (in either case) with any other securities, property or cash required to be delivered upon conversion of the Bonds and such assignments and other documents (if any) as may be required by law to effect the transfer thereof, in which case a single share certificate will be issued in respect of all Class B Shares issued on conversion of Bonds subject to the same Conversion Notice and which are to be registered in the same name.

The delivery of the Class B Shares to the converting Bondholder (or such person or persons designated in the relevant Conversion Notice) in the manner contemplated above in this Condition 6(B)(iii) will be deemed to satisfy the Issuer’s obligation to pay the principal on such converted Bonds.

If the Conversion Date in relation to the conversion of any Bond shall be on or after the record date for any issue, distribution, grant, offer or other event as gives rise to the adjustment of the Conversion Price pursuant to Condition 6(C), but before the relevant adjustment becomes effective (the “**Relevant Effective Date**”) under the relevant Condition (a “**Retroactive Adjustment**”), upon the relevant adjustment becoming effective the Issuer shall procure the issue to the converting Bondholder (or in accordance with the instructions contained in the Conversion Notice (subject to applicable exchange control or other laws or other regulations)), such additional number of Class B Shares (“**Additional Class B Shares**”) as is, together with Class B Shares to be issued on conversion of the Bond(s), equal to the number of Class B Shares which would have been required to be issued on conversion of such Bond if the relevant adjustment to the Conversion Price had been made and become effective on or immediately after the relevant record date and in such event and in respect of such Additional Class B Shares references in this Condition 6(B)(iii) to the Conversion Date shall be deemed to refer to the Relevant Effective Date (notwithstanding that the Relevant Effective Date falls after the end of the Conversion Period).

The person or persons specified for that purpose in the Conversion Notice will become the holder of record of the number of Class B Shares issuable upon conversion with effect from the date he is or they are registered as such in the Issuer’s register of members for Class B Shares (the “**Registration Date**”).

The Class B Shares issued upon exercise of Conversion Rights will be fully paid and will in all respects rank *pari passu* with the fully paid Class B Shares in issue on the relevant Registration Date except for any right excluded by mandatory provisions of applicable law and except that such Class B Shares will not rank for (or, as the case may be, the relevant holder shall not be entitled to receive) any rights, distributions or payments the record or other due date for the establishment of entitlement for which falls prior to the relevant Registration Date.

If the record date for the payment of any dividend or other distribution in respect of the Class B Shares is on or after the Conversion Date in respect of any Bond, but before the Registration Date (disregarding any Retroactive Adjustment of the Conversion Price referred to in this Condition 6(B)(iii) prior to the time such Retroactive Adjustment shall have become effective), the Issuer will calculate and pay to the converting Bondholder or his designee an amount in U.S. dollars (the “**Equivalent Amount**”) equal to the Fair Market Value (as defined in Condition 6(F) below) of such dividend or other distribution to which he would have been entitled had he on that record date been such a shareholder of record and will make the payment at the same time as it makes payment of the dividend or other distribution, or as soon as practicable thereafter, but, in any event, not later than seven days thereafter. The Equivalent Amount shall be paid by a U.S. dollar-denominated cheque or by transfer to a U.S. dollar account maintained by the payee with a bank, in accordance with instructions given by the relevant Bondholder in the Conversion Notice.

**(C) Adjustments to Conversion Price**

The Conversion Price will be subject to adjustment as follows:

- (1) **Consolidation, Subdivision or Reclassification:** If and whenever there shall be an alteration to the nominal value of Ordinary Shares of any class as a result of consolidation, subdivision or reclassification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such alteration by the following fraction:

$$\frac{A}{B}$$

Where:

A is the nominal amount of one Ordinary Share immediately after such alteration; and

B is the nominal amount of one Ordinary Share immediately before such alteration.

Such adjustment shall become effective on the date the alteration takes effect.

- (2) **Capitalisation of Profits or Reserves:**

- (i) If and whenever the Issuer shall issue Ordinary Shares of any class credited as fully paid to the holders of such Ordinary Shares (“**Ordinary Shareholders**”) by way of capitalisation of profits or reserves (including Ordinary Shares of such class paid up out of distributable profits or reserves and/or share premium account (except any Scrip Dividend)) and which would not have constituted a Capital Distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A}{B}$$

Where:

A is the aggregate nominal amount of the issued Ordinary Shares immediately before such issue; and

B is the aggregate nominal amount of the issued Ordinary Shares immediately after such issue.

Such adjustment shall become effective on the date of issue of such Ordinary Shares or if a record date is fixed therefor, immediately after such record date; *provided that* if there are different effective dates for different classes of Ordinary Shares, the effective date of the Class B Shares will prevail.

- (ii) In the case of an issue of Ordinary Shares of any class by way of a Scrip Dividend where the aggregate value of such Ordinary Shares issued by way of Scrip Dividend as determined by reference to the Current Market Price per Ordinary Share exceeds 105 per cent. of the amount of the Relevant Cash Dividend or the relevant part thereof and which would not have constituted a Capital Distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the issue of such Ordinary Shares by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

- A is the aggregate nominal amount of the issued Ordinary Shares of all classes immediately before such Scrip Dividend;
- B is the aggregate nominal amount of Ordinary Shares issued by way of such Scrip Dividend multiplied by a fraction of which (i) the numerator is the amount of the whole, or the relevant part, of the Relevant Cash Dividend for which Ordinary Shareholders have elected to receive as Ordinary Shares issued by way of Scrip Dividend, and (ii) the denominator is the aggregate value of such Ordinary Shares issued by way of Scrip Dividend as determined by reference to the Current Market Price; and
- C is the aggregate nominal amount of Ordinary Shares issued by way of such Scrip Dividend.

Such adjustment shall become effective on the date of issue of such Ordinary Shares or if a record date is fixed therefor, immediately after such record date; *provided that* if there are different effective dates for different classes of Ordinary Shares, the effective date of the Class B Shares will prevail.

- (3) **Capital Distributions:** If and whenever the Issuer shall pay or make any Capital Distribution to the Ordinary Shareholders (except to the extent that the Conversion Price falls to be adjusted under Condition 6(C)(2) above), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such Capital Distribution by the following fraction:

$$\frac{A - B}{A}$$

Where:

- A is the Current Market Price per Ordinary Share of such class on the date on which the Capital Distribution is first publicly announced; and
- B is the Fair Market Value on the date of such announcement of the portion of the Capital Distribution attributable to one Ordinary Share.

Such adjustment shall become effective on the date that such Capital Distribution is actually made or if a record date is fixed therefor, immediately after such record date; *provided that* if there are different effective dates for different classes of Ordinary Shares, the effective date of the Class B Shares will prevail. For the purpose of the above, Fair Market Value shall (subject as provided in the definition of “Fair Market Value” in Condition 6(F) below) be determined as at the date on which the Capital Distribution is first publicly announced or, if later, the first date on which the Fair Market Value of the relevant Capital Distribution is capable of being determined as provided herein.

In making any calculation pursuant to this Condition 6(C)(3), such adjustments (if any) shall be made as an Independent Investment Bank may consider appropriate to reflect (a) any consolidation or subdivision of the Ordinary Shares, (b) issues of Ordinary Shares by way of capitalisation of profits or reserves, or any like or similar event, (c) the modification of any rights to dividends of Ordinary Shares or (d) any change in the fiscal year of the Issuer.

- (4) **Rights Issues of Ordinary Shares or Options over Ordinary Shares:** If and whenever the Issuer shall issue Ordinary Shares of one or more classes to all or substantially all holders of Ordinary Shares of such classes by way of rights, or issue or grant to all or substantially all Ordinary Shareholders of such classes by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any Ordinary Shares of such classes, in each case at less than 95 per cent. of the Current Market Price per Ordinary Share on the date of the first public announcement of the terms of the issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

- A is the aggregate number of Ordinary Shares of all classes in issue immediately before such announcement;
- B is the number of Ordinary Shares which the aggregate consideration receivable for the Ordinary Shares issued by way of rights or for the options or warrants or other rights issued or granted by way of rights and for the total number of Ordinary Shares comprised therein would subscribe for, purchase or otherwise acquire at such Current Market Price per Ordinary Share; and
- C is the aggregate number of Ordinary Shares issued or, as the case may be, comprised in the issue or grant.

Such adjustment shall become effective on the date of issue of such Ordinary Shares or issue or grant of such options, warrants or other rights (as the case may be) or where a record date is set, the first date on which the Ordinary Shares are traded ex-rights, ex-options or ex-warrants, as the case may be; *provided that* if there are different effective dates for different classes of Ordinary Shares, the effective date of the Class B Shares will prevail.

- (5) **Rights Issues of Other Securities:** In respect of each class of Ordinary Shares, if and whenever the Issuer shall issue any securities (other than Ordinary Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Ordinary Shares) to all or substantially all Ordinary Shareholders of such class by way of rights, or issue or grant to all or substantially all Ordinary Shareholders of such class by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any securities (other than Ordinary Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Ordinary Shares), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A - B}{A}$$

Where:

- A is the Current Market Price per Ordinary Share on the date on which such issue or grant is publicly announced; and
- B is the Fair Market Value per Ordinary Share on the date of such announcement of the portion of the rights attributable to one Ordinary Share.

Such adjustment shall become effective on the date of issue of the securities or the issue or grant of such rights, options or warrants (as the case may be) or where a record date is set, the first date on which the Ordinary Shares are traded ex-rights, ex-options or ex-warrants, as the case may be; *provided that* if there are different effective dates for different classes of Ordinary Shares, the effective date of the Class B Shares will prevail. For the purpose of the above, Fair Market Value shall (subject as provided in the definition of “Fair Market Value” in Condition 6(F) below) be determined as at the date on which the terms of such issue or grant are publicly announced, or if later, the first date on which the Fair Market Value of the aggregate rights attributable to the Ordinary Shares in relation to such issue or grant is capable of being determined as provided herein.

- (6) **Issues at less than Current Market Price:** If and whenever the Issuer shall issue (otherwise than as mentioned in Condition 6(C)(4) above) any Class B Shares (other than Class B Shares issued on the exercise of Conversion Rights or on the exercise of any other rights of conversion into, or exchange or subscription for, Class B Shares) or issue or grant (otherwise than as mentioned in Condition 6(C)(4) above) options, warrants or other rights (other than the Conversion Rights under the Bonds, which excludes any further bonds issued pursuant to Condition 17) to subscribe for, purchase or otherwise acquire Class B Shares, in each case at a price per Class B Share which is less than 95 per cent. of the Current Market Price per Class B Share on the date of the first public announcement of the terms of such grant or issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{C}$$

Where:

- A is the aggregate number of Ordinary Shares of all classes in issue immediately before the issue of such additional Class B Shares or the grant of such options, warrants or other rights to subscribe for, purchase or otherwise acquire any Class B Shares;

- B is the number of Class B Shares which the aggregate consideration receivable for the issue of the maximum number of Class B Shares to be issued or the exercise of such options, warrants or other rights would purchase at such Current Market Price per Class B Share; and
- C is the aggregate number of Ordinary Shares in issue immediately after the issue of such additional Class B Shares.

References to additional Class B Shares in the above formula shall, in the case of an issue by the Issuer of options, warrants or other rights to subscribe or purchase Class B Shares, mean such Class B Shares to be issued assuming that such options, warrants or other rights are exercised in full at the initial exercise price or rate on the date of issue or grant of such options, warrants or other rights.

Such adjustment shall become effective on the date of issue of such additional Class B Shares or, as the case may be, the issue or grant of such options, warrants or other rights.

- (7) **Other Issues at less than Current Market Price:** Save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within this Condition 6(C)(7), if and whenever the Issuer or any of its Subsidiaries (otherwise than as mentioned in Conditions 6(C)(4), 6(C)(5) or 6(C)(6)), or (at the direction or request of or pursuant to any arrangements with the Issuer or any of its Subsidiaries) any other company, person or entity shall issue any securities (other than the Bonds) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Class B Shares to be issued by the Issuer upon conversion, exchange or subscription at a consideration per Class B Share which is less than 95 per cent. of the Current Market Price per Class B Share on the date of the first public announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

- A is the aggregate number of Ordinary Shares of all classes in issue immediately before such issue;
- B is the number of Class B Shares which the aggregate consideration receivable by the Issuer for the Class B Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to such securities would purchase at such Current Market Price per Class B Share; and
- C is the maximum number of Class B Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate on the issue date of such securities.

Such adjustment shall become effective on the date of issue of such securities.



- (8) **Modification of Rights of Conversion etc.:** If and whenever there shall be any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in Condition 6(C)(7) (other than in accordance with the terms of such securities) so that the consideration per Class B Share (for the number of Class B Shares available on conversion, exchange or subscription following the modification) is reduced and is less than 95 per cent. of the Current Market Price per Class B Share on the date of announcement of the proposals for such modification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such modification by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

- A is the aggregate number of Ordinary Shares of all classes in issue immediately before such modification;
- B is the maximum number of Class B Shares which the aggregate consideration receivable by the Issuer for the Class B Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to the securities so modified would purchase at such Current Market Price per Class B Share or, if lower, the existing conversion, exchange or subscription price of such securities; and
- C is the maximum number of Class B Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription, purchase or acquisition attached thereto at the modified conversion, exchange or subscription price or rate but giving credit in such manner as an Independent Investment Bank considers appropriate (if at all) for any previous adjustment under this Condition 6(C)(8) or under Condition 6(C)(7).

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange or subscription attaching to such securities.

- (9) **Other Offers to Ordinary Shareholders:** In respect of each class of Ordinary Shares, if and whenever the Issuer or any of its Subsidiaries or (at the direction or request of or pursuant to any arrangements with the Issuer or any of its Subsidiaries) any other company, person or entity issues, sells or distributes any securities in connection with an offer pursuant to which the Ordinary Shareholders of such class generally are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Conversion Price falls to be adjusted under Conditions 6(C)(4), 6(C)(5), 6(C)(6) or 6(C)(7)), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue, sale or distribution by the following fraction:

$$\frac{A - B}{A}$$

Where:

- A is the Current Market Price per Ordinary Share on the date on which such issue, sale or distribution is publicly announced; and
- B is the Fair Market Value of the portion of the rights attributable to one Ordinary Share.

Such adjustment shall become effective on the date of issue, sale or distribution of the securities or, if a record date is fixed therefor, immediately after such record date or if later, the first date upon which the Fair Market Value of the relevant securities is capable of being determined as provided herein; *provided that* if there are different effective dates for different classes of Ordinary Shares, the effective date of the Class B Shares will prevail. For the purpose of the above, Fair Market Value shall (subject as provided in the definition of “Fair Market Value” in Condition 6(F) below) be determined as at the date on which the terms of such issue, sale or distribution of securities are first publicly announced or, if later, the first date on which the Fair Market Value of the portion of the aggregate rights attributable to the Ordinary Shares is capable of being determined as provided herein.

- (10) **Other Events:** If the Issuer determines that an adjustment should be made to the Conversion Price as a result of one or more events or circumstances not referred to in this Condition 6, the Issuer shall, at its own expense, consult an Independent Investment Bank to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof, if the adjustment would result in a reduction in the Conversion Price, and the date on which such adjustment should take effect and upon such determination by the Independent Investment Bank such adjustment (if any) shall be made and shall take effect in accordance with such determination, *provided that* where the events or circumstances giving rise to any adjustment pursuant to this Condition 6 have already resulted or will result in an adjustment to the Conversion Price or where the events or circumstances giving rise to any adjustment arise by virtue of events or circumstances which have already given rise or will give rise to an adjustment to the Conversion Price, such modification (if any) shall be made to the operation of the provisions of this Condition 6 as may be advised by the Independent Investment Bank to be in its opinion appropriate to give the intended result. Notwithstanding the foregoing, the per Class B Share value of any such adjustment shall not exceed the per Class B Share value of the dilution in the interest of holders of Class B Shares (“**Class B Shareholders**”) in the Issuer’s equity caused by such events or circumstances.
- (11) **Adjustment upon Change of Control:** If a Change of Control shall occur, the Issuer shall give to Bondholders notice of that fact (a “**Change of Control Notice**”) in accordance with Condition 11 within 14 days after it becomes aware of such Change of Control. Following the giving of a Change of Control Notice, upon any exercise of Conversion Rights such that the relevant Conversion Date falls within 30 days following a Change of Control, or, if later, 30 days following the date on which the Change of Control Notice is given to Bondholders (such period, the “**Change of Control Conversion Period**”), the Conversion Price shall be adjusted in accordance with the following formula:

$$\text{NCP} = \frac{\text{OCP}}{1 + (\text{CP} \times \frac{c}{t})}$$

Where:

NCP is the Conversion Price after such adjustment;

OCP is the Conversion Price in effect on the relevant Conversion Date before such adjustment;

CP is the conversion premium of 57.5 per cent. expressed as a fraction;

c is the number of days from and including the date the Change of Control occurs to but excluding the Maturity Date; and

t is the number of days from and including the Issue Date to but excluding the Maturity Date,

provided that the Conversion Price shall not be reduced pursuant to this Condition 6(C)(11) below the level permitted by applicable laws and regulations from time to time (if any).

If the last day of a Change of Control Conversion Period shall fall during a Restricted Transfer Period, the Change of Control Conversion Period shall be extended such that its last day will be the fifteenth day following the last day of the Restricted Transfer Period.

On the Class B Share Stock Exchange Business Day immediately following the last day of the Change of Control Conversion Period, the Conversion Price shall be re-adjusted to the Conversion Price in force immediately before the adjustment to the Conversion Price during the Change of Control Conversion Period.

**(D) Undertakings**

The Issuer has undertaken in the Trust Deed, *inter alia*, that so long as any Bond remains outstanding, save with the approval of an Extraordinary Resolution of the Bondholders:

- (i) it will use all reasonable endeavours (a) to maintain a listing for all the issued Class B Shares on the Hong Kong Stock Exchange, and (b) to obtain and maintain a listing for all the Class B Shares issued on the exercise of the Conversion Rights on the Hong Kong Stock Exchange, and if the Issuer is unable to obtain or maintain such listing, or the maintenance of such listing is unduly onerous, to use all reasonable endeavours to obtain and maintain a listing for all the issued Class B Shares on an Alternative Stock Exchange as the Issuer may from time to time determine and will forthwith give notice to the Bondholders in accordance with Condition 11 of the listing or delisting of the Class B Shares (as a class) by any such stock exchange;
- (ii) it will use all reasonable endeavours to maintain the listing of the Bonds on the Hong Kong Stock Exchange and if it is unable to maintain such listing, or the maintenance of such listing is unduly onerous, it will use all reasonable endeavours to obtain and maintain a listing on another internationally recognised stock exchange as it may from time to time determine and it will forthwith give notice to the Bondholders in accordance with Condition 11 of the listing or delisting of the Bonds by any such stock exchange;
- (iii) it will pay the expenses of the issue of, and all expenses of obtaining a listing for, Class B Shares arising on conversion of the Bonds (save for the Duties payable by the relevant Bondholder specified in Condition 6(B)(ii)); and
- (iv) it will not make any reduction of its ordinary share capital or any uncalled liability in respect thereof or of any share premium account or capital redemption reserve fund except, in each case, where the reduction is permitted by applicable law and results in (or would, but for the provision of these Conditions relating to rounding or the carry forward of adjustments, result in) an adjustment to the Conversion Price or is otherwise taken into account for the purposes of determining whether such an adjustment should be made, *provided always that* the Issuer shall not be prohibited from purchasing its Class B Shares to the extent permitted by law.

In the Trust Deed, the Issuer has also undertaken to the Trustee that so long as any Bond remains outstanding:

- (I) it will reserve, free from any other pre-emptive or other similar rights, out of its authorized but unissued ordinary share capital the full number of Class B Shares liable to be issued on conversion of the Bonds from time to time remaining outstanding and shall ensure that all Class B Shares delivered on conversion of the Bonds will be duly and validly issued as fully-paid; and
- (II) it will not make any offer, issue, grant or distribute or take any action the effect of which would be to reduce the Conversion Price below the par value of the Class B Shares, *provided always that* the Issuer shall not be prohibited from purchasing its Class B Shares to the extent permitted by law.

The Issuer has also given certain other undertakings in the Trust Deed for the protection of the Conversion Rights.

**(E) Provisions Relating to Changes in Conversion Price**

- (i) *Minor adjustments*: On any adjustment, the resultant Conversion Price, if not an integral multiple of one Hong Kong cent, shall be rounded down to the nearest Hong Kong cent. No adjustment shall be made to the Conversion Price if such adjustment (rounded down if applicable) would be less than one per cent. of the Conversion Price then in effect. Any adjustment not required to be made, and/or any amount by which the Conversion Price has been rounded down, shall be carried forward and taken into account in any subsequent adjustment, and such subsequent adjustment shall be made on the basis that the adjustment not required to be made had been made at the relevant time and/or, as the case may be, that the relevant rounding down had not been made. Notice of any adjustment shall be given by the Issuer to Bondholders in accordance with Condition 11 and to the Trustee as soon as reasonably practicable after the determination thereof.
- (ii) *Decision of an Independent Investment Bank*: If any doubt shall arise as to whether an adjustment falls to be made to the Conversion Price or as to how an adjustment to the Conversion Price under Condition 6(C) should be made, and following consultation between the Issuer and an Independent Investment Bank, a written opinion of such Independent Investment Bank in respect thereof shall be conclusive and binding on the Issuer, the Bondholders and the Trustee, save in the case of manifest error. Notwithstanding the foregoing, the per Class B Share value of any such adjustment shall not exceed the per Class B Share value of the dilution in the shareholders' interest in the Issuer's equity caused by such events or circumstances.
- (iii) *Minimum Conversion Price*: Notwithstanding the provisions of this Condition 6, the Issuer undertakes that: (a) the Conversion Price shall not in any event be reduced to below the nominal or par value of the Class B Shares as a result of any adjustment hereunder unless under applicable law then in effect the Bonds may be converted at such reduced Conversion Price into legally issued, fully paid and non-assessable Class B Shares; and (b) it shall not take any action, and shall procure that no action is taken, that would otherwise result in an adjustment to the Conversion Price to below such nominal or par value or any minimum level permitted by applicable laws or regulations.
- (iv) *Reference to "fixed"*: Any references herein to the date on which a consideration is "fixed" shall, where the consideration is originally expressed by reference to a formula which cannot be expressed as an actual cash amount until a later date, be construed as a reference to the first day on which such actual cash amount can be ascertained.
- (v) *Multiple events*: Where more than one event which gives or may give rise to an adjustment to the Conversion Price occurs within such a short period of time that in the opinion of an Independent Investment Bank, the foregoing provisions would need to be operated subject to some modification in order to give the intended result, such modification shall be made to the operation of the foregoing provisions as may be advised by such Independent Investment Bank to be in its opinion appropriate in order to give such intended result.
- (vi) *Upward/downward adjustment*: No adjustment involving an increase in the Conversion Price will be made, except in the case of a consolidation or re-classification of the Class B Shares as referred to in Condition 6(C)(1) above. The Issuer may at any time and for a specified period of time only, following notice being given to the Trustee and the Principal Agent in writing and to the Bondholders in accordance with Condition 11, reduce the Conversion Price, subject to Condition 6(E)(iii).

- (vii) *Not obliged to Monitor*: Neither the Trustee nor any Agent shall be under any duty to monitor whether any event or circumstance has happened or exists which may require or may lead to an adjustment to be made to the Conversion Price or to make any determination or calculation (or any verification thereof) in connection with the Conversion Price and none of them will be responsible or liable to Bondholders or any other person for any loss arising from any failure by the Trustee or any Agent to do so or for any delay by the Issuer or any Independent Investment Bank in making a determination or calculation or any erroneous determination or calculation in connection with the Conversion Price. All adjustments to the Conversion Price under Condition 6(C) shall be determined by the Issuer and, if applicable, the Independent Investment Bank (as specified in this Condition 6) and neither the Trustee nor the Agents shall be responsible for verifying, or otherwise liable for, such determinations or for verifying any calculation, certification, advice or opinion in connection with such determinations.
- (viii) *Notice of Change in Conversion Price*: The Issuer shall give notice to the Trustee and the Principal Agent in writing and to the Bondholders in accordance with Condition 11 and, for so long as the Bonds are listed on the Hong Kong Stock Exchange, to the Hong Kong Stock Exchange of any change in the Conversion Price. Any such notice relating to a change in the Conversion Price shall set forth the event giving rise to the adjustment, the Conversion Price prior to such adjustment, the adjusted Conversion Price and the effective date of such adjustment.
- (ix) *No adjustment*: Notwithstanding any provision in this Condition 6, no adjustment will be made to the Conversion Price when (i) Class B Shares or other securities (including rights or options) are issued, offered, exercised, allotted or granted to, or for the benefit of employees (including directors) of the Issuer or any of its Subsidiaries pursuant to any share option, share award, restricted share or employee share incentive scheme or plan (and which share scheme or plan is in compliance with the listing rules of the Relevant Stock Exchange) (“**Share Scheme Shares/Options**”) unless any grant or issue of Share Scheme Shares/Options (which, but for this Condition 6(E)(ix), would have required adjustment pursuant to Condition 6) would result in the total number of Class B Shares which may be issued upon exercise of such Share Scheme Shares/Options granted during any 12-month period up to and including the date of such grant representing, in aggregate, over 3.0 per cent. of the average number of issued and outstanding Class B Shares during such 12-month period, in which case only such portion of the grant or issue of Share Scheme Shares/Options that exceeds 3.0 per cent. of the average number of issued and outstanding Class B Shares during the relevant 12-month period shall be taken into account in determining adjustment of the Conversion Price pursuant to Condition 6, or (ii) Class B Shares are issued upon conversion of Class A Shares into Class B Shares on a one to one basis.

**(F) Definitions**

For the purposes of these Conditions:

“**Alternative Stock Exchange**” means at any time, in the case of the Class B Shares, if they are not at that time listed and traded on the Hong Kong Stock Exchange, the principal stock exchange or securities market on which the Class B Shares are then listed or quoted or dealt in;

**“Capital Distribution”** means, on a per Class B Share basis, (i) the aggregate distribution of assets *in specie* by the Issuer for any financial period whenever paid or made and however (and for these purposes a distribution of assets *in specie* includes, without limitation, an issue of Class B Shares or other securities credited as fully or partly paid by way of capitalisation of reserves, but excludes any Class B Shares credited as fully paid to the extent an adjustment to the Conversion Price is made in respect hereof under Condition 6(C)(2)(i) and a Scrip Dividend adjusted for under Condition 6(C)(2)(ii)); and (ii) the aggregate cash dividend or distribution on a gross basis (including, without limitation, the relevant cash amount of a Scrip Dividend) of any kind by the Issuer for any financial period (whenever paid and however described) unless it comprises a purchase or redemption of Class B Shares by or on behalf of the Issuer (or a purchase of Class B Shares by or on behalf of a Subsidiary of the Issuer), where the weighted average price or consideration per Class B Share (before expenses) on any one day in respect of such purchases does not exceed the Current Market Price of the Class B Shares by more than five per cent. either (a) on that date, or (b) where an announcement has been made of the intention to purchase Class B Shares at some future date at a specified price, on the Trading Day immediately preceding the date of such announcement and, if in the case of either (a) or (b), the relevant day is not a Trading Day, the immediately preceding Trading Day. In the event the weighted average price or consideration per Class B Share of such purchase or redemption of Class B Shares does exceed the Current Market Price of the Class B Shares by the amount referred to in this definition, for the purposes of the adjustment in Condition 6(C)(3), **“Capital Distribution”** shall mean the portion of such weighted average price or consideration per Class B Share which exceeds such amount;

a **“Change of Control”** occurs when:

- (i) any Person or Persons acting together, except where such Person(s) is Controlled by the Permitted Holders, acquires Control of the Issuer;
- (ii) the Issuer consolidates with or merges into or sells or transfers all or substantially all of the assets of the Issuer to any other Person or Persons acting together, except where such Person(s) is Controlled by the Permitted Holders; or
- (iii) the Permitted Holders together cease to hold (directly or indirectly) at least 30.0 per cent. of the voting rights of the issued share capital of the Issuer;

**“Closing Price”** means, in respect of a Class B Share for any Trading Day, the price published in the Daily Quotation Sheet published by the Hong Kong Stock Exchange or, as the case may be, the equivalent quotation sheet of an Alternative Stock Exchange for such Trading Day;

**“Control”** means the acquisition or control of more than 50.0 per cent. of the Voting Rights of the issued share capital of the Issuer or the right to appoint and/or remove all or the majority of the members of the Issuer’s board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of Voting Rights, contract or otherwise;



**“Current Market Price”** means, in respect of an Ordinary Share on a particular date, the average of the Closing Prices for one Ordinary Share (being an Ordinary Share carrying full entitlement to dividend) on each of the 20 consecutive Trading Days ending on and including (i) the Trading Day immediately preceding such date or (ii) if the relevant announcement was made after the close of trading on such day (being a Trading Day), such date of announcement, provided that if at any time during such 20 Trading Day-period the Ordinary Shares of such class shall have been quoted ex-dividend (or ex-any other entitlement) and during some other part of that period the Ordinary Shares of such class shall have been quoted cum-dividend (or cum-any other entitlement) then:

- (a) if the Ordinary Shares of such class to be issued in such circumstances do not rank for the dividend (or other entitlement) in question, the Closing Price on the dates on which the Ordinary Shares of such class shall have been quoted cum-dividend (or cum-any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such dividend or other entitlement per Ordinary Share of such class; or
- (b) if the Ordinary Shares of such class to be issued in such circumstances rank for the dividend (or other entitlement) in question, the Closing Price on the dates on which the Ordinary Shares of such class shall have been quoted ex-dividend (or ex-any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof increased by the Fair Market Value of any such dividend or other entitlement per Ordinary Share of such class,

*provided further that* if the Ordinary Shares of such class on each of the said 20 Trading Days have been quoted cum-dividend (or cum-any other entitlement) in respect of a dividend (or other entitlement) which has been declared or announced but the Ordinary Shares to be issued do not rank for that dividend, the Closing Price on each of such dates shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such dividend or other entitlement per Ordinary Share of such class, and *provided further that* in respect of a Class A Share on a particular date, the **“Current Market Price”** of such Class A Share shall mean the Current Market Price of a Class B Share on such date as determined in accordance with the foregoing definition;

**“Dollar Equivalent”** means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the base rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the date of determination;

**“Fair Market Value”** means, with respect to any asset, security, option, warrant or other right on any date, the fair market value of that asset, security, option, warrant or other right as determined by an Independent Investment Bank on the basis of commonly accepted market valuation method and taking into account such factors as it considers appropriate, provided that an Independent Investment Bank will not be required to determine the fair market value where (i) the Capital Distribution is paid in cash, in which case the fair market value of such cash Capital Distribution per Ordinary Share shall be the amount of such cash Capital Distribution per Ordinary Share, (ii) any other amounts are paid in cash, in which case the fair market value of such cash amount shall be the amount of cash, and (iii) options, warrants or other rights or securities are or will upon issuance be publicly traded in a market of adequate liquidity (as determined by such Independent Investment Bank), the fair market value of such options, warrants or other rights or securities shall equal the arithmetic mean of the daily closing price of such options, warrants or other rights or securities during the period of

10 Trading Days on the relevant market commencing on the first such Trading Day such options, warrants or other rights or securities are publicly traded. Such amounts, if expressed in a currency other than HK dollars shall be translated into HK dollars at the Prevailing Rate on such date. In addition, in the case of proviso (i) and (ii) above in this definition, the Fair Market Value shall be determined on a gross basis and disregarding any withholding or deduction required to be made for or on account of tax and disregarding any associated tax credit;

**“Hong Kong Stock Exchange”** means The Stock Exchange of Hong Kong Limited or its successor thereto;

**“Independent Investment Bank”** means an independent investment bank of international repute (acting as an expert) selected and appointed by the Issuer and notified in writing by the Trustee. If the Issuer fails to select and appoint an Independent Investment Bank when required by these Conditions, the Trustee shall not be responsible for or under any obligation to select or appoint an Independent Investment Bank;

**“Permitted Holders”** means the aggregate shareholding of Mr. Wang Xing, and:

- (i) any heir, estate, lineal descendent (or spouse thereof), spouse or parent of Mr. Wang Xing; and
- (ii) any trust, corporation, partnership or other entity, of which the direct or indirect beneficiaries, equity holders, partners or owners are any of Mr. Wang Xing and/or such other Persons referred to in paragraph (i) above of this definition;

**“Prevailing Rate”** means, in respect of any currency on any day, the bid exchange rate between the relevant currencies prevailing as at or about 12:00 noon (Hong Kong time) on that date as appearing on or derived from the Relevant Page or, if such a rate cannot be determined at such time, the rate prevailing as at or about 12:00 noon (Hong Kong time) on the immediately preceding day on which such rate can be so determined;

**“Relevant Cash Dividend”** means the aggregate cash dividend or distribution declared by the Issuer, including any cash dividend in respect of which there is any Scrip Dividend;

a **“Relevant Event”** occurs:

- (i) when the Class B Shares cease to be listed or admitted to trading or are suspended from trading for a period equal to or exceeding 30 consecutive Trading Days on the Relevant Stock Exchange; or
- (ii) when there is a Change of Control; or
- (iii) when (a) there is any change in or amendment to the laws, regulations and rules of the PRC or the official interpretation or official application thereof (a **“Change in Law”**) that results in (x) the Issuer and its Controlled Entities (collectively, the **“Group”**) (as in existence immediately subsequent to such Change in Law), as a whole, being legally prohibited from operating substantially all of the business operations conducted by the Group (as in existence immediately prior to such Change in Law) as of the last date of the period described in the Issuer’s consolidated financial statements for the most recent fiscal quarter and (y) the Issuer being unable to continue to derive substantially all of the economic benefits from the business operations conducted by the Group (as in existence immediately prior to such Change in Law)

in the same manner as reflected in the Issuer's consolidated financial statements for the most recent fiscal quarter and (b) the Issuer has not furnished to the Trustee, prior to the date that is 12 months after the date of the Change in Law, an opinion from an independent financial adviser or external legal counsel stating either (1) that the Issuer is able to continue to derive substantially all of the economic benefits from the business operations conducted by the Group (as in existence immediately prior to such Change in Law), taken as a whole, as reflected in the Issuer's consolidated financial statements for the most recent fiscal quarter (including after giving effect to any corporate restructuring or reorganization plan of the Issuer) or (2) that such Change in Law would not materially adversely affect the Issuer's ability to make principal, premium (if any) and interest payments (if any) on the Bonds when due or to convert the Bonds in accordance with these Conditions;

**"Relevant Page"** means the relevant Bloomberg BFIX page (or its successor page) or, if there is no such page, on the relevant Reuters HKDFIX page (or its successor page) or such other information service provider that displays the relevant information;

**"Relevant Stock Exchange"** means at any time, in respect of the Class B Shares, the Hong Kong Stock Exchange or the Alternative Stock Exchange;

**"Scrip Dividend"** means any Ordinary Shares issued in lieu of the whole or any part of any Relevant Cash Dividend, being a dividend which the Ordinary Shareholders concerned would or could otherwise have received (and for the avoidance of doubt, to the extent that an adjustment is made under Condition 6(C)(3) in respect of the Relevant Cash Dividend, no adjustment is to be made for the amount by which the Current Market Price of the Ordinary Shares exceeds the Relevant Cash Dividend or part thereof for which an adjustment is already made under Condition 6(C)(2)(ii));

**"Trading Day"** means a day when the Hong Kong Stock Exchange or, as the case may be, an Alternative Stock Exchange is open for dealing business, provided that if no closing price is reported for one or more consecutive dealing days such day or days will be disregarded in any relevant calculation and shall be deemed not to have been dealing days when ascertaining any period of dealing days;

**"Total Equity"** as of any date, means the total equity attributable to shareholders of the Issuer on a consolidated basis determined in accordance with IFRS, as shown on the Issuer's consolidated balance sheet for the most recent fiscal quarter; and

**"Voting Rights"** means the right generally to vote at a general meeting of shareholders of the Issuer.

References to any issue or offer or grant to Ordinary Shareholders **"as a class"** or **"by way of rights"** shall be taken to be references to an issue or offer or grant to all or substantially all Ordinary Shareholders, other than Ordinary Shareholders by reason of the laws of any territory or requirements of any recognised regulatory body or any other stock exchange or securities market in any territory or in connection with fractional entitlements, it is determined not to make such issue or offer or grant.

## 7 PAYMENTS

### (A) Method of Payment

Payment of principal, premium (if any), Early Redemption Amount and default interest (if any) and any other amount due will be made by transfer to the registered account of the Bondholder. Such payment will only be made after surrender of the relevant Certificate at the specified office of the Principal Agent or any of the other Paying Agents.

If an amount which is due on the Bonds is not paid in full, the Registrar will annotate the Register with a record of the amount (if any) in fact paid.

*So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear, Clearstream or an Alternative Clearing System (each, a “**relevant clearing system**”), each payment of principal of, and any other amounts due under, the Bonds evidenced by the Global Certificate will be made to the person shown as the holder thereof in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment, where “**Clearing System Business Day**” means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.*

### (B) Registered Accounts

For the purposes of this Condition 7, a Bondholder’s registered account means the U.S. dollar account maintained by or on behalf of it with a bank, details of which appear on the Register at the close of business on the fifteenth Payment Business Day (as defined in Condition 7(F) below) before the due date for payment, and a Bondholder’s registered address means its address appearing on the Register at that time.

### (C) Payments Subject to Fiscal Laws

All payments are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives in the place of payment but without prejudice to the provisions of Condition 9 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 9 any law implementing an intergovernmental approach thereto). No commission or expenses shall be charged to the Bondholders in respect of such payments.

### (D) Payment Initiation

Payment instructions (for value on the due date or, if that is not a Payment Business Day (as defined in Condition 7(F) below), for value on the first following day which is a Payment Business Day) will be initiated on the due date for payment (or, if it is not a Payment Business Day, the immediately following Payment Business Day) or, in the case of a payment of principal, if later, on the Payment Business Day on which the relevant Certificate is surrendered at the specified office of a Paying Agent.

### (E) Delay in Payment

Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a Payment Business Day, if the Bondholder is late in surrendering its Certificate (if required to do so).

**(F) Payment Business Day**

In this Condition 7, “**Payment Business Day**” means a day other than a Saturday, Sunday or public holiday on which commercial banks are open for business in Hong Kong and the city in which the specified office of the Principal Agent is located and, in the case of the surrender of a Certificate, in the place where the Certificate is surrendered.

**(G) Agents**

The initial Agents and their initial specified offices are listed below. The Issuer reserves the right at any time, with the prior written approval of the Trustee, to vary or terminate the appointment of any Agent and appoint additional or replacement Agents, provided that they will maintain (i) a Principal Agent, (ii) a Registrar with a specified office outside Hong Kong and the United Kingdom, and (iii) such other agents as may be required by the Hong Kong Stock Exchange. Notice of any changes in any Agent or their specified offices will promptly be given by the Issuer to the Bondholders in accordance with Condition 11.

**8 REDEMPTION, PURCHASE AND CANCELLATION**

**(A) Maturity**

Unless previously redeemed, converted or purchased and cancelled as provided herein, the Issuer will redeem each Bond at 100.00 per cent. of its principal amount on April 27, 2027 (the “**Maturity Date**”). The Issuer may not redeem the Bonds at its option prior to that date except as provided in Conditions 8(B) or 8(C) (but without prejudice to Conditions 8(D), 8(E) and 10).

**(B) Redemption for Taxation Reasons**

The Bonds may be redeemed, at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice (a “**Tax Redemption Notice**”) to the Bondholders in accordance with Condition 11 and in writing to the Trustee and the Principal Agent (which notice shall be irrevocable), on the date specified in the Tax Redemption Notice for redemption (the “**Tax Redemption Date**”) at the Early Redemption Amount, if the Issuer satisfies the Trustee immediately prior to the giving of such notice that (i) the Issuer has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of Hong Kong, the Cayman Islands or the PRC or, in any such case, any political subdivision or any authority thereof or therein having power to tax, or any change in the official application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after April 19, 2021, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds then due. Prior to the publication of any Tax Redemption Notice pursuant to this Condition 8(B), the Issuer shall deliver to the Trustee (a) a certificate in English signed by an Authorized Signatory (as defined in the Trust Deed) of the Issuer stating that the obligation referred to in (i) above of this Condition 8(B) cannot be avoided by the Issuer taking reasonable measures available to it and (b) an opinion of independent legal or tax advisors of recognised standing addressed to the Trustee to the effect that such change or amendment referred to in (i) above of this Condition 8(B) has occurred (irrespective of whether such amendment or change is then effective), and the Trustee shall be entitled (but not obliged) to accept such certificate and opinion (without further investigation or query and without liability to the Bondholders or any other person) as sufficient evidence thereof, in which event the same shall be conclusive and binding on the Bondholders.

On the Tax Redemption Date, the Issuer (subject to the following paragraph of this Condition 8(B)) shall redeem the Bonds at Early Redemption Amount.

If the Issuer issues a Tax Redemption Notice, each Bondholder will have the right to elect that his Bond(s) shall not be redeemed and that the provisions of Condition 9 shall not apply in respect of any payment to be made in respect of such Bond(s) which falls due after the relevant Tax Redemption Date, whereupon no Additional Tax Amounts shall be payable in respect thereof pursuant to Condition 9 and payment of all amounts shall be made subject to the deduction or withholding of any taxation required to be withheld or deducted. To exercise such a right, the relevant Bondholder must complete, sign and deposit during normal business hours (being between 9:00 a.m. and 4:00 p.m.) at the specified office of any Paying Agent a duly completed and signed notice of election, substantially in the form as scheduled to the Agency Agreement, obtainable during normal business hours (being between 9:00 a.m. and 4:00 p.m.) from the specified office of any Paying Agent (the “**Tax Option Exercise Notice**”) together with the Certificate evidencing the Bonds to be redeemed, on or before the day falling 10 days prior to the Tax Redemption Date. A Tax Option Exercise Notice, once delivered, shall be irrevocable and may not be withdrawn without the Issuer’s consent.

**(C) Redemption at the Option of the Issuer**

On giving not less than 30 nor more than 60 days’ notice (an “**Optional Redemption Notice**”) to the Bondholders in accordance with Condition 11 and to the Trustee and the Principal Agent in writing, the Bonds may be redeemed by the Issuer in whole, but not in part, on the date (the “**Optional Redemption Date**”) specified in the Optional Redemption Notice at the Early Redemption Amount, at any time if, immediately prior to the date the relevant Optional Redemption Notice is given, Conversion Rights shall have been exercised and/or purchases (and corresponding cancelations) and/or redemptions effected in respect of 90 per cent. or more in principal amount of the Bonds originally issued (which shall for this purpose include any further bonds issued in accordance with Condition 17 and consolidated and forming a single series therewith).

For the purposes of these Conditions:

the “**Early Redemption Amount**” of a Bond, for each U.S.\$100,000 principal amount of the Bonds, is the amount determined to represent for the Bondholder on the relevant date for determination of the Early Redemption Amount (the “**Determination Date**”) a gross yield of negative 0.182 per cent. per annum calculated on a semi-annual basis. The applicable Early Redemption Amount for each U.S.\$100,000 principal amount of Bonds is calculated in accordance with the following formula, rounded (if necessary) to two decimal places with 0.005 being rounded upwards (provided that if the date fixed for redemption is a Semi-annual Date (as set out below), such Early Redemption Amount shall be as set out in the table below in respect of such Semi-annual Date):

$$\text{Early Redemption Amount} = \text{Previous Redemption Amount} \times (1 + r/2)^{d/p}$$

Previous Redemption Amount = the Early Redemption Amount for each U.S.\$100,000 principal amount on the Semi-annual Date immediately preceding the date fixed for redemption as set out below (or if the Bonds are to be redeemed prior to the first Interest Payment Date, U.S.\$101,100):

<b>Semi-annual Date</b>	<b>Early Redemption Amount</b>
	<b>(U.S.\$)</b>
October 27, 2021 . . . . .	101,008.00
April 27, 2022 . . . . .	100,916.08
October 27, 2022 . . . . .	100,824.25
April 27, 2023 . . . . .	100,732.50
October 27, 2023 . . . . .	100,640.83



<b>Semi-annual Date</b>	<b>Early Redemption Amount</b>
	<b>(U.S.\$)</b>
April 27, 2024 . . . . .	100,549.25
October 27, 2024 . . . . .	100,457.75
April 27, 2025 . . . . .	100,366.33
October 27, 2025 . . . . .	100,275.00
April 27, 2026 . . . . .	100,183.75
October 27, 2026 . . . . .	100,092.58

$r$  = (0.182) per cent. expressed as a fraction;

$d$  = number of days from and including the immediately preceding Semi-annual Date (or if the Bonds are to be redeemed on or before the first Interest Payment Date, from and including the Issue Date) to, but excluding, the date fixed for redemption, calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed; and

$p$  = 180.

#### **(D) Redemption for Relevant Event**

Following the occurrence of a Relevant Event, the holder of each Bond will have the right at such holder's option to require the Issuer to redeem all or some only of such holder's Bonds on the Relevant Event Put Date at the Early Redemption Amount. To exercise such right, the holder of the relevant Bond must deposit during normal business hours (being between 9:00 a.m. and 4:00 p.m.) at the specified office of any Paying Agent a duly completed and signed notice of redemption, substantially in the form as scheduled to the Agency Agreement, obtainable during normal business hours (being between 9:00 a.m. and 4:00 p.m.) from the specified office of any Paying Agent (a "**Relevant Event Put Exercise Notice**"), together with the Certificate evidencing the Bonds to be redeemed by not later than 60 days following a Relevant Event, or, if later, 60 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 11. The "**Relevant Event Put Date**" shall be the fourteenth day after the expiry of such period of 60 days as referred to above.

A Relevant Event Put Exercise Notice, once delivered, shall be irrevocable and may not be withdrawn without the Issuer's consent. The Issuer shall redeem the Bonds the subject of the Relevant Event Put Exercise Notice (subject to delivery of the relevant Certificate as aforesaid) on the Relevant Event Put Date.

Neither the Trustee nor any of the Agents shall be required to monitor or to take any steps to ascertain whether a Relevant Event or any event which could lead to a Relevant Event has occurred or may occur and none of them will be responsible or liable to Bondholders or any other person for any loss arising from any failure by it to do so, and each of them shall be entitled to assume that no such event has occurred until it has received written notice to the contrary from the Issuer.

The Issuer shall give notice to Bondholders in accordance with Condition 11 by not later than 14 days following the first day on which it becomes aware of the occurrence of a Relevant Event, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Bonds pursuant to this Condition 8(D) and shall give brief details of the Relevant Event.

**(E) Redemption at the Option of the Bondholders**

The Issuer will, at the option of the holder of any Bond, redeem all or some of that holder's Bonds on April 27, 2025 (the "**Put Option Date**") at 100.37 per cent. of the principal amount of the Bonds. To exercise such right, the holder of the relevant Bond must complete, sign and deposit at the specified office of any Paying Agent a duly completed and signed notice (the "**Put Option Notice**") together with the Certificate evidencing the Bonds to be redeemed not earlier than 60 days and not later than 30 days prior to the Put Option Date.

A Put Option Notice, once delivered, shall be irrevocable (and may not be withdrawn unless the Issuer consents to such withdrawal) and the Issuer shall redeem the Bonds the subject of a Put Option Notice delivered as aforesaid on the Put Option Date.

**(F) Purchase**

The Issuer or any of its Controlled Entities may, in accordance with all applicable laws and regulations, at any time purchase the Bonds in the open market or otherwise at any price, so long as such purchase does not otherwise violate the terms of the Trust Deed or the Bonds. The Bonds so purchased, while held by or on behalf of the Issuer or any of its Controlled Entities, shall not be deemed to be outstanding for certain purposes, including without limitation for the purpose of calculating quorums at meetings of the Bondholders or for the purposes of Condition 10, Condition 14(A) and Condition 15.

**(G) Cancellation**

All Bonds which are redeemed, converted or purchased by the Issuer or any of its Subsidiaries will forthwith be cancelled. Certificates in respect of all Bonds cancelled will be forwarded to or to the order of the Registrar and such Bonds may not be reissued or resold.

**(H) Redemption Notices**

All notices to Bondholders given by or on behalf of the Issuer pursuant to this Condition 8 will be irrevocable and will be given in accordance with Condition 11 specifying: (i) the Conversion Price as at the date of the relevant notice; (ii) the last day on which Conversion Rights may be exercised; (iii) the Closing Price of the Class B Shares on the latest practicable date prior to the publication of the notice; (iv) the applicable redemption amount; (v) the date for redemption; (vi) the manner in which redemption will be effected; and (vii) the aggregate principal amount of the Bonds outstanding as at the latest practicable date prior to the publication of the notice.

If more than one notice of redemption is given (being a notice given by either the Issuer or a Bondholder pursuant to this Condition 8), the first in time shall prevail. Neither the Trustee nor the Agents shall be responsible for calculating or verifying any calculations of any amounts payable under these Conditions.

**9 TAXATION**

All payments made by the Issuer under or in respect of the Bonds, the Trust Deed or the Agency Agreement will be made free from any restriction or condition and be made without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Hong Kong, the Cayman Islands or the PRC or, in any such case, any political subdivision or any authority thereof or therein having power to tax, unless such deduction or withholding is required by law.

Where such withholding or deduction is made by the Issuer by or within the PRC up to and including the aggregate rate applicable on April 19, 2021 (the “**Applicable Rate**”), the Issuer will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

If the Issuer is required to make a deduction or withholding (i) by or within the PRC in excess of the Applicable Rate or (ii) by or within Hong Kong or the Cayman Islands, the Issuer shall pay such additional amounts (“**Additional Tax Amounts**”) as will result in the receipt by the Bondholders of such amounts as would have been received by them had no such deduction or withholding been required, except that no Additional Tax Amounts shall be payable in respect of any Bond:

- (a) *Other connection*: to a holder (or to a third party on behalf of a holder) who is subject to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with Hong Kong, the Cayman Islands or the PRC otherwise than by the mere holding of the Bond or by the receipt of amounts in respect of the Bond; or
- (b) *Presentation more than 30 days after the relevant date*: (in the case of a payment of principal) if the Certificate in respect of such Bond is surrendered more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on surrendering the relevant Certificate for payment on the last day of such period of 30 days.

For the purposes hereof, “**Relevant Date**” means whichever is the later of (x) the date on which such payment first becomes due and (y) if the full amount payable has not been received by the Trustee or the Principal Agent on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Bondholders and payment made.

References in these Conditions to principal, premium (if any) and default interest (if any) shall be deemed also to refer to any additional amounts which may be payable under this Condition 9 or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, assessments or governmental charges, withholding or other payment referred to in this Condition 9 or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, any Bondholder or any third party to pay such tax, duty, assessments or governmental charges, withholding or other payment in any jurisdiction or to provide any notice or information to the Trustee or any Agent that would permit, enable or facilitate the payment of any principal or other amount under or in respect of the Bonds without deduction or withholding for or on account of any tax, duty, assessments or governmental charge imposed by or in any jurisdiction.

The provisions of this Condition 9 shall not apply in respect of any payments which fall due after the relevant Tax Redemption Date in respect of any Bonds which are the subject of a Bondholder election pursuant to Condition 8(B).

## 10 EVENTS OF DEFAULT

If any of the following events (each an “**Event of Default**”) occurs, the Trustee at its discretion may, and if so requested in writing by the holders of not less than 25 per cent. in aggregate principal amount of the Bonds then outstanding, or if so directed by an Extraordinary Resolution, shall (subject to being indemnified and/or secured and/or pre-funded by the holders to its satisfaction), give notice to the Issuer that the Bonds are, and they shall immediately become due and repayable at the Early Redemption Amount (subject as provided below and without prejudice to the right of Bondholders to exercise the Conversion Right in respect of their Bonds in accordance with Condition 6):

- (a) there is a failure to pay principal or premium in respect of any Bonds by the due date for such payment; or
- (b) there is a failure by the Issuer to deliver any Class B Shares as and when the Class B Shares are required to be delivered following Conversion of Bonds unless such failure is due to a technical or administrative error and is remedied by the Issuer within three calendar days; or
- (c) the Issuer defaults in the performance of or breaches any covenant or agreement in the Trust Deed or under the Bonds, which default or breach is in the opinion of the Trustee incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not remedied within 30 days after written notice of such default or breach shall have been given to the Issuer by the Trustee; or
- (d) (a) there occurs with respect to any indebtedness of the Issuer or any of the Issuer's Principal Controlled Entities, whether such indebtedness now exists or shall hereafter be created, (A) an event of default that has resulted in the holder thereof declaring the principal of such indebtedness to be due and payable prior to its stated maturity or (B) a failure to make a payment of principal, interest or premium when due (after giving effect to the expiration of any applicable grace period therefor, a "**Payment Default**") and in each case, such default continues for more than 30 days after the expiration of any grace period or extension of time for payment applicable thereto; provided that any such Event of Default shall be deemed cured and not continuing upon payment of such indebtedness, rescission of such declaration of acceleration, or waiver or with consent of the applicable lender; and (b) the outstanding principal amount of such indebtedness, together with the outstanding principal amount of any other indebtedness of the Issuer or any of the Issuer's Principal Controlled Entities under which there has been a Payment Default or the maturity of which has been so accelerated, is equal to or exceeds the greater of (x) US\$100,000,000 (or the Dollar Equivalent thereof) and (y) 2.5 per cent. of the Issuer's Total Equity; or
- (e) one or more final judgments or orders for the payment of money are rendered against the Issuer or any of the Issuer's Principal Controlled Entities and are not paid or discharged, and there is a period of 90 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against the Issuer or any of the Issuer's Principal Controlled Entities (net of any amounts that the Issuer's insurance carriers have paid or agreed to pay with respect thereto under applicable policies) to exceed the greater of (x) US\$100,000,000 (or the Dollar Equivalent thereof) and (y) 2.5 per cent. of the Issuer's Total Equity, during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect; or
- (f) the entry by a court having jurisdiction in the premises of (a) a decree or order for relief in respect of the Issuer or any of the Issuer's Principal Controlled Entities in an involuntary case or proceeding under any applicable bankruptcy, insolvency or other similar law or (b) a decree or order adjudging the Issuer or any of the Issuer's Principal Controlled Entities bankrupt or insolvent, or approving as final and non-appealable a petition seeking reorganization, arrangement, adjustment, or composition of or in respect of the Issuer or any of the Issuer's Principal Controlled Entities under any applicable bankruptcy, insolvency or other similar law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator, or other similar official of the Issuer or any of the Issuer's Principal Controlled Entities or of any substantial part of their respective property, or ordering the winding up or liquidation of their respective affairs (or any similar relief granted under any foreign laws), and in any such case the continuance of any such decree or order for relief or any such other decree or order unstayed and in effect for a period of 90 consecutive days; or

- (g) the commencement by the Issuer or any of the Issuer's Principal Controlled Entities of a voluntary case or proceeding under any applicable federal, state or foreign bankruptcy, insolvency or other similar law or of any other case or proceeding to be adjudicated bankrupt or insolvent, or the consent by the Issuer or any of the Issuer's Principal Controlled Entity to the entry of a decree or order for relief in respect of the Issuer or any of the Issuer's Principal Controlled Entities in an involuntary case or proceeding under any applicable bankruptcy, insolvency or other similar law or the commencement of any bankruptcy or insolvency case or proceeding against the Issuer or any of the Issuer's Principal Controlled Entity, or the filing by the Issuer or any of the Issuer's Principal Controlled Entity of a petition or answer or consent seeking reorganization or relief with respect to the Issuer or any of the Issuer's Principal Controlled Entities under any applicable bankruptcy, insolvency or other similar law, or the consent by the Issuer or any of the Issuer's Principal Controlled Entity to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator, or other similar official of the Issuer or any of the Issuer's Principal Controlled Entities or of any substantial part of their respective property pursuant to any such law, or the making by the Issuer or any of the Issuer's Principal Controlled Entities of a general assignment for the benefit of creditors in respect of any indebtedness as a result of an inability to pay such indebtedness as it becomes due, or the admission by the Issuer or any of the Issuer's Principal Controlled Entities in writing of their inability to pay the debts generally as they become due, or the taking of corporate action by the Issuer or any of the Issuer's Principal Controlled Entities that resolves to commence any such action; or
- (h) the Bonds or the Trust Deed is or becomes or is claimed by the Issuer to be unenforceable, invalid or ceases to be in full force and effect otherwise than is permitted by the Trust Deed.

## **11 NOTICES**

Notices to the holders of Bonds shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday, Sunday or public holiday) after the date of mailing. The Issuer shall also ensure that notices are duly published in a manner that complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are for the time being listed. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made.

*So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or the Alternative Clearing System (as defined in the form of the Global Certificate), notices to Bondholders shall be given by delivery of the relevant notice to Euroclear or Clearstream or the Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by the Conditions, and such notice shall be deemed to be received by the Bondholders on the date of delivery of such notice to Euroclear or Clearstream or the Alternative Clearing System.*

## **12 PRESCRIPTION**

Claims in respect of amounts due in respect of the Bonds will become prescribed and become void unless made within 10 years (in the case of principal or premium) and five years (in the case of default interest) from the appropriate Relevant Date.

### **13 REPLACEMENT OF CERTIFICATES**

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Registrar or any Transfer Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence and indemnity and/or security as the Issuer, the Registrar or such Transfer Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

### **14 MEETINGS OF BONDHOLDERS, MODIFICATION AND WAIVER**

#### **(A) Meetings of Bondholders**

The Trust Deed contains provisions for convening meetings of Bondholders (and for passing resolutions by Electronic Consent (as defined in the Trust Deed) or by written resolution) to consider matters affecting their interests, including without limitation the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by the Trustee or the Issuer and shall be convened by the Trustee upon request in writing from Bondholders holding not less than 10 per cent. in aggregate principal amount of the Bonds for the time being outstanding and subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. in aggregate principal amount of the Bonds for the time being outstanding or, at any adjourned such meeting, two or more persons being or representing Bondholders whatever the aggregate principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity of the Bonds or the Optional Redemption Date, (ii) to modify the circumstances in which the Issuer or Bondholders are entitled to redeem the Bonds pursuant to Conditions 8(B), 8(C), 8(D) or 8(E), (iii) to reduce or cancel the principal amount or Equivalent Amount payable in respect of the Bonds, (iv) to change the currency of denomination or payment of the Bonds, (v) to modify (except by a unilateral and unconditional reduction in the Conversion Price) or cancel the Conversion Rights, or (vi) to modify the provisions concerning the quorum required at any meeting of the Bondholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum will be two or more persons holding or representing not less than 66 per cent., or at any adjourned meeting not less than 33 per cent., in aggregate principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on all Bondholders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that (a) a written resolution signed by or on behalf of the holders of not less than 90 per cent. of the aggregate principal amount of Bonds for the time being outstanding and who are entitled to receive notice of a meeting of holders under the Trust Deed or (B) passed by Electronic Consent (as defined in the Trust Deed), shall for all purposes be as valid and effective as a duly passed Extraordinary Resolution of the Bondholders. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.



## **(B) Modification and Waiver**

The Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to (i) any modification of any of the provisions of the Trust Deed, any trust deed supplemental to the Trust Deed, the Agency Agreement, any agency agreement supplemental to the Agency Agreement, the Bonds or these Conditions (together the “**Documentation**”) which in the Trustee’s opinion is of a formal, minor or technical nature, or is made to correct a manifest error, or is made to comply with mandatory provisions of law, and (ii) any other modification to the Documentation (except as mentioned in the Trust Deed), and any waiver or authorization of any breach or proposed breach, of any of the provisions of the Documentation which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Bondholders. The Trustee may, without the consent of the Bondholders, determine any Event of Default or a Potential Event of Default (as defined in the Trust Deed) should not be treated as such, provided that in the opinion of the Trustee, the interests of Bondholders will not be materially prejudiced thereby. Any such modification, authorization or waiver shall be binding on the Bondholders and, unless the Trustee otherwise agrees, any such modification and any authorization or waiver (which shall be in writing) shall be notified by the Issuer to the Bondholders as soon as reasonably practicable in accordance with Condition 11.

## **(C) Entitlement of the Trustee**

In connection with the exercise of its functions, rights, powers and/or discretions (including but not limited to those referred to in this Condition 14) the Trustee shall have regard to the interests of, or be responsible for, the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders and the Trustee shall not be entitled to require on behalf of any Bondholder, nor shall any Bondholder be entitled to claim from the Issuer, any indemnification or payment in respect of any tax consequences of any such exercise upon individual Bondholders.

In the event of the passing of an Extraordinary Resolution in accordance with Condition 14(A), a modification, waiver or authorization in accordance with Condition 14(B), the Issuer will procure that the Bondholders be notified in accordance with Condition 11.

## **15 ENFORCEMENT**

The Trustee may, at any time, at its discretion and without further notice, take such steps and/or actions and/or institute such proceedings against the Issuer as it may think fit to enforce the terms of the Trust Deed and the Bonds, but it needs not take any such steps, actions and/or proceedings unless (A) it shall have been so directed by an Extraordinary Resolution or shall have been so requested in writing by the holders of not less than 25 per cent. in aggregate principal amount of the Bonds then outstanding and (B) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No Bondholder may proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable period and such failure is continuing.

## **16 INDEMNIFICATION OF THE TRUSTEE**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including without limitation provisions relieving it from taking any steps and/or actions and/or instituting proceedings to enforce its rights under the Trust Deed, the Agency Agreement and/or these Conditions and in respect of the Bonds and payment or taking other actions unless indemnified and/or secured and/or prefunded to its satisfaction and be paid or reimbursed for any fees, costs, expenses and indemnity payments and for liabilities incurred by it in priority to the claims of Bondholders. The Trustee is entitled to enter into business transactions with the Issuer and any entity relating (directly or indirectly) to the Issuer without accounting for any profit.

The Trustee may rely conclusively and without liability to Bondholders, the Issuer or any other person on any report, confirmation or certificate from or any opinion or advice of any accountants, lawyers, financial advisers, financial institution or any other expert or professional adviser, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely conclusively on any such report, confirmation, certificate, opinion or advice, in which case such report, confirmation, certificate, opinion or advice shall be binding on the Issuer and the Bondholders.

Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Agency Agreement or these Conditions to exercise any discretion or power, take any action, make any decision or give any direction or certification, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision or giving any such direction or certification, to seek directions from the Bondholders by way of Extraordinary Resolution or clarification of any directions, and the Trustee shall not be responsible or liable for any loss or liability incurred by the Issuer, the Bondholders or any other person as a result of any delay in it exercising such discretion or power, taking such action, making such decision or giving such direction or certification as a result of seeking such direction or clarification of directions from the Bondholders or in the event that no direction or clarification is given to the Trustee by the Bondholders.

None of the Trustee or any of the Agents shall be responsible for the performance by the Issuer and any other person appointed by the Issuer in relation to the Bonds of the duties and obligations on their part expressed in respect of the same and, unless it has written notice from the Issuer to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed. None of the Trustee or any Agent shall be liable to any Bondholder, the Issuer or any other person for any action taken by the Trustee or such Agent in accordance with the instructions of the Bondholders. The Trustee shall be entitled to rely conclusively on any direction, request or resolution of Bondholders given by Bondholders holding the requisite principal amount of Bonds outstanding or passed at a meeting of Bondholders convened and held in accordance with the Trust Deed (including without limitation passed by Written Resolution or by Electronic Consent).

Neither the Trustee nor any of the Agents shall have any obligation to monitor whether an Event of Default or a Potential Event of Default has occurred or monitor compliance by the Issuer with the provisions of the Trust Deed, the Agency Agreement or these Conditions, and none of them shall be liable to the Bondholders or any other person for not doing so.

Each Bondholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer, the Controlled Entities or the Group (as defined in Condition 6(F)) and neither the Trustee nor any Agent shall at any time have any responsibility for the same and each Bondholder shall not rely on the Trustee or any Agent in respect thereof.

## **17 FURTHER ISSUES**

The Issuer may from time to time without the consent of the Bondholders create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date and the timing for complying with the requirements set out in these Conditions in relation to NDRC Post-Issuance Filing) and so that such further issue shall be consolidated and form a single series with the outstanding Bonds. References in these Conditions to the Bonds include (unless the context requires otherwise) any other bonds issued pursuant to this Condition 17 and consolidated and forming a single series with the Bonds. Any further bonds consolidated and forming a single series with the outstanding Bonds constituted by the Trust Deed or any deed supplemental to it shall be constituted by a deed supplemental to the Trust Deed.

## **18 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999 (the “**Act**”), but this shall not affect any right or remedy which exists or is available apart from the Act and is without prejudice to the rights of the Bondholders as contemplated in Condition 15.

## **19 GOVERNING LAW AND SUBMISSION TO JURISDICTION**

### **(A) Governing Law**

The Bonds, the Trust Deed and the Agency Agreement and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

### **(B) Jurisdiction**

The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Bonds, the Trust Deed and the Agency Agreement and any non-contractual obligations arising out of or in connection with them and accordingly any legal action or proceedings arising out of or in connection with the Bonds, the Trust Deed and the Agency Agreement (“**Proceedings**”) may be brought in such courts. Pursuant to the Trust Deed, the Issuer has irrevocably submitted to the jurisdiction of such courts.

### **(C) Agent for Service of Process**

Pursuant to the Trust Deed, the Issuer has irrevocably appointed an agent in Hong Kong to receive service of process in any Proceedings in Hong Kong based on any of the Bonds or the Trust Deed.

### **(D) Waiver of Immunity**

The Issuer hereby waives any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, and irrevocably consents to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings.

## TERMS AND CONDITIONS OF THE SERIES 2 BONDS

*The following, subject to completion and amendment, and save for the paragraphs in italics, is the text of the Terms and Conditions of the Bonds which will be endorsed on the Certificate issued in respect of the Bonds and be referred to in the Global Certificate relating to the Bonds.*

The issue of the U.S.\$1,500,000,000 in aggregate principal amount of zero coupon convertible bonds due 2028 (the “**Bonds**”, which term shall include, unless the context requires otherwise, any further bonds issued in accordance with Condition 17 and consolidated and forming a single series therewith) of Meituan (the “**Issuer**”) and the right of conversion into Class B Shares (as defined in Condition 6(A)(iv)) was authorized by the board of directors of the Issuer on February 25, 2021. The Bonds are constituted by the trust deed (as amended and/or supplemented from time to time, the “**Trust Deed**”) dated April 27, 2021 (the “**Issue Date**”) between the Issuer and Citicorp International Limited (the “**Trustee**”, which expression shall, whenever the context so permits, include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for itself and the holders (as defined below) of the Bonds. These terms and conditions (the “**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bonds. The Bondholders (as defined below) are entitled to the benefit of, and are bound by, and are deemed to have notice of, all of the provisions of the Trust Deed, and are deemed to have notice of those provisions applicable to them of the paying, conversion and transfer agency agreement dated April 27, 2021 (the “**Agency Agreement**”) relating to the Bonds between the Issuer, the Trustee, Citibank, N.A., London Branch as principal paying agent, principal conversion agent and principal transfer agent (collectively in such capacities, the “**Principal Agent**”), Citicorp International Limited as registrar (the “**Registrar**”) and the other paying agents, conversion agents and transfer agents appointed under it (each a “**Paying Agent**”, a “**Conversion Agent**” or, as applicable, a “**Transfer Agent**” and together with the Registrar and the Principal Agent, the “**Agents**”) relating to the Bonds. References to the “**Paying Agents**” and the “**Conversion Agents**” each include the Principal Agent. References to the “**Principal Agent**”, the “**Registrar**”, the “**Transfer Agent**” and the “**Agents**” below are references to the principal agent, the registrar, the transfer agent and the agents for the time being for the Bonds.

Copies of the Trust Deed and of the Agency Agreement are available for inspection by the Bondholders at all reasonable times during usual business hours (being between 9:00 a.m. and 4:00 p.m. from Monday to Friday other than a public holiday) at the principal office for the time being of the Trustee (being at the Issue Date at 20/F, Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong) following prior written request and proof of holding and identity satisfactory to the Trustee.

Unless otherwise defined, terms used in these Conditions have the meanings specified in the Trust Deed. In these Conditions, “**Bondholder**” and (in relation to a Bond) “**holder**” mean the person in whose name a Bond is registered.

### 1 FORM, DENOMINATION AND TITLE

#### (A) Form and Denomination

The Bonds are issued in registered form in the denomination of U.S.\$200,000 and integral multiples of U.S.\$100,000 in excess thereof (each, an “**Authorized Denomination**”). A bond certificate (each a “**Certificate**”) will be issued to each Bondholder in respect of its registered holding of Bonds. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Bondholders (the “**Register**”) which the Issuer will procure to be kept by the Registrar.

*Upon issue, the Bonds will be represented by a global certificate (the “**Global Certificate**”) registered in the name of a nominee of, and deposited with, a common depositary for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream**”). The Conditions are modified by certain provisions contained in the Global Certificate. See “Description of the Global Certificate”.*

*Except in the limited circumstances described in the Global Certificate, owners of interests in the Bonds represented by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of Bonds. The Bonds are not issuable in bearer form.*

**(B) Title**

Title to the Bonds will pass only by transfer and registration in the Register as described in Condition 3. The holder of any Bond will (except as otherwise required by law or as ordered by a court of competent jurisdiction) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder.

**2 STATUS OF THE BONDS**

The Bonds constitute direct, unconditional, unsubordinated and (subject to Condition 4(a)) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable legislation and subject to Condition 4(a), at all times rank at least equally with all of its other present and future unsecured and unsubordinated obligations.

**3 TRANSFERS OF BONDS; ISSUE OF CERTIFICATES**

**(A) Register**

The Issuer will cause the Register to be kept at the specified office of the Registrar outside the United Kingdom and in accordance with the terms of the Agency Agreement on which shall be entered the names and addresses of the holders of the Bonds and the particulars of the Bonds held by them and of all transfers, redemptions and conversions of the Bonds. Each Bondholder shall be entitled to receive only one Certificate in respect of its entire holding of Bonds.

**(B) Transfer**

Subject to Condition 3(E) and the terms of the Agency Agreement, a Bond may be transferred by delivery of the Certificate issued in respect of that Bond, with the form of transfer on the back duly completed and signed by the holder or his attorney duly authorized in writing, to the specified office of the Registrar or any of the Transfer Agents. No transfer of a Bond will be valid or effective unless and until entered on the Register.

*Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.*

**(C) Delivery of New Certificates**

Each new Certificate to be issued upon a transfer of Bonds will, within seven business days of receipt by the Registrar or, as the case may be, any Transfer Agent of the original Certificate and the form of transfer duly completed and signed, be made available for collection at the specified office of the Registrar or such Transfer Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder entitled to the Bonds (but free of charge to the holder and at the Issuer's expense) to the address specified in the form of transfer.

Where only some of the Bonds (being that of one or more Bonds) in respect of which a Certificate is issued is to be transferred, converted, redeemed or repurchased, a new Certificate in respect of the Bonds not so transferred, converted, redeemed or repurchased will, within seven business days of delivery of the original Certificate to the Registrar or, as the case may be, any Transfer Agent, be made available for collection at the specified office of the Registrar or such Transfer Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder of the Bonds not so transferred, converted, redeemed or repurchased (but free of charge to the holder and at the Issuer's expense) to the address of such holder appearing on the Register.

For the purposes of this Condition 3, "**business day**" means a day (other than a Saturday, Sunday or public holiday) on which commercial banks are generally open for business in the city in which the specified office of the Registrar or the Transfer Agent, as the case may be, with whom a Certificate is deposited in connection with a transfer or conversion is located.

**(D) Formalities Free of Charge**

Registration of a transfer of Bonds and issuance of new Certificates will be effected without charge subject to (i) the person making such application for transfer paying or procuring the payment of any taxes, duties and/or other governmental charges in connection therewith, (ii) the Registrar or the Transfer Agent being satisfied with the documents of title and/or identity of the person making the application and (iii) the detailed regulations concerning transfer and registration of the Bonds set out in the Agency Agreement (as such regulations may be changed (a) by the Registrar, with the prior written approval of the Trustee and/or (b) by the Issuer, with the prior written consent of the Trustee and the Registrar).

**(E) Restricted Transfer Periods**

No Bondholder may require the transfer of a Bond to be registered (i) during the period of seven days ending on (and including) the dates for payment of any principal pursuant to these Conditions (including any date of redemption pursuant to Conditions 8(B) or Condition 8(C)); (ii) after a Conversion Notice (as defined in Condition 6(B)(i)) has been delivered with respect to a Bond; or (iii) after a Relevant Event Put Exercise Notice (as defined in Condition 8(D)) or a Put Option Notice (as defined in Condition 8(E)) has been deposited in respect of such Bond pursuant to Condition 8(D) or Condition 8(E). Each such period is a "**Restricted Transfer Period**".



## 4 COVENANTS

### (A) Negative Pledge

So long as any Bond remains outstanding (as defined in the Trust Deed), the Issuer will not create or have outstanding, and will ensure that none of its Principal Controlled Entities will create or have outstanding, any Lien upon the whole or any part of their respective present or future undertaking, assets or revenues (including any uncalled capital) securing any Relevant Indebtedness or create or have outstanding any guarantee or indemnity in respect of any Relevant Indebtedness either of the Issuer, or of any of its Principal Controlled Entities, without (i) at the same time or prior thereto securing or guaranteeing the Bonds, equally and rateably therewith or (ii) providing such other security or guarantee for the Bonds as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.

The foregoing restriction will not apply to:

- (a) any Lien arising or already arisen automatically by operation of law which is timely discharged or disputed in good faith by appropriate proceedings;
- (b) any Lien in respect of the obligations of any Person which becomes a Principal Controlled Entity or which merges with or into the Issuer or a Principal Controlled Entity after the Issue Date which is in existence at the date on which it becomes a Principal Controlled Entity of the Issuer or merges with or into the Issuer or a Principal Controlled Entity; *provided that* any such Lien was not incurred in anticipation of such acquisition or of such Person becoming a Principal Controlled Entity or being merged with or into the Issuer or a Principal Controlled Entity;
- (c) any Lien created or outstanding in favour of the Issuer;
- (d) any Lien in respect of Relevant Indebtedness of the Issuer or any Principal Controlled Entity with respect to which the Issuer or such Principal Controlled Entity has paid money or deposited money or securities with a fiscal agent, trustee or depository to pay or discharge in full the obligations of the Issuer or such Principal Controlled Entity in respect thereof (other than the obligation that such money or securities so paid or deposited, and the proceeds therefrom, be sufficient to pay or discharge such obligations in full);
- (e) any Lien created in connection with Relevant Indebtedness of the Issuer or any Principal Controlled Entity denominated in Renminbi and initially offered, marketed or issued primarily to Persons resident in the PRC;
- (f) any Lien created in connection with a project financed with, or created to secure, Non-recourse Obligations; or
- (g) any Lien arising out of the refinancing, extension, renewal or refunding of any Relevant Indebtedness secured by any Lien permitted by Conditions 4(A)(b) or 4(A)(f); *provided that* such Relevant Indebtedness is not increased beyond the principal amount thereof (together with the costs of such refinancing, extension, renewal or refunding) and is not secured by any additional property or assets.

## **(B) NDRC Post-Issuance Filing**

The Issuer undertakes that it will, within 10 PRC Business Days after the Issue Date, file or cause to be filed with the National Development and Reform Commission of the PRC or its local counterparts (the “**NDRC**”) the requisite information and documents in accordance with the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知 (發改外資[2015]2044號)) (the “**NDRC Circular**”) issued by the NDRC and effective as of 14 September 2015, the Approval of Foreign Debt Quota Administration Reform Trial Enterprise (Second Batch) for 2017 issued by the NDRC on 22 March 2017 and any implementation rules and/or regulations as issued by the NDRC from time to time (the “**NDRC Post-Issuance Filing**”).

The Trustee shall have no obligation or duty to monitor or ensure that the NDRC Post-Issuance Filing is filed with the NDRC or completed within the prescribed timeframe in accordance with these Conditions, the NDRC Circular and/or any other applicable PRC laws and regulations or to assist with the NDRC Post-Issuance Filing or to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the NDRC Post-Issuance Filing or to give notice to the Bondholders confirming the submission of the NDRC Post-Issuance Filing, and shall not be liable to the Issuer, the Bondholders or any other person for not doing so.

## **(C) Definitions**

In these Conditions:

“**Capital Stock**” of any Person means any and all shares, interests, rights to purchase, warrants, options, participations, or other equivalents of or interests in (however designated) equity of such Person, including any Preferred Shares and limited liability or partnership interests (whether general or limited), but excluding any debt securities convertible or exchangeable into such equity;

“**Consolidated Affiliated Entity**” of any Person means any corporation, association or other entity which is or is required to be consolidated with such Person under IFRS 10: Consolidated Financial Statements, IFRS 11: Joint Arrangements and IFRS 12: Disclosure of Interests in Other Entities issued by the International Accounting Standards Board (including any changes, amendments or supplements thereto) or, if such Person prepares its financial statements in accordance with accounting principles other than IFRS, the equivalent of IFRS 10: Consolidated Financial Statements, IFRS 11: Joint Arrangements and IFRS 12: Disclosure of Interests in Other Entities issued by the International Accounting Standards Board under such accounting principles. Unless otherwise specified herein, each reference to a Consolidated Affiliated Entity will refer to a Consolidated Affiliated Entity of the Issuer;

“**Controlled Entity**” of any Person means a Subsidiary or a Consolidated Affiliated Entity of such Person;

“**IFRS**” refers to International Financial Reporting Standards as issued by the International Accounting Standards Board;

“**Lien**” means any mortgage, charge, pledge, lien or other form of encumbrance or security interest;

**“Non-Listed Controlled Entities”** means the Controlled Entities other than (i) any Controlled Entities with shares of common stock or other common equity interests listed on an internationally recognised stock exchange; and (ii) any Subsidiaries or Consolidated Affiliated Entities of any Controlled Entity referred to in clause (i) of this definition;

**“Non-recourse Obligations”** means indebtedness or other obligations substantially related to (i) the acquisition of assets (including any person that becomes a Controlled Entity) not previously owned by the Issuer, or any of the Issuer’s Controlled Entities or (ii) the financing of a project involving the purchase, development, improvement or expansion of properties of the Issuer or any of the Issuer’s Controlled Entities, as to which the obligee with respect to such indebtedness or obligation has no recourse to the Issuer or any of the Issuer’s Controlled Entities or to the Issuer or any such Controlled Entity’s assets other than the assets which were acquired with the proceeds of such transaction or the project financed with the proceeds of such transaction (and the proceeds thereof);

a **“Person”** means any individual, corporation, firm, limited liability company, partnership, joint venture, undertaking, association, joint stock company, trust, unincorporated organization, trust, state, government or any agency or political subdivision thereof or any other entity (in each case whether or not being a separate legal entity);

**“PRC”** means the People’s Republic of China, excluding, for purposes of this definition, the Hong Kong Special Administrative Region, the Macao Special Administrative Region and Taiwan;

**“PRC Business Day”** means a day other than a Saturday, Sunday or a day on which banking institutions in the PRC are authorized or obligated by law, regulation or executive order to remain closed;

**“Preferred Shares”** as applied to the Capital Stock of any corporation, means Capital Stock of any class or classes (however designated) that is preferred as to the payment of dividends upon liquidation, dissolution or winding up;

**“Principal Controlled Entities”** at any time shall mean one of the Issuer’s Non-Listed Controlled Entities

- (i) as to which one or more of the following conditions is/are satisfied:
  - (a) its total revenue or (in the case of one of the Non-Listed Controlled Entities which has one or more Non-Listed Controlled Entities) consolidated total revenue attributable to the Issuer is at least 10 per cent. of the Issuer’s consolidated total revenue;
  - (b) its net profit or (in the case of one of the Non-Listed Controlled Entities which has one or more Non-Listed Controlled Entities) consolidated net profit attributable to the Issuer (in each case before taxation and exceptional items) is at least 10 per cent. of the Issuer’s consolidated net profit (before taxation and exceptional items); or
  - (c) its net assets or (in the case of one of the Non-Listed Controlled Entities which has one or more Non-Listed Controlled Entities) consolidated net assets attributable to the Issuer (in each case after deducting minority interests in Subsidiaries) are at least 10 per cent. of the Issuer’s consolidated net assets (after deducting minority interests in Subsidiaries);

all as calculated by reference to the then latest audited financial statements (consolidated or, as the case may be, unconsolidated) of such Non-Listed Controlled Entity and the Issuer's then latest audited consolidated financial statements; *provided that*, in relation to paragraphs (a), (b) and (c) of this definition above:

- (1) in the case of a corporation or other business entity becoming a Non-Listed Controlled Entity after the end of the financial period to which the Issuer's latest consolidated audited accounts relate, the reference to the Issuer's then latest consolidated audited accounts and the Issuer's Non-Listed Controlled Entities for the purposes of the calculation above shall, until the Issuer's consolidated audited accounts for the financial period in which the relevant corporation or other business entity becomes a Non-Listed Controlled Entity are issued, be deemed to be a reference to the then latest consolidated audited accounts of the Issuer and its Non-Listed Controlled Entities adjusted to consolidate the latest audited accounts (consolidated in the case of a Non-Listed Controlled Entity which itself has Non-Listed Controlled Entities) of such Non-Listed Controlled Entity in such accounts;
  - (2) if at any relevant time in relation to the Issuer or any Non-Listed Controlled Entity which itself has Non-Listed Controlled Entities, no consolidated accounts are prepared and audited, total revenue, net profit or net assets of the Issuer and/or any such Non-Listed Controlled Entity shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by or on behalf of the Issuer;
  - (3) if at any relevant time in relation to any Non-Listed Controlled Entity, no accounts are audited, its net assets (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Non-Listed Controlled Entity prepared for this purpose by or on behalf of the Issuer; and
  - (4) if the accounts of any Non-Listed Controlled Entity (not being a Non-Listed Controlled Entity referred to in proviso (1) above of this definition) are not consolidated with the Issuer's accounts, then the determination of whether or not such Non-Listed Controlled Entity is a Principal Controlled Entity shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the Issuer's consolidated accounts (determined on the basis of the foregoing); or
- (ii) to which is transferred all or substantially all of the assets of a Controlled Entity which immediately prior to the transfer was a Principal Controlled Entity; *provided that*, with effect from such transfer, the Controlled Entity which so transfers its assets and undertakings shall cease to be a Principal Controlled Entity (but without prejudice to paragraph (i) above of this definition) and the Controlled Entity to which the assets are so transferred shall become a Principal Controlled Entity.

An officer's certificate in English of the Issuer signed by an Authorized Signatory (as defined in the Trust Deed) of the Issuer delivered to the Trustee certifying in good faith as to whether or not a Non-Listed Controlled Entity is a Principal Controlled Entity shall be conclusive in the absence of manifest error and the Trustee shall be entitled to rely conclusively upon such officer's certificate (without further investigation or enquiry) and shall not be liable to any person for so accepting and relying on such officer's certificate;

**“Relevant Indebtedness”** means any indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended to be or are commonly, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market, except (i) any indebtedness in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities initially offered, marketed or issued primarily to Persons resident in the PRC and dominated in Renminbi, and (ii) any Non-recourse Obligations (for the avoidance of doubt, in the case of (i) and (ii), regardless of whether such indebtedness or Non-recourse Obligations are quoted, listed or dealt in or traded on any stock exchange or over-the counter or other securities market); and

a **“Subsidiary”** of any Person means (i) any corporation, association or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50 per cent. of the total ordinary voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof (or Persons performing similar functions) or (ii) any partnership, joint venture limited liability company or similar entity of which more than 50 per cent. of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, is, in the case of (i) and (ii) of this definition, voting at the time owned or controlled, directly or indirectly, by (a) such Person, (b) such Person and one or more Subsidiaries of such Person or (c) one or more Subsidiaries of such Person. Unless otherwise specified herein, each reference to a Subsidiary will refer to a Subsidiary of the Issuer.

## **5 DEFAULT INTEREST**

The Bonds are zero coupon and do not bear interest unless, upon due presentation thereof, payment of principal is improperly withheld or refused. If the Issuer fails to pay any sum in respect of the Bonds when the same becomes due and payable under these Conditions, interest shall accrue on the overdue sum at the rate of one per cent. per annum from the due date up to whichever is the earlier of (A) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant holder and (B) the day falling seven days after the Trustee or the Principal Agent has notified the Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions). If interest is required to be calculated for a period of less than one year, it will be calculated on the basis of a 360-day year consisting of twelve months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

## **6 CONVERSION**

### **(A) Conversion Right**

- (i) *Conversion Period*: Subject as provided in these Conditions, each Bond shall entitle the holder to convert such Bond into Class B Shares (as defined in Condition 6(A)(iv)) credited as fully paid at any time during the Conversion Period referred to below (the **“Conversion Right”**).

Subject to and upon compliance with these Conditions, the Conversion Right in respect of a Bond may be exercised, at the option of the holder thereof, at any time (subject to any applicable fiscal or other laws or regulations and as hereinafter provided) on or after June 7, 2021 (a) up to the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the date falling 10 days prior to the Maturity Date (as defined in Condition 8) (both days inclusive) (but, except as provided in Condition 6(A)(iii), in no event thereafter), or (b) if such Bond shall have been called for redemption by the Issuer before the Maturity Date, then up to the close of business (at the place aforesaid) on a date no later than 10 days (in the place aforesaid) prior to the date fixed for redemption thereof (both days inclusive), or (c) if notice requiring redemption has been given by the holder of such Bond pursuant to Condition 8(D) or Condition 8(E), then up to the close of business (at the place aforesaid) on the business day (in the place aforesaid) prior to the giving of such notice (both days inclusive) (the “**Conversion Period**”).

A Conversion Right may not be exercised (x) in respect of a Bond where the holder shall have exercised its right, by delivering or depositing the relevant notice, to require the Issuer to redeem or repurchase such Bond pursuant to Condition 8(D) or Condition 8(E) or (y) except as provided in Condition 6(A)(iii), following the giving of notice by the Trustee pursuant to Condition 10.

The price at which Class B Shares will be issued upon exercise of a Conversion Right (the “**Conversion Price**”) will initially be HK\$431.24 per Class B Share, but will be subject to adjustment in the circumstances described in Condition 6(C).

The number of Class B Shares to be issued on exercise of a Conversion Right shall be determined by dividing the principal amount of the Bonds to be converted (translated into Hong Kong dollars at the fixed rate of HK\$7.7709 = U.S.\$1.00 (the “**Fixed Exchange Rate**”)) by the Conversion Price in effect on the relevant Conversion Date (as defined in Condition 6(B)(i) below). A Conversion Right may only be exercised in respect of one or more Bonds. If more than one Bond held by the same holder is converted at any one time by the same holder, the number of Class B Shares to be issued upon such conversion will be calculated on the basis of the aggregate principal amount of the Bonds to be converted.

- (ii) *Fractions of Class B Shares:* Fractions of Class B Shares will not be issued on exercise of Conversion Rights and no cash payment or other adjustment will be made in lieu thereof. However, if the Conversion Right in respect of more than one Bond is exercised at any one time such that Class B Shares to be issued on conversion are to be registered in the same name, the number of such Class B Shares to be issued in respect thereof shall be calculated on the basis of the aggregate principal amount of such Bonds being so converted and rounded down to the nearest whole number of Class B Shares. Notwithstanding the foregoing, in the event of a consolidation or re-classification of Class B Shares by operation of law or otherwise occurring after April 19, 2021 which reduces the number of Class B Shares outstanding, the Issuer will upon conversion of Bonds pay in cash in U.S. dollars a sum equal to such portion of the principal amount of the Bond or Bonds evidenced by the Certificate deposited in connection with the exercise of Conversion Rights, aggregated as provided in Condition 6(A)(i), as corresponds to any fraction of a Class B Share not issued as a result of such consolidation or re-classification aforesaid, provided that such sum exceeds U.S.\$10. Any such sum shall be paid not later than five Class B Share Stock Exchange Business Days (as defined in Condition 6(B)(i)) after the relevant Conversion Date by a U.S. dollar-denominated cheque or by transfer to a U.S. dollar account maintained by the payee with a bank, in accordance with instructions given by the relevant Bondholder in the Conversion Notice.



- (iii) *Revival and/or Survival after Default*: Notwithstanding the provisions of Condition 6(A)(i), if (a) the Issuer shall default in making payment in full in respect of any Bond which shall have been called or put for redemption on the date fixed for redemption thereof; (b) any Bond has become due and payable prior to the Maturity Date by reason of the occurrence of any of the events under Condition 10; or (c) any Bond is not redeemed on the Maturity Date in accordance with Condition 8(A), the Conversion Right attaching to such Bond will revive and/or will continue to be exercisable up to, and including, the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the date upon which the full amount of the moneys payable in respect of such Bond has been duly received by the Principal Agent or the Trustee and notice of such receipt has been duly given to the Bondholders in accordance with Condition 11 and notwithstanding the provisions of Condition 6(A)(i), any Bond in respect of which the Certificate and the Conversion Notice (as defined below) are deposited for conversion prior to such date shall be converted on the relevant Conversion Date (as defined below) notwithstanding that the full amount of the moneys payable in respect of such Bond shall have been received by the Principal Agent or the Trustee before such Conversion Date or that the Conversion Period may have expired before such Conversion Date.
- (iv) *Meaning of "Shares"*: As used in these Conditions, the expression (i) "**Class B Shares**" means class B ordinary shares in the share capital of the Issuer with a par value of U.S.\$0.00001 each, conferring a holder of a Class B Share one vote per share on any resolution tabled at the Issuer's general meetings, (ii) "**Class A Shares**" means class A ordinary shares in the share capital of the Issuer with a par value of U.S.\$0.00001 each, conferring weighted voting rights in the Issuer such that a holder of a Class A Share is entitled to 10 votes per share on any resolution tabled at the Issuer's general meetings, save for resolutions with respect to any reserved matters as set out in the amended and restated memorandum and articles of association of the Issuer, in which case they shall be entitled to one vote per share, and (iii) "**Ordinary Shares**" means the Class B Shares, the Class A Shares and any fully-paid and non-assessable shares of any class or classes of the ordinary shares of the Issuer authorized after the Issue Date which have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation or dissolution of the Issuer.

## **(B) Conversion Procedure**

- (i) *Conversion Notice*: Conversion Rights may be exercised by a Bondholder during the Conversion Period by delivering, at the Bondholder's own expense, the relevant Certificate to the specified office of any Conversion Agent during normal business hours (being between 9:00 a.m. and 4:00 p.m. on a business day) at the place where the Certificate evidencing such Bond is deposited for conversion accompanied by a duly completed and signed notice of conversion (a "**Conversion Notice**") in the form (for the time being current) obtainable from any Conversion Agent, together with (a) the relevant Certificate; and (b) confirmation that any amounts required to be paid by the Bondholder under Condition 6(B)(ii) have been so paid.

If such delivery is made after 4:00 p.m. on any business day or on a day which is not a business day in the place of the specified office of the relevant Conversion Agent, such delivery shall be deemed for all purposes of these Conditions to have been made on the next following such business day. For the purposes of this Condition 6, "**business day**" means a day (other than a Saturday, Sunday or public holiday) on which commercial banks are generally open for business in the city in which the specified office of the relevant Conversion Agent is located.

Any determination as to whether any Conversion Notice has been duly completed and properly delivered shall be made by the relevant Conversion Agent and shall, save in the case of manifest error, be conclusive and binding on the Issuer, the Trustee, the Conversion Agents and the relevant Bondholder.

Conversion Rights may only be exercised in respect of an Authorized Denomination. A Conversion Notice, once delivered, shall be irrevocable and may not be withdrawn unless the Issuer consents in writing to such withdrawal.

The conversion date in respect of a Bond (the “**Conversion Date**”) must fall at a time when the Conversion Right attaching to that Bond is expressed in these Conditions to be exercisable (subject to the provisions of Condition 6(A)(iii)) and will be deemed to be the Class B Share Stock Exchange Business Day (as defined below) immediately following the later of the date of the surrender of the Certificate in respect of such Bond and delivery of such Conversion Notice (if they are not surrendered and delivered on the same day) and, if applicable, the date of making any payment or giving any indemnity under these Conditions in connection with the exercise of such Conversion Right. “**Class B Share Stock Exchange Business Day**” means any day (other than a Saturday or Sunday) on which the Relevant Stock Exchange (as defined in Condition 6(F) below) is open for trading of securities.

- (ii) *Stamp Duty etc.*: A Bondholder exercising Conversion Rights must pay directly to the relevant authorities any taxes and/or capital, stamp, issue and registration and transfer taxes and duties (collectively, “**Duties**”) arising on such exercise (other than any Duties payable in Hong Kong, the Cayman Islands and, if relevant, in the place of the Alternative Stock Exchange, by the Issuer in respect of the allotment and issue of Class B Shares and listing of the Class B Shares on the Relevant Stock Exchange on conversion (such Duties payable by the Issuer being the “**Issuer Duties**”, and the Duties payable by the Bondholder and the Issuer Duties being collectively “**Taxes**”). In addition to paying any Issuer Duties, the Issuer will pay all other expenses arising on the issue of Class B Shares on conversion of Bonds and all charges of the Agents and the share transfer agent for the Class B Shares (the “**Share Transfer Agent**”). The Bondholder (and, if different, the person to whom the Class B Shares are to be issued) must declare in the relevant Conversion Notice that any and all amounts payable to the relevant tax authorities in settlement of Taxes payable by the Bondholders pursuant to this Condition 6(B)(ii) have been, or (where permitted by law) will be, paid.

If the Issuer shall fail to pay any Issuer Duties, the relevant holder shall be entitled to tender and pay the same and the Issuer, as a separate and independent stipulation, covenants to reimburse and indemnify each Bondholder on demand in respect of any payment thereof and any penalties payable in respect thereof.

Such Bondholder must also pay all, if any, taxes, duties, charges and assessments imposed on it and arising by reference to any disposal or deemed disposal of a Bond or interest therein in connection with the exercise of Conversion Rights by it.

Neither the Trustee nor any of the Agents shall be responsible or liable for paying any Taxes, expenses or other amounts referred to in this Condition 6(B)(ii) or for determining whether such Taxes, expenses or other amounts are payable or determining the amount thereof and none of them shall be responsible or liable for any failure by the Issuer or any Bondholder to pay such Taxes, expenses or other amounts.

- (iii) *Registration*: Upon exercise by a Bondholder of its Conversion Right and compliance with Conditions 6(B)(i) and 6(B)(ii) the Issuer will, as soon as practicable, and in any event not later than seven Class B Share Stock Exchange Business Days after the Conversion Date, register the person or persons designated for the purpose in the Conversion Notice as holder(s) of the relevant number of Class B Shares in the Issuer's Class B share register and will, if the Bondholder has also requested in the Conversion Notice and to the extent permitted under applicable law and the rules and procedures of the Central Clearing and Settlement System of Hong Kong ("CCASS") and the Issuer's share registrar effective from time to time, take all necessary action to procure that Class B Shares are delivered through CCASS for so long as the Class B Shares are listed on the Hong Kong Stock Exchange; or will make such certificate or certificates available for collection at the office of the Issuer's share registrar in Hong Kong (currently Computershare Hong Kong Investor Services Limited) notified to Bondholders in accordance with Condition 11 or, if so requested in the relevant Conversion Notice, will cause its share registrar to mail (at the risk, and, if sent at the request of such person otherwise than by ordinary mail, at the expense, of the person to whom such certificate or certificates are sent) such certificate or certificates to the person and at the place specified in the Conversion Notice, together (in either case) with any other securities, property or cash required to be delivered upon conversion of the Bonds and such assignments and other documents (if any) as may be required by law to effect the transfer thereof, in which case a single share certificate will be issued in respect of all Class B Shares issued on conversion of Bonds subject to the same Conversion Notice and which are to be registered in the same name.

The delivery of the Class B Shares to the converting Bondholder (or such person or persons designated in the relevant Conversion Notice) in the manner contemplated above in this Condition 6(B)(iii) will be deemed to satisfy the Issuer's obligation to pay the principal on such converted Bonds.

If the Conversion Date in relation to the conversion of any Bond shall be on or after the record date for any issue, distribution, grant, offer or other event as gives rise to the adjustment of the Conversion Price pursuant to Condition 6(C), but before the relevant adjustment becomes effective (the "**Relevant Effective Date**") under the relevant Condition (a "**Retroactive Adjustment**"), upon the relevant adjustment becoming effective the Issuer shall procure the issue to the converting Bondholder (or in accordance with the instructions contained in the Conversion Notice (subject to applicable exchange control or other laws or other regulations)), such additional number of Class B Shares ("**Additional Class B Shares**") as is, together with Class B Shares to be issued on conversion of the Bond(s), equal to the number of Class B Shares which would have been required to be issued on conversion of such Bond if the relevant adjustment to the Conversion Price had been made and become effective on or immediately after the relevant record date and in such event and in respect of such Additional Class B Shares references in this Condition 6(B)(iii) to the Conversion Date shall be deemed to refer to the Relevant Effective Date (notwithstanding that the Relevant Effective Date falls after the end of the Conversion Period).

The person or persons specified for that purpose in the Conversion Notice will become the holder of record of the number of Class B Shares issuable upon conversion with effect from the date he is or they are registered as such in the Issuer's register of members for Class B Shares (the "**Registration Date**").

The Class B Shares issued upon exercise of Conversion Rights will be fully paid and will in all respects rank *pari passu* with the fully paid Class B Shares in issue on the relevant Registration Date except for any right excluded by mandatory provisions of applicable law and except that such Class B Shares will not rank for (or, as the case may be, the relevant holder shall not be entitled to receive) any rights, distributions or payments the record or other due date for the establishment of entitlement for which falls prior to the relevant Registration Date.

If the record date for the payment of any dividend or other distribution in respect of the Class B Shares is on or after the Conversion Date in respect of any Bond, but before the Registration Date (disregarding any Retroactive Adjustment of the Conversion Price referred to in this Condition 6(B)(iii) prior to the time such Retroactive Adjustment shall have become effective), the Issuer will calculate and pay to the converting Bondholder or his designee an amount in U.S. dollars (the “**Equivalent Amount**”) equal to the Fair Market Value (as defined in Condition 6(F) below) of such dividend or other distribution to which he would have been entitled had he on that record date been such a shareholder of record and will make the payment at the same time as it makes payment of the dividend or other distribution, or as soon as practicable thereafter, but, in any event, not later than seven days thereafter. The Equivalent Amount shall be paid by a U.S. dollar-denominated cheque or by transfer to a U.S. dollar account maintained by the payee with a bank, in accordance with instructions given by the relevant Bondholder in the Conversion Notice.

#### **(C) Adjustments to Conversion Price**

The Conversion Price will be subject to adjustment as follows:

- (1) **Consolidation, Subdivision or Reclassification:** If and whenever there shall be an alteration to the nominal value of Ordinary Shares of any class as a result of consolidation, subdivision or reclassification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such alteration by the following fraction:

$$\frac{A}{B}$$

Where:

A is the nominal amount of one Ordinary Share immediately after such alteration; and

B is the nominal amount of one Ordinary Share immediately before such alteration.

Such adjustment shall become effective on the date the alteration takes effect.

(2) **Capitalisation of Profits or Reserves:**

- (i) If and whenever the Issuer shall issue Ordinary Shares of any class credited as fully paid to the holders of such Ordinary Shares (“**Ordinary Shareholders**”) by way of capitalisation of profits or reserves (including Ordinary Shares of such class paid up out of distributable profits or reserves and/or share premium account (except any Scrip Dividend)) and which would not have constituted a Capital Distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A}{B}$$

Where:

- A is the aggregate nominal amount of the issued Ordinary Shares immediately before such issue; and
- B is the aggregate nominal amount of the issued Ordinary Shares immediately after such issue.

Such adjustment shall become effective on the date of issue of such Ordinary Shares or if a record date is fixed therefor, immediately after such record date; *provided that* if there are different effective dates for different classes of Ordinary Shares, the effective date of the Class B Shares will prevail.

- (ii) In the case of an issue of Ordinary Shares of any class by way of a Scrip Dividend where the aggregate value of such Ordinary Shares issued by way of Scrip Dividend as determined by reference to the Current Market Price per Ordinary Share exceeds 105 per cent. of the amount of the Relevant Cash Dividend or the relevant part thereof and which would not have constituted a Capital Distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the issue of such Ordinary Shares by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

- A is the aggregate nominal amount of the issued Ordinary Shares of all classes immediately before such Scrip Dividend;
- B is the aggregate nominal amount of Ordinary Shares issued by way of such Scrip Dividend multiplied by a fraction of which (i) the numerator is the amount of the whole, or the relevant part, of the Relevant Cash Dividend for which Ordinary Shareholders have elected to receive as Ordinary Shares issued by way of Scrip Dividend, and (ii) the denominator is the aggregate value of such Ordinary Shares issued by way of Scrip Dividend as determined by reference to the Current Market Price; and
- C is the aggregate nominal amount of Ordinary Shares issued by way of such Scrip Dividend.

Such adjustment shall become effective on the date of issue of such Ordinary Shares or if a record date is fixed therefor, immediately after such record date; *provided that* if there are different effective dates for different classes of Ordinary Shares, the effective date of the Class B Shares will prevail.

- (3) **Capital Distributions:** If and whenever the Issuer shall pay or make any Capital Distribution to the Ordinary Shareholders (except to the extent that the Conversion Price falls to be adjusted under Condition 6(C)(2) above), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such Capital Distribution by the following fraction:

$$\frac{A - B}{A}$$

Where:

- A is the Current Market Price per Ordinary Share of such class on the date on which the Capital Distribution is first publicly announced; and
- B is the Fair Market Value on the date of such announcement of the portion of the Capital Distribution attributable to one Ordinary Share.

Such adjustment shall become effective on the date that such Capital Distribution is actually made or if a record date is fixed therefor, immediately after such record date; *provided that* if there are different effective dates for different classes of Ordinary Shares, the effective date of the Class B Shares will prevail. For the purpose of the above, Fair Market Value shall (subject as provided in the definition of “Fair Market Value” in Condition 6(F) below) be determined as at the date on which the Capital Distribution is first publicly announced or, if later, the first date on which the Fair Market Value of the relevant Capital Distribution is capable of being determined as provided herein.

In making any calculation pursuant to this Condition 6(C)(3), such adjustments (if any) shall be made as an Independent Investment Bank may consider appropriate to reflect (a) any consolidation or subdivision of the Ordinary Shares, (b) issues of Ordinary Shares by way of capitalisation of profits or reserves, or any like or similar event, (c) the modification of any rights to dividends of Ordinary Shares or (d) any change in the fiscal year of the Issuer.

- (4) **Rights Issues of Ordinary Shares or Options over Ordinary Shares:** If and whenever the Issuer shall issue Ordinary Shares of one or more classes to all or substantially all holders of Ordinary Shares of such classes by way of rights, or issue or grant to all or substantially all Ordinary Shareholders of such classes by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any Ordinary Shares of such classes, in each case at less than 95 per cent. of the Current Market Price per Ordinary Share on the date of the first public announcement of the terms of the issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$



Where:

- A is the aggregate number of Ordinary Shares of all classes in issue immediately before such announcement;
- B is the number of Ordinary Shares which the aggregate consideration receivable for the Ordinary Shares issued by way of rights or for the options or warrants or other rights issued or granted by way of rights and for the total number of Ordinary Shares comprised therein would subscribe for, purchase or otherwise acquire at such Current Market Price per Ordinary Share; and
- C is the aggregate number of Ordinary Shares issued or, as the case may be, comprised in the issue or grant.

Such adjustment shall become effective on the date of issue of such Ordinary Shares or issue or grant of such options, warrants or other rights (as the case may be) or where a record date is set, the first date on which the Ordinary Shares are traded ex-rights, ex-options or ex-warrants, as the case may be; *provided that* if there are different effective dates for different classes of Ordinary Shares, the effective date of the Class B Shares will prevail.

- (5) **Rights Issues of Other Securities:** In respect of each class of Ordinary Shares, if and whenever the Issuer shall issue any securities (other than Ordinary Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Ordinary Shares) to all or substantially all Ordinary Shareholders of such class by way of rights, or issue or grant to all or substantially all Ordinary Shareholders of such class by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any securities (other than Ordinary Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Ordinary Shares), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A - B}{A}$$

Where:

- A is the Current Market Price per Ordinary Share on the date on which such issue or grant is publicly announced; and
- B is the Fair Market Value per Ordinary Share on the date of such announcement of the portion of the rights attributable to one Ordinary Share.

Such adjustment shall become effective on the date of issue of the securities or the issue or grant of such rights, options or warrants (as the case may be) or where a record date is set, the first date on which the Ordinary Shares are traded ex-rights, ex-options or ex-warrants, as the case may be; *provided that* if there are different effective dates for different classes of Ordinary Shares, the effective date of the Class B Shares will prevail. For the purpose of the above, Fair Market Value shall (subject as provided in the definition of “Fair Market Value” in Condition 6(F) below) be determined as at the date on which the terms of such issue or grant are publicly announced, or if later, the first date on which the Fair Market Value of the aggregate rights attributable to the Ordinary Shares in relation to such issue or grant is capable of being determined as provided herein.

- (6) **Issues at less than Current Market Price:** If and whenever the Issuer shall issue (otherwise than as mentioned in Condition 6(C)(4) above) any Class B Shares (other than Class B Shares issued on the exercise of Conversion Rights or on the exercise of any other rights of conversion into, or exchange or subscription for, Class B Shares) or issue or grant (otherwise than as mentioned in Condition 6(C)(4) above) options, warrants or other rights (other than the Conversion Rights under the Bonds, which excludes any further bonds issued pursuant to Condition 17) to subscribe for, purchase or otherwise acquire Class B Shares, in each case at a price per Class B Share which is less than 95 per cent. of the Current Market Price per Class B Share on the date of the first public announcement of the terms of such grant or issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{C}$$

Where:

- A is the aggregate number of Ordinary Shares of all classes in issue immediately before the issue of such additional Class B Shares or the grant of such options, warrants or other rights to subscribe for, purchase or otherwise acquire any Class B Shares;
- B is the number of Class B Shares which the aggregate consideration receivable for the issue of the maximum number of Class B Shares to be issued or the exercise of such options, warrants or other rights would purchase at such Current Market Price per Class B Share; and
- C is the aggregate number of Ordinary Shares in issue immediately after the issue of such additional Class B Shares.

References to additional Class B Shares in the above formula shall, in the case of an issue by the Issuer of options, warrants or other rights to subscribe or purchase Class B Shares, mean such Class B Shares to be issued assuming that such options, warrants or other rights are exercised in full at the initial exercise price or rate on the date of issue or grant of such options, warrants or other rights.

Such adjustment shall become effective on the date of issue of such additional Class B Shares or, as the case may be, the issue or grant of such options, warrants or other rights.

- (7) **Other Issues at less than Current Market Price:** Save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within this Condition 6(C)(7), if and whenever the Issuer or any of its Subsidiaries (otherwise than as mentioned in Conditions 6(C)(4), 6(C)(5) or 6(C)(6)), or (at the direction or request of or pursuant to any arrangements with the Issuer or any of its Subsidiaries) any other company, person or entity shall issue any securities (other than the Bonds) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Class B Shares to be issued by the Issuer upon conversion, exchange or subscription at a consideration per Class B Share which is less than 95 per cent. of the Current Market Price per Class B Share on the date of the first public announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

- A is the aggregate number of Ordinary Shares of all classes in issue immediately before such issue;
- B is the number of Class B Shares which the aggregate consideration receivable by the Issuer for the Class B Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to such securities would purchase at such Current Market Price per Class B Share; and
- C is the maximum number of Class B Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate on the issue date of such securities.

Such adjustment shall become effective on the date of issue of such securities.

- (8) **Modification of Rights of Conversion etc.:** If and whenever there shall be any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in Condition 6(C)(7) (other than in accordance with the terms of such securities) so that the consideration per Class B Share (for the number of Class B Shares available on conversion, exchange or subscription following the modification) is reduced and is less than 95 per cent. of the Current Market Price per Class B Share on the date of announcement of the proposals for such modification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such modification by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

- A is the aggregate number of Ordinary Shares of all classes in issue immediately before such modification;

- B is the maximum number of Class B Shares which the aggregate consideration receivable by the Issuer for the Class B Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to the securities so modified would purchase at such Current Market Price per Class B Share or, if lower, the existing conversion, exchange or subscription price of such securities; and
- C is the maximum number of Class B Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription, purchase or acquisition attached thereto at the modified conversion, exchange or subscription price or rate but giving credit in such manner as an Independent Investment Bank considers appropriate (if at all) for any previous adjustment under this Condition 6(C)(8) or under Condition 6(C)(7).

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange or subscription attaching to such securities.

- (9) **Other Offers to Ordinary Shareholders:** In respect of each class of Ordinary Shares, if and whenever the Issuer or any of its Subsidiaries or (at the direction or request of or pursuant to any arrangements with the Issuer or any of its Subsidiaries) any other company, person or entity issues, sells or distributes any securities in connection with an offer pursuant to which the Ordinary Shareholders of such class generally are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Conversion Price falls to be adjusted under Conditions 6(C)(4), 6(C)(5), 6(C)(6) or 6(C)(7)), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue, sale or distribution by the following fraction:

$$\frac{A - B}{A}$$

Where:

- A is the Current Market Price per Ordinary Share on the date on which such issue, sale or distribution is publicly announced; and
- B is the Fair Market Value of the portion of the rights attributable to one Ordinary Share.

Such adjustment shall become effective on the date of issue, sale or distribution of the securities or, if a record date is fixed therefor, immediately after such record date or if later, the first date upon which the Fair Market Value of the relevant securities is capable of being determined as provided herein; *provided that* if there are different effective dates for different classes of Ordinary Shares, the effective date of the Class B Shares will prevail. For the purpose of the above, Fair Market Value shall (subject as provided in the definition of “Fair Market Value” in Condition 6(F) below) be determined as at the date on which the terms of such issue, sale or distribution of securities are first publicly announced or, if later, the first date on which the Fair Market Value of the portion of the aggregate rights attributable to the Ordinary Shares is capable of being determined as provided herein.

- (10) **Other Events:** If the Issuer determines that an adjustment should be made to the Conversion Price as a result of one or more events or circumstances not referred to in this Condition 6, the Issuer shall, at its own expense, consult an Independent Investment Bank to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof, if the adjustment would result in a reduction in the Conversion Price, and the date on which such adjustment should take effect and upon such determination by the Independent Investment Bank such adjustment (if any) shall be made and shall take effect in accordance with such determination, *provided that* where the events or circumstances giving rise to any adjustment pursuant to this Condition 6 have already resulted or will result in an adjustment to the Conversion Price or where the events or circumstances giving rise to any adjustment arise by virtue of events or circumstances which have already given rise or will give rise to an adjustment to the Conversion Price, such modification (if any) shall be made to the operation of the provisions of this Condition 6 as may be advised by the Independent Investment Bank to be in its opinion appropriate to give the intended result. Notwithstanding the foregoing, the per Class B Share value of any such adjustment shall not exceed the per Class B Share value of the dilution in the interest of holders of Class B Shares (“**Class B Shareholders**”) in the Issuer’s equity caused by such events or circumstances.
- (11) **Adjustment upon Change of Control:** If a Change of Control shall occur, the Issuer shall give to Bondholders notice of that fact (a “**Change of Control Notice**”) in accordance with Condition 11 within 14 days after it becomes aware of such Change of Control. Following the giving of a Change of Control Notice, upon any exercise of Conversion Rights such that the relevant Conversion Date falls within 30 days following a Change of Control, or, if later, 30 days following the date on which the Change of Control Notice is given to Bondholders (such period, the “**Change of Control Conversion Period**”), the Conversion Price shall be adjusted in accordance with the following formula:

$$NCP = \frac{OCP}{1 + (CP \times \frac{c}{t})}$$

Where:

NCP is the Conversion Price after such adjustment;

OCP is the Conversion Price in effect on the relevant Conversion Date before such adjustment;

CP is the conversion premium of 57.5 per cent. expressed as a fraction;

c is the number of days from and including the date the Change of Control occurs to but excluding the Maturity Date; and

t is the number of days from and including the Issue Date to but excluding the Maturity Date,

provided that the Conversion Price shall not be reduced pursuant to this Condition 6(C)(11) below the level permitted by applicable laws and regulations from time to time (if any).

If the last day of a Change of Control Conversion Period shall fall during a Restricted Transfer Period, the Change of Control Conversion Period shall be extended such that its last day will be the fifteenth day following the last day of the Restricted Transfer Period.

On the Class B Share Stock Exchange Business Day immediately following the last day of the Change of Control Conversion Period, the Conversion Price shall be re-adjusted to the Conversion Price in force immediately before the adjustment to the Conversion Price during the Change of Control Conversion Period.

**(D) Undertakings**

The Issuer has undertaken in the Trust Deed, *inter alia*, that so long as any Bond remains outstanding, save with the approval of an Extraordinary Resolution of the Bondholders:

- (i) it will use all reasonable endeavours (a) to maintain a listing for all the issued Class B Shares on the Hong Kong Stock Exchange, and (b) to obtain and maintain a listing for all the Class B Shares issued on the exercise of the Conversion Rights on the Hong Kong Stock Exchange, and if the Issuer is unable to obtain or maintain such listing, or the maintenance of such listing is unduly onerous, to use all reasonable endeavours to obtain and maintain a listing for all the issued Class B Shares on an Alternative Stock Exchange as the Issuer may from time to time determine and will forthwith give notice to the Bondholders in accordance with Condition 11 of the listing or delisting of the Class B Shares (as a class) by any such stock exchange;
- (ii) it will use all reasonable endeavours to maintain the listing of the Bonds on the Hong Kong Stock Exchange and if it is unable to maintain such listing, or the maintenance of such listing is unduly onerous, it will use all reasonable endeavours to obtain and maintain a listing on another internationally recognised stock exchange as it may from time to time determine and it will forthwith give notice to the Bondholders in accordance with Condition 11 of the listing or delisting of the Bonds by any such stock exchange;
- (iii) it will pay the expenses of the issue of, and all expenses of obtaining a listing for, Class B Shares arising on conversion of the Bonds (save for the Duties payable by the relevant Bondholder specified in Condition 6(B)(ii)); and
- (iv) it will not make any reduction of its ordinary share capital or any uncalled liability in respect thereof or of any share premium account or capital redemption reserve fund except, in each case, where the reduction is permitted by applicable law and results in (or would, but for the provision of these Conditions relating to rounding or the carry forward of adjustments, result in) an adjustment to the Conversion Price or is otherwise taken into account for the purposes of determining whether such an adjustment should be made, *provided always that* the Issuer shall not be prohibited from purchasing its Class B Shares to the extent permitted by law.

In the Trust Deed, the Issuer has also undertaken to the Trustee that so long as any Bond remains outstanding:

- (I) it will reserve, free from any other pre-emptive or other similar rights, out of its authorized but unissued ordinary share capital the full number of Class B Shares liable to be issued on conversion of the Bonds from time to time remaining outstanding and shall ensure that all Class B Shares delivered on conversion of the Bonds will be duly and validly issued as fully-paid; and
- (II) it will not make any offer, issue, grant or distribute or take any action the effect of which would be to reduce the Conversion Price below the par value of the Class B Shares, *provided always that* the Issuer shall not be prohibited from purchasing its Class B Shares to the extent permitted by law.

The Issuer has also given certain other undertakings in the Trust Deed for the protection of the Conversion Rights.



**(E) Provisions Relating to Changes in Conversion Price**

- (viii) *Minor adjustments*: On any adjustment, the resultant Conversion Price, if not an integral multiple of one Hong Kong cent, shall be rounded down to the nearest Hong Kong cent. No adjustment shall be made to the Conversion Price if such adjustment (rounded down if applicable) would be less than one per cent. of the Conversion Price then in effect. Any adjustment not required to be made, and/or any amount by which the Conversion Price has been rounded down, shall be carried forward and taken into account in any subsequent adjustment, and such subsequent adjustment shall be made on the basis that the adjustment not required to be made had been made at the relevant time and/or, as the case may be, that the relevant rounding down had not been made. Notice of any adjustment shall be given by the Issuer to Bondholders in accordance with Condition 11 and to the Trustee as soon as reasonably practicable after the determination thereof.
- (ix) *Decision of an Independent Investment Bank*: If any doubt shall arise as to whether an adjustment falls to be made to the Conversion Price or as to how an adjustment to the Conversion Price under Condition 6(C) should be made, and following consultation between the Issuer and an Independent Investment Bank, a written opinion of such Independent Investment Bank in respect thereof shall be conclusive and binding on the Issuer, the Bondholders and the Trustee, save in the case of manifest error. Notwithstanding the foregoing, the per Class B Share value of any such adjustment shall not exceed the per Class B Share value of the dilution in the shareholders' interest in the Issuer's equity caused by such events or circumstances.
- (x) *Minimum Conversion Price*: Notwithstanding the provisions of this Condition 6, the Issuer undertakes that: (a) the Conversion Price shall not in any event be reduced to below the nominal or par value of the Class B Shares as a result of any adjustment hereunder unless under applicable law then in effect the Bonds may be converted at such reduced Conversion Price into legally issued, fully paid and non-assessable Class B Shares; and (b) it shall not take any action, and shall procure that no action is taken, that would otherwise result in an adjustment to the Conversion Price to below such nominal or par value or any minimum level permitted by applicable laws or regulations.
- (xi) *Reference to "fixed"*: Any references herein to the date on which a consideration is "fixed" shall, where the consideration is originally expressed by reference to a formula which cannot be expressed as an actual cash amount until a later date, be construed as a reference to the first day on which such actual cash amount can be ascertained.
- (xii) *Multiple events*: Where more than one event which gives or may give rise to an adjustment to the Conversion Price occurs within such a short period of time that in the opinion of an Independent Investment Bank, the foregoing provisions would need to be operated subject to some modification in order to give the intended result, such modification shall be made to the operation of the foregoing provisions as may be advised by such Independent Investment Bank to be in its opinion appropriate in order to give such intended result.
- (xiii) *Upward/downward adjustment*: No adjustment involving an increase in the Conversion Price will be made, except in the case of a consolidation or re-classification of the Class B Shares as referred to in Condition 6(C)(1) above. The Issuer may at any time and for a specified period of time only, following notice being given to the Trustee and the Principal Agent in writing and to the Bondholders in accordance with Condition 11, reduce the Conversion Price, subject to Condition 6(E)(iii).

- (xiv) *Not obliged to Monitor:* Neither the Trustee nor any Agent shall be under any duty to monitor whether any event or circumstance has happened or exists which may require or may lead to an adjustment to be made to the Conversion Price or to make any determination or calculation (or any verification thereof) in connection with the Conversion Price and none of them will be responsible or liable to Bondholders or any other person for any loss arising from any failure by the Trustee or any Agent to do so or for any delay by the Issuer or any Independent Investment Bank in making a determination or calculation or any erroneous determination or calculation in connection with the Conversion Price. All adjustments to the Conversion Price under Condition 6(C) shall be determined by the Issuer and, if applicable, the Independent Investment Bank (as specified in this Condition 6) and neither the Trustee nor the Agents shall be responsible for verifying, or otherwise liable for, such determinations or for verifying any calculation, certification, advice or opinion in connection with such determinations.
- (xv) *Notice of Change in Conversion Price:* The Issuer shall give notice to the Trustee and the Principal Agent in writing and to the Bondholders in accordance with Condition 11 and, for so long as the Bonds are listed on the Hong Kong Stock Exchange, to the Hong Kong Stock Exchange of any change in the Conversion Price. Any such notice relating to a change in the Conversion Price shall set forth the event giving rise to the adjustment, the Conversion Price prior to such adjustment, the adjusted Conversion Price and the effective date of such adjustment.
- (xvi) *No adjustment:* Notwithstanding any provision in this Condition 6, no adjustment will be made to the Conversion Price when (i) Class B Shares or other securities (including rights or options) are issued, offered, exercised, allotted or granted to, or for the benefit of employees (including directors) of the Issuer or any of its Subsidiaries pursuant to any share option, share award, restricted share or employee share incentive scheme or plan (and which share scheme or plan is in compliance with the listing rules of the Relevant Stock Exchange) (“**Share Scheme Shares/Options**”) unless any grant or issue of Share Scheme Shares/Options (which, but for this Condition 6(E)(ix), would have required adjustment pursuant to Condition 6) would result in the total number of Class B Shares which may be issued upon exercise of such Share Scheme Shares/Options granted during any 12-month period up to and including the date of such grant representing, in aggregate, over 3.0 per cent. of the average number of issued and outstanding Class B Shares during such 12-month period, in which case only such portion of the grant or issue of Share Scheme Shares/Options that exceeds 3.0 per cent. of the average number of issued and outstanding Class B Shares during the relevant 12-month period shall be taken into account in determining adjustment of the Conversion Price pursuant to Condition 6, or (ii) Class B Shares are issued upon conversion of Class A Shares into Class B Shares on a one to one basis.

## **(F) Definitions**

For the purposes of these Conditions:

“**Alternative Stock Exchange**” means at any time, in the case of the Class B Shares, if they are not at that time listed and traded on the Hong Kong Stock Exchange, the principal stock exchange or securities market on which the Class B Shares are then listed or quoted or dealt in;

**“Capital Distribution”** means, on a per Class B Share basis, (i) the aggregate distribution of assets *in specie* by the Issuer for any financial period whenever paid or made and however (and for these purposes a distribution of assets *in specie* includes, without limitation, an issue of Class B Shares or other securities credited as fully or partly paid by way of capitalisation of reserves, but excludes any Class B Shares credited as fully paid to the extent an adjustment to the Conversion Price is made in respect hereof under Condition 6(C)(2)(i) and a Scrip Dividend adjusted for under Condition 6(C)(2)(ii)); and (ii) the aggregate cash dividend or distribution on a gross basis (including, without limitation, the relevant cash amount of a Scrip Dividend) of any kind by the Issuer for any financial period (whenever paid and however described) unless it comprises a purchase or redemption of Class B Shares by or on behalf of the Issuer (or a purchase of Class B Shares by or on behalf of a Subsidiary of the Issuer), where the weighted average price or consideration per Class B Share (before expenses) on any one day in respect of such purchases does not exceed the Current Market Price of the Class B Shares by more than five per cent. either (a) on that date, or (b) where an announcement has been made of the intention to purchase Class B Shares at some future date at a specified price, on the Trading Day immediately preceding the date of such announcement and, if in the case of either (a) or (b), the relevant day is not a Trading Day, the immediately preceding Trading Day. In the event the weighted average price or consideration per Class B Share of such purchase or redemption of Class B Shares does exceed the Current Market Price of the Class B Shares by the amount referred to in this definition, for the purposes of the adjustment in Condition 6(C)(3), **“Capital Distribution”** shall mean the portion of such weighted average price or consideration per Class B Share which exceeds such amount;

a **“Change of Control”** occurs when:

- (i) any Person or Persons acting together, except where such Person(s) is Controlled by the Permitted Holders, acquires Control of the Issuer;
- (ii) the Issuer consolidates with or merges into or sells or transfers all or substantially all of the assets of the Issuer to any other Person or Persons acting together, except where such Person(s) is Controlled by the Permitted Holders; or
- (iii) the Permitted Holders together cease to hold (directly or indirectly) at least 30.0 per cent. of the voting rights of the issued share capital of the Issuer;

**“Closing Price”** means, in respect of a Class B Share for any Trading Day, the price published in the Daily Quotation Sheet published by the Hong Kong Stock Exchange or, as the case may be, the equivalent quotation sheet of an Alternative Stock Exchange for such Trading Day;

**“Control”** means the acquisition or control of more than 50.0 per cent. of the Voting Rights of the issued share capital of the Issuer or the right to appoint and/or remove all or the majority of the members of the Issuer’s board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of Voting Rights, contract or otherwise;

**“Current Market Price”** means, in respect of an Ordinary Share on a particular date, the average of the Closing Prices for one Ordinary Share (being an Ordinary Share carrying full entitlement to dividend) on each of the 20 consecutive Trading Days ending on and including (i) the Trading Day immediately preceding such date or (ii) if the relevant announcement was made after the close of trading on such day (being a Trading Day), such date of announcement, provided that if at any time during such 20 Trading Day-period the Ordinary Shares of such class shall have been quoted ex-dividend (or ex-any other entitlement) and during some other part of that period the Ordinary Shares of such class shall have been quoted cum-dividend (or cum-any other entitlement) then:

- (a) if the Ordinary Shares of such class to be issued in such circumstances do not rank for the dividend (or other entitlement) in question, the Closing Price on the dates on which the Ordinary Shares of such class shall have been quoted cum-dividend (or cum-any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such dividend or other entitlement per Ordinary Share of such class; or
- (b) if the Ordinary Shares of such class to be issued in such circumstances rank for the dividend (or other entitlement) in question, the Closing Price on the dates on which the Ordinary Shares of such class shall have been quoted ex-dividend (or ex-any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof increased by the Fair Market Value of any such dividend or other entitlement per Ordinary Share of such class,

*provided further that* if the Ordinary Shares of such class on each of the said 20 Trading Days have been quoted cum-dividend (or cum-any other entitlement) in respect of a dividend (or other entitlement) which has been declared or announced but the Ordinary Shares to be issued do not rank for that dividend, the Closing Price on each of such dates shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such dividend or other entitlement per Ordinary Share of such class, and *provided further that* in respect of a Class A Share on a particular date, the **“Current Market Price”** of such Class A Share shall mean the Current Market Price of a Class B Share on such date as determined in accordance with the foregoing definition;

**“Dollar Equivalent”** means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the base rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the date of determination;

**“Fair Market Value”** means, with respect to any asset, security, option, warrant or other right on any date, the fair market value of that asset, security, option, warrant or other right as determined by an Independent Investment Bank on the basis of commonly accepted market valuation method and taking into account such factors as it considers appropriate, provided that an Independent Investment Bank will not be required to determine the fair market value where (i) the Capital Distribution is paid in cash, in which case the fair market value of such cash Capital Distribution per Ordinary Share shall be the amount of such cash Capital Distribution per Ordinary Share, (ii) any other amounts are paid in cash, in which case the fair market value of such cash amount shall be the amount of cash, and (iii) options, warrants or other rights or securities are or will upon issuance be publicly traded in a market of adequate liquidity (as determined by such Independent Investment Bank), the fair market value of such options, warrants or other rights or securities shall equal the arithmetic mean of the daily closing price of such options, warrants or other rights or securities during the period of

10 Trading Days on the relevant market commencing on the first such Trading Day such options, warrants or other rights or securities are publicly traded. Such amounts, if expressed in a currency other than HK dollars shall be translated into HK dollars at the Prevailing Rate on such date. In addition, in the case of proviso (i) and (ii) above in this definition, the Fair Market Value shall be determined on a gross basis and disregarding any withholding or deduction required to be made for or on account of tax and disregarding any associated tax credit;

**“Hong Kong Stock Exchange”** means The Stock Exchange of Hong Kong Limited or its successor thereto;

**“Independent Investment Bank”** means an independent investment bank of international repute (acting as an expert) selected and appointed by the Issuer and notified in writing by the Trustee. If the Issuer fails to select and appoint an Independent Investment Bank when required by these Conditions, the Trustee shall not be responsible for or under any obligation to select or appoint an Independent Investment Bank;

**“Permitted Holders”** means the aggregate shareholding of Mr. Wang Xing, and:

- (i) any heir, estate, lineal descendent (or spouse thereof), spouse or parent of Mr. Wang Xing; and
- (ii) any trust, corporation, partnership or other entity, of which the direct or indirect beneficiaries, equity holders, partners or owners are any of Mr. Wang Xing and/or such other Persons referred to in paragraph (i) above of this definition;

**“Prevailing Rate”** means, in respect of any currency on any day, the bid exchange rate between the relevant currencies prevailing as at or about 12:00 noon (Hong Kong time) on that date as appearing on or derived from the Relevant Page or, if such a rate cannot be determined at such time, the rate prevailing as at or about 12:00 noon (Hong Kong time) on the immediately preceding day on which such rate can be so determined;

**“Relevant Cash Dividend”** means the aggregate cash dividend or distribution declared by the Issuer, including any cash dividend in respect of which there is any Scrip Dividend;

a **“Relevant Event”** occurs:

- (i) when the Class B Shares cease to be listed or admitted to trading or are suspended from trading for a period equal to or exceeding 30 consecutive Trading Days on the Relevant Stock Exchange; or
- (ii) when there is a Change of Control; or
- (iii) when (a) there is any change in or amendment to the laws, regulations and rules of the PRC or the official interpretation or official application thereof (a **“Change in Law”**) that results in (x) the Issuer and its Controlled Entities (collectively, the **“Group”**) (as in existence immediately subsequent to such Change in Law), as a whole, being legally prohibited from operating substantially all of the business operations conducted by the Group (as in existence immediately prior to such Change in Law) as of the last date of the period described in the Issuer’s consolidated financial statements for the most recent fiscal quarter and (y) the Issuer being unable to continue to derive substantially all of the economic benefits from the business operations conducted by the Group (as in existence immediately prior to such Change in Law)

in the same manner as reflected in the Issuer's consolidated financial statements for the most recent fiscal quarter and (b) the Issuer has not furnished to the Trustee, prior to the date that is 12 months after the date of the Change in Law, an opinion from an independent financial adviser or external legal counsel stating either (1) that the Issuer is able to continue to derive substantially all of the economic benefits from the business operations conducted by the Group (as in existence immediately prior to such Change in Law), taken as a whole, as reflected in the Issuer's consolidated financial statements for the most recent fiscal quarter (including after giving effect to any corporate restructuring or reorganization plan of the Issuer) or (2) that such Change in Law would not materially adversely affect the Issuer's ability to make principal, premium (if any) and interest payments (if any) on the Bonds when due or to convert the Bonds in accordance with these Conditions;

**"Relevant Page"** means the relevant Bloomberg BFIX page (or its successor page) or, if there is no such page, on the relevant Reuters HKDFIX page (or its successor page) or such other information service provider that displays the relevant information;

**"Relevant Stock Exchange"** means at any time, in respect of the Class B Shares, the Hong Kong Stock Exchange or the Alternative Stock Exchange;

**"Scrip Dividend"** means any Ordinary Shares issued in lieu of the whole or any part of any Relevant Cash Dividend, being a dividend which the Ordinary Shareholders concerned would or could otherwise have received (and for the avoidance of doubt, to the extent that an adjustment is made under Condition 6(C)(3) in respect of the Relevant Cash Dividend, no adjustment is to be made for the amount by which the Current Market Price of the Ordinary Shares exceeds the Relevant Cash Dividend or part thereof for which an adjustment is already made under Condition 6(C)(2)(ii));

**"Trading Day"** means a day when the Hong Kong Stock Exchange or, as the case may be, an Alternative Stock Exchange is open for dealing business, provided that if no closing price is reported for one or more consecutive dealing days such day or days will be disregarded in any relevant calculation and shall be deemed not to have been dealing days when ascertaining any period of dealing days;

**"Total Equity"** as of any date, means the total equity attributable to shareholders of the Issuer on a consolidated basis determined in accordance with IFRS, as shown on the Issuer's consolidated balance sheet for the most recent fiscal quarter; and

**"Voting Rights"** means the right generally to vote at a general meeting of shareholders of the Issuer.

References to any issue or offer or grant to Ordinary Shareholders **"as a class"** or **"by way of rights"** shall be taken to be references to an issue or offer or grant to all or substantially all Ordinary Shareholders, other than Ordinary Shareholders by reason of the laws of any territory or requirements of any recognised regulatory body or any other stock exchange or securities market in any territory or in connection with fractional entitlements, it is determined not to make such issue or offer or grant.



## 7 PAYMENTS

### (A) Method of Payment

Payment of principal, premium (if any), Early Redemption Amount and default interest (if any) and any other amount due will be made by transfer to the registered account of the Bondholder. Such payment will only be made after surrender of the relevant Certificate at the specified office of the Principal Agent or any of the other Paying Agents.

If an amount which is due on the Bonds is not paid in full, the Registrar will annotate the Register with a record of the amount (if any) in fact paid.

*So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear, Clearstream or an Alternative Clearing System (each, a “**relevant clearing system**”), each payment of principal of, and any other amounts due under, the Bonds evidenced by the Global Certificate will be made to the person shown as the holder thereof in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment, where “**Clearing System Business Day**” means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.*

### (B) Registered Accounts

For the purposes of this Condition 7, a Bondholder’s registered account means the U.S. dollar account maintained by or on behalf of it with a bank, details of which appear on the Register at the close of business on the fifteenth Payment Business Day (as defined in Condition 7(F) below) before the due date for payment, and a Bondholder’s registered address means its address appearing on the Register at that time.

### (C) Payments Subject to Fiscal Laws

All payments are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives in the place of payment but without prejudice to the provisions of Condition 9 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 9 any law implementing an intergovernmental approach thereto). No commission or expenses shall be charged to the Bondholders in respect of such payments.

### (D) Payment Initiation

Payment instructions (for value on the due date or, if that is not a Payment Business Day (as defined in Condition 7(F) below), for value on the first following day which is a Payment Business Day) will be initiated on the due date for payment (or, if it is not a Payment Business Day, the immediately following Payment Business Day) or, in the case of a payment of principal, if later, on the Payment Business Day on which the relevant Certificate is surrendered at the specified office of a Paying Agent.

### (E) Delay in Payment

Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a Payment Business Day, if the Bondholder is late in surrendering its Certificate (if required to do so).

**(F) Payment Business Day**

In this Condition 7, “**Payment Business Day**” means a day other than a Saturday, Sunday or public holiday on which commercial banks are open for business in Hong Kong and the city in which the specified office of the Principal Agent is located and, in the case of the surrender of a Certificate, in the place where the Certificate is surrendered.

**(G) Agents**

The initial Agents and their initial specified offices are listed below. The Issuer reserves the right at any time, with the prior written approval of the Trustee, to vary or terminate the appointment of any Agent and appoint additional or replacement Agents, provided that they will maintain (i) a Principal Agent, (ii) a Registrar with a specified office outside Hong Kong and the United Kingdom, and (iii) such other agents as may be required by the Hong Kong Stock Exchange. Notice of any changes in any Agent or their specified offices will promptly be given by the Issuer to the Bondholders in accordance with Condition 11.

**8 REDEMPTION, PURCHASE AND CANCELLATION**

**(A) Maturity**

Unless previously redeemed, converted or purchased and cancelled as provided herein, the Issuer will redeem each Bond at 101.80 cent. of its principal amount on April 27, 2028 (the “**Maturity Date**”). The Issuer may not redeem the Bonds at its option prior to that date except as provided in Conditions 8(B) or 8(C) (but without prejudice to Conditions 8(D), 8(E) and 10).

**(B) Redemption for Taxation Reasons**

The Bonds may be redeemed, at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice (a “**Tax Redemption Notice**”) to the Bondholders in accordance with Condition 11 and in writing to the Trustee and the Principal Agent (which notice shall be irrevocable), on the date specified in the Tax Redemption Notice for redemption (the “**Tax Redemption Date**”) at the Early Redemption Amount, if the Issuer satisfies the Trustee immediately prior to the giving of such notice that (i) the Issuer has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of Hong Kong, the Cayman Islands or the PRC or, in any such case, any political subdivision or any authority thereof or therein having power to tax, or any change in the official application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after April 19, 2021, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds then due. Prior to the publication of any Tax Redemption Notice pursuant to this Condition 8(B), the Issuer shall deliver to the Trustee (a) a certificate in English signed by an Authorized Signatory (as defined in the Trust Deed) of the Issuer stating that the obligation referred to in (i) above of this Condition 8(B) cannot be avoided by the Issuer taking reasonable measures available to it and (b) an opinion of independent legal or tax advisors of recognised standing addressed to the Trustee to the effect that such change or amendment referred to in (i) above of this Condition 8(B) has occurred (irrespective of whether such amendment or change is then effective), and the Trustee shall be entitled (but not obliged) to accept such certificate and opinion (without further investigation or query and without liability to the Bondholders or any other person) as sufficient evidence thereof, in which event the same shall be conclusive and binding on the Bondholders.

On the Tax Redemption Date, the Issuer (subject to the following paragraph of this Condition 8(B)) shall redeem the Bonds at Early Redemption Amount.

If the Issuer issues a Tax Redemption Notice, each Bondholder will have the right to elect that his Bond(s) shall not be redeemed and that the provisions of Condition 9 shall not apply in respect of any payment to be made in respect of such Bond(s) which falls due after the relevant Tax Redemption Date, whereupon no Additional Tax Amounts shall be payable in respect thereof pursuant to Condition 9 and payment of all amounts shall be made subject to the deduction or withholding of any taxation required to be withheld or deducted. To exercise such a right, the relevant Bondholder must complete, sign and deposit during normal business hours (being between 9:00 a.m. and 4:00 p.m.) at the specified office of any Paying Agent a duly completed and signed notice of election, substantially in the form as scheduled to the Agency Agreement, obtainable during normal business hours (being between 9:00 a.m. and 4:00 p.m.) from the specified office of any Paying Agent (the “**Tax Option Exercise Notice**”) together with the Certificate evidencing the Bonds to be redeemed, on or before the day falling 10 days prior to the Tax Redemption Date. A Tax Option Exercise Notice, once delivered, shall be irrevocable and may not be withdrawn without the Issuer’s consent.

**(C) Redemption at the Option of the Issuer**

On giving not less than 30 nor more than 60 days’ notice (an “**Optional Redemption Notice**”) to the Bondholders in accordance with Condition 11 and to the Trustee and the Principal Agent in writing, the Bonds may be redeemed by the Issuer in whole, but not in part, on the date (the “**Optional Redemption Date**”) specified in the Optional Redemption Notice at the Early Redemption Amount, at any time if, immediately prior to the date the relevant Optional Redemption Notice is given, Conversion Rights shall have been exercised and/or purchases (and corresponding cancelations) and/or redemptions effected in respect of 90 per cent. or more in principal amount of the Bonds originally issued (which shall for this purpose include any further bonds issued in accordance with Condition 17 and consolidated and forming a single series therewith).

For the purposes of these Conditions:

the “**Early Redemption Amount**” of a Bond, for each U.S.\$100,000 principal amount of the Bonds, is the amount determined to represent for the Bondholder on the relevant date for determination of the Early Redemption Amount (the “**Determination Date**”) a gross yield of 0.255 per cent. per annum calculated on a semi-annual basis. The applicable Early Redemption Amount for each U.S.\$100,000 principal amount of Bonds is calculated in accordance with the following formula, rounded (if necessary) to two decimal places with 0.005 being rounded upwards (provided that if the date fixed for redemption is a Semi-annual Date (as set out below), such Early Redemption Amount shall be as set out in the table below in respect of such Semi-annual Date):

$$\text{Early Redemption Amount} = \text{Previous Redemption Amount} \times (1 + r/2)^{d/p}$$

Previous Redemption Amount = the Early Redemption Amount for each U.S.\$100,000 principal amount on the Semi-annual Date immediately preceding the date fixed for redemption as set out below (or if the Bonds are to be redeemed prior to the first Interest Payment Date, U.S.\$100,000):

<b>Semi-annual Date</b>	<b>Early Redemption Amount</b> (U.S.\$)
October 27, 2021 . . . . .	100,127.50
April 27, 2022 . . . . .	100,255.16
October 27, 2022 . . . . .	100,382.99

Semi-annual Date	Early Redemption Amount (U.S.\$)
April 27, 2023 . . . . .	100,510.98
October 27, 2023 . . . . .	100,639.13
April 27, 2024 . . . . .	100,767.44
October 27, 2024 . . . . .	100,895.92
April 27, 2025 . . . . .	101,024.56
October 27, 2025 . . . . .	101,153.37
April 27, 2026 . . . . .	101,282.34
October 27, 2026 . . . . .	101,411.48
April 27, 2027 . . . . .	101,540.77
October 27, 2027 . . . . .	101,670.24

$r = 0.255$  per cent. expressed as a fraction;

$d =$  number of days from and including the immediately preceding Semi-annual Date (or if the Bonds are to be redeemed on or before the first Interest Payment Date, from and including the Issue Date) to, but excluding, the date fixed for redemption, calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed; and

$p = 180$ .

#### (D) Redemption for Relevant Event

Following the occurrence of a Relevant Event, the holder of each Bond will have the right at such holder's option to require the Issuer to redeem all or some only of such holder's Bonds on the Relevant Event Put Date at the Early Redemption Amount. To exercise such right, the holder of the relevant Bond must deposit during normal business hours (being between 9:00 a.m. and 4:00 p.m.) at the specified office of any Paying Agent a duly completed and signed notice of redemption, substantially in the form as scheduled to the Agency Agreement, obtainable during normal business hours (being between 9:00 a.m. and 4:00 p.m.) from the specified office of any Paying Agent (a "**Relevant Event Put Exercise Notice**"), together with the Certificate evidencing the Bonds to be redeemed by not later than 60 days following a Relevant Event, or, if later, 60 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 11. The "**Relevant Event Put Date**" shall be the fourteenth day after the expiry of such period of 60 days as referred to above.

A Relevant Event Put Exercise Notice, once delivered, shall be irrevocable and may not be withdrawn without the Issuer's consent. The Issuer shall redeem the Bonds the subject of the Relevant Event Put Exercise Notice (subject to delivery of the relevant Certificate as aforesaid) on the Relevant Event Put Date.

Neither the Trustee nor any of the Agents shall be required to monitor or to take any steps to ascertain whether a Relevant Event or any event which could lead to a Relevant Event has occurred or may occur and none of them will be responsible or liable to Bondholders or any other person for any loss arising from any failure by it to do so, and each of them shall be entitled to assume that no such event has occurred until it has received written notice to the contrary from the Issuer.

The Issuer shall give notice to Bondholders in accordance with Condition 11 by not later than 14 days following the first day on which it becomes aware of the occurrence of a Relevant Event, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Bonds pursuant to this Condition 8(D) and shall give brief details of the Relevant Event.

**(E) Redemption at the Option of the Bondholders**

The Issuer will, at the option of the holder of any Bond, redeem all or some of that holder's Bonds on April 27, 2026 (the **"Put Option Date"**) at 101.28 per cent. of the principal amount of the Bonds. To exercise such right, the holder of the relevant Bond must complete, sign and deposit at the specified office of any Paying Agent a duly completed and signed notice (the **"Put Option Notice"**) together with the Certificate evidencing the Bonds to be redeemed not earlier than 60 days and not later than 30 days prior to the Put Option Date.

A Put Option Notice, once delivered, shall be irrevocable (and may not be withdrawn unless the Issuer consents to such withdrawal) and the Issuer shall redeem the Bonds the subject of a Put Option Notice delivered as aforesaid on the Put Option Date.

**(F) Purchase**

The Issuer or any of its Controlled Entities may, in accordance with all applicable laws and regulations, at any time purchase the Bonds in the open market or otherwise at any price, so long as such purchase does not otherwise violate the terms of the Trust Deed or the Bonds. The Bonds so purchased, while held by or on behalf of the Issuer or any of its Controlled Entities, shall not be deemed to be outstanding for certain purposes, including without limitation for the purpose of calculating quorums at meetings of the Bondholders or for the purposes of Condition 10, Condition 14(A) and Condition 15.

**(G) Cancellation**

All Bonds which are redeemed, converted or purchased by the Issuer or any of its Subsidiaries will forthwith be cancelled. Certificates in respect of all Bonds cancelled will be forwarded to or to the order of the Registrar and such Bonds may not be reissued or resold.

**(H) Redemption Notices**

All notices to Bondholders given by or on behalf of the Issuer pursuant to this Condition 8 will be irrevocable and will be given in accordance with Condition 11 specifying: (i) the Conversion Price as at the date of the relevant notice; (ii) the last day on which Conversion Rights may be exercised; (iii) the Closing Price of the Class B Shares on the latest practicable date prior to the publication of the notice; (iv) the applicable redemption amount; (v) the date for redemption; (vi) the manner in which redemption will be effected; and (vii) the aggregate principal amount of the Bonds outstanding as at the latest practicable date prior to the publication of the notice.

If more than one notice of redemption is given (being a notice given by either the Issuer or a Bondholder pursuant to this Condition 8), the first in time shall prevail. Neither the Trustee nor the Agents shall be responsible for calculating or verifying any calculations of any amounts payable under these Conditions.

## 9 TAXATION

All payments made by the Issuer under or in respect of the Bonds, the Trust Deed or the Agency Agreement will be made free from any restriction or condition and be made without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Hong Kong, the Cayman Islands or the PRC or, in any such case, any political subdivision or any authority thereof or therein having power to tax, unless such deduction or withholding is required by law.

Where such withholding or deduction is made by the Issuer by or within the PRC up to and including the aggregate rate applicable on April 19, 2021 (the “**Applicable Rate**”), the Issuer will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

If the Issuer is required to make a deduction or withholding (i) by or within the PRC in excess of the Applicable Rate or (ii) by or within Hong Kong or the Cayman Islands, the Issuer shall pay such additional amounts (“**Additional Tax Amounts**”) as will result in the receipt by the Bondholders of such amounts as would have been received by them had no such deduction or withholding been required, except that no Additional Tax Amounts shall be payable in respect of any Bond:

- (a) *Other connection*: to a holder (or to a third party on behalf of a holder) who is subject to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with Hong Kong, the Cayman Islands or the PRC otherwise than by the mere holding of the Bond or by the receipt of amounts in respect of the Bond; or
- (b) *Presentation more than 30 days after the relevant date*: (in the case of a payment of principal) if the Certificate in respect of such Bond is surrendered more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on surrendering the relevant Certificate for payment on the last day of such period of 30 days.

For the purposes hereof, “**Relevant Date**” means whichever is the later of (x) the date on which such payment first becomes due and (y) if the full amount payable has not been received by the Trustee or the Principal Agent on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Bondholders and payment made.

References in these Conditions to principal, premium (if any) and default interest (if any) shall be deemed also to refer to any additional amounts which may be payable under this Condition 9 or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, assessments or governmental charges, withholding or other payment referred to in this Condition 9 or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, any Bondholder or any third party to pay such tax, duty, assessments or governmental charges, withholding or other payment in any jurisdiction or to provide any notice or information to the Trustee or any Agent that would permit, enable or facilitate the payment of any principal or other amount under or in respect of the Bonds without deduction or withholding for or on account of any tax, duty, assessments or governmental charge imposed by or in any jurisdiction.

The provisions of this Condition 9 shall not apply in respect of any payments which fall due after the relevant Tax Redemption Date in respect of any Bonds which are the subject of a Bondholder election pursuant to Condition 8(B).



## 10 EVENTS OF DEFAULT

If any of the following events (each an “**Event of Default**”) occurs, the Trustee at its discretion may, and if so requested in writing by the holders of not less than 25 per cent. in aggregate principal amount of the Bonds then outstanding, or if so directed by an Extraordinary Resolution, shall (subject to being indemnified and/or secured and/or pre-funded by the holders to its satisfaction), give notice to the Issuer that the Bonds are, and they shall immediately become due and repayable at the Early Redemption Amount (subject as provided below and without prejudice to the right of Bondholders to exercise the Conversion Right in respect of their Bonds in accordance with Condition 6):

- (a) there is a failure to pay principal or premium in respect of any Bonds by the due date for such payment; or
- (b) there is a failure by the Issuer to deliver any Class B Shares as and when the Class B Shares are required to be delivered following Conversion of Bonds unless such failure is due to a technical or administrative error and is remedied by the Issuer within three calendar days; or
- (c) the Issuer defaults in the performance of or breaches any covenant or agreement in the Trust Deed or under the Bonds, which default or breach is in the opinion of the Trustee incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not remedied within 30 days after written notice of such default or breach shall have been given to the Issuer by the Trustee; or
- (d) (a) there occurs with respect to any indebtedness of the Issuer or any of the Issuer’s Principal Controlled Entities, whether such indebtedness now exists or shall hereafter be created, (A) an event of default that has resulted in the holder thereof declaring the principal of such indebtedness to be due and payable prior to its stated maturity or (B) a failure to make a payment of principal, interest or premium when due (after giving effect to the expiration of any applicable grace period therefor, a “**Payment Default**”) and in each case, such default continues for more than 30 days after the expiration of any grace period or extension of time for payment applicable thereto; provided that any such Event of Default shall be deemed cured and not continuing upon payment of such indebtedness, rescission of such declaration of acceleration, or waiver or with consent of the applicable lender; and (b) the outstanding principal amount of such indebtedness, together with the outstanding principal amount of any other indebtedness of the Issuer or any of the Issuer’s Principal Controlled Entities under which there has been a Payment Default or the maturity of which has been so accelerated, is equal to or exceeds the greater of (x) US\$100,000,000 (or the Dollar Equivalent thereof) and (y) 2.5 per cent. of the Issuer’s Total Equity; or
- (e) one or more final judgments or orders for the payment of money are rendered against the Issuer or any of the Issuer’s Principal Controlled Entities and are not paid or discharged, and there is a period of 90 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against the Issuer or any of the Issuer’s Principal Controlled Entities (net of any amounts that the Issuer’s insurance carriers have paid or agreed to pay with respect thereto under applicable policies) to exceed the greater of (x) US\$100,000,000 (or the Dollar Equivalent thereof) and (y) 2.5 per cent. of the Issuer’s Total Equity, during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect; or

- (f) the entry by a court having jurisdiction in the premises of (a) a decree or order for relief in respect of the Issuer or any of the Issuer's Principal Controlled Entities in an involuntary case or proceeding under any applicable bankruptcy, insolvency or other similar law or (b) a decree or order adjudging the Issuer or any of the Issuer's Principal Controlled Entities bankrupt or insolvent, or approving as final and non-appealable a petition seeking reorganization, arrangement, adjustment, or composition of or in respect of the Issuer or any of the Issuer's Principal Controlled Entities under any applicable bankruptcy, insolvency or other similar law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator, or other similar official of the Issuer or any of the Issuer's Principal Controlled Entities or of any substantial part of their respective property, or ordering the winding up or liquidation of their respective affairs (or any similar relief granted under any foreign laws), and in any such case the continuance of any such decree or order for relief or any such other decree or order unstayed and in effect for a period of 90 consecutive days; or
- (g) the commencement by the Issuer or any of the Issuer's Principal Controlled Entities of a voluntary case or proceeding under any applicable federal, state or foreign bankruptcy, insolvency or other similar law or of any other case or proceeding to be adjudicated bankrupt or insolvent, or the consent by the Issuer or any of the Issuer's Principal Controlled Entity to the entry of a decree or order for relief in respect of the Issuer or any of the Issuer's Principal Controlled Entities in an involuntary case or proceeding under any applicable bankruptcy, insolvency or other similar law or the commencement of any bankruptcy or insolvency case or proceeding against the Issuer or any of the Issuer's Principal Controlled Entity, or the filing by the Issuer or any of the Issuer's Principal Controlled Entity of a petition or answer or consent seeking reorganization or relief with respect to the Issuer or any of the Issuer's Principal Controlled Entities under any applicable bankruptcy, insolvency or other similar law, or the consent by the Issuer or any of the Issuer's Principal Controlled Entity to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator, or other similar official of the Issuer or any of the Issuer's Principal Controlled Entities or of any substantial part of their respective property pursuant to any such law, or the making by the Issuer or any of the Issuer's Principal Controlled Entities of a general assignment for the benefit of creditors in respect of any indebtedness as a result of an inability to pay such indebtedness as it becomes due, or the admission by the Issuer or any of the Issuer's Principal Controlled Entities in writing of their inability to pay the debts generally as they become due, or the taking of corporate action by the Issuer or any of the Issuer's Principal Controlled Entities that resolves to commence any such action; or
- (h) the Bonds or the Trust Deed is or becomes or is claimed by the Issuer to be unenforceable, invalid or ceases to be in full force and effect otherwise than is permitted by the Trust Deed.

## 11 NOTICES

Notices to the holders of Bonds shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday, Sunday or public holiday) after the date of mailing. The Issuer shall also ensure that notices are duly published in a manner that complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are for the time being listed. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made.

*So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or the Alternative Clearing System (as defined in the form of the Global Certificate), notices to Bondholders shall be given by delivery of the relevant notice to Euroclear or Clearstream or the Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by the Conditions, and such notice shall be deemed to be received by the Bondholders on the date of delivery of such notice to Euroclear or Clearstream or the Alternative Clearing System.*

## **12 PRESCRIPTION**

Claims in respect of amounts due in respect of the Bonds will become prescribed and become void unless made within 10 years (in the case of principal or premium) and five years (in the case of default interest) from the appropriate Relevant Date.

## **13 REPLACEMENT OF CERTIFICATES**

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Registrar or any Transfer Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence and indemnity and/or security as the Issuer, the Registrar or such Transfer Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

## **14 MEETINGS OF BONDHOLDERS, MODIFICATION AND WAIVER**

### **(A) Meetings of Bondholders**

The Trust Deed contains provisions for convening meetings of Bondholders (and for passing resolutions by Electronic Consent (as defined in the Trust Deed) or by written resolution) to consider matters affecting their interests, including without limitation the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by the Trustee or the Issuer and shall be convened by the Trustee upon request in writing from Bondholders holding not less than 10 per cent. in aggregate principal amount of the Bonds for the time being outstanding and subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. in aggregate principal amount of the Bonds for the time being outstanding or, at any adjourned such meeting, two or more persons being or representing Bondholders whatever the aggregate principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity of the Bonds or the Optional Redemption Date, (ii) to modify the circumstances in which the Issuer or Bondholders are entitled to redeem the Bonds pursuant to Conditions 8(B), 8(C), 8(D) or 8(E), (iii) to reduce or cancel the principal amount or Equivalent Amount payable in respect of the Bonds, (iv) to change the currency of denomination or payment of the Bonds, (v) to modify (except by a unilateral and unconditional reduction in the Conversion Price) or cancel the Conversion Rights, or (vi) to modify the provisions concerning the quorum required at any meeting of the Bondholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum will be two or more persons holding or representing not less than 66 per cent., or at any adjourned meeting not less than 33 per cent., in aggregate principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on all Bondholders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that (a) a written resolution signed by or on behalf of the holders of not less than 90 per cent. of the aggregate principal amount of Bonds for the time being outstanding and who are entitled to receive notice of a meeting of holders under the Trust Deed or (B) passed by Electronic Consent (as defined in the Trust Deed), shall for all purposes be as valid and effective as a duly passed Extraordinary Resolution of the Bondholders. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

**(B) Modification and Waiver**

The Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to (i) any modification of any of the provisions of the Trust Deed, any trust deed supplemental to the Trust Deed, the Agency Agreement, any agency agreement supplemental to the Agency Agreement, the Bonds or these Conditions (together the “**Documentation**”) which in the Trustee’s opinion is of a formal, minor or technical nature, or is made to correct a manifest error, or is made to comply with mandatory provisions of law, and (ii) any other modification to the Documentation (except as mentioned in the Trust Deed), and any waiver or authorization of any breach or proposed breach, of any of the provisions of the Documentation which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Bondholders. The Trustee may, without the consent of the Bondholders, determine any Event of Default or a Potential Event of Default (as defined in the Trust Deed) should not be treated as such, provided that in the opinion of the Trustee, the interests of Bondholders will not be materially prejudiced thereby. Any such modification, authorization or waiver shall be binding on the Bondholders and, unless the Trustee otherwise agrees, any such modification and any authorization or waiver (which shall be in writing) shall be notified by the Issuer to the Bondholders as soon as reasonably practicable in accordance with Condition 11.

**(C) Entitlement of the Trustee**

In connection with the exercise of its functions, rights, powers and/or discretions (including but not limited to those referred to in this Condition 14) the Trustee shall have regard to the interests of, or be responsible for, the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders and the Trustee shall not be entitled to require on behalf of any Bondholder, nor shall any Bondholder be entitled to claim from the Issuer, any indemnification or payment in respect of any tax consequences of any such exercise upon individual Bondholders.

In the event of the passing of an Extraordinary Resolution in accordance with Condition 14(A), a modification, waiver or authorization in accordance with Condition 14(B), the Issuer will procure that the Bondholders be notified in accordance with Condition 11.

**15 ENFORCEMENT**

The Trustee may, at any time, at its discretion and without further notice, take such steps and/or actions and/or institute such proceedings against the Issuer as it may think fit to enforce the terms of the Trust Deed and the Bonds, but it needs not take any such steps, actions and/or proceedings unless (A) it shall have been so directed by an Extraordinary Resolution or shall have been so requested in writing by the holders of not less than 25 per cent. in aggregate principal amount of the Bonds then outstanding and (B) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No Bondholder may proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable period and such failure is continuing.

## 16 INDEMNIFICATION OF THE TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including without limitation provisions relieving it from taking any steps and/or actions and/or instituting proceedings to enforce its rights under the Trust Deed, the Agency Agreement and/or these Conditions and in respect of the Bonds and payment or taking other actions unless indemnified and/or secured and/or prefunded to its satisfaction and be paid or reimbursed for any fees, costs, expenses and indemnity payments and for liabilities incurred by it in priority to the claims of Bondholders. The Trustee is entitled to enter into business transactions with the Issuer and any entity relating (directly or indirectly) to the Issuer without accounting for any profit.

The Trustee may rely conclusively and without liability to Bondholders, the Issuer or any other person on any report, confirmation or certificate from or any opinion or advice of any accountants, lawyers, financial advisers, financial institution or any other expert or professional adviser, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely conclusively on any such report, confirmation, certificate, opinion or advice, in which case such report, confirmation, certificate, opinion or advice shall be binding on the Issuer and the Bondholders.

Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Agency Agreement or these Conditions to exercise any discretion or power, take any action, make any decision or give any direction or certification, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision or giving any such direction or certification, to seek directions from the Bondholders by way of Extraordinary Resolution or clarification of any directions, and the Trustee shall not be responsible or liable for any loss or liability incurred by the Issuer, the Bondholders or any other person as a result of any delay in it exercising such discretion or power, taking such action, making such decision or giving such direction or certification as a result of seeking such direction or clarification of directions from the Bondholders or in the event that no direction or clarification is given to the Trustee by the Bondholders.

None of the Trustee or any of the Agents shall be responsible for the performance by the Issuer and any other person appointed by the Issuer in relation to the Bonds of the duties and obligations on their part expressed in respect of the same and, unless it has written notice from the Issuer to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed. None of the Trustee or any Agent shall be liable to any Bondholder, the Issuer or any other person for any action taken by the Trustee or such Agent in accordance with the instructions of the Bondholders. The Trustee shall be entitled to rely conclusively on any direction, request or resolution of Bondholders given by Bondholders holding the requisite principal amount of Bonds outstanding or passed at a meeting of Bondholders convened and held in accordance with the Trust Deed (including without limitation passed by Written Resolution or by Electronic Consent).

Neither the Trustee nor any of the Agents shall have any obligation to monitor whether an Event of Default or a Potential Event of Default has occurred or monitor compliance by the Issuer with the provisions of the Trust Deed, the Agency Agreement or these Conditions, and none of them shall be liable to the Bondholders or any other person for not doing so.

Each Bondholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer, the Controlled Entities or the Group (as defined in Condition 6(F)) and neither the Trustee nor any Agent shall at any time have any responsibility for the same and each Bondholder shall not rely on the Trustee or any Agent in respect thereof.

## **17 FURTHER ISSUES**

The Issuer may from time to time without the consent of the Bondholders create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date and the timing for complying with the requirements set out in these Conditions in relation to NDRC Post-Issuance Filing) and so that such further issue shall be consolidated and form a single series with the outstanding Bonds. References in these Conditions to the Bonds include (unless the context requires otherwise) any other bonds issued pursuant to this Condition 17 and consolidated and forming a single series with the Bonds. Any further bonds consolidated and forming a single series with the outstanding Bonds constituted by the Trust Deed or any deed supplemental to it shall be constituted by a deed supplemental to the Trust Deed.

## **18 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999 (the “**Act**”), but this shall not affect any right or remedy which exists or is available apart from the Act and is without prejudice to the rights of the Bondholders as contemplated in Condition 15.

## **19 GOVERNING LAW AND SUBMISSION TO JURISDICTION**

### **(A) Governing Law**

The Bonds, the Trust Deed and the Agency Agreement and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

### **(B) Jurisdiction**

The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Bonds, the Trust Deed and the Agency Agreement and any non-contractual obligations arising out of or in connection with them and accordingly any legal action or proceedings arising out of or in connection with the Bonds, the Trust Deed and the Agency Agreement (“**Proceedings**”) may be brought in such courts. Pursuant to the Trust Deed, the Issuer has irrevocably submitted to the jurisdiction of such courts.



**(C) Agent for Service of Process**

Pursuant to the Trust Deed, the Issuer has irrevocably appointed an agent in Hong Kong to receive service of process in any Proceedings in Hong Kong based on any of the Bonds or the Trust Deed.

**(D) Waiver of Immunity**

The Issuer hereby waives any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, and irrevocably consents to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings.

## DESCRIPTION OF THE ORDINARY SHARES

*Set out below is certain selected information concerning the Company's share capital and certain provisions of its memorandum and articles. This summary does not purport to be complete and is qualified in its entirety by reference to the memorandum and the articles.*

The following is a description of the Ordinary Shares, including summaries of material relevant provisions of our Memorandum and the Articles of Association and the Companies Act (As Revised) (the “**Cayman Companies Act**”). These summaries do not purport to be complete and are qualified in their entirety by reference to the full Memorandum and the Articles of Association, which are uploaded to both the Company's and the Stock Exchange's website.

### AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company.

#### (i) Authorized share capital

Number	Description of Shares	Approximate aggregate nominal value of shares
735,568,783 . . . . .	Class A Share	US\$7,355.69
9,264,431,217 . . . . .	Class B Share	US\$92,644.31
<b>Total.</b> . . . . .		<b>US\$100,000</b>

#### (ii) Issued and to be issued, fully paid or credited to be fully paid, as of December 31, 2020

Number	Description of Shares	Approximate aggregate nominal value of shares
735,568,783 . . . . .	Class A Share	US\$7,355.69
5,149,850,802 . . . . .	Class B Share	US\$51,498.51
<b>Total.</b> . . . . .		<b>US\$58,854.20</b>

The tables above do not take into account any Ordinary Shares that may be issued or repurchased by the Company under the general mandates granted to our Directors referred to below.

### WEIGHTED VOTING RIGHTS STRUCTURE

The Company adopts a weighted voting rights structure. Under this structure, the Company's share capital will comprise Class A Shares and Class B Shares. Each Class A Share will entitle the holder to 10 votes, and each Class B Share will entitle the holder to one vote, respectively, on any resolution subject to a vote at the Company's general meetings, except for resolutions with respect to a limited number of Reserved Matters, in relation to which each Share is entitled to one vote.

The Reserved Matters are:

- (i) any amendment to the Memorandum or Articles, including the variation of the rights attached to any class of shares;
- (ii) the appointment, election or removal of any independent non-executive Director;
- (iii) the appointment or removal of the Company's auditors; and
- (iv) the voluntary liquidation or winding-up of the Company.

In addition, Shareholders, including holders of Class B Shares, holding not less than one-tenth of the paid up capital of the Company that carries the right of voting at general meetings are entitled to convene an extraordinary general meeting of the Company and add resolutions to the meeting agenda.

## **1. Classes of Shares**

### ***(a) Restrictions on issue of Shares with weighted voting rights***

No further Class A Shares shall be issued by the Company, except with the approval of the Hong Kong Stock Exchange and pursuant to (i) an offer to subscribe for shares in the Company made to all the members of the Company pro rata (apart from fractional entitlements) to their existing holdings; (ii) a pro rata issue of shares to all the members of the Company by way of scrip dividends; or (iii) pursuant to a share subdivision or other similar capital reorganization, provided that each member of the Company shall be entitled to subscribe for or be issued shares in the same class as the shares then held by him, and further provided that the proposed allotment or issuance will not result in an increase in the proportion of Class A Shares in issue, so that:

- (i) if, under a pro rata offer, any holder of Class A Shares does not take up any part of the Class A Shares or the rights thereto offered to him, such untaken shares or rights shall only be transferred to another person on the basis that such transferred rights will only entitle the transferee to an equivalent number of Class B Shares; and
- (ii) to the extent that that rights to Class B Shares in a pro rata offer are not taken up in their entirety, the number of Class A Shares that shall be allotted, issued or granted in such pro rata offer shall be reduced proportionately.

### ***(b) Reduction of Shares with weighted voting rights on repurchase of Shares***

In the event the Company reduces the number of Class B Shares in issue through a purchase of its own shares, the holders of Class A Shares shall reduce their voting rights in the Company proportionately, whether through a conversion of a portion of their Class A Shares or otherwise, if the reduction in the number of Class B Shares in issue would otherwise result in an increase in the proportion of Class A Shares to the total number of shares in issue.

### ***(c) Prohibition on variation of terms of shares with weighted voting rights***

The Company shall not vary the rights of the Class A Shares so as to increase the number of votes to which each Class A Share is entitled.

**(d) *Qualification of holders of shares with weighted voting rights***

Class A Shares shall only be held by a Director or a vehicle wholly-owned or controlled by a Director. Subject to the Listing Rules or other applicable laws and regulations, each Class A Share shall be automatically converted into one Class B Share upon the occurrence of any of the following events:

- (i) the death of the holder of such Class A Share (or where the holder is a vehicle owned or controlled by a Director, the death of that Director);
- (ii) the holder of such Class A Share ceasing to be a Director or a vehicle owned or controlled by a Director for any reason;
- (iii) the holder of such Class A Share (or, where the holder is a vehicle owned or controlled by a Director, the Director owning or controlling such vehicle) being deemed by the Stock Exchange to be incapacitated for the purpose of performing his duties as a Director;
- (iv) the holder of such Class A Share (or, where the holder is a vehicle owned or controlled by a Director, the Director owning or controlling such vehicle) being deemed by the Stock Exchange to no longer meet the requirements of a director set out in the Listing Rules; or
- (v) the transfer to another person of the beneficial ownership of, or economic interest in, those shares or the control over the voting rights attached to them (through voting proxies or otherwise), other than (A) the grant of any encumbrance, lien or mortgage over such share which does not result in the transfer of the legal title or beneficial ownership of, or the voting rights attached to, such share, until the same is transferred upon the enforcement of such encumbrance, lien or mortgage; (B) a transfer by a Director to a vehicle wholly owned or wholly controlled by him, or by a vehicle wholly owned or wholly controlled by a Director to such Director or another vehicle wholly owned or wholly controlled by him and (C) any transfer of legal title to such share by a holder of Class A Shares to a limited partnership, trust, private company or other vehicle which holds Class A Shares on behalf of such holder.

**(e) *Cessation of weighted voting rights***

All of the Class A Shares in the authorized share capital shall be automatically re-designated into Class B Shares in the event all of the Class A Shares in issue are converted into Class B Shares, and no further Class A Shares shall be issued by the Company.

**2. *Variation of rights of existing shares or classes of shares***

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Cayman Companies Act, be varied or abrogated only with (in addition to a special resolution to amend the Memorandum or the Articles) the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a resolution passed at a separate meeting of the holders of the shares of that class by members holding shares representing three-fourths in nominal value of the shares present in person or by proxy and voting at such meeting. For so long as any Class A Share is in issue and unless such change is otherwise required by law or the Listing Rules, (a) any change to the composition of the board of Directors; (b) any

change in the proportion of votes required to pass a resolution of the members, whether as an ordinary resolution or a special resolution or in respect of particular matters or generally; (c) any variation to the number of votes attached to a share of any class, except any such variation arising from an automatic conversion of a Class A Share into a Class B Share pursuant to the operation of the provisions detailed in paragraph 1(d) above; and (d) any change to this provision or the matters in respect of which each Class A Ordinary Share and each Class B Ordinary Share shall entitle its holder to one vote on a poll at a general meeting and any change to the quorum requirements for meetings of Directors, shall require the consent in writing of the holders of not less than three-fourths in nominal or par value of the issued Class A Shares. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorized representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

### **3. Alteration of capital**

The Company may, from time to time, whether or not all the shares for the time being authorized shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

- (a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;
- (b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so canceled subject to the provisions of the Cayman Companies Act; and

- (c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Cayman Companies Act, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorized and subject to any conditions prescribed by the Cayman Companies Act.

#### **4. Special resolution – majority required**

A “special resolution” is defined in the Articles of Association to have the meaning ascribed thereto in the Cayman Companies Act, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an “ordinary resolution” is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

#### **5. Annual general meetings**

The Company shall hold a general meeting as its annual general meeting each year, within a period of not more than 15 months after the holding of the last preceding annual general meeting (or such longer period as the Stock Exchange may authorize). The annual general meeting shall be specified as such in the notices calling it.

#### **6. Convening of extraordinary general meeting**

The Board may, whenever it thinks fit, convene an extraordinary general meeting.

General meetings shall also be convened on the written requisition of any one or more members, which shall include a recognized clearing house (or its nominee(s)), holding, as at the date of deposit of the requisition, in aggregate shares representing not less than one-tenth of the paid up capital of the Company which carry the right of voting at general meetings of the Company, provided that, in the case of a recognized clearing house (or its nominee(s)), it has received instructions to deposit such requisition from account holders holding in aggregate the beneficial interests in shares representing not less than one-tenth of the paid up capital of the Company which carry the right of voting at general meetings of the Company. A written requisition shall be deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionist(s).



## **7. Transfer of shares**

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be canceled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favor of the Company; and
- (f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

## **8. Power of the Company to purchase its own shares**

The Company is empowered by the Cayman Companies Act and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as canceled upon the repurchase.

## **9. Power of any subsidiary of the Company to own shares**

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

## **10. Dividends and other methods of distribution**

Subject to the Cayman Companies Act and the Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them any dividend which may be at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, installments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by check or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every check or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such check or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such checks for dividend entitlements or dividend warrants by post if such checks or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending checks for dividend entitlements or dividend warrants after the first occasion on which such a check or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

## **11. Calls on shares and forfeiture of shares**

The Directors may from time to time make calls upon the members of the Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by installments and shall be deemed to have been made at the time when the resolution of the Directors authorizing the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and installments due in respect of such share or other monies due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or installment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or installment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or installment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or installments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

## **12. Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

### **13. Procedure on liquidation**

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. If in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Cayman Companies Act, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Cayman Companies Act, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

### **14. Untraceable members**

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all checks or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

## MARKET PRICE INFORMATION

The Class B Shares have been listed on the Main Board of the Hong Kong Stock Exchange since September 2018. The following table sets out the high, low and average closing prices and the average daily trading volume of the Class B Shares for the periods indicated.

	Closing price		End of Period Average	Daily average trading volume  (000's)
	High	Low (HK\$)		
<b>2019</b>				
First Quarter . . . . .	62.40	41.20	52.10	9,931
Second Quarter . . . . .	68.50	51.25	58.67	23,863
Third Quarter . . . . .	81.00	61.35	69.55	17,697
Fourth Quarter . . . . .	106.50	81.50	96.48	21,847
<b>2020</b>				
First Quarter . . . . .	114.10	72.40	99.21	32,027
Second Quarter . . . . .	178.40	92.85	129.18	30,282
Third Quarter . . . . .	272.80	179.40	224.21	24,088
Fourth Quarter . . . . .	335.20	245.80	285.95	23,503
<b>2021</b>				
First Quarter . . . . .	451.40	280.40	351.00	26,165

Source: Bloomberg



## DESCRIPTION OF THE GLOBAL CERTIFICATES

Each Global Certificate contains provisions which apply to the *relevant* Bonds in respect of which *such* Global Certificate is issued, some of which modify the effect of the Terms and Conditions of the relevant Bonds as set out in this Offering Circular. Terms defined in the Terms and Conditions of the Bonds have the same meanings in the paragraphs below. The following is a summary of those provisions:

### EXCHANGE OF BONDS REPRESENTED BY GLOBAL CERTIFICATES

Owners of interests in the Bonds in respect of which a Global Certificate is issued will be entitled to have title to the Bonds registered in their names and to receive individual definitive Certificates if either Euroclear or Clearstream (or any other clearing system (an “Alternative Clearing System”) as shall have been selected by the Issuer and approved by the Trustee, the Principal Agent and the Registrar on behalf of which the Bonds evidenced by the relevant Global Certificate may be held) is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so. In such circumstances, the Issuer at its own expense will cause sufficient individual definitive Certificates to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant holders of the Bonds. A person with an interest in the Bonds in respect of which a Global Certificate is issued must provide the Registrar with a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual definitive Certificates.

### MEETINGS

For the purposes of any meeting of holders of the Series 1 Bonds or, as the case may be, the Series 2 Bonds, the holder of the Bonds represented by a Global Certificate shall (unless such Global Certificate represents only one Bond) be treated as two persons for the purposes of any quorum requirements of a meeting of the holders of the Series 1 Bonds or, as the case may be, the Series 2 Bonds, and as being entitled to one vote in respect of each US\$100,000 in principal amount of the Series 1 Bonds or, as the case may be, the Series 2 Bonds then outstanding.

The registered holder of a Global Certificate (each, a “Registered Holder”) (and any proxy or representative appointed by it) will be treated as being two persons for the purposes of any quorum requirements of a meeting of holders of the Series 1 Bonds or, as the case may be, the Series 2 Bonds and, at any such meeting, as having one vote in respect of each US\$100,000 in principal amount of the relevant Bonds for which a Global Certificate is issued. The Trustee may allow a person with an interest in Bonds in respect of which such Global Certificate has been issued to attend and speak (but not to vote) at a meeting of holders of the Series 1 Bonds or, as the case may be, the Series 2 Bonds on appropriate proof of his identity and interest.

### CANCELLATION

In relation to each series of the Bonds, cancellation of any Bond by the Issuer following its redemption, conversion or purchase by the Issuer will be effected by a reduction in the principal amount of the relevant Bonds in the register of Bondholders.

## **TRUSTEE'S POWERS**

In considering the interests of Bondholders while a Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, but without being obliged to do so, (a) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the relevant Bonds and (b) consider such interests on the basis that such accountholders were the holders of the Bonds in respect of which such Global Certificate is issued.

## **CONVERSION**

Subject to the requirements of Euroclear and Clearstream (or any Alternative Clearing System), the Conversion Right attaching to the Bonds in respect of which a Global Certificate is issued may be exercised by the presentation thereof to or to the order of the Principal Agent of one or more Conversion Notices (as defined in the Terms and Conditions of the Bonds) duly completed by or on behalf of a holder of a book-entry interest in such Bonds. Deposit of a Global Certificate with the Principal Agent together with the relevant Conversion Notice(s) shall not be required. The exercise of the Conversion Right shall be notified by the Principal Agent to the Registrar and the holder of the relevant Global Certificate.

## **PAYMENT**

The Issuer, for value received, will pay to the Registered Holder of the Bonds in respect of which a Global Certificate is issued (subject to surrender of such Global Certificate if no further payment falls to be made in respect of such Bonds) on the relevant Maturity Date (or on such earlier date as the amount payable upon redemption under the Terms and Conditions of such Bonds may become repayable in accordance with the Terms and Conditions of such Bonds) the amount payable upon redemption under the Conditions in respect of the Bonds represented by such Global Certificate together with such other sums and additional amounts (if any) as may be payable under the Conditions, in accordance with the Terms and Conditions of such Bonds.

Payment of principal in respect of Bonds represented by a Global Certificate will be made without presentation or if no further payment falls to be made in respect of the relevant Bonds, against presentation and surrender of such Global Certificate to or to the order of the Principal Agent or such other Paying Agent as shall have been notified to the Bondholders for such purpose.

Such payment will be made to, or to the order of, the person whose name is entered in the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where "Clearing System Business Day" means Monday to Friday inclusive except 25 December and 1 January.

## **NOTICES**

So long as the Bonds are represented by a Global Certificate and such Global Certificate is held on behalf of Euroclear or Clearstream or any Alternative Clearing System, notices to holders of the relevant Bonds may be given by delivery of the relevant notice to Euroclear or Clearstream or the Alternative Clearing System for communication by it to entitled accountholders in substitution for notification as required by the relevant Conditions.

## **BONDHOLDER'S REDEMPTION**

The Bondholder's redemption options in Condition 8(D) (Redemption for Relevant Event) and Condition 8(E) (Redemption at the option of the Bondholders) of the Terms and Conditions of the relevant series of the Bonds may be exercised by the holder of a Global Certificate giving notice to the Principal Agent of the principal amount of the relevant Bonds in respect of which the option is exercised and presenting such Global Certificate for endorsement or exercise (if required) within the time limits specified in the relevant Condition.

## **REDEMPTION AT THE OPTION OF THE ISSUER**

The options of the Issuer provided for in Condition 8(B) (Redemption for Taxation Reasons) and Condition 8(C) (Redemption at the Option of the Issuer) of the Terms and Conditions of the relevant series of the Bonds shall be exercised by the Issuer giving notice to the relevant Bondholders within the time limits set out in and containing the information required by the relevant Condition and Condition 8(H) (Redemption Notices) of the Terms and Conditions of the relevant series of the Bonds.

## **BONDHOLDER'S TAX OPTION**

The option of Bondholders not to have the Bonds redeemed as provided in Condition 8(B) (Redemption for Taxation Reasons) of the Terms and Conditions of the relevant series of the Bonds shall be exercised by the presentation to any Paying Agent, or to the order of such Paying Agent, of a duly completed Tax Option Exercise Notice within the time limits set out in and containing the information required by Condition 8(B) (Redemption for Taxation Reasons) of the Terms and Conditions of the relevant series of the Bonds.

## **TRANSFERS**

Transfers of beneficial interests in the Bonds represented by a Global Certificate will be effected through the records of Euroclear and Clearstream (or any Alternative Clearing System) and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream(or any Alternative Clearing System) and their respective direct and indirect participants.

## **TAXATION**

*The following summary of certain tax considerations of the ownership and disposition of the Bonds is based upon applicable laws, rules and regulations in effect as of the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to own or dispose of the Bonds and does not purport to deal with considerations applicable to all categories of investors, some of which may be subject to special rules. Persons considering the ownership of the Bonds should consult their own tax advisors concerning the tax considerations of the ownership and disposition of the Bonds, including any possible considerations under the laws of their country of citizenship, residence or domicile.*

### **CAYMAN ISLANDS**

The Cayman Islands currently has no income, corporation, or capital gains tax and no estate duty, inheritance tax, or gift tax. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or brought within, the jurisdiction of the Cayman Islands. The Cayman Islands is not party to any double tax treaties which are applicable to any payments made by or to our Company.

Payments of interest and principal on our Bonds will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of interest and principal to any holder of our Bonds, nor will gains derived from the disposal of our Bonds be subject to Cayman Islands income or corporation tax.

No stamp duty is payable in respect of the issue of our Bonds. Our Bonds themselves will be stampable if they are executed in or brought into the Cayman Islands.

### **MAINLAND CHINA**

Pursuant to the EIT Law and its implementation regulations, enterprises that are established under the laws of foreign countries and regions whose “de facto management bodies” are within the territory of mainland China are treated as mainland China tax resident enterprises for the purpose of the EIT Law and must pay enterprise income tax at the rate of 25% in respect of their income sourced from both within and outside China. If the relevant mainland China tax authorities decide, in accordance with applicable tax rules and regulations, that the “de facto management body” of the Issuer is within the territory of mainland China, the Issuer may be treated as a mainland China tax resident enterprise for the purpose of the EIT Law and be subject to enterprise income tax at the rate of 25% on its income from sources both within and outside mainland China. Although it is unclear under PRC tax law whether the Issuer has a “de facto management body” located in mainland China, the Issuer currently intends to take the position that it is not a tax resident enterprise for PRC tax purposes. If it is the case, interest paid on the Bonds or gains from the sale of the Bonds will not be subject to PRC tax. However, the Issuer cannot assure you that it will not be considered a “resident enterprise” by the PRC tax authorities. If the Issuer is determined to be a PRC resident enterprise, such interest payments and any gains from the sale of the Bonds may be subject to PRC tax as discussed below.

## **Income Taxation on Interest**

The EIT Law and its implementation regulations impose withholding tax at the rate of 10%, or a lower rate if tax treaty benefits are available, on PRC-sourced interest income paid to a “non-resident enterprise” that does not have an establishment or place of business in mainland China or that has an establishment or place of business in mainland China but the relevant income is not effectively connected therewith. Pursuant to these provisions of the EIT Law and other applicable PRC tax laws and regulations, in the event the Issuer is considered to be a mainland China resident enterprise by the mainland China tax authorities in the future, interest paid to non-resident enterprise holders of the Bonds may be treated as income derived from sources within mainland China and be subject to a 10% PRC withholding tax, which the Issuer would be obligated to withhold from payments to non-resident enterprise holders of the Bonds. Further, in accordance with the Individual Income Tax Law of mainland China which was latest amended on August 31, 2018 and took effect on January 1, 2019 and its implementation regulations which was latest amended on December 18, 2018 and took effect on January 1, 2019, if the Issuer is considered to be a mainland China tax resident enterprise, interest payable to nonresident individual holders of the Bonds may be treated as income derived from sources within China and be subject to a 20% individual income tax, which the Issuer would be obliged to withhold from payments to non-resident individual holders of the Bonds.

To the extent that mainland China has entered into arrangements relating to the avoidance of double-taxation of income with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate may apply to qualified holders of the Bonds. However, it is unclear whether in practice non-resident holders of the Bonds would be able to obtain the benefits of tax treaties between China and their countries.

## **Taxation on Capital Gains**

The EIT Law and its implementation regulations impose a tax at the rate of 10%, or a lower rate if tax treaty benefits are available, on income derived from sources within mainland China realized by a “non-resident enterprise” that does not have an establishment or place of business in China or that has an establishment or place of business in China but the relevant gain is not effectively connected therewith. The Individual Income Tax Law and its implementation regulations impose a tax at the rate of 20% on income derived from sources within mainland China realized by non-resident individuals. If the Issuer is considered to be a mainland China resident enterprise by mainland China tax authorities in the future, and if the capital gains realized by holders of the Bonds are treated as income derived from sources within China, such gains will be subject to the mainland China tax described above. To the extent that China has entered into arrangements relating to the avoidance of double-taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of tax, such lower rate may apply to qualified non-resident holders of the Bonds, if both the Issuer and the investors qualify for benefits under the applicable tax treaty. However, it is unclear whether in practice non-resident holders of the Bonds would be able to obtain the benefits of tax treaties between China and their countries.

## **Value-added Tax and Related Surtaxes**

Mainland China’s value-added tax and surtaxes may be withheld from the interest paid by the Issuer at a rate of 6.72% if the mainland China tax authority views such interest as interest income derived from the territory of mainland China. On March 23, 2016, the Ministry of Finance and the SAT issued the SAT Circular 36, which confirms that business tax will be completely replaced by VAT from May 1, 2016. Since then, the income derived from the provision of financial services which attracted business tax will be entirely replaced by, and subject to, VAT. According to the SAT Circular 36, the entities and individuals

providing services within China are subject to VAT. The services are treated as being provided within China where either the service provider or the service recipient is located in China. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under the SAT Circular 36 that the “loans” refers to the activity of lending capital for another’s use and receiving the interest income thereon. Based on the definition of “loans” under the SAT Circular 36, the issuance of Bonds is likely to be treated as the holders of the Bonds providing loans to the Company, which would be regarded as financial services subject to VAT.

### **Stamp Duty**

No mainland China’s stamp tax will be chargeable upon the issue or transfer of a Note to the extent that the register of holders of the Bonds is maintained outside mainland China. The Issuer intends to maintain the register of holders of the Bonds outside mainland China.

## **HONG KONG**

### **Withholding Tax**

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Bonds or in respect of any capital gains arising from the sale of the Bonds.

### **Profits Tax**

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Bonds may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances

- (i) interest on the Bonds is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;
- (ii) interest on the Bonds is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;
- (iii) interest on the Bonds is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the “**IRO**”)) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- (iv) interest on the Bonds is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Bonds will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Bonds will be subject to Hong Kong profits tax.



Sums derived from the sale, disposal or redemption of Bonds will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Bonds are acquired and disposed of.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisors to ascertain the applicability of any exemptions to their individual position.

### **Stamp Duty**

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Bond.

### **UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS**

The following is a summary of United States federal income tax considerations generally applicable to the ownership and disposition of the Bonds by a “U.S. holder” (as defined below) who acquires our Bonds upon original issuance at their initial offering price and who holds the Bonds as “capital assets” (generally, property held for investment) for United States federal income tax purposes, but it does not purport to be a complete analysis of all potential tax considerations. This summary is based upon existing United States federal income tax law, which is subject to differing interpretations or change, possibly with retroactive effect. This summary does not discuss all aspects of United States federal income taxation which may be important to particular investors in light of their individual investment circumstances, such as investors subject to special tax rules (e.g., banks or other financial institutions, insurance companies, broker-dealers, partnerships and their partners, tax-exempt organizations (including private foundations)), investors who are not U.S. holders, traders in securities that have elected the mark-to-market method of accounting, investors subject to the alternative minimum tax, real estate investment trusts, regulated investment companies, pension plans, cooperatives, investors who hold Bonds as part of a straddle or other integrated security transaction, investors required to accelerate the recognition of any item of gross income with respect to the Bonds as a result of such income being recognized on an applicable financial statement, or investors whose functional currency is not the United States dollar, all of whom may be subject to tax rules that differ significantly from those summarized below. In addition, this summary does not address any state, local, non-United States, or non-income tax (such as United States federal gift and estate tax) considerations or the Medicare surtax on net investment income. You are urged to consult your tax advisors regarding the United States federal, state, local, and non-United States income and other tax considerations of an investment in our Bonds.

For purposes of this summary, a “U.S. holder” is a beneficial owner of our Bonds that is, for United States federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation created in, or organized under the laws of, the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to United States federal income taxation regardless of its source; or
- a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (2) has an election in effect under applicable United States Treasury regulations to be treated as a United States person.

If a partnership or other entity treated as a partnership is a beneficial owner of our Bonds, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partnership or a partner of a partnership holding our Bonds, you are urged to consult your tax advisors regarding the United States federal income tax considerations of an investment in our Bonds.

### **Payments of Interest**

Interest paid on the Bonds will generally be taxable to a U.S. holder as ordinary income at the time it is paid or accrued in accordance with such holder's method of accounting for United States federal income tax purposes and will include amounts withheld in respect of any foreign taxes and any Additional Amounts paid in respect thereof. Interest income on the Bonds will generally constitute non-U.S. source income and will generally be treated as "passive category income" for foreign tax credit limitation purposes.

As described in "Taxation – Mainland China," if we are deemed to be a PRC resident enterprise under the PRC Enterprise Income Tax Law, payments of interest in respect of the Bonds may be subject to PRC withholding taxes. For U.S. federal income tax purposes, the amount of interest includible in taxable income would include any amounts withheld in respect of PRC taxes. If withholding of PRC income taxes applies to interest paid to a U.S. holder with respect to the Bonds, the U.S. holder may be able to obtain a reduced rate of PRC taxes under the U.S.-PRC Income Tax Treaty if certain requirements are met. In addition, subject to certain conditions and limitations, if any PRC income taxes were to be paid or withheld on interest and were nonrefundable under the U.S.-PRC Income Tax Treaty, a U.S. holder may be entitled to a foreign tax credit in respect of any such PRC income taxes. Alternatively, a U.S. holder may deduct any PRC taxes paid or withheld in computing its taxable income provided that such holder does not elect to claim a foreign tax credit for the relevant taxable year. An election to deduct foreign taxes instead of claiming foreign tax credits applies to all taxes paid or accrued in the taxable year to foreign countries and possessions of the United States. The rules regarding foreign tax credits and deduction of foreign taxes are complex. U.S. Holders should consult their tax advisors regarding the availability of foreign tax credits or deductions in light of their particular circumstances.

### **Sale, Exchange or Other Disposition of the Bonds**

Upon the sale, exchange or other taxable disposition of a Note, a U.S. holder will generally recognize capital gain or loss equal to the difference between (1) the amount of cash proceeds and the fair market value of any property received on such sale, exchange or other disposition (other than to the extent, if any, attributable to accrued interest, which will generally be treated as ordinary interest income to the extent not already included in income by such holder) and (2) such holder's adjusted tax basis in the Note. A U.S. holder's adjusted tax basis in a Note will generally equal such holder's cost of the Note.

Such gain or loss will generally be long-term capital gain or loss if such holder's holding period of the Note is more than one year at the time of such sale, exchange or other disposition. Long-term capital gain of non-corporate taxpayers is generally subject to tax at a lower tax rate than the tax rate applicable to ordinary income. The deductibility of capital losses is subject to limitations.

As described in “Taxation – Mainland China,” if we are deemed to be a PRC resident enterprise under the PRC Enterprise Income Tax Law, gains from the disposition of the Bonds may be subject to PRC income taxes. A U.S. holder may use foreign tax credits to offset only the portion of such holder’s U.S. tax liability considered to be attributable to foreign-source income. Generally, gain or loss from the disposition of the Bonds will be U.S.-source for foreign tax credit limitation purposes, which will generally limit the availability of foreign tax credits. However, if a U.S. holder is eligible for the benefits of the U.S.-PRC Income Tax Treaty, such holder may be able to elect to treat such gain as PRC-source income under the U.S.-PRC Income Tax Treaty. If a U.S. holder is not eligible for the benefits of the U.S.-PRC Income Tax Treaty or does not elect to treat any gain as PRC-source gain, then such holder would generally not be able to use any foreign credit arising from any PRC tax imposed on the disposition of the Bonds, unless such credit can be applied against tax due on other income treated as derived from non-U.S. sources in the appropriate category. The rules regarding foreign tax credits and deduction of foreign taxes are complex. U.S. holders should consult their tax advisors regarding their eligibility for benefits under the U.S.-PRC Income Tax Treaty and the availability of foreign tax credits or deductions in light of their particular circumstances.

*The preceding discussion of certain U.S. federal income tax considerations is intended for general information only and does not constitute tax advice. Accordingly, U.S. holders should consult their own tax advisors as to the U.S. federal, state, local and non-U.S. tax considerations to them of the ownership and disposition of the Bonds in their particular circumstances.*

## SUBSCRIPTION AND SALE

The Company has entered into a subscription agreement with the Joint Bookrunners dated April 19, 2021 (the “**Subscription Agreement**”), pursuant to which and subject to certain conditions contained therein, the Company has agreed to issue to the Joint Bookrunners, and each of the Joint Bookrunners has agreed severally and not jointly to subscribe and pay for, or to procure subscribers to subscribe and pay for, the aggregate principal amount of the Bonds set forth opposite its name below:

	<b>Principal amount of the Series 1 Bonds to be subscribed</b>	<b>Principal amount of the Series 2 Bonds to be subscribed</b>
	<b>(US\$)</b>	<b>(US\$)</b>
Goldman Sachs (Asia) L.L.C. . . . .	815,980,000	825,000,000
Merrill Lynch (Asia Pacific) Limited . . . . .	667,620,000	675,000,000
<b>Total</b> . . . . .	<u>1,483,600,000</u>	<u>1,500,000,000</u>

The Subscription Agreement provides that we will indemnify the Joint Bookrunners against certain liabilities in connection with the offer and sale of the Bonds. The Subscription Agreement provides that the obligations of the Joint Bookrunners are subject to certain conditions precedent, and entitles the Joint Bookrunners to terminate it in certain circumstances prior to payment being made to the Issuer.

The Joint Bookrunners or their respective affiliates may purchase the Bonds or Class B Shares for their own account and enter into transactions, including, without limitation, credit derivatives, including asset swaps, repackaging and credit default swap relating to the Bonds or Class B Shares at the same time as the offer and sale of the Bonds or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Bonds or Class B Shares to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchaser of the Bonds). The Joint Bookrunners and their respective affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer or its subsidiaries or affiliates from time to time. The Joint Bookrunners may receive customary fees and commissions for these transactions. The Joint Bookrunners or certain of their respective affiliates may purchase Bonds or Class B Shares and be allocated Bonds or Class B Shares for asset management and/or proprietary purposes but not with a view to distribution. In addition to the transactions noted above, the Joint Bookrunners and their respective affiliates may, from time to time, engage in other transactions with, and perform services for, the Issuer or its subsidiaries or affiliates in the ordinary course of their business. In addition, the Joint Bookrunners and certain of their respective subsidiaries and affiliates may hold shares or other securities in the Issuer as beneficial owners, on behalf of clients or in the capacity of investment advisers.

The Issuer has agreed in the Subscription Agreement that neither the Issuer nor any person acting on its behalf will (a) issue, offer, sell, pledge, contract to sell or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in any Ordinary Shares or securities of the same class as the Bonds or the Ordinary Shares or any securities convertible into, exchangeable for or which carry rights to subscribe or purchase the Bonds, the Ordinary Shares or securities of the same class as the Bonds, the Ordinary Shares or other instruments representing interests in the Bonds, the Ordinary Shares or other securities of the same class as them, (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Ordinary Shares, (c) enter into any transaction with the same economic effect as, or which is

designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of Ordinary Shares or other securities, in cash or otherwise or (d) announce or otherwise make public an intention to do any of the foregoing, in any such case without the prior written consent of the Joint Bookrunners between the date of the Subscription Agreement and the date which is 90 days after the Issue Date (both dates inclusive) except for (i) the Bonds and the new Class B Shares issued on conversion of the Bonds and the Class B Shares to be issued under the Placing and Subscription Agreement; (ii) any Ordinary Shares or options or restricted share units granted pursuant to the Issuer's publicly disclosed share award schemes; (iii) the further issue of Class B Shares to Tencent arising from the Direct Subscription; and (iv) the issue of new Ordinary Shares as consideration shares for any merger and acquisition transactions (if any) *provided that* the Issuer or any person acting on its behalf shall procure the relevant transferee, prior to the completion of the transfer, to execute an undertaking in writing to comply with the same restrictions as applicable to it as set out in this paragraph.

In addition, Wang Xing has executed a lock-up undertaking in respect of the 573,188,783 Class A Shares and 739 Class B Shares held directly (or through nominees) or indirectly through companies controlled by him or their subsidiaries (or through their nominees) (collectively, the **"Lock-up Shares"**), representing 77.92 per cent. and 0.00 per cent. respectively of the relevant class of Ordinary Shares of the Issuer, on the date of the Subscription Agreement, whereby he undertakes that for a period from the date of the Subscription Agreement up to 90 days after the Issue Date, it will not, without the prior written consent of the Joint Bookrunners, (a) issue, offer, sell, contract to sell, pledge or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in any Lock-up Shares or securities of the same class as the Lock-up Shares or any securities convertible into, exchangeable for or which carry rights to subscribe or purchase the Lock-up Shares or securities of the same class as the Lock-up Shares or other instruments representing interests in the Lock-up Shares or other securities of the same class as them, (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Lock-up Shares, (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of Lock-up Shares or other securities, in cash or otherwise or (d) announce or otherwise make public an intention to do any of the foregoing. The foregoing sentence shall not apply to the direct or indirect transfer (and shall not apply to any steps taken in anticipation of, conducive or necessary to, or to effect, such transfer) of any Ordinary Shares or any security convertible into the Ordinary Shares to any philanthropic organization or to any entity set up for, or pursuant to any donations for, charitable or philanthropic purposes.

## **SELLING RESTRICTIONS**

### **General**

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Bonds is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorized.

No action has been or will be taken in any jurisdiction by the Company or the Joint Bookrunners that would permit a public offering, or any other offering under circumstances not permitted by applicable law, of the Bonds, or possession or distribution of this Offering Circular, any amendment or supplement thereto issued in connection with the proposed resale of the Bonds or any other offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required. Accordingly, the Bonds may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisements in connection with the Bonds may be distributed or published, by the Company or the Joint Bookrunners, in or from any country or jurisdiction, except in circumstances which will result in compliance with all applicable rules and regulations of any such country or jurisdiction and will not impose any obligations on the Company or the Joint Bookrunners.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Joint Bookrunners or any affiliate of the Joint Bookrunners is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Joint Bookrunners or such affiliate on behalf of the Company in such jurisdiction.

### **United States**

The Bonds and the Class B Shares to be issued upon conversion of the Bonds have not been and will not be registered under the U.S. Securities Act of 1933 (the “**Securities Act**”) and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each of the Joint Bookrunners has represented that it has not offered or sold, and agreed that it will not offer or sell, any Bonds constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Bonds or the Class B Shares to be issued upon conversion of the Bonds. Terms used in this paragraph have the meaning given to them by Regulation S under the Securities Act.

### **Canada**

The Bonds may be sold in Canada only to purchasers resident in the provinces of British Columbia, Alberta, Ontario or Quebec purchasing, or deemed to be purchasing, as principal that are both accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Bonds must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable Canadian securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Circular (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (“NI 33-105”), the Joint Bookrunners are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.



*Upon receipt of this Offering Circular, each Canadian purchaser hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the Bonds (including for greater certainty, any purchase confirmation and all notices) be drawn up in the English language only. Par la réception de ce document, chaque acheteur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.*

#### **Prohibition of Sales to EEA Retail Investors**

Each of the Joint Bookrunners has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds which are the subject of the offering contemplated by this Offering Circular in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision, the expression “retail investor” means a person who is one (or more) of the following:

- (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or
- (ii) a customer within the meaning of Directive (EU) 2016/97 (the “Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

#### **Prohibition of Sales to UK Retail Investors**

Each of the Joint Bookrunners has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds which are the subject of the offering contemplated by this Offering Circular in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision, the expression “retail investor” means a person who is one (or more) of the following:

- (a) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “EUWA”); or
- (b) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “FSMA”) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

#### **United Kingdom**

Each of the Joint Bookrunners has represented, warranted and agreed that:

- (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Company; and
- (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

## Hong Kong

Each of the Joint Bookrunners has represented and agreed that:

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “SFO”) and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions Ordinance (Cap. 32) of Hong Kong (the “C(WUMP)O”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

## Singapore

Each of the Joint Bookrunners has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each of the Joint Bookrunners has represented and agreed that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause the Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the “SFA”)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275 (1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

*Singapore SFA Product Classification: In connection with Section 309B of the SFA and the CMP Regulations 2018, the Company has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).*

## **Japan**

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "Financial Instruments and Exchange Act"). Accordingly, each of the Joint Bookrunners has represented, warranted and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

## **PRC**

Each of the Joint Bookrunners has represented, warranted and agreed that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the PRC.

## **The Cayman Islands**

Each of the Joint Bookrunners has represented, warranted and undertaken that it has not offered or sold, and will not offer or sell, any Bonds to the public or any member of the public in the Cayman Islands.

## **RATINGS**

The Series 1 Bonds and the Series 2 Bonds have been assigned a rating of “Baa3” by Moody’s. The ratings reflect the rating agencies’ assessment of the likelihood of timely payment of the principal of and interest on the Bonds. Ratings are limited in scope, and do not address all material risks relating to an investment in the Bonds, but rather reflect only the view of each rating agency at the time the rating is issued. An explanation of the significance of a rating may be obtained from the relevant rating agency. Ratings are not recommendations to buy, sell or hold securities, and there can be no assurance that ratings will remain in effect for any given period of time or that ratings will not be lowered, suspended or withdrawn entirely by the rating agency, if, in each rating agency’s judgment, circumstances so warrant. Each rating should be evaluated independently of any other rating on the Bonds, on any other of our securities, or on us. See “Risk Factors – Risks Relating to Our Business and Industry – Any revision, downgrade or withdrawal of our credit ratings may affect our ability to raise additional financing and may adversely affect the market price of the Bond” and “Risk Factors – Risks Relating to the Bonds – The ratings assigned to the Bonds may be lowered or withdrawn in the future.”

## **INDEPENDENT AUDITOR**

Our audited consolidated financial statements as of and for the years ended December 31, 2018, 2019 and 2020 included in this Offering Circular have been extracted from our annual reports for the years ended December 31, 2019 and 2020.

The consolidated financial statements have been audited by our independent auditor, PricewaterhouseCoopers, Certified Public Accountants, in accordance with International Standards on Auditing.

None of the Joint Bookrunners, the Trustee or the Agents or any of their respective holding companies, subsidiaries, affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them make any representation or warranty, express or implied, regarding the sufficiency of any unaudited figures in this Offering Circular. Potential investors must exercise caution when using such unaudited figures to evaluate the financial condition and results of operations of the Issuer and its subsidiaries.

## GENERAL INFORMATION

1. **Clearing Systems and Settlement:** The Series 1 Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code number 233356875 and the International Securities Identification Number for the Series 1 Bonds is XS2333568751. The Series 2 Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code number 233356905 and the International Securities Identification Number for the Series 2 Bonds is XS2333569056.
2. **Legal Entity Identifier.** The Legal Entity Identifier (LEI) of the Company is 21380033K525E5JLIA77.
3. **Authorizations.** The Company has obtained all necessary consents, approvals and authorizations in connection with the issue of and performance of its obligations under the Bonds, the Trust Deeds and the Agency Agreements. The issue of the Bonds and the right of conversion into Class B Shares was authorized by the board of directors of the Company on February 25, 2021. The Shares to be issued upon conversion of the Bonds are to be issued pursuant to the general mandate granted to the directors at the annual general meeting of the Company held on May 20, 2020.
4. **Listing of Bonds:** Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds on the Hong Kong Stock Exchange by way of debt issues to Professional Investors only and listing of, and dealing in, the Bonds is expected to commence on April 28, 2021.
5. **Listing of Shares:** Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Class B Shares to be issued upon conversion of the Bonds.
6. **No Material Adverse Change:** There has not occurred any material change (nor any development or event involving a prospective change), in our condition (financial or otherwise), prospects, results of operations, profitability, business, management, shareholders' equity, properties or general affairs since December 31, 2020. Except as disclosed in this Offering Circular, there has been no material adverse change, in the financial, trading position of the Group since December 31, 2020.
7. **Litigation:** None of the Company or any member of the Group is currently involved in any litigation, disputes or arbitration proceedings which the Group believes are material in the context of the Bonds, and the Company is not aware of any material litigation, disputes or arbitration proceedings that are currently pending or threatened.
8. **Available Documents:** So long as any of the Bonds are outstanding, copies of the following documents will be available for inspection from the Closing Date at all reasonable times during usual business hours at the Company's principal place of business in Hong Kong at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong and, in the case of the last two documents mentioned below only, during normal business hours (being between 9 a.m. and 4 p.m. on a business day) at the principal office for the time being of the Trustee (being at the date of this Offering Circular, at 20/F, Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong) following prior written request and proof of holding and identity to the satisfaction of the Trustee:
  - the Articles of Association of the Issuer;
  - copies of the audited consolidated financial statements of the Company as at and for the years ended December 31, 2019 and 2020;



- the Agency Agreements in respect of the Series 1 Bonds and the Series 2 Bonds; and
  - the Trust Deeds in respect of the Series 1 Bonds and the Series 2 Bonds.
9. **Independent Auditor.** The Company's audited consolidated financial information as of and for the years ended December 31, 2018, 2019 and 2020 have been audited by PricewaterhouseCoopers, the independent auditor of the Company.
10. **Consolidated Financial Statements:** Our consolidated financial statements, which are included elsewhere in this Offering Circular, have been audited by PricewaterhouseCoopers, our independent auditor of the Company.

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*Note:*

- (1) The audited consolidated financial statements for the years ended December 31, 2019 and 2020 set out herein have been reproduced from the Company's annual reports for the years ended December 31, 2019, 2020 and page references are references to pages set forth in such annual reports.



## INDEPENDENT AUDITOR'S REPORT

To the shareholders of Meituan Dianping

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

### OPINION

#### What we have audited

The consolidated financial statements of Meituan Dianping (the “Company”) and its subsidiaries (the “Group”) set out on pages 150 to 272, which comprise:

- the consolidated statement of financial position as at December 31, 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income/(loss) for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

#### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (“IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Revenue recognition
- Impairment assessments of goodwill

### Key Audit Matter

### How our audit addressed the Key Audit Matter

#### *Revenue recognition*

Refer to Notes 2.26, 4.5, 4.8 and 6 to the consolidated financial statements.

The Group provides an e-commerce platform that enables merchants to sell their services or products to transacting users through the platform. The Group mainly generates revenue in the way of transaction commission, online marketing fees and others. Revenue of RMB97.5 billion was recognised for the current year.

We focused on this area as significant efforts were spent on auditing the accuracy of revenue recognition due to the magnitude of revenue amount and the huge volume of revenue transactions recorded in the operating systems and then interfaced with the financial system.

Our procedures in relation to the revenue recognition included:

We understood and tested management's process and controls in respect of revenue recognition and calculation derived from different services.

We discussed with management and evaluated their judgements made in determining the method and timing of revenue recognition and calculation.

We tested the general control environment and automated controls of the information technology systems used in the transaction processes. We tested the interface between the operating and financial systems.

We tested, on a sample basis, transactions by checking the cash receipt, reviewing the underlying contracts, identifying the key terms and attributes from the contracts and checking them against the underlying data from the system used in the transaction processes, and then recalculating the revenue amount.

Based on the procedures performed, we found that the Group's revenue recognition was supported by the evidence obtained.

## Key Audit Matter

## How our audit addressed the Key Audit Matter

### *Impairment assessments of goodwill*

Refer to Notes 2.9, 2.10, 4.4 and 16 to the consolidated financial statements.

As at December 31, 2019, the net carrying amount of goodwill amounted to RMB27.7 billion.

Under International Accounting Standards (“IAS”) 36 Impairment of Assets, the Group is required to perform goodwill impairment assessment both annually and whenever there is an indication that a cash-generating unit (“CGU”) to which goodwill has been allocated may be impaired.

The Group engaged an independent external valuer to prepare the goodwill impairment testing. The recoverable amounts of CGUs were determined based on the value-in-use calculations using cash flow projections.

We focused on this area due to (a) the magnitude of the carrying amount of goodwill; and (b) the process of goodwill impairment assessment was complex and involved significant judgements and estimates which included assumptions such as annual revenue growth rate for the 5-year period, gross profit, terminal revenue growth rate and pre-tax discount rate.

Our procedures in relation to the impairment assessments of goodwill included:

We tested management’s assessment including periodic impairment indications evaluation as to whether indicators of impairment exist by corroborating with management and market information.

We understood and tested management’s process and controls in respect of the impairment assessments, including the implementation of impairment standard, the determination of appropriate valuation models and assumptions and the calculation of impairment provisions.

We evaluated the independent valuer’s objectivity and competency. We assessed the reasonableness of the basis that management used to identify separate group of CGUs for the allocation of goodwill.

We assessed the appropriateness of the valuation models, with the involvement of our internal valuation experts.

We performed retrospective assessment through comparing historical results to the budgeted results, to assess the reliability of the management’s forecast.

We assessed the key assumptions adopted including annual revenue growth rate for the 5-year period and gross profit rate by examining the approved financial/business forecast models, and comparing actual results for the year against the previous period taking into consideration of market trends and our industry knowledge. We assessed terminal revenue growth rate and pre-tax discount rate with the involvement of our internal valuation experts.

#### Key Audit Matter

#### How our audit addressed the Key Audit Matter

We independently tested, on a sample basis, the accuracy of mathematical calculation applied in the valuation models and the calculation of impairment charges.

We evaluated the reasonableness of management's forecast performance and assessed management's sensitivity analysis around the key assumptions, to ascertain the extent to which adverse changes, would result in the goodwill being impaired.

Based on the procedures performed, we considered that the key assumptions adopted by management in the assessment of goodwill impairment are supported by the evidence obtained.

#### OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.





## INDEPENDENT AUDITOR'S REPORT

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee are responsible for overseeing the Group's financial reporting process.

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Jack Li.

**PricewaterhouseCoopers**  
*Certified Public Accountants*  
Hong Kong, March 30, 2020

# CONSOLIDATED INCOME STATEMENT

	Note	Year ended December 31,	
		2019 RMB' 000	2018 RMB' 000
<b>Revenues</b>			
Commission	6	65,525,997	47,012,249
Online marketing services	6	15,840,078	9,391,406
Interest revenue	6	786,032	456,077
Other services and sales	6	15,376,424	8,367,546
		<u>97,528,531</u>	<u>65,227,278</u>
Cost of revenues	7	<u>(65,208,143)</u>	<u>(50,122,320)</u>
<b>Gross profit</b>		<b>32,320,388</b>	<b>15,104,958</b>
Selling and marketing expenses	7	(18,819,067)	(15,871,901)
Research and development expenses	7	(8,445,664)	(7,071,900)
General and administrative expenses	7	(4,338,954)	(5,546,037)
Net provision for impairment losses on financial assets		(645,685)	(285,655)
Fair value changes on investments measured at fair value through profit or loss	19	77,699	1,836,382
Other gains, net	9	2,531,143	748,356
<b>Operating profit/(loss)</b>		<b>2,679,860</b>	<b>(11,085,797)</b>
Finance income	10	166,217	294,047
Finance costs	10	(191,042)	(44,732)
Fair value changes of convertible redeemable preferred shares	28	—	(104,606,058)
Share of gains/(losses) of investments accounted for using equity method	12	107,353	(48,267)
<b>Profit/(loss) before income tax</b>		<b>2,762,388</b>	<b>(115,490,807)</b>
Income tax expenses	13	(526,223)	(1,888)
<b>Profit/(loss) for the year</b>		<b><u>2,236,165</u></b>	<b><u>(115,492,695)</u></b>
<b>Profit/(loss) for the year attributable to:</b>			
Equity holders of the Company		2,238,769	(115,477,171)
Non-controlling interests		(2,604)	(15,524)
		<u>2,236,165</u>	<u>(115,492,695)</u>
<b>Earnings/(loss) per share for profit/(loss) for the year attributable to the equity holders of the Company</b>			
Basic earnings/(loss) per share (RMB)	14	<u>0.39</u>	<u>(42.40)</u>
Diluted earnings/(loss) per share (RMB)	14	<u>0.38</u>	<u>(42.40)</u>

The notes on pages 158 to 272 are an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/(LOSS)

	Note	Year ended December 31,	
		2019 RMB' 000	2018 RMB' 000
<b>Other comprehensive income/(loss):</b>			
<i>Items that may be reclassified to profit or loss</i>			
Share of other comprehensive income of investments accounted for using the equity method	12,26	3,905	—
<i>Items that may not be reclassified to profit or loss</i>			
Currency translation differences	26	678,973	(7,617,689)
Preferred shares fair value change due to own credit risk	28	—	(186,013)
<b>Other comprehensive income/(loss) for the year, net of tax</b>		<u>682,878</u>	<u>(7,803,702)</u>
<b>Total comprehensive income/(loss) for the year</b>		<u><b>2,919,043</b></u>	<u><b>(123,296,397)</b></u>
<b>Total comprehensive income/(loss) for the year attributable to:</b>			
Equity holders of the Company		2,921,721	(123,281,091)
Non-controlling interests		<u>(2,678)</u>	<u>(15,306)</u>
		<u><b>2,919,043</b></u>	<u><b>(123,296,397)</b></u>

The notes on pages 158 to 272 are an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As of December 31,	
	Note	2019 RMB' 000	2018 RMB' 000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15	5,376,217	3,978,815
Intangible assets	16	32,699,575	33,876,004
Deferred tax assets	18	590,054	445,041
Investments accounted for using the equity method	12	2,283,590	2,103,403
Financial assets at fair value through profit or loss	19	7,166,122	6,241,972
Prepayments, deposits and other assets	21	1,762,312	866,884
		<u>49,877,870</u>	<u>47,512,119</u>
<b>Current assets</b>			
Inventories	22	275,227	400,244
Trade receivables	23	676,762	466,340
Prepayments, deposits and other assets	21	9,591,157	9,064,945
Short-term investments	20	49,435,599	41,829,964
Restricted cash	24	8,760,115	4,256,120
Cash and cash equivalents	24	13,396,185	17,043,692
Assets classified as held for sale		—	88,087
		<u>82,135,045</u>	<u>73,149,392</u>
<b>Total assets</b>		<u><b>132,012,915</b></u>	<u><b>120,661,511</b></u>
<b>EQUITY</b>			
Share capital	25	389	384
Share premium	25	260,359,929	258,284,687
Other reserves	26	(4,447,252)	(5,741,347)
Accumulated losses		<u>(163,800,621)</u>	<u>(166,039,390)</u>
<b>Equity attributable to equity holders of the Company</b>		<u><b>92,112,445</b></u>	<u><b>86,504,334</b></u>
<b>Non-controlling interests</b>		<u><b>(58,051)</b></u>	<u><b>5,438</b></u>
<b>Total equity</b>		<u><b>92,054,394</b></u>	<u><b>86,509,772</b></u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As of December 31,	
	Note	2019 RMB' 000	2018 RMB' 000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities	18	1,388,469	1,195,869
Deferred revenues	27	389,028	624,999
Borrowings	31	466,676	470,056
Lease liabilities	2.29	992,233	—
Other non-current liabilities		129,552	35,759
		<u>3,365,958</u>	<u>2,326,683</u>
<b>Current liabilities</b>			
Trade payables	29	6,766,253	5,340,963
Payables to merchants		7,495,262	7,596,388
Advances from transacting users		3,855,559	3,226,407
Deposits from transacting users	2.14	2,491,947	3,341,276
Other payables and accruals	30	7,237,412	7,303,407
Borrowings	31	3,552,587	1,800,000
Deferred revenues	27	4,567,171	3,102,882
Lease liabilities	2.29	534,566	—
Income tax liabilities		91,806	58,223
Liabilities directly associated with assets classified as held for sale		—	55,510
		<u>36,592,563</u>	<u>31,825,056</u>
<b>Total liabilities</b>		<u><b>39,958,521</b></u>	<u><b>34,151,739</b></u>
<b>Total equity and liabilities</b>		<u><b>132,012,915</b></u>	<u><b>120,661,511</b></u>

The notes on pages 158 to 272 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 150 to 272 were approved by the Board of Directors on March 30, 2020 and were signed on its behalf:

Wang Xing  
Director

Mu Rongjun  
Director



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to equity holders of the Company					Non-controlling interests	Total
		Share capital	Share premium	Other reserves	Accumulated losses	Sub-total		
		RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
As of January 1, 2019		384	258,284,687	(5,741,347)	(166,039,390)	86,504,334	5,438	86,509,772
Comprehensive income								
Profit/(loss) for the year		—	—	—	2,238,769	2,238,769	(2,604)	2,236,165
Other comprehensive income								
Share of other comprehensive income of investments accounted for using the equity method	12,26	—	—	3,905	—	3,905	—	3,905
Currency translation differences	26	—	—	679,047	—	679,047	(74)	678,973
Total comprehensive income		—	—	682,952	2,238,769	2,921,721	(2,678)	2,919,043
Transaction with owners in their capacity as owners								
Share-based compensation expenses	32	—	—	2,181,436	—	2,181,436	—	2,181,436
Exercise of option and RSU vesting		5	2,075,242	(1,614,957)	—	460,290	—	460,290
Disposal of a subsidiary	11	—	—	10,617	—	10,617	386	11,003
Transaction with non-controlling interests		—	—	34,047	—	34,047	(61,197)	(27,150)
Total transaction with owners in their capacity as owners		5	2,075,242	611,143	—	2,686,390	(60,811)	2,625,579
As of December 31, 2019		389	260,359,929	(4,447,252)	(163,800,621)	92,112,445	(58,051)	92,054,394

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Note	Attributable to equity holders of the Company					Non-controlling interests	Total
	Share capital	Share premium	Other reserves	Accumulated losses	Sub-total		
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
As of January 1, 2018	98	9,338,529	466,103	(50,363,846)	(40,559,116)	57,734	(40,501,382)
Adjustment on adoption of IFRS9, net of tax	—	—	(423,731)	411,371	(12,360)	—	(12,360)
As of January 1, 2018	98	9,338,529	42,372	(49,952,475)	(40,571,476)	57,734	(40,513,742)
Comprehensive loss							
Loss for the year	—	—	—	(115,477,171)	(115,477,171)	(15,524)	(115,492,695)
Other comprehensive loss							
Preferred shares fair value change due to own credit risk	—	—	(186,013)	—	(186,013)	—	(186,013)
Currency translation differences	—	—	(7,617,907)	—	(7,617,907)	218	(7,617,689)
Total comprehensive loss	—	—	(7,803,920)	(115,477,171)	(123,281,091)	(15,306)	(123,296,397)
Transaction with owners in their capacity as owners							
Issuance of ordinary shares	283	248,944,408	609,744	(609,744)	248,944,691	—	248,944,691
Business combinations	—	—	231,736	—	231,736	—	231,736
Repurchase of ordinary shares	25	(811,142)	—	—	(811,144)	—	(811,144)
Share-based compensation expenses	32	—	1,816,453	—	1,816,453	—	1,816,453
Exercise of option and RSU vesting	5	842,199	(685,701)	—	156,503	—	156,503
Cancellation of ordinary shares	—	(29,307)	—	—	(29,307)	—	(29,307)
Dividends	—	—	—	—	—	(4,000)	(4,000)
Transaction with non-controlling interests	—	—	47,969	—	47,969	(32,990)	14,979
Total transaction with owners in their capacity as owners	286	248,946,158	2,020,201	(609,744)	250,356,901	(36,990)	250,319,911
As of December 31, 2018	384	258,284,687	(5,741,347)	(166,039,390)	86,504,334	5,438	86,509,772

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended December 31,	
		2019 RMB' 000	2018 RMB' 000
<b>Cash flows from operating activities</b>			
Cash generated from/(used in) operations	35	6,037,524	(8,981,189)
Income tax paid		<u>(463,304)</u>	<u>(198,629)</u>
Net cash flows generated from/(used in) operating activities		<u>5,574,220</u>	<u>(9,179,818)</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(2,984,976)	(2,210,249)
Proceeds from disposals of property, plant and equipment		62,334	24,698
Purchase of intangible assets		(16,760)	(69,712)
Proceeds from disposals of intangible assets		1,938	3,897
Payments for business combinations, net of cash acquired		(1,365,975)	(7,260,087)
Purchase of investments of term deposits with initial term over three months and wealth management products		(177,154,553)	(91,205,155)
Proceeds from disposals of term deposits with initial term over three months and wealth management products		170,248,473	75,235,650
Acquisition of investments accounted for using the equity method		(141,025)	(163,675)
Proceeds from disposal of equity investments and refund of prepayment for investments		323,377	3,453,916
Acquisition of investments measured at fair value		(455,987)	(1,599,549)
Cash inflow arising from disposal of subsidiaries, net of cash disposed		35,808	231
Gains received from investments of term deposits with initial term over three months and wealth management products		1,315,886	533,068
Dividends received		13,761	65,954
Loan to related party		(35,365)	—
Increase in prepayment for investments		<u>(20,954)</u>	<u>(247,673)</u>
Net cash flows used in investing activities		<u>(10,174,018)</u>	<u>(23,438,686)</u>

# CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended December 31,	
		2019 RMB' 000	2018 RMB' 000
<b>Cash flows from financing activities</b>			
Proceeds from borrowings, excluding asset-backed securities ("ABS")		3,640,000	2,305,000
Repayments of borrowings, excluding ABS		(2,250,000)	(1,057,000)
Proceeds from ABS, net		467,000	470,000
Repayments of ABS		(107,969)	—
Finance costs paid		(218,692)	(62,043)
Proceeds from issuance of ordinary shares, net		—	28,516,174
Proceeds from exercise of option and RSU vesting		444,915	158,054
Repurchase of ordinary shares		—	(854,630)
Payment for acquisitions of non-controlling interests		(75,162)	(176,261)
Lease payments		(785,825)	—
Dividends paid to non-controlling interests		—	(4,000)
Net cash flows generated from financing activities		<u>1,114,267</u>	<u>29,295,294</u>
<b>Net decrease in cash and cash equivalents</b>		<b>(3,485,531)</b>	<b>(3,323,210)</b>
Cash and cash equivalents at the beginning of the year		17,043,692	19,408,839
Exchange (loss)/gain on cash and cash equivalents		(173,442)	1,009,587
Cash and cash equivalents reclassified from the assets classified as held for sale/(included in the assets classified as held for sale)		<u>11,466</u>	<u>(51,524)</u>
<b>Cash and cash equivalents at the end of the year</b>	<b>24</b>	<b><u>13,396,185</u></b>	<b><u>17,043,692</u></b>

## **1 GENERAL INFORMATION, REORGANIZATION AND BASIS OF PRESENTATION**

### **1.1 General information**

Meituan Dianping (formerly known as Internet Plus Holdings Ltd.) (“**the Company**”) was incorporated in the Cayman Islands on September 25, 2015 as an exempted company with limited liability. The registered office is at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries, including structured entities (collectively, the “**Group**”), provides platform which uses technology to connect consumers and merchants and offers diversified daily services, including food delivery, in-store dining, hotel and travel booking and other services.

The Company’s Class B shares have been listed on the Main Board of the Hong Kong Stock Exchange since September 20, 2018 (the “**Listing**”).

The Financial Information is presented in Renminbi (“**RMB**”), unless otherwise stated.

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### **2.1 Basis of preparation**

The consolidated financial statements of the Group have been prepared in accordance with all applicable International Financial Reporting Standards (“**IFRSs**”) issued by International Accounting Standards Board (“**IASB**”) and disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss, which are carried at fair value.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policies

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time commencing January 1, 2019:

IFRS 16	Leases
IFRIC 23	Uncertainty over income tax treatments
IFRS 9 (Amendment)	Prepayment features with negative compensation
IAS 28 (Amendment)	Long-term Interests in Associates and Joint Ventures
IAS 19 (Amendment)	Plan amendment, curtailment or settlement
IFRSs (Amendment)	Annual Improvements to IFRS Standards 2015 – 2017 Cycle

The Group had to change its accounting policies as a result of adopting IFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on January 1, 2019. The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

The Group has adopted IFRS 16 retrospectively from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on January 1, 2019.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of January 1, 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 5.7%.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.1 Basis of preparation (Continued)

#### 2.1.1 Changes in accounting policies (Continued)

##### (a) New and amended standards adopted by the Group (Continued)

##### (i) Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

##### (ii) Measurement of lease liabilities

	2019 RMB' 000
Operating lease commitments disclosed as of December 31, 2018	2,111,477
Discounted using the lessee's incremental borrowing rate at the date of initial application	<u>1,846,656</u>
Lease liabilities recognised as of January 1, 2019	<u>1,846,656</u>
Of which are:	
Current lease liabilities	512,833
Non-current lease liabilities	1,333,823



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.1 Changes in accounting policies *(Continued)*

(a) New and amended standards adopted by the Group *(Continued)*

(iii) Measurement of right-of-use assets

The right-of-use assets were measured on a simplified transition approach without restating comparative amounts, and were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as of December 31, 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

(iv) Adjustments recognised in the balance sheet on January 1, 2019

The change in accounting policy affected the following items in the consolidated balance sheet on January 1, 2019:

- right-of-use assets – increased by RMB2.0 billion
- prepayments – decreased by RMB174.5 million
- lease liabilities – increased by RMB1.8 billion

The net impact on retained earnings as of January 1, 2019 was nil.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.1 Basis of preparation (Continued)

#### 2.1.1 Changes in accounting policies (Continued)

##### (b) New standards and amendments not yet adopted by the management of the Group

A number of new standards and amendments to existing standards have been issued but are not yet effective for the financial year beginning January 1, 2019, and have not been early adopted by the Group's management. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

		Effective for accounting year beginning on or after
IAS 28 and IFRS 10 (Amendment)	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	A date to be determined by the IASB
IAS 1 and IAS 8 (Amendment)	Definition of material	January 1, 2020
IFRS 3 (Amendment)	Definition of a business	January 1, 2020
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting	January 1, 2020
IFRS 17	Insurance Contracts	January 1, 2021
IAS 1 (Amendment)	Classification of liabilities as current or non-current	January 1, 2022

The Group is in the process of assessing potential impact of the above new standards and amendments to standards that is relevant to the Group upon initial application. According to the preliminary assessment made by the Directors of the Company, management does not anticipate any significant impact on the Group's financial positions and results of operations upon adopting the above new standards amendments to existing standards. The management of the Group plans to adopt these new standards and amendments to existing standards when they become effective.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.2 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement (including structured entities) with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, consolidated statement of comprehensive income/(loss), consolidated statement of changes in equity and consolidated statement of financial position respectively.

#### 2.2.1 Business combinations

The Group applies the acquisition method to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.2 Subsidiaries *(Continued)*

##### 2.2.1 Business combinations *(Continued)*

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, amount of any non-controlling interest in the acquiree, and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss. Amounts classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

##### 2.2.2 Changes in ownership interests in subsidiaries without change of control

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

##### 2.2.3 Disposal of subsidiaries

When the Group ceases to consolidate a subsidiary because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.3 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. The Group's investments in associates in the form of redeemable instruments are financial assets designated at fair value through profit or loss. All investments in associates in the form of ordinary shares with significant influence are accounted for using the equity method of accounting, after initially being recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an investment accounted for using the equity method equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group determines at each reporting date whether there is any objective evidence that investments accounted for using the equity method are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the investment and its carrying value and recognises the amount in "Other gains, net" in the consolidated income statement.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.4 Joint arrangements

The Group has applied IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealized gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

#### 2.5 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

#### 2.6 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as executive Directors.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.7 Foreign currency translation

#### 2.7.1 Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Company's functional currency is USD as its key activities and transactions are denominated in USD. The Company's primary subsidiaries were incorporated in the PRC and these subsidiaries considered RMB as their functional currency. The Group's presentation currency is RMB.

#### 2.7.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in consolidated income statement on a net basis within "Other gains, net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in consolidated income statement as part of the "Fair value changes on investments measured at fair value through profit or loss".

#### 2.7.3 Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position
- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.7 Foreign currency translation (Continued)

#### 2.7.3 Group companies (Continued)

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified into income statement, as part of “Other gains, net”.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

### 2.8 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

- |  |   |
|--|---|
| • computer equipment (including servers) | 3 years   |
| • furniture and appliances               | 5 years   |
| • leasehold improvements                 | the shorter of the term of the lease or<br>the estimated useful lives of the assets |
| • bike and vehicle                       | 2-4 years   |

Property, plant and equipment arising from business acquisition is depreciated over the remaining useful life.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.8 Property, plant and equipment (Continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount, and are recognised in "Other gains, net" in the consolidated income statement.

### 2.9 Intangible assets

#### 2.9.1 Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the aggregate purchase consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes at the operating segments.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.9 Intangible assets (Continued)

##### 2.9.2 Other intangible assets

Other intangible assets mainly include trade name, user generated content, software purchased from third parties, online payment license, technology and licenses, user list and supplier relationship. They are initially recognised and measured at cost or fair value if they are acquired in business combinations. Other intangible assets are amortized over their estimated useful lives using the straight-line method which reflects the pattern in which the intangible asset's future economic benefits are expected to be consumed.

The Group amortizes intangible assets with a limited useful life using the straight-line method over the following periods:

• trade name	2 – 25 years
• user generated content	5 years
• software and others	3 -10 years
• online payment license	15 years
• technology and licenses	2 – 5 years
• user list	5 years
• supplier relationship	2 – 8 years

When determining the length of useful life of an intangible asset, management take into account the (i) estimated period during which such asset can bring economic benefits to the Group; and (ii) the useful life estimated by comparable companies in the market.

##### 2.9.3 Research and development

Research expenditures are recognised as an expenses as incurred. Costs incurred on development projects are capitalized as intangible assets when recognition criteria are met, including (a) it is technically feasible to complete the software so that it will be available for use; (b) management intends to complete the software and use or sell it; (c) there is an ability to use or sell the software; (d) it can be demonstrated how the software will generate probable future economic benefits; (e) adequate technical, financial and other resources to complete the development and to use or sell the software are available; and (f) the expenditure attributable to the software during its development can be reliably measured. Other development costs that do not meet those criteria are expensed as incurred. There were no development costs meeting these criteria and capitalized as intangible assets as of December 31, 2019 and 2018.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.10 Impairment of non-financial assets

Goodwill is not subject to amortization and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

### 2.11 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under IFRS 9 Financial Instruments; and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.12 Financial assets

##### *(a) Classification*

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income ("OCI"). For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

##### *(b) Recognition*

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

##### *(c) Derecognition*

The Group derecognises a financial asset, if the part being considered for derecognition meets one of the following conditions: (i) the contractual rights to receive the cash flows from the financial asset expire; or (ii) the contractual rights to receive the cash flows of the financial asset have been transferred, the Group transfers substantially all the risks and rewards of ownership of the financial asset; or (iii) the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement that meets all the conditions of de-recognition of transfer of cash flows ("pass through" requirements) and transfers substantially all the risks and rewards of ownership of the financial asset.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

2.12 Financial assets (*Continued*)

(c) *Derecognition (Continued)*

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss or retained earnings:

- the carrying amount of the financial asset transferred; and
- the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised directly in equity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability.

As part of its operations, the Group securitizes financial assets, generally through the sale of these assets to special purpose vehicles which issue securities to investors. Further details on prerequisites for derecognition of financial assets are set out above. When the securitization of financial assets that qualify for derecognition, the relevant financial assets are derecognised in their entirety and a new financial asset or liabilities is recognised regarding the interest in the unconsolidated securitization vehicles that the Group acquired. When the securitization of financial assets that do not qualify for derecognition, the relevant financial asset are not derecognised, and the consideration paid by third parties are recorded as a financial liability; when the securitization of financial assets that partially qualify for derecognition, the book value of the transferred asset should be recognised between the derecognised portion and the retained portion based on their respective relative fair values, and the difference between the book value of the derecognised portion and the total consideration paid for the derecognised portion shall be recorded in profit or loss.

(d) *Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.12 Financial assets *(Continued)*

##### *(d) Measurement (Continued)*

###### *Debt instruments*

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains and impairment expenses are presented as separate line item in the statement of profit or loss.
- **FVPL:** Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within "Other gains, net" in the period in which it arises.



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial assets (Continued)

(d) Measurement (Continued)

*Equity instruments*

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss when the Group's right to receive payments is established.

Changes in the fair value of financial assets measured at FVPL are recognised in other gains in profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(e) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group has three types of financial assets that are subject to IFRS 9's new ECL model (Note 3.1 (b)):

- loan receivables
- trade receivables
- prepayment, deposits and other assets (excluding tax prepayment, loan receivables and long-term investments measured at amortized cost)

While cash and cash equivalents, restricted cash, short-term investments measured at amortized cost and long-term investments measured at amortized cost are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

### **2.13 Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

### **2.14 Deposits from transacting users**

Deposits from transacting users are the deposits received from transacting users of bike-sharing services, which are redeemable at any time upon the requests from transacting users.

### **2.15 Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

### **2.16 Trade and other receivables**

Trade receivables are amounts due from customers for services performed in the ordinary course of business.

Trade and other receivables are generally due for settlement within 1 year and therefore are all classified as current.

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. They are subsequently measured at amortised cost using the effective interest method, less loss allowance.

Other receivables are recognised initially at fair value and subsequently measured at amortized cost using the effective interest method, less allowance for impairment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**2.17 Cash and cash equivalents and restricted cash**

Cash and cash equivalents includes cash in hand, deposits held at call with banks within three months, certain amounts of cash held in accounts managed by other financial institutions in connection with the provision of services and sale of goods.

Cash that restricted from withdrawal, use or pledged as security is reported separately on the face of the consolidated statements of financial position, and is not included in the total cash and cash equivalents in the consolidated statements of cash flows.

**2.18 Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or share options are shown in equity as a deduction from the proceeds. Convertible redeemable preferred shares are classified as liabilities (Note 28).

**2.19 Trade and other payables**

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortized cost using the effective interest method.

**2.20 Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.21 Convertible redeemable preferred shares (“Preferred Shares”)

Holders of Series A, B, and C Preferred Shares issued by the Company are redeemable upon occurrence of certain future events. These instruments can also be converted into ordinary shares of the Company at any time at the option of the holders, or automatically upon occurrence of an initial public offering of the Company, or when agreed by majority of the holders as detailed in Note 28.

The Group designated the Preferred Shares as financial liabilities at fair value through profit or loss. They are initially recognised at fair value. Any directly attributable transaction costs are recognised as finance costs in profit or loss. Before January 1, 2018, all fair value changes is recognised profit or loss under IAS 39. From January 1, 2018, the component of fair value changes relating to the Company’s own credit risk is recognised in OCI. Amounts recorded in OCI related to credit risk are not subject to recycling in profit or loss, but are transferred to retained earnings when realized. Fair value changes relating to market risk are recognised in profit or loss.

The Preferred Shares were classified as non-current liabilities unless the Preferred Shares holders can demand the Company to redeem the Preferred Shares within 12 months after the end of the reporting period.

All of Preferred Shares were converted to Class B ordinary shares upon completion of the Listing on September 20, 2018. The fair value of each of Preferred Shares is equal to the fair value of each of ordinary shares on the conversion date, which is the offer price in the Listing.

#### 2.22 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period’s taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

##### *2.22.1 Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company’s subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

2.22 Current and deferred income tax (*Continued*)

2.22.2 *Deferred income tax*

(a) *Inside basis differences*

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

(b) *Outside basis differences*

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the subsidiaries and associates' undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.22 Current and deferred income tax *(Continued)*

##### 2.22.2 *Deferred income tax (Continued)*

###### *(c) Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

#### 2.23 Employee benefits

##### 2.23.1 *Employee leave entitlement*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick and maternity leave are not recognised until the time of leave.

##### 2.23.2 *Pension obligations and other social welfare benefits*

The Group contributes on a monthly basis to various defined contribution plans organised by the relevant governmental authorities. The Group's liability in respect of these plans is limited to the contributions payable in each period. The Group's contributions to these plans are expensed as incurred. Assets of the plans are held and managed by government authorities and are separated from those of the Group.

##### 2.23.3 *Bonus plan*

The expected cost of bonuses is recognised as a liability when the Group has a present legal or constructive obligation for payment of bonuses as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonuses are expected to be settled within 1 year and are measured at the amounts expected to be paid when they are settled.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Share-based payments

The Group has operated share incentive plans including share option schemes and share award schemes. The Internet Plus Holdings Ltd. 2015 Share Incentive Plan (or the “2015 Share Incentive Plan”) was administered until the initial public offering, after which it was replaced by the Meituan Dianping Post-IPO Share Option Scheme and Post-IPO Share Award Scheme. Share-based compensation benefits are provided to employees via the 2015 Share Incentive Plan, the Post-IPO Share Option Scheme and the Post-IPO Share Award Scheme. The Group receives services from employees and other qualifying participants as consideration for equity instruments (including share options and RSUs) of the Group. The fair value of the services received in exchange for the grant of the equity instruments is recognised as an expense in the consolidated income statement.

2.24.1 Share options

For grant of share options, the total amount to be expensed is determined by reference to the fair value of the options granted by using Black-Scholes models:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

2.24.2 RSUs

For grant of RSUs, the total amount to be expensed is determined by reference to the fair value of the Company’s shares at the grant date.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognizing the expense during the period between service commencement period and grant date.





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.24 Share-based payments *(Continued)*

##### 2.24.3 Modifications and Cancellations

The Group may modify the terms and conditions on which share incentive awards were granted. If a modification increases the fair value of the equity instruments granted, the incremental fair value granted is included in the measurement of the amount recognised for the services received over the remainder of the vesting period.

A grant of share incentive awards, that is cancelled or settled during the vesting period, is treated as an acceleration of vesting. The Group immediately recognises the amount that otherwise would have been recognised for services received over the remainder of the vesting period.

#### 2.25 Provisions

Provisions for service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

#### 2.26 Revenue recognition

Revenue is principally comprised of commissions, online marketing services, interest revenue and other services and sales. The Group recognises revenue when or as the control of the promised goods or services is transferred to a customer, netting of value-added taxes ("VAT"). Depending on the terms of the contract and the laws that apply to the contract, if control of the goods and services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or services.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

2.26 Revenue recognition (*Continued*)

Contracts with customers may include multiple performance obligations. For such arrangements, the Group allocates revenue to each performance obligation based on its relative standalone selling price. The Group generally determines standalone selling prices based on the prices charged to customers. If the standalone selling price is not directly observable, it is estimated using expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information. Revenue arrangements with multiple performance obligations are not significant to the Group's total revenue.

In accordance with the principal versus agent considerations prescribed by IFRS 15, the Group evaluates whether it acts as the principal or agent in each of its revenue streams to determine whether revenue should be recorded on a gross or net basis. The Group is acting as the principal if, individually or in combination, it controls the specified good or service before being transferred to the customer, is primarily responsible for fulfilling the contract, is subject to inventory risk, and has discretion in establishing prices. An agent arranges for goods or services to be provided by the principal to its end customer, which normally receives a commission or fee for these activities.

2.26.1 *The accounting policy for the Group's principal revenue sources*

(a) *Commissions*

The Group provides an e-commerce platform that enables merchants to sell their services or products to transacting users through the platform. Acting as an agent, the Group generates revenue from commission fees, which are generally charged as a percentage of the value of transactions placed by transacting users on the Group's platform.

Under certain circumstances, the Group provides delivery service mainly to transacting users as a principal, and earns the delivery service fee collecting from transacting users as revenue on a gross basis.

*On-demand delivery services (including food and non-food delivery)*

The on-demand delivery services facilitate food and non-food ordering and offer delivery service to transacting users through the Group's platform. Meanwhile, the Group provides platform service to merchants and certain business partners in certain regions within the PRC, displaying the food or other goods information to transacting users. Upon the completion of a transaction, both the delivery service and the platform service are rendered. The Group recognises the delivery service fees collected from transaction users and the commissions as revenue at the same time. The amounts to be remitted to third-party merchants, after netting the commission revenue from the cash payments by transacting users, are recorded as payables to merchants. In instances where the Group is not responsible for delivery, only commission revenue is recognised once a transaction is completed.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.26 Revenue recognition *(Continued)*

##### 2.26.1 *The accounting policy for the Group's principal revenue sources (Continued)*

###### *(a) Commissions (Continued)*

###### *In-store, hotel & travel services*

The Group's in-store, hotel & travel services provides merchants platform to display their own services or goods. Transacting users can purchase the vouchers or make reservations offered by merchants via the Group's platform. When the vouchers are redeemed at merchants site, upon room check-in for hotel reservations, or on the departure date of the packaged tours, commission revenues are recognised.

Under all circumstances, cash payments received from transacting users are initially recorded as advances from transacting users, as unredeemed vouchers can be returned by users at any time. When revenues are recognised at the point in time as determined above, the amounts to be remitted to third-party merchants are recorded as payables to merchants.

###### *(b) Online marketing services*

The Group provides online marketing services to merchants or marketers. Some of the merchants or marketers pay the Group for performance-based marketing only when a user clicks on marketer's link on the Group's websites or/and mobile applications, or when the advertisement is viewed by a pre-determined number of users. The Group recognises revenue each time a user clicks on the marketer's link or when its information is viewed by pre-determined number of users.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Revenue recognition (Continued)

2.26.1 The accounting policy for the Group's principal revenue sources (Continued)

(b) Online marketing services (Continued)

The Group also offers display-based marketing services in the form of key words search, banners, and textual or graphical marketer's link. The marketers pay the Group based on the period their advertisements are displayed on the Group's websites and/or mobile applications. The revenue is recognised on a pro-rata basis over the contractual service period, which is normally less than 1 year, starting on the date when the advertisement is first displayed on the Group's websites and/or mobile applications.

For certain merchants, the Group provides value-added marketing services under an annual plan, and charges an annual fee for such plan. The Group recognises revenue ratably as the value-added marketing services are provided over the plan period.

(c) Interest revenue

The Group directly offers loans, including joint loans together with other institutions, through its online platform to merchants or individual users via qualified subsidiary. The loan principal is funded entirely or partially by the Group, and loan receivables due from such loan facilitation are recorded on the statement of financial position. Interest revenue is calculated by applying the effective interest rate to the gross carrying amount of a loan receivable except for loan receivables that subsequently become credit-impaired. For credit-impaired loan receivables, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

(d) Other services and sales

Other services and sales comprise primarily revenue generated from business to business food distribution services ("B2B food distribution services"), car-hailing services, bike-sharing services, loan facilitation and relative post-origination services and other products or services. The Group recognises revenues when the respective services are rendered, or when the control of the products are transferred to the customers.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.26 Revenue recognition *(Continued)*

##### 2.26.1 *The accounting policy for the Group's principal revenue sources (Continued)*

###### *(d) Other services and sales (Continued)*

The Group's local transportation services mainly provide car-hailing and bike-sharing services to its transacting users. Currently, for bike-sharing services and car-hailing services other than aggregated model, the Group recognises revenues substantially for the fees collected from transacting users. Revenues from car-hailing services of aggregated model are immaterial to the Group. As to the transportation services relating to the taxi services, the Group acts as an agent by connecting transacting users with taxi drivers, and does not earn any fee from either party, and therefore recognises no revenue.

The Group's B2B food distribution services provide supply chain solution to merchants in the catering industry mainly through sales of food ingredients. The Group recognises goods sold revenue on a gross basis when the control of inventories is transferred.

In certain cases, the Group also provides loan facilitation services to borrowers and lenders, and provides post-origination services (e.g. cash process, collection and SMS services) to lenders and regard facilitation services and post origination services as two distinctive performance obligations. The borrowers are commonly merchants or individual users who utilize the Group's online platform. For loan facilitation services, the Group determines that it is not the legal lender or borrower in the loan origination and repayment process, but acting as an intermediary to bring both parties together. Therefore, the Group does not record the loans receivable or payable arising from the loan facilitation activities. Loan facilitation services are recognised at point of time when the loan contract established between borrowers and lenders and post-origination services are recognised over the loan contract period.

The Group also generates other revenues from a long-term business cooperation agreement with Maoyan, which provides that Maoyan shall be the Group's exclusive business partner for the movie ticketing business. Through this cooperation agreement, the Group provides Maoyan with user traffic and other sources over the cooperation period in a straight line basis. Please refer to Note 27 for further details.

##### 2.26.2 *Contract Balances*

When either party to a contract has performed, the Group presents the contract in the statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for goods and services that the Group has transferred to a customer. A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due. The Group's contract assets are mainly trade receivables due from online marketing services and loan facilitation services.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Revenue recognition (Continued)

2.26.2 Contract Balances (Continued)

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group presents the contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. The Group's contract liabilities are mainly resulted from the business cooperation agreement with Tianjin Maoyan Culture Media Co., Ltd. (the "Maoyan"), and online marketing services, which are recorded as deferred revenues.

The Group generally expenses contract acquisition cost when incurred because the amortization period would have been 1 year or less.

2.26.3 Incentives

The Group provides various types of incentives to transacting users, delivery riders, borrowers, drivers and merchants under online marketing services or supply chain solution service, including discounted coupons (with a minimum value to use), direct payment deduction, red packet, interest reduction/exemption coupons and discounts on goods or services. The major accounting policy for incentives is described as follows.

(a) Incentives to customers

The Group records such incentives as deduction of revenue, to the extent of the revenue collected from the customers. The exceeded amount is recorded as selling and marketing expenses. The incentives on delivery service or local transporting service to transacting users, the incentives to crowdsourced delivery riders on behalf of merchants or individual users, the interest favorable offered to borrowers, and discounts on online marketing services or supply chain solution service to merchants are classified as such.

(b) Incentives to transacting users

If the substantial services to transacting users are provided by the third parties, the incentives at the Group's discretion in order to stimulate the transaction volume on the online platform are recorded as selling and marketing expenses. The incentives to transacting users where the Group is not responsible for delivery and substantially all of the incentives for in-store, hotel & travel services are classified as such.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

**2.26 Revenue recognition** *(Continued)*

**2.26.3 Incentives** *(Continued)*

**(c) Incentives to vendors**

In circumstance where the Group is responsible for the delivery service, the incentive to delivery riders is recognised as cost of revenue as it is part of the Group's fulfilment costs for completion of the delivery performance obligation. In connection with car-hailing services, the incentives to drivers are recorded as cost of revenue.

**(d) Incentives on behalf of third parties**

For certain business partners in certain regions within the PRC in food delivery business, they setup the incentive plans via the Group's system to maintain local market and manage the daily operation. The Group receives and pays the incentives on behalf of such business partners to transacting users, which is not treated as the Group's incentives.

For all the business lines, the Group may facilitate cash refunds or incentives to its transacting users for unsatisfactory goods or services rendered by the merchants, but merchants are contractually responsible and liable for the quality of the goods or services. The Group also holds the contractual right to claim reimbursements from merchants. For those which are not refunded by merchants, the refunds or incentives from the Group to transacting users are recorded as a reduction of revenue unless there are objective evidence that they are not paid on behalf of merchants.

The total incentives recorded as selling and marketing expenses have been included in Note 7-Transacting User incentives.

**2.26.4 Practical Expedients and Exemptions**

The transaction price allocated to the performance obligations that are unsatisfied, or partially unsatisfied, has not been disclosed, as substantially all of the Group's contracts have a duration of 1 year or less. The unsatisfied performance obligation related to the Maoyan cooperation agreement has been included in deferred revenues (Note 27).



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**2.27 Interest income**

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Interest income is presented as interest revenue where it is calculated using the effective interest rate method and earned from financial assets that are held for micro loan business. Any other gains from short term and long term investment is included in “Other gains, net”.

**2.28 Dividend income**

Dividends are recognised when the right to receive payment is established.

**2.29 Leases**

*2.29.1 Accounting policies applied since January 1, 2019*

The Group leases various offices, warehouses and retail stores. Rental contracts are typically made for fixed periods of 1 to 10 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.29 Leases *(Continued)*

##### 2.29.1 Accounting policies applied since January 1, 2019 *(Continued)*

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From January 1, 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities include the net present value of the fixed payments (including in-substance fixed payments).

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

Lease payments are allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.29 Leases (Continued)

#### 2.29.1 Accounting policies applied since January 1, 2019 (Continued)

The Group considers the lease as a single transaction in which the asset and liabilities are integrally linked. There is no net temporary difference at inception. Subsequently, the differences arisen on settlement of the liability and the amortisation of leased assets, there will be a net temporary difference on which deferred tax is recognised.

Right-of-use assets are presented in “Property, plant and equipment” on face of the Group’s consolidated statement of financial position.

#### 2.29.2 Accounting policies applied before January 1, 2019

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognised as income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

### 2.30 Dividends distribution

Dividend distribution to the Company’s shareholders is recognised as a liability in the Group’s financial statements in the period in which the dividends are approved by the Company’s shareholders or Directors, where appropriate.

### 2.31 Government subsidies

Subsidies from the government are recognised at their fair value where there is a reasonable assurance that the subsidies will be received and the Group will comply with all attached conditions. Under these circumstances, the subsidies are recognised as income or matched with the associated costs which the subsidies are intended to compensate.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

### 3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk, and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group.

#### 3.1 Financial risk factors

##### *(a) Market risk*

##### *(i) Foreign exchange risk*

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the Group entities' functional currency. The functional currency of the Company is USD whereas functional currency of the subsidiaries operating in the PRC is RMB. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and tries to minimize these exposures through natural hedges, wherever possible and may enter into forward foreign exchange contracts, when necessary.

The Group operates mainly in the PRC with most of the transactions settled in RMB, management considers that the business is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities of the Group are denominated in the currencies other than the respective functional currencies of the Group's entities.

##### *(ii) Cash flow and fair value interest rate risk*

The Group's income and operating cash flows are substantially independent of changes in market interest rates and the Group has no significant interest-bearing assets except for cash and cash equivalents, restricted cash and short-term investments measured at amortized cost, and details of which have been disclosed in Note 24 and Note 20, respectively.

The Group's exposure to changes in interest rates is also attributable to its borrowings, details of which has been disclosed in Note 31. Borrowings carried at floating rates expose the Group to cash flow interest rate risk whereas those carried at fixed rates expose the Group to fair value interest rate risk.

As of December 31, 2019, the Group's borrowings were borrowings that carried at fixed rates, which did not expose the Group to cash flow interest rate risk.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(iii) Price risk

The Group is exposed to price risk in respect of financial assets at fair value through profit or loss and short-term investments measured at fair value through profit or loss held by the Group. The Group is not exposed to commodity price risk. To manage its price risk arising from the investments, the Group diversifies its portfolio. Each investment is managed by senior management on a case by case basis. The sensitivity analysis is performed by management, see Note 3.3 for detail.

(b) Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, restricted cash, short-term investment measured at amortized cost, trade receivables, prepayments, deposits and other assets, and financial assets at fair value through profit or loss. The carrying amounts of each class of the above financial assets represent the Group's maximum exposure to credit risk in relation to financial assets. The Group is also exposed to credit risk in relation to its financial guarantee contracts.

To manage risk arising from cash and cash equivalents, restricted cash, short-term investments measured at amortized cost and long-term investments measured at amortized cost, the Group only transacts with state-owned or reputable financial institutions in mainland China and reputable international financial institutions outside of mainland China. There has been no recent history of default in relation to these financial institutions. These instruments are considered to have low credit risk because they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term. The identified credit losses are immaterial.

To manage risk arising from trade receivables and contract assets, the Group has policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and the management performs ongoing credit evaluations of its counterparties. The credit period granted to the customers is usually no more than 150 days and the credit quality of these customers is assessed, which takes into account their financial position, past experience and other factors.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

### 3 FINANCIAL RISK MANAGEMENT *(Continued)*

#### 3.1 Financial risk factors *(Continued)*

##### *(b) Credit risk (Continued)*

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts.

The expected loss rates are based on the payment profiles of sales over a period of 36 months or enough credit cycle for those new lines of business which continue operation for less than 3 years before December 31, 2019 or January 1, 2019 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forwardlooking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the urban per capita disposable income and the total retail sales of consumer goods of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 180 days past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

For prepayments, deposits and other assets (excluding loan receivables, tax prepayments and long-term investments measured at amortized cost), management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables and prepayments to merchants based on historical settlement records and past experiences. Impairment on prepayments, deposits and other assets is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

### 3 FINANCIAL RISK MANAGEMENT *(Continued)*

#### 3.1 Financial risk factors *(Continued)*

##### *(b) Credit risk (Continued)*

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counter party's ability to meet its obligations
- actual or expected significant changes in the operating results of the counter party
- significant increases in credit risk on other financial instruments of the same counter party
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the counter party, including changes in the payment status and operating results of the counter party.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.1 Financial risk factors (Continued)

#### (b) Credit risk (Continued)

Category	Group definition of category		Basis for recognition of expected credit loss provision
	Other receivables excluding loan receivables and prepayments to merchants	Prepayment to merchants	
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows		12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	A significant increase in credit risk is presumed if repayments are 30 days past due	The Group terminates its corporation with merchants	Lifetime expected losses
Non-performing	Repayments are 90 days past due	The Group terminates its corporation with merchants for more than 60 days	Lifetime expected losses
Write-off	Repayments are 180 days past due and there is no reasonable expectation of recovery	The Group terminates its corporation with merchants for more than 180 days and there is no reasonable expectation of recovery	Asset is written off

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

To manage risk arising from loan receivables and financial guarantee contracts, standardized credit management procedures are performed. For pre-approval investigation, the Group optimizes the review process by using big data technology through its platform and system, including credit analysis, assessment of collectability of borrowers, monitoring the cash flow status of the merchants, possibility of misconduct and fraudulent activities. In terms of credit examining management, specific policies and procedures are established to assess loans offering. For subsequent monitoring, the Group monitors the cash flow and operation status of each borrowers. Once the loan was issued, all borrowers would be assessed by fraud examination model to prevent fraudulent behaviors. In post-loan supervision, the Group establishes risk monitoring alert system through periodical monitoring. The estimation of credit exposure for risk management purposes is complex and requires use of models as the exposure varies with changes in market conditions, expected cash flows and passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default corrections between counterparties. The Group measures credit risk using Probability of Default (“PD”), Exposure at Default (“EAD”) and Loss Given Default (“LGD”). This is consistent with the general approach used for the purposes of measuring ECL under IFRS 9. The maximum credit risk from financial guarantee contracts as of December 31, 2019 was RMB15 million, the majority of which were not credit-impaired on initial recognition and not significant increase in credit risk subsequently. The Group has recognised guarantee liability at each of the reporting date.

(i) ECL model for loan receivables, as summarized below:

- The loan receivables that is not credit-impaired on initial recognition is classified in ‘Stage 1’ and has its credit risk continuously monitored by the Group. The expected credit loss is measured on a 12-month basis.
- If a significant increase in credit risk (as defined below) since initial recognition is identified, the financial instrument is moved to ‘Stage 2’ but is not yet deemed to be credit-impaired. The expected credit loss is measured on lifetime basis.
- If the financial instrument is credit-impaired (as defined below), the financial instrument is then moved to ‘Stage 3’. The expected credit loss is measured on lifetime basis.
- In Stages 1 and 2, interest income is calculated on the gross carrying amount (without deducting the loss allowance). If a financial asset subsequently becomes credit-impaired (Stage 3), the Group is required to calculate the interest income by applying the effective interest method in subsequent reporting periods to the amortized cost of the financial asset (the gross carrying amount net of loss allowance) rather than the gross carrying amount.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

### 3 FINANCIAL RISK MANAGEMENT *(Continued)*

#### 3.1 Financial risk factors *(Continued)*

##### *(b) Credit risk (Continued)*

##### *(i) ECL model for loan receivables, as summarized below: (Continued)*

The impairment of loan receivables was provided based on the ‘three-stages’ model by referring to the changes in credit quality since initial recognition.

The key judgments and assumptions adopted by the Group in addressing the requirements of the standard are discussed below:

##### *(1) Significant increase in credit risk (SICR)*

The Group considers loan receivables to have experienced a significant increase in credit risk when backstop criteria has been met. A backstop is applied and the loan receivables are considered to have experienced a significant increase in credit risk if the borrower is past due more than 1 day on its contractual payments.

##### *(2) Definition of default and credit-impaired assets*

The Group defines a financial instrument as in default, when the borrower is more than 90 days past due on its contractual payments. This has been applied to all loan receivables held by the Group.

##### *(3) Measuring ECL – Explanation of inputs, assumptions and estimation techniques*

The expected credit loss is measured on either a 12-month (“12M”) or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the PD, EAD, and LGD.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each portfolio. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summarized. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Financial risk factors (Continued)

##### (b) Credit risk (Continued)

##### (i) ECL model for loan receivables, as summarized below: (Continued)

##### (4) Forward-looking information incorporated in the ECL models

The calculation of ECL incorporates forward-looking information. The Group has performed historical analysis and identified the per capita disposable income of urban residents as the key economic variables impacting credit risk and expected credit losses.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and has analyzed the non-linearities and asymmetries within the Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

##### (5) Grouping of instruments for losses measured on a collective basis

For ECL provisions modeled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

##### (ii) Loss allowance

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stage 2 or 3 due to loan receivables experiencing significant increases (or decreases) of credit risk in the period, and the subsequent "step up" (or "step down") between 12-month and lifetime ECL;
- Additional allowances for new financial instruments recognised, as well as releases for loan receivables derecognised in the period;
- Loan receivables derecognised and write-offs of allowances related to assets that were written off during the period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.1 Financial risk factors (Continued)

#### (b) Credit risk (Continued)

##### (ii) Loss allowance (Continued)

The gross carrying amount of the loan receivables explains their significance to the changes in the loss allowance as discussed above:

	Stage 1 12-month ECL RMB' 000	Stage 2 Lifetime ECL RMB' 000	Stage 3 Lifetime ECL RMB' 000	Total RMB' 000
Gross carrying amount as at December 31, 2018	3,870,816	81,658	35,596	3,988,070
Transfers:				
Transfer from Stage 1 to Stage 2	(126,514)	126,514	—	—
Transfer from Stage 1 to Stage 3	(220,960)	—	220,960	—
Transfer from Stage 2 to Stage 1	25	(25)	—	—
Transfer from Stage 2 to Stage 3	—	(57,282)	57,282	—
Transfer from Stage 3 to Stage 1	—	—	—	—
Transfer from Stage 3 to Stage 2	—	—	—	—
Loan receivables derecognised during the period other than write-off	(14,372,029)	(20,950)	(3,847)	(14,396,826)
New loan receivables originated	16,382,420	—	—	16,382,420
Write-off	—	—	(250,614)	(250,614)
Gross carrying amount as at December 31, 2019	<u>5,533,758</u>	<u>129,915</u>	<u>59,377</u>	<u>5,723,050</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.1 Financial risk factors (Continued)

#### (b) Credit risk (Continued)

##### (ii) Loss allowance (Continued)

The following tables explain the changes in the loss allowance for loan receivables between the beginning and the end of the period due to these factors:

	Stage 1 12-month ECL RMB' 000	Stage 2 Lifetime ECL RMB' 000	Stage 3 Lifetime ECL RMB' 000	Total RMB' 000
Loss allowance as at December 31, 2018	(49,064)	(66,330)	(35,596)	(150,990)
Transfers:				
Transfer from Stage 1 to Stage 2	2,775	(101,774)	—	(98,999)
Transfer from Stage 1 to Stage 3	4,847	—	(220,960)	(216,113)
Transfer from Stage 2 to Stage 1	(1)	20	—	19
Transfer from Stage 2 to Stage 3	—	46,080	(57,282)	(11,202)
Transfer from Stage 3 to Stage 1	—	—	—	—
Transfer from Stage 3 to Stage 2	—	—	—	—
Loan receivables derecognised during the period other than write-off	315,259	16,854	3,847	335,960
New loan receivables originated	(359,358)	—	—	(359,358)
Write-off	—	—	250,614	250,614
Accrual and reversal	(87,088)	1,659	—	(85,429)
Loss allowance as of December 31, 2019	<u>(172,630)</u>	<u>(103,491)</u>	<u>(59,377)</u>	<u>(335,498)</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.1 Financial risk factors (Continued)

#### (b) Credit risk (Continued)

##### (iii) Write-off policy

The Group writes off loan receivables, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include ceasing enforcement activity.

The Group may write-off loan receivables that are still subject to enforcement activity.

##### (iv) Modification

The Group rarely modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximizing recovery. The Group considers the impact from such modification is not significant.

#### (c) Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying business, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate cash and cash equivalents or adjust financing arrangements to meet the Group's liquidity requirements.

The table below analyzes the Group's non-derivative financial liabilities. The amount disclosed in the table is the contractual undiscounted cash flows.

	Less than 1 year RMB' 000	Between 1 and 2 years RMB' 000	Between 2 and 5 years RMB' 000	Over 5 years RMB' 000	Total RMB' 000
As of December 31, 2019					
Trade payables	6,766,253	—	—	—	6,766,253
Payables to merchants	7,495,262	—	—	—	7,495,262
Advances from transacting users	3,855,559	—	—	—	3,855,559
Deposits from transacting users	2,491,947	—	—	—	2,491,947
Other payables and accruals (excluding salaries and benefits payable, and other tax payable)	3,474,669	—	—	—	3,474,669
Borrowings	3,666,595	466,676	—	—	4,133,271
Lease liabilities	605,233	491,197	586,922	9,361	1,692,713
Other non-current liabilities	—	3,336	126,311	—	129,647
Financial guarantee contracts (Note 2.11)	14,977	—	—	—	14,977
	<u>28,370,495</u>	<u>961,209</u>	<u>713,233</u>	<u>9,361</u>	<u>30,054,298</u>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.1 Financial risk factors (Continued)

#### (c) Liquidity risk (Continued)

	Less than 1 year RMB' 000	Between 1 and 2 years RMB' 000	Between 2 and 5 years RMB' 000	Over 5 years RMB' 000	Total RMB' 000
As of December 31, 2018					
Trade payables	5,340,963	—	—	—	5,340,963
Payables to merchants	7,596,388	—	—	—	7,596,388
Advances from transacting users	3,226,407	—	—	—	3,226,407
Deposits from transacting users	3,341,276	—	—	—	3,341,276
Other payables and accruals (excluding salaries and benefits payable, and other tax payable)	4,019,881	—	—	—	4,019,881
Borrowings	1,800,000	470,056	—	—	2,270,056
Other non-current liabilities	—	3,336	32,760	—	36,096
Financial guarantee contracts (Note 2.11)	769,230	22,164	—	—	791,394
	<u>26,094,145</u>	<u>495,556</u>	<u>32,760</u>	<u>—</u>	<u>26,622,461</u>

### 3.2 Capital management

The Group's objectives when managing capital are to:

- Safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders; and
- Maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital (including share capital, share premium and preferred shares on an as-if-converted basis) by regularly reviewing the capital structure. As a part of this review, the Group considers the cost of capital and the risks associated with the issued share capital. In the opinion of the Directors of the Company, the Group's capital risk is low.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.3 Fair value estimation

#### 3.3.1 Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

The table below analyzes the Group's financial instruments carried at fair value as of December 31, 2019 and 2018 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets that are measured at fair value as of December 31, 2019.

	Level 1 RMB' 000	Level 2 RMB' 000	Level 3 RMB' 000	Total RMB' 000
<b>As of December 31, 2019</b>				
<b>Financial assets</b>				
Short-term investments at fair value through profit or loss (Note 20)	—	—	23,988,182	23,988,182
Financial assets at fair value through profit or loss (Note 19)	2,076,995*	—	5,089,127	7,166,122
	<u>2,076,995*</u>	<u>—</u>	<u>29,077,309</u>	<u>31,154,304</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.3 Fair value estimation (Continued)

#### 3.3.1 Fair value hierarchy (Continued)

The following table presents the Group's assets that are measured at fair value as of December 31, 2018.

	Level 1 RMB' 000	Level 2 RMB' 000	Level 3 RMB' 000	Total RMB' 000
As of December 31, 2018				
Financial assets				
Short-term investments at fair value				
through profit or loss (Note 20)	—	—	15,067,960	15,067,960
Financial assets at fair value				
through profit or loss (Note 19)	1,337,725*	—	4,904,247	6,241,972
	<u>1,337,725*</u>	<u>—</u>	<u>19,972,207</u>	<u>21,309,932</u>

\* This presents an investment of listed company with observable quoted price.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

#### 3.3.2 Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments; and
- The discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate; and
- The latest round financing, i.e. the prior transaction price or the third-party pricing information; and
- A combination of observable and unobservable inputs, including risk-free rate, expected volatility, discount rate for lack of marketability, market multiples, etc.

There was no change to valuation techniques during the year ended December 31, 2019.

All of the resulting fair value estimates are included in level 3, where the fair values have been determined based on present values and the discount rates used were adjusted for counterparty or own credit risk.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.3 Fair value estimation (Continued)

#### 3.3.3 Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items including short-term investments at fair value through profit or loss, investments in unlisted companies and contingent consideration for the year ended December 31, 2019 and 2018.

	Short-term investments at fair value through profit or loss RMB' 000	Financial assets at fair value through profit or loss Investments in unlisted companies RMB' 000	Total RMB' 000
As of January 1, 2019	15,067,960	4,904,247	19,972,207
Acquisitions	143,080,844	475,903	143,556,747
Disposals/settlements	(134,898,095)	(219)	(134,898,314)
Reclassification	—	319,373	319,373
Change in fair value	637,410	(661,571)	(24,161)
Currency translation differences	100,063	51,394	151,457
As of December 31, 2019	23,988,182	5,089,127	29,077,309
Net unrealized gains/(losses) for the year	147,157	(661,790)	(514,633)

	Short-term investments at fair value through profit or loss RMB' 000	Financial assets at fair value through profit or loss Investments in unlisted companies RMB' 000	Contingent consideration RMB' 000	Total RMB' 000
As of January 1, 2018	17,030,574	4,080,221	25,099	21,135,894
Acquisitions	61,352,377	1,616,220	—	62,968,597
Business combinations	380,000	12,880	—	392,880
Disposals/settlements	(63,714,108)	(3,154,736)	(29,307)	(66,898,151)
Reclassification	—	(50,000)	—	(50,000)
Change in fair value	306,954	2,338,030	4,208	2,649,192
Currency translation differences	(287,837)	61,632	—	(226,205)
As of December 31, 2018	15,067,960	4,904,247	—	19,972,207
Net unrealized gains for the year	107,609	1,190,333	—	1,297,942

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.3 Fair value estimation (Continued)

#### 3.3.4 Valuation process, inputs and relationships to fair value

The Group has a team that manages the valuation of level 3 instruments for financial reporting purposes. The team manages the valuation exercise of the investments on a case by case basis. At least once every year, the team would use valuation techniques to determine the fair value of the Group's level 3 instruments. External valuation experts will be involved when necessary.

The valuation of the level 3 instruments mainly included Preferred Shares in 2018 (Note 28), short-term investments at fair value through profit or loss (Note 20) and investments at fair value through profit or loss (Note 19). As these instruments are not traded in an active market, their fair values have been determined by using various applicable valuation techniques, including discounted cash flows and market approach. Major assumptions used in the valuation for Preferred Shares are presented in Note 28.

The following table summarizes the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements except Preferred Shares which present in Note 28.

Description	Fair value at December 31,		Unobservable inputs	Range of inputs at December 31,		Relationship of unobservable inputs to fair value
	2019	2018		2019	2018	
	RMB' 000	RMB' 000				
Investment in unlisted companies	5,089,127	4,904,247	Expected volatility	40%-55%	35%-50%	The higher the expected volatility, the lower the fair value
			Discount for lack of marketability ("DLOM")	15%-25%	10%-28%	The higher the DLOM, the lower the fair value
Short-term investments at fair value through profit or loss	23,988,182	15,067,960	Expected rate of return	1.7%-7%	2.1%-6.6%	The higher the expected rate of return, the higher the fair value

If the fair values of financial assets at fair value through profit or loss held by the Group had been 10% higher/lower, the profit/loss before income tax for the years ended December 31, 2019 and 2018 would have been approximately RMB717 million higher/lower and RMB624 million lower/higher, respectively.

There were no transfers between level 1, 2 and 3 of fair value hierarchy classifications during the years ended December 31, 2019 and 2018.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

### 3 FINANCIAL RISK MANAGEMENT *(Continued)*

#### 3.3 Fair value estimation *(Continued)*

##### *3.3.4 Valuation process, inputs and relationships to fair value (Continued)*

The carrying amount of the Group's financial assets, including cash and cash equivalents, restricted cash, trade receivables, prepayments, deposits and other assets, short-term investments at amortized cost and the Group's financial liabilities, including borrowings, trade payables, payables to merchants, deposits from transacting users, advances from transacting users, other payables and accruals, lease liabilities and other non-current liabilities, approximate their fair values.

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

#### 4.1 Recognition of share-based compensation expenses

The Group set up the 2015 Share Incentive Plan, Post-IPO Share Option Plan and Post-IPO Share Award Plan and granted restricted share units and options to employees and other qualifying participants. The fair value of the options and restricted share units is determined by the Black-Sholes option-pricing model at the grant date, and is expected to be expensed over the respective vesting period. Significant estimates on assumptions, including underlying equity value, risk-free interest rate, expected volatility, dividend yield, and terms, are made by the Directors and third-party valuers.

The Group has also authorized the repurchase of ordinary shares from certain employees, founders, and shareholders of the Company. Judgment is required to determine whether the repurchase establishes "past practice" for which the Group has now created an obligation to settle in cash, and accordingly reclassifies all outstanding awards to cash-settled. The Group has determined that no valid expectation for the Company to settle such share-based awards in cash is created, such that all awards remain equity-settled awards.

#### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

##### 4.2 Estimation of the fair value of financial assets and financial liabilities

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Changes in these assumptions and estimates could materially affect the respective fair value of these financial assets (Note 3.3).

The convertible redeemable preferred shares issued by the Company are not traded in an active market and the respective fair value is determined by using valuation techniques. The Group applied the discounted cash flow method to determine the underlying equity value of the Company and adopted option-pricing method and equity allocation model to determine the fair value of the convertible redeemable preferred shares. Key assumptions such as the timing of the liquidation, redemption or IPO event as well as the probability of the various scenarios were based on the Group's best estimates.

Upon the Listing on September 20, 2018, all the outstanding Preferred Shares of the Company have been converted into ordinary shares.

##### 4.3 Impairment provision for trade receivables and prepayments, deposits and other assets

The loss allowances for trade receivables and prepayments, deposits and other assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Noted 3.1(b).

##### 4.4 Recoverability of non-financial assets

The Group tests whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.9. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The recoverable amount of a cash generating unit (CGU) is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a 5-year period.

Cash flows beyond the 5-year period are extrapolated using the estimated growth rates stated in Note 16. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

Details of impairment charge, key assumptions and impact of possible changes in key assumptions are disclosed in Note 16.





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

#### 4.5 Incentives

As disclosed in Note 2.26, the Group provides incentives to its transacting users in various forms including discounted coupons (with a minimum value to use), direct payment deduction, red packet, interest reduction/exemption coupons and discounts on goods or services. All incentives given to the accounting customers are recorded as a reduction of revenue to the extent of the revenue earned from that customer on a transaction by transaction basis. For certain other incentives, management judgment is required to determine whether the incentives are in substance a payment on behalf of customers and should therefore be recorded as a reduction of revenue or selling and marketing expenses. Some of the factors considered in management's evaluation if such incentives are in substance a payment on behalf of customers include whether the incentives are given at the Group's discretion and the objectives, business strategy and design of the incentive programs.

#### 4.6 Business combinations

Business combinations are accounted for under acquisition method. The determination and allocation of fair values to the identifiable assets acquired and liabilities assumed is based on various assumptions and valuation methodologies requiring considerable management judgment. The most significant variables in these valuations are discount rates, terminal values, the number of years on which to base the cash flow projections, as well as the assumptions and estimates used to determine the cash inflows and outflows. The Group determines discount rates to be used based on the risk inherent in the related activity's current business model and industry comparisons. Terminal values are based on the expected life of assets and forecasted life cycle and forecasted cash flows over that period. Although the Group believes that the assumptions applied in the determination are reasonable based on information available at the date of acquisition, actual results may differ from the forecasted amounts and the difference could be material.

#### 4.7 Useful lives and amortization of intangible assets

The Group's management determines the estimated useful lives and related amortization for the Group's intangible assets with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Management will revise the amortization charges where useful lives are different from that of previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in useful lives and therefore amortization expense in future periods.

#### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

##### 4.8 Principal versus agent considerations

Determining whether the Group is acting as a principal or as an agent in the provision of certain services to its customers requires judgment and consideration of all relevant facts and circumstances. In evaluation of the Group's role as a principal or agent, the Group considers, individually or in combination, whether the Group controls the specified good or service before it is transferred to the customer, is primarily responsible for fulfilling the contract, is subject to inventory risk, and has discretion in establishing prices.

##### 4.9 Current and deferred income tax

The Group is subject to income taxes in several jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences or tax losses are recognised when management considers that it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. As of December 31, 2019, the Group did not recognise deferred income tax asset of RMB6.6 billion in respect of cumulative tax losses. The outcome of their actual utilization may be different from management's estimation.

##### 4.10 Presentation and measurement of investments in associates

The Group made certain investments in the form of convertible redeemable preferred shares or ordinary shares with preferential rights of investee companies. As the Group has significant influence on these investee companies, judgement is required in determining whether these investments are in substance existing ownership interests, if not, they are accounted for as hybrid financial instruments, which should be measured at fair value through profit or loss. Different conclusions around these judgements may affect how these investments presented and measured in the consolidated statement of financial position of the Group.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

### 5 SEGMENT REPORTING

#### 5.1 Segment reporting

The Group's business activities, for which discrete financial information is available, are regularly reviewed and evaluated by the CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive Directors of the Company that make strategic decisions. As a result of this evaluation, the Group determined that it has operating segments as follows:

The CODM assesses the performance of the operating segments mainly based on segment revenues and cost of revenues of each operating segment. Thus, segment result would present revenues, cost of revenues and gross profit for each segment, which is in line with CODM's performance review.

##### *Food delivery*

The food delivery segment offers food ordering and delivery service through the Group's platform. Revenues from the food delivery segment are primarily derived from (a) platform service to merchants to display the food information and connect transacting users; (b) food delivery service; (c) online marketing services in various advertising formats provided to merchants.

##### *In-store, hotel & travel*

The in-store, hotel & travel segment offers merchants to sell vouchers, coupons, tickets and reservations on the Group's platform. Revenues from the in-store, hotel & travel segment are primarily derived from (a) commissions from merchants for vouchers, coupons, tickets and reservations sold on the Group's platform; and (b) online marketing services to merchants, including performance-based and display-based marketing services, as well as marketing services provided under annual plans.

##### *New initiatives and others*

Revenues from the new initiatives and other segment are primarily derived from (a) B2B food distribution services; (b) micro loan business; (c) car-hailing services; (d) Meituan Instashopping.

The CODM assesses the performance of operating segments mainly based on segment revenues and segment cost of revenues. The revenues from external customers reported to CODM are measured as segment revenues, which is the revenues derived from customers in each segment.

The Group's cost of revenues for the food delivery segment primarily consists of (a) food delivery rider costs; (b) payment processing costs; (c) employee benefits expenses; (d) depreciation of property, plant and equipment; (e) bandwidth and server custody fees.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

## 5 SEGMENT REPORTING (Continued)

### 5.1 Segment reporting (Continued)

The Group's cost of revenues for the in-store, hotel & travel segment primarily consists of (a) payment processing costs; (b) depreciation of property, plant and equipment; (c) online traffic costs; (d) bandwidth and server custody fees; (e) employee benefits expenses.

The Group's cost of revenues for the new initiatives and others segment primarily consists of (a) cost of goods sold; (b) car-hailing driver related costs; (c) other outsourcing labor costs; (d) depreciation of property, plant and equipment; (e) payment processing costs.

There were no separate segment assets and segment liabilities information provided to the CODM, as CODM does not use this information to allocate resources to or evaluate the performance of the operating segments.

The revenue is mainly generated in China.

The segment information provided to the Group's CODM for the reportable segments for the years ended December 31, 2019 and 2018 is as follows:

	Year ended December 31, 2019			Total RMB' 000
	Food delivery RMB' 000	In-store, hotel & travel RMB' 000	New initiatives and others RMB' 000	
Commission	49,646,589	11,679,344	4,200,064	65,525,997
Online marketing services	5,103,794	10,516,428	219,856	15,840,078
Other services and sales (including interest revenue)	92,822	79,700	15,989,934	16,162,456
Revenues in total	54,843,205	22,275,472	20,409,854	97,528,531
Cost of revenues	(44,610,017)	(2,529,117)	(18,069,009)	(65,208,143)
Gross profit	10,233,188	19,746,355	2,340,845	32,320,388
Gross margin	18.7%	88.6%	11.5%	33.1%

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

### 5 SEGMENT REPORTING (Continued)

#### 5.1 Segment reporting (Continued)

	Year ended December 31, 2018			Total RMB' 000
	Food delivery RMB' 000	In-store, hotel & travel RMB' 000	New initiatives and others RMB' 000	
Commission	35,719,208	9,042,303	2,250,738	47,012,249
Online marketing services	2,334,999	6,734,901	321,506	9,391,406
Other services and sales (including interest revenue)	88,876	63,157	8,671,590	8,823,623
Revenues in total	38,143,083	15,840,361	11,243,834	65,227,278
Cost of revenues	(32,874,886)	(1,745,006)	(15,502,428)	(50,122,320)
Gross profit/(loss)	5,268,197	14,095,355	(4,258,594)	15,104,958
Gross margin	13.8%	89.0%	(37.9%)	23.2%

The reconciliation of gross profit before income tax is shown in the consolidated income statement.

There is no concentration risk as no revenue from a single external customer was more than 10% of the Group's total revenues for the years ended December 31, 2019 and 2018.

#### 5.2 Segment assets

As of December 31, 2019 and 2018, substantially all of the non-current assets of the Group were located in the PRC.

### 6 REVENUES BY TYPE

	Year ended December 31,	
	2019 RMB' 000	2018 RMB' 000
Commission	65,525,997	47,012,249
Online marketing services	15,840,078	9,391,406
Other services and sales (including interest revenue)	16,162,456	8,823,623
	<u>97,528,531</u>	<u>65,227,278</u>

Further disaggregation of revenues are included in Note 5.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

## 7 EXPENSES BY NATURE

	Year ended December 31,	
	2019 RMB' 000	2018 RMB' 000
Food delivery rider costs	41,041,513	30,516,055
Employee benefits expenses (Note 8)	17,754,642	15,226,535
Transacting User incentives	8,149,976	5,400,781
Cost of goods sold	7,492,322	3,133,770
Depreciation of property, plant and equipment	3,654,793	4,252,292
Car-hailing driver related costs	3,119,491	4,463,320
Other outsourcing labor costs	2,991,197	2,087,398
Payment processing costs	2,189,646	1,524,853
Promotion and advertising	2,126,910	3,272,934
Amortization of intangible assets	1,191,007	1,114,509
Bandwidth and server custody fees	726,443	484,494
Online traffic costs	509,581	215,215
Rental, facility and utilities	271,012	970,058
Tax surcharge expenses	247,989	215,178
Professional fees	218,732	340,714
Impairment provision and restructuring expense for Mobike restructuring plan	88,612	358,790
Auditor's remuneration		
– Audit and audit-related services	41,281	48,770
– Non-audit services	4,108	3,899
Impairment provision on Mobike tradename (Note i)	—	1,346,000
Others (Note ii)	4,992,573	3,636,593
Total cost of revenues, selling and marketing expenses, research and development expenses and general and administrative expenses	96,811,828	78,612,158

- (i) Impairment loss on Mobike tradename has been recognised based on management's further business plan change.
- (ii) Others mainly comprise travelling and entertainment expenses, bike maintenance and bike relocation fees, transportation fees and message and verification fees.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

## 8 EMPLOYEE BENEFITS EXPENSES

	Year ended December 31,	
	2019	2018
	RMB' 000	RMB' 000
Wages, salaries and bonuses	12,416,342	10,695,178
Other employee benefits	1,950,296	1,602,448
Pension costs – defined contribution plans (Note i)	1,197,133	1,063,796
Share-based compensation expenses (Note 32)	2,190,871	1,865,113
	<u>17,754,642</u>	<u>15,226,535</u>

(i) Pension costs – defined contribution plans

Employees of the Group companies in the PRC are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group contributes funds which are calculated on fixed percentage of the employees' salary (subject to a floor and cap) as set by local municipal governments to each scheme locally to fund the retirement benefits of the employees.

(a) Share-based compensation expenses have been charged to the consolidated income statement as follows:

	Year ended December 31,	
	2019	2018
	RMB' 000	RMB' 000
Cost of revenues	60,498	48,474
Selling and marketing expenses	264,538	184,628
Research and development expenses	838,746	664,068
General and administrative expenses	1,027,089	967,943
	<u>2,190,871</u>	<u>1,865,113</u>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

## 8 EMPLOYEE BENEFITS EXPENSES (Continued)

### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include one Director whose emolument is reflected in the analysis shown in Note 8(c) for the year ended December 31, 2019 (2018: one). All of these individuals have not received any emolument from the Group as an inducement to join or leave the Group or compensation for loss of office during the year ended December 31, 2019 and 2018. The emoluments payable to the remaining individuals for the years ended December 31, 2019 and 2018 are as follows:

	Year ended December 31,	
	2019	2018
	RMB' 000	RMB' 000
Basic salaries	8,274	7,955
Bonus	10,358	10,186
Pension costs and other employee benefits	623	617
Share-based compensation expenses	363,067	283,524
	<u>382,322</u>	<u>302,282</u>

The emoluments fell within the following bands:

	Number of individuals	
	Year ended December 31,	
	2019	2018
Emolument bands (in HK dollar)		
HK\$60,000,001 – HK\$70,000,000	—	1
HK\$70,000,001 – HK\$80,000,000	2	1
HK\$100,000,001 – HK\$110,000,000	—	1
HK\$110,000,001 – HK\$120,000,000	—	1
HK\$130,000,001 – HK\$140,000,000	1	—
HK\$140,000,001 – HK\$150,000,000	1	—
	<u>4</u>	<u>4</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

## 8 EMPLOYEE BENEFITS EXPENSES (Continued)

### (c) Directors' and chief executive's emoluments

The remuneration of every Director and the chief executive is set out below:

For the year ended December 31, 2019:

Name	Pension costs					Total
		Basic		and other	Share-based	
	Fees	salaries	Bonuses	employee	compensation	
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
Wang Xing	—	2,520	2,772	169	—	5,461
Mu Rongjun	—	2,041	1,796	155	37,371	41,363
Wang Huiwen	—	2,040	1,995	156	144,923	149,114
LAU, Chi Ping Martin	—	—	—	—	—	—
SHEN, Nanpeng Neil	—	—	—	—	—	—
Orr Gordon Robert Halyburton	500	—	—	—	1,264	1,764
Shum Heung Yeung Harry	500	—	—	—	1,264	1,764
Leng Xuesong	500	—	—	—	1,264	1,764
Total	1,500	6,601	6,563	480	186,086	201,230

For the year ended December 31, 2018:

Name	Fees RMB' 000	Basic salaries RMB' 000	Bonuses RMB' 000	Pension costs and other employee benefits RMB' 000	Share-based compensation expenses RMB' 000	Total RMB' 000
Wang Xing	—	2,440	2,085	168	—	4,693
Zhang Tao	—	1,800	—	117	—	1,917
Mu Rongjun	—	2,000	2,072	154	35,261	39,487
Wang Huiwen	—	2,000	1,695	154	139,510	143,359
Ye Shuhong	—	2,000	2,072	133	—	4,205
LAU, Chi Ping Martin	—	—	—	—	—	—
SHEN, Nanpeng Neil	—	—	—	—	—	—
Orr Gordon Robert Halyburton	141	—	—	—	601	742
Shum Heung Yeung Harry	141	—	—	—	601	742
Leng Xuesong	141	—	—	—	601	742
Total	423	10,240	7,924	726	176,574	195,887

8 EMPLOYEE BENEFITS EXPENSES *(Continued)*

(c) Directors' and chief executive's emoluments *(Continued)*

(i) Directors' termination benefits

No Director's termination benefit subsisted at the end of the year or at any time during the year ended December 31, 2019 and 2018.

(ii) Consideration provided to third parties for making available Directors' services

No consideration provided to or receivable by third parties for making available Director's services subsisted at the end of the year or at any time during the year ended December 31, 2019 and 2018.

(iii) Information about loans, quasi-loans and other dealings in favor of Directors, controlled bodies corporate by and connected entities with such Directors

Except as disclosed in Note 36, there were no other loans, quasi-loans and other dealings in favor of Directors, their controlled bodies corporate and connected entities subsisted at the end of the year or at any time during the year ended December 31, 2019 and 2018.

(iv) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended December 31, 2019 and 2018.

(v) Waiver of Director's emoluments

The non-executive Directors have not received any remuneration for the year ended December 31, 2019. None of the other directors waived or has agreed to waive any emoluments during the year ended December 31, 2019 and 2018.

(vi) Inducement to join the Group and compensation for loss of office

No Director received any emolument from the Group as an inducement to join or leave the Group or compensation for loss of office during the year ended December 31, 2019 and 2018.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

### 9 OTHER GAINS, NET

	Year ended December 31,	
	2019 RMB' 000	2018 RMB' 000
Interest income from investments measured at amortized cost	876,467	226,114
Fair value changes of short-term investments measured at fair value through profit or loss (Note 3.3)	637,410	306,954
Subsidies and tax preference (Note i)	589,912	198,762
Gains from remeasurement of investments (Note ii) (Note 12)	176,880	—
Gains from the disposal of investments	160,884	29,426
Dilution gain/(loss) (Note 12)	91,360	(6,294)
Foreign exchange loss, net	(81,872)	(1,485)
Gains from the disposal of subsidiaries (Note 11)	40,177	—
Change in fair value from contingent consideration (Note 3.3)	—	4,208
Others	39,925	(9,329)
	<u>2,531,143</u>	<u>748,356</u>

- (i) Since April 1, 2019, taxpayers in producer services and consumer services industry are allowed to enjoy additional 10% of input VAT amount to deduct from tax payable. As a result, the Group recognised a gain of RMB299.9 million.
- (ii) Certain contractual rights attached to an investment previously classified as investment accounted for using equity method have been changed, thus the Group remeasured the investment with RMB176.9 million gains and reclassified the investment to financial assets at fair value through profit or loss.

### 10 FINANCE INCOME/(COSTS)

	Year ended December 31,	
	2019 RMB' 000	2018 RMB' 000
<b>Finance income</b>		
Interest income from bank deposits	<u>166,217</u>	<u>294,047</u>
<b>Finance costs</b>		
Interest expense on bank borrowings	(91,199)	(24,601)
Interest in respect of lease liabilities	(85,028)	—
Bank charges and others	<u>(14,815)</u>	<u>(20,131)</u>
<b>Total</b>	<u>(191,042)</u>	<u>(44,732)</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

## 11 SUBSIDIARIES

The Company's major subsidiaries (including controlled and structured entities) during the year ended December 31, 2019 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group.

Name	Place of incorporation/ establishment and kind of legal entity	Date of incorporation/ establishment	Particulars of issued/paid-in capital	Effective interest held (b)		
				As of December 31,		Principal activities and place of operation
				2019	2018	
Subsidiaries						
Directly held:						
Meituan Corporation	Cayman, limited liability company	July 29, 2010	USD50,000	100%	100%	Investment holding in Cayman
DianPing Holdings Limited (“DianPing”)	Cayman, limited liability company	December 20, 2005	USD50,000	100%	100%	Investment holding in Cayman
Internet Plus (HongKong) Limited	Hong Kong, limited liability company	November 27, 2015	HKD1	100%	100%	Investment holding in Hong Kong
Kangaroo Technology Corporation	Cayman, limited liability company	April 1, 2016	USD50,000	100%	100%	Investment holding in Cayman
mobike Ltd (“Mobike”)	Cayman, limited liability company	April 2, 2015	USD50,000	100%	100%	Investment holding in Cayman
Indirectly held:						
Beijing Sankuai On-line Technology Co., Ltd.	Beijing, the PRC, limited liability company	May 6, 2011	USD2,676,260,000	100%	100%	E-commerce service platform in the PRC
Beijing Kuxun Technology Co., Ltd.	Beijing, the PRC, limited liability company	April 27, 2006	USD54,665,694	100%	100%	Online hotel and travel services in the PRC
Hanhai Information Technology (Shanghai) Co., Ltd.	Shanghai, the PRC, limited liability company	March 16, 2006	USD195,000,000	100%	100%	Multimedia information technology services in the PRC
Tianjin Sankuai Technology Co., Ltd	Tianjin, the PRC, limited liability company	July 12, 2013	RMB2,940,000,000	100%	100%	E-commerce service platform in the PRC
Xiamen Sankuai On-line Technology Co., Ltd.	Xiamen, the PRC, limited liability company	March 25, 2014	USD549,049,120	100%	100%	E-commerce service platform in the PRC
Hucheng Information Technology (Shanghai) Co., Ltd.	Shanghai, the PRC, limited liability company	January 11, 2016	USD200,000,000	100%	100%	Multimedia information technology services in the PRC
Mobike (Beijing) Information Technology Co., Ltd.	Beijing, the PRC, limited liability company	January 12, 2016	USD199,000,000	100%	100%	Bike-sharing services in the PRC
Shanghai Sankuai Zhisong Technology Co., Ltd.	Shanghai, the PRC, limited liability company	November 27, 2018	USD320,000,000	100%	100%	Delivery services in the PRC
Tianjin Xiaoyi Technology Co., Ltd.	Tianjin, the PRC, limited liability company	February 13, 2018	USD500,000,000	100%	100%	Supply chain service in the PRC

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

## 11 SUBSIDIARIES (Continued)

Name	Place of incorporation/ establishment and kind of legal entity	Date of incorporation/ establishment	Particulars of issued/paid-in capital	Effective interest held (b)		
				As of December 31,		Principal activities and place of operation
				2019	2018	
Structured entities(a):						
Beijing SanKuai Technology Co., Ltd.	Beijing, the PRC, limited liability company	April 10, 2007	RMB2,940,000,000	100%	100%	E-commerce service platform in the PRC
Shanghai SanKuai Technology Co., Ltd.	Shanghai, the PRC, limited liability company	September 19, 2012	RMB5,000,000	100%	100%	Online retail platform in the PRC
Beijing Sankuai Cloud Computing Technology Co., Ltd.	Beijing, the PRC, limited liability company	June 17, 2015	RMB870,000,000	100%	100%	RMS system and cloud computing in the PRC
Beijing Kuxun Interation Technology Co., Ltd.	Beijing, the PRC, limited liability company	March 29, 2006	RMB52,000,000	100%	100%	Multimedia information technology services in the PRC
Shanghai Hantao Information Consulting Co., Ltd.	Shanghai, the PRC, limited liability company	September 23, 2003	RMB10,000,000	100%	100%	Merchant information advisory services in the PRC
Beijing Qiandaobao Payment Technology Co., Ltd.	Beijing, the PRC, limited liability company	November 25, 2008	RMB404,000,000	100%	100%	Online payment services in the PRC

Note (a) As described in Note 2.2, the Company does not have directly or indirectly legal ownership in equity of these structured entities or their subsidiaries. Nevertheless, under certain Contractual Arrangements entered into with these structured entities and their registered owners, the Company and its other legally owned subsidiaries has rights to exercise power over these structured entities, receives variable returns from its involvement in these structured entities, and has the ability to affect those returns through its power over these structured entities. As a result, they are presented as consolidated structured entities of the Company.

Note (b) The Effective interest held has no change after December 31, 2019 until the report date.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

## 11 SUBSIDIARIES (Continued)

### Disposal of subsidiaries

	Year ended December 31,	
	2019 RMB' 000	2018 RMB' 000
Total consideration received or receivable		
– Cash consideration received	35,808	3,055
– Equity interests received	19,819	—
<b>Total disposal consideration</b>	<b>55,627</b>	<b>3,055</b>
<b>Total net assets disposed</b>	<b>15,450</b>	<b>3,055</b>
– Cash and cash equivalents	12,997	2,824
– Restricted cash	2,231	—
– Trade receivables	386	—
– Prepayments, deposits and other assets – current	200,235	239
– Inventories	2,167	—
– Property, plant and equipment	16,148	—
– Intangible assets	60	—
– Trade payables	(166,443)	(8)
– Other payables and accruals	(27,936)	—
– Advance from paying users	(15,532)	—
– Deposit from transacting users	(9,249)	—
– Non-controlling interests disposed	386	—
<b>Gain on disposal before income tax (Note 9)</b>	<b>40,177</b>	<b>—</b>
Income tax expense on gain	(117)	—
<b>Gain on disposal after income tax</b>	<b>40,060</b>	<b>—</b>

In 2019, the Group entered into a number of agreements to sell the Mobike subsidiaries overseas. The transactions were all completed in 2019 and the assets and liabilities classified as held for sale were nil at the year ended December 31, 2019.

In October 2019, the Group sold approximately 64% shares of one subsidiary and held remaining 5% of equity interest of this company in form of ordinary shares. Consequently, the Group derecognised the assets and liabilities of the company and respective non-controlling interests at their carrying amount at the date of transfer, and recognised the remaining equity interests in this company at fair value on the date of transfer.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

## 12 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	As of December 31,	
	2019 RMB' 000	2018 RMB' 000
Associates	2,269,638	2,089,677
Joint ventures	13,952	13,726
	<u>2,283,590</u>	<u>2,103,403</u>

### (a) Investments in associates using the equity method

	As of December 31,	
	2019 RMB' 000	2018 RMB' 000
At the beginning of the year	2,089,677	1,939,107
Additions	141,025	163,675
Reclassification (Note i)	(142,493)	50,000
Dilution gain/(loss)	91,360	(6,294)
Dividends from an associate	(4,953)	(14,675)
Disposals	(33,116)	(563)
Share of gains/(losses) of investments accounted for using equity method	107,353	(48,267)
Share of other comprehensive income	3,905	—
Currency translation differences	16,880	6,694
At the end of the year	<u>2,269,638</u>	<u>2,089,677</u>

- (i) In 2019, the Group reclassified an investment from investment accounted for using equity method to investment at fair value through profit or loss due to certain contractual rights attached to the investment have been changed. The Group remeasured the investment at fair value of RMB319.4 million based on the valuation result.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

## 12 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(Continued)*

- (b) The Group has interests in a number of individually immaterial associates that are accounted for using the equity method.

	As of December 31,	
	2019 RMB' 000	2018 RMB' 000
Aggregate carrying amount of individually immaterial associates	2,269,638	2,089,677
Aggregate amounts of the Group's share of:		
– Profit/(loss) from operations	107,353	(48,267)
– Other comprehensive income	3,905	—
Total comprehensive income/(loss)	<u>111,258</u>	<u>(48,267)</u>

RMB1.1 billion of investments accounted for using equity method is denominated in USD, other balances are denominated in RMB(2018:1.0 billion).

## 13 TAXATION

### (a) Value Added Tax

The Group is mainly subject to 6% VAT, and surcharges on VAT payments according to PRC tax law.

### (b) Income tax

#### *Cayman Islands*

Under the current laws of the Cayman Islands, the Company and its subsidiaries incorporated in the Cayman Islands are not subject to tax on income or capital gain. Additionally, the Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

#### *British Virgin Islands*

Under the current laws of the British Virgin Islands, entities incorporated in British Virgin Islands are not subject to tax on their income or capital gains.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

## 13 TAXATION (Continued)

### (b) Income tax (Continued)

#### *Hong Kong*

Hong Kong profits tax rate is 16.5%. No Hong Kong profits tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax for the years ended December 31, 2019 and 2018.

#### *PRC corporate income tax ("CIT")*

CIT provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC and was calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The general PRC CIT rate is 25% during the years ended December 31, 2019 and 2018.

Certain subsidiaries of the Group in the PRC are subject to "high and new technology enterprises" and, accordingly, a preferential income tax rate of 15% for the years ended December 31, 2019 and 2018. In addition, certain PRC subsidiaries of the Group are subject to "small and thin-profit enterprises" under the EIT Law, and accordingly, a preferential income tax rate of 20% for the years ended December 31, 2019 and 2018. As a result, such PRC subsidiaries were eligible for a preferential enterprise income tax rate for their respective tax holiday.

#### *Withholding tax on undistributed dividends*

Pursuant to the CIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from China effective from January 1, 2008. The withholding tax rate may be lowered to a minimum of 5% if there is a tax arrangement between China and the jurisdiction of the foreign investors. However, the 5% withholding tax rate does not automatically apply and certain requirements must be satisfied. For the years ended December 31, 2019 and 2018, the Group has incurred net accumulated operating losses and does not have any profit distribution plan.

	Year ended December 31,	
	2019	2018
	RMB' 000	RMB' 000
Current income tax	(482,154)	(251,390)
Deferred income tax (Note18)	(44,069)	249,502
Total income tax expenses – net	<u>(526,223)</u>	<u>(1,888)</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

## 13 TAXATION (Continued)

### (b) Income tax (Continued)

The tax on the Group's profit or loss before income tax differs from the theoretical amount that would arise using the tax rate of 25% for the years ended December 31, 2019 and 2018, being the tax rate of the major subsidiaries of the Group.

The difference is analyzed as follows:

	Year ended December 31,	
	2019 RMB' 000	2018 RMB' 000
Profit/(loss) before tax	2,762,388	(115,490,807)
Tax calculated at statutory income tax rate of 25% in mainland China	(690,597)	28,872,702
Tax effects of:		
– Different tax rates available to different jurisdictions	(460,243)	(26,036,837)
– Preferential income tax rates applicable to subsidiaries	502,450	17,289
– Expenses not deductible for income tax purposes	(37,581)	(18,409)
– Super deduction for research and development expenses	498,142	97,397
– Utilization of previously unrecognised tax losses	432,959	213,025
– Tax losses for which no deferred income tax assets were recognised	(1,768,349)	(2,728,131)
– Temporary differences utilized/(for which no deferred income tax assets was recognised), net	996,996	(248,345)
– Withholding tax	—	(170,579)
Total income tax expenses	<u>(526,223)</u>	<u>(1,888)</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

### 14 EARNINGS/(LOSS) PER SHARE

- (a) Basic earnings/(loss) per share for the years ended December 31, 2019 and 2018 were calculated by dividing the earnings/(loss) attributable to the Company's equity holders by the weighted average number of ordinary shares in issue during the year.

	Year ended December 31,	
	2019	2018
Earnings/(loss) attributable to equity holders of the Company (RMB' 000)	2,238,769	(115,477,171)
Weighted average number of ordinary shares in issue (thousand)	5,767,906	2,723,795
Basic earnings/(loss) per share (RMB)	0.39	(42.40)

- (b) Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has three categories of dilutive potential ordinary shares: preferred shares for 2018, share options and RSUs. As the Group incurred losses for the years ended December 31, 2018, the dilutive potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilution. Accordingly, diluted loss per share for the years ended December 31, 2018 was the same as basic loss per share.

	Year ended December 31,	
	2019	2018
Earnings/(loss) attributable to equity holders of the Company (RMB' 000)	2,238,769	(115,477,171)
Weighted average number of ordinary shares in issue (thousand)	5,767,906	2,723,795
Adjustments for RSUs and share options granted to employees (thousand)	155,004	—
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings/(loss) per share (thousand)	5,922,910	2,723,795
Diluted earnings/(loss) per share (RMB)	0.38	(42.40)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

## 15 PROPERTY, PLANT AND EQUIPMENT

	Computer equipment RMB' 000	Furniture and appliances RMB' 000	Bike and vehicle RMB' 000	Leasehold improvements RMB' 000	Assets under construction RMB' 000	Right-of-use assets RMB' 000	Total RMB' 000
<b>Cost</b>							
At December 31, 2018	3,198,019	100,342	5,152,325	182,058	194,512	—	8,827,256
Adjustment on adoption of IFRS16	—	—	—	—	—	2,021,192	2,021,192
At January 1, 2019	3,198,019	100,342	5,152,325	182,058	194,512	2,021,192	10,848,448
Additions	1,377,383	104,468	920,527	6,604	516,624	594,696	3,520,302
Disposal	(69,419)	(118,105)	(650,009)	(20,061)	(6,023)	(449,094)	(1,312,711)
Transfers	—	—	354,885	154,041	(563,745)	—	(54,819)
Currency translation differences	—	1	4,095	—	—	—	4,096
At December 31, 2019	<u>4,505,983</u>	<u>86,706</u>	<u>5,781,823</u>	<u>322,642</u>	<u>141,368</u>	<u>2,166,794</u>	<u>13,005,316</u>
<b>Accumulated depreciation</b>							
At January 1, 2019	(1,231,642)	(47,329)	(3,420,977)	(77,979)	—	—	(4,777,927)
Depreciation	(1,105,763)	(42,485)	(1,554,568)	(131,069)	—	(820,908)	(3,654,793)
Disposal	49,063	74,010	481,399	2,797	—	215,128	822,397
Currency translation differences	—	(1)	(3,333)	—	—	—	(3,334)
At December 31, 2019	<u>(2,288,342)</u>	<u>(15,805)</u>	<u>(4,497,479)</u>	<u>(206,251)</u>	<u>—</u>	<u>(605,780)</u>	<u>(7,613,657)</u>
<b>Impairment</b>							
At January 1, 2019	—	—	(70,514)	—	—	—	(70,514)
Additions	(30)	—	(8,181)	—	(13,968)	—	(22,179)
Disposal	30	—	71,198	—	(6,023)	—	77,251
At December 31, 2019	<u>—</u>	<u>—</u>	<u>(7,497)</u>	<u>—</u>	<u>(7,945)</u>	<u>—</u>	<u>(15,442)</u>
<b>Net carrying amount</b>							
At January 1, 2019 on adoption of IFRS16	<u>1,966,377</u>	<u>53,013</u>	<u>1,660,834</u>	<u>104,079</u>	<u>194,512</u>	<u>2,021,192</u>	<u>6,000,007</u>
At December 31, 2019	<u>2,217,641</u>	<u>70,901</u>	<u>1,276,847</u>	<u>116,391</u>	<u>133,423</u>	<u>1,561,014</u>	<u>5,376,217</u>

Right-of-use assets of the Group are offices, warehouses and retail stores.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

## 15 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Computer equipment RMB' 000	Furniture and appliances RMB' 000	Bike and vehicle RMB' 000	Leasehold improvements RMB' 000	Assets under construction RMB' 000	Total RMB' 000
<b>Cost</b>						
At January 1, 2018	1,429,448	20,579	—	131,720	13,178	1,594,925
Additions	1,811,575	72,233	223,068	70,116	174,698	2,351,690
Business combinations	8,936	40,523	5,111,531	9,750	178,458	5,349,198
Disposal	(52,049)	(33,273)	(12,860)	(48,578)	(48,982)	(195,742)
Transfers	—	215	103,575	19,050	(122,840)	—
Currency translation differences	109	65	1,153	—	—	1,327
Assets classified as held for sale	—	—	(274,142)	—	—	(274,142)
At December 31, 2018	<u>3,198,019</u>	<u>100,342</u>	<u>5,152,325</u>	<u>182,058</u>	<u>194,512</u>	<u>8,827,256</u>
<b>Accumulated depreciation</b>						
At January 1, 2018	(602,067)	(17,230)	—	(59,946)	—	(679,243)
Depreciation	(649,209)	(39,518)	(3,543,866)	(19,699)	—	(4,252,292)
Disposal	19,601	9,414	6,670	1,666	—	37,351
Currency translation differences	33	5	(379)	—	—	(341)
Assets classified as held for sale	—	—	116,598	—	—	116,598
At December 31, 2018	<u>(1,231,642)</u>	<u>(47,329)</u>	<u>(3,420,977)</u>	<u>(77,979)</u>	<u>—</u>	<u>(4,777,927)</u>
<b>Impairment</b>						
At January 1, 2018	—	—	—	—	—	—
Additions	—	—	(212,464)	—	—	(212,464)
Assets classified as held for sale	—	—	141,950	—	—	141,950
At December 31, 2018	<u>—</u>	<u>—</u>	<u>(70,514)</u>	<u>—</u>	<u>—</u>	<u>(70,514)</u>
<b>Net carrying amount</b>						
At January 1, 2018	<u>827,381</u>	<u>3,349</u>	<u>—</u>	<u>71,774</u>	<u>13,178</u>	<u>915,682</u>
At December 31, 2018	<u>1,966,377</u>	<u>53,013</u>	<u>1,660,834</u>	<u>104,079</u>	<u>194,512</u>	<u>3,978,815</u>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

## 15 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Depreciation expenses have been charged to the consolidated income statement as follows:

	Year ended December 31,	
	2019 RMB' 000	2018 RMB' 000
Cost of revenues	2,717,465	4,158,424
Selling and marketing expenses	516,988	19,475
Research and development expenses	233,764	39,361
General and administrative expenses	186,576	35,032
	<u>3,654,793</u>	<u>4,252,292</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

## 16 INTANGIBLE ASSETS

	Trade name RMB' 000	User generated content RMB' 000	Software and others RMB' 000	Online payment license RMB' 000	Technology and licenses RMB' 000	User list RMB' 000	Supplier relationship RMB' 000	Goodwill RMB' 000	Total RMB' 000
<b>Cost</b>									
At January 1, 2019	5,006,300	490,000	1,865,688	390,000	849,830	907,000	28,700	27,861,023	37,398,541
Additions	—	—	22,746	—	—	—	—	—	22,746
Disposal	—	—	(10,801)	—	—	—	—	(12,001)	(22,802)
At December 31, 2019	<u>5,006,300</u>	<u>490,000</u>	<u>1,877,633</u>	<u>390,000</u>	<u>849,830</u>	<u>907,000</u>	<u>28,700</u>	<u>27,849,022</u>	<u>37,398,485</u>
<b>Accumulated amortization</b>									
At January 1, 2019	(565,565)	(318,500)	(652,138)	(62,833)	(240,174)	(169,616)	(7,453)	—	(2,016,279)
Amortization	(203,419)	(98,000)	(528,817)	(26,000)	(149,351)	(181,400)	(4,020)	—	(1,191,007)
Disposal	—	—	2,633	—	—	—	—	—	2,633
At December 31, 2019	<u>(768,984)</u>	<u>(416,500)</u>	<u>(1,178,322)</u>	<u>(88,833)</u>	<u>(389,525)</u>	<u>(351,016)</u>	<u>(11,473)</u>	<u>—</u>	<u>(3,204,653)</u>
<b>Impairment</b>									
At January 1, 2019	(1,347,510)	—	—	—	(3,238)	—	(88)	(155,422)	(1,506,258)
Disposal	—	—	—	—	—	—	—	12,001	12,001
At December 31, 2019	<u>(1,347,510)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(3,238)</u>	<u>—</u>	<u>(88)</u>	<u>(143,421)</u>	<u>(1,494,257)</u>
<b>Net carrying amount</b>									
At January 1, 2019	<u>3,093,225</u>	<u>171,500</u>	<u>1,213,550</u>	<u>327,167</u>	<u>606,418</u>	<u>737,384</u>	<u>21,159</u>	<u>27,705,601</u>	<u>33,876,004</u>
At December 31, 2019	<u>2,889,806</u>	<u>73,500</u>	<u>699,311</u>	<u>301,167</u>	<u>457,067</u>	<u>555,984</u>	<u>17,139</u>	<u>27,705,601</u>	<u>32,699,575</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

## 16 INTANGIBLE ASSETS (Continued)

	Trade name	User generated content	Software and others	Online payment license	Technology and licenses	User list	Supplier relationship	Goodwill	Total
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
<b>Cost</b>									
At January 1, 2018	3,406,300	490,000	1,321,837	390,000	186,360	67,000	28,700	15,025,019	20,915,216
Additions	—	—	69,712	—	—	—	—	—	69,712
Business combinations	1,600,000	—	478,265	—	663,470	840,000	—	12,836,004	16,417,739
Disposal	—	—	(4,106)	—	—	—	—	—	(4,106)
Assets classified as held for sale	—	—	(20)	—	—	—	—	—	(20)
At December 31, 2018	<u>5,006,300</u>	<u>490,000</u>	<u>1,865,688</u>	<u>390,000</u>	<u>849,830</u>	<u>907,000</u>	<u>28,700</u>	<u>27,861,023</u>	<u>37,398,541</u>
<b>Accumulated amortization</b>									
At January 1, 2018	(309,145)	(220,500)	(201,111)	(36,833)	(100,812)	(30,150)	(3,433)	—	(901,984)
Amortization	(256,420)	(98,000)	(451,241)	(26,000)	(139,362)	(139,466)	(4,020)	—	(1,114,509)
Disposal	—	—	209	—	—	—	—	—	209
Assets classified as held for sale	—	—	5	—	—	—	—	—	5
At December 31, 2018	<u>(565,565)</u>	<u>(318,500)</u>	<u>(652,138)</u>	<u>(62,833)</u>	<u>(240,174)</u>	<u>(169,616)</u>	<u>(7,453)</u>	<u>—</u>	<u>(2,016,279)</u>
<b>Impairment</b>									
At January 1, 2018	(1,510)	—	—	—	(3,238)	—	(88)	(155,422)	(160,258)
Additions	(1,346,000)	—	—	—	—	—	—	—	(1,346,000)
At December 31, 2018	<u>(1,347,510)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(3,238)</u>	<u>—</u>	<u>(88)</u>	<u>(155,422)</u>	<u>(1,506,258)</u>
<b>Net carrying amount</b>									
At January 1, 2018	<u>3,095,645</u>	<u>269,500</u>	<u>1,120,726</u>	<u>353,167</u>	<u>82,310</u>	<u>36,850</u>	<u>25,179</u>	<u>14,869,597</u>	<u>19,852,974</u>
At December 31, 2018	<u>3,093,225</u>	<u>171,500</u>	<u>1,213,550</u>	<u>327,167</u>	<u>606,418</u>	<u>737,384</u>	<u>21,159</u>	<u>27,705,601</u>	<u>33,876,004</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

### 16 INTANGIBLE ASSETS (Continued)

Amortization expenses have been charged to the consolidated income statement as follows:

	Year ended December 31,	
	2019 RMB' 000	2018 RMB' 000
Selling and marketing expenses	768,079	656,729
General and administrative expenses	242,504	288,860
Cost of revenues	176,636	167,093
Research and development expenses	3,788	1,827
	<u>1,191,007</u>	<u>1,114,509</u>

The addition of the goodwill arose from the business combination in each year. Majority of the Group's goodwill are related to the strategic transaction of Mobike in 2018. The Group entered into a 5-year strategic cooperation agreement with one platform in 2017 with a total consideration of USD200 million (equivalent to RMB1,307 million, of which RMB1,281 million was capitalized). The Group amortized the amount within the contract period.

#### Impairment of goodwill

The Group carries out its annual impairment test on goodwill by comparing the recoverable amounts of cash generating unit ("CGU") to the carrying amounts. The recoverable amount of a CGU was determined based on value-in-use calculations. These calculations used pre-tax cash flow projections based on financial budgets approved by management covering a 5-year period with a terminal value related to the future cash flows extrapolated using the estimated growth rates stated below beyond the 5-year period. The Group believes that it is appropriate to cover a 5-year period in its cash flow projection, because it captures the development stage of the Group's businesses during which the Group expects to experience a high growth rate. The accuracy and reliability of the information is reasonably assured by the appropriate budgeting, forecast and control process established by the Group. The management leveraged their extensive experiences in the industries and provided forecast based on past performance and their expectation of future business plans and market developments.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

## 16 INTANGIBLE ASSETS (Continued)

### Impairment of goodwill (Continued)

Management reviews the business performance based on type of business and monitors the goodwill at the operating segment level. The following is a summary of goodwill allocation for each operating segment:

Year ended December 31, 2019	Opening RMB' 000	Addition RMB' 000	Reallocation RMB' 000	Impairment RMB' 000	Disposal RMB' 000	Closing RMB' 000
Food delivery	4,845,229	—	—	—	—	4,845,229
In-store, hotel & travel	18,950,647	—	—	—	—	18,950,647
Bike-sharing services	3,707,427	—	—	—	—	3,707,427
New initiatives and others (excluding bike-sharing services)	202,298	—	—	—	—	202,298
	<u>27,705,601</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>27,705,601</u>

Year ended December 31, 2018	Opening RMB' 000	Addition RMB' 000	Reallocation (Note i) RMB' 000	Impairment RMB' 000	Disposal RMB' 000	Closing RMB' 000
Food delivery	3,116,702	1,728,527	—	—	—	4,845,229
In-store, hotel & travel	11,438,285	7,392,786	119,576	—	—	18,950,647
Bike-sharing services	—	3,707,427	—	—	—	3,707,427
New initiatives and others (excluding bike-sharing services)	314,610	7,264	(119,576)	—	—	202,298
	<u>14,869,597</u>	<u>12,836,004</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>27,705,601</u>

- (i) In 2018, the Group decided to reallocate certain goodwill of Restaurant Management System ("RMS") from new initiatives and others segment to in-store hotel and travel due to business structure adjustment.

The goodwill balance mainly arose from the strategic transaction of Meituan and Dianping and business combination of Mobike. Goodwill is attributable to the acquired transacting volume and economies of scale expected to be derived from combining with the operations of the Group.

Impairment review on the goodwill of the Group has been conducted by the management as at December 31, 2019 and 2018, according to IAS 36 "Impairment of assets". For the purposes of impairment review, the recoverable amount of goodwill is determined based on value-in-use calculations. The value-in-use calculations use cash flow projections based on business plan for the purpose of impairment reviews covering a 5-year period.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

### 16 INTANGIBLE ASSETS (Continued)

#### Impairment of goodwill (Continued)

The key assumptions used in the significant CGU value-in-use calculations are as follows:

##### As of December 31, 2019

	Food delivery	In-store, hotel & travel	Bike-sharing services
Annual revenue growth rate for the 5-year period (%)	5%-31%	13%-32%	11%-166%
Gross profit rate	20%-27%	88%-90%	29%-49%
Terminal revenue growth rate (%)	3.0%	3.0%	3.0%
Pre-tax discount rate (%)	28%	27%	31%

##### As of December 31, 2018

	Food delivery	In-store, hotel & travel	Bike-sharing services
Annual revenue growth rate for the 5-year period (%)	5%-36%	5%-35%	10%-77%
Gross profit rate	16%-30%	87%-90%	(8%)-64%
Terminal revenue growth rate (%)	2.5%	2.5%	2.5%
Pre-tax discount rate (%)	30%	32%	30%

The budgeted gross margins used in the goodwill impairment testing, were determined by the management based on past performance and its expectation for market development. The expected revenue growth rate and gross profit rates are following the business plan approved by the Company. Discount rates reflect market assessments of the time value and the specific risks relating to the industry.

New initiatives and others includes different small CGUs. Those CGUs cover the business of RMS, B2B food distribution services and micro loan business. The discount rate used in the impairment testing for the CGUs in new initiatives and others segments is from 27% to 31%, while the terminal revenue growth rate is 3.0% and 2.5% respectively for the years ended December 31, 2019 and 2018.

Reasonable possible changes in key assumptions would not lead to impairment as of December 31, 2019 and 2018, respectively.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

## 17 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

		As of December 31,	
	Note	2019 RMB' 000	2018 RMB' 000
Assets as per consolidated statements of financial position			
Financial assets at fair value through profit or loss:			
– Financial assets at fair value through profit or loss	19	7,166,122	6,241,972
– Short-term investments at fair value through profit or loss	20	23,988,182	15,067,960
		<u>31,154,304</u>	<u>21,309,932</u>
Financial assets at amortized cost:			
– Trade receivables	23	676,762	466,340
– Prepayments, deposits and other assets (excluding tax prepayments)	21	8,847,078	6,895,162
– Short-term investments measured at amortized cost	20	25,447,417	26,762,004
– Restricted cash	24	8,760,115	4,256,120
– Cash and cash equivalents	24	13,396,185	17,043,692
– Assets classified as held for sale		—	88,087
		<u>57,127,557</u>	<u>55,511,405</u>
Liabilities as per consolidated statement of financial position			
Financial liabilities at amortized cost:			
– Trade payables	29	6,766,253	5,340,963
– Payables to merchants		7,495,262	7,596,388
– Advances from transacting users		3,855,559	3,226,407
– Deposits from transacting users		2,491,947	3,341,276
– Other payables and accruals (excluding salaries and benefits payable and other tax payable)	30	3,474,669	4,019,499
– Other non-current liabilities		129,552	35,759
– Borrowings	31	4,019,263	2,270,056
– Lease liabilities		1,526,799	—
– Liabilities directly associated with assets classified as held for sale		—	55,510
		<u>29,759,304</u>	<u>25,885,858</u>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

## 18 DEFERRED INCOME TAXES

The following amounts, determined after appropriate offsetting, are shown in the consolidated statements of financial position:

### (a) Deferred tax assets

	As of December 31,	
	2019 RMB' 000	2018 RMB' 000
The balance comprises temporary differences attributable to:		
– Tax losses	848,365	1,373,351
– Others	35,820	142,294
Total gross deferred tax assets	884,185	1,515,645
Set-off of deferred tax assets pursuant to set-off provisions	(294,131)	(1,070,604)
Net deferred tax assets	590,054	445,041

	As of December 31,	
	2019 RMB' 000	2018 RMB' 000
Deferred tax assets:		
– to be recovered after 12 months	154,255	208,424
– to be recovered within 12 months	435,799	236,617
	590,054	445,041

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

## 18 DEFERRED INCOME TAXES (Continued)

### (b) Deferred tax liabilities

	As of December 31,	
	2019 RMB' 000	2018 RMB' 000
The balance comprises temporary differences attributable to:		
– Intangible assets arising from business combinations	(750,046)	(886,398)
– Investments using the equity method or at fair value	(438,363)	(416,830)
– Deferred revenues	(469,175)	(862,290)
– Others	(25,016)	(100,955)
Total gross deferred tax liabilities	<u>(1,682,600)</u>	<u>(2,266,473)</u>
Set-off of deferred tax liabilities pursuant to set-off provisions	294,131	1,070,604
Net deferred tax liabilities	<u>(1,388,469)</u>	<u>(1,195,869)</u>

	As of December 31,	
	2019 RMB' 000	2018 RMB' 000
Deferred tax liabilities:		
– to be recovered after 12 months	(859,574)	(839,227)
– to be recovered within 12 months	<u>(528,895)</u>	<u>(356,642)</u>
	<u>(1,388,469)</u>	<u>(1,195,869)</u>

The movement on the gross deferred tax assets is as follows:

	Tax losses RMB' 000	Others RMB' 000	Total RMB' 000
At January 1, 2019	1,373,351	142,294	1,515,645
Charged to consolidated income statement	<u>(524,986)</u>	<u>(106,474)</u>	<u>(631,460)</u>
At December 31, 2019	<u>848,365</u>	<u>35,820</u>	<u>884,185</u>
At January 1, 2018	768,674	10,723	779,397
Business combinations	599,743	—	599,743
Credited to consolidated income statement	<u>4,934</u>	<u>131,571</u>	<u>136,505</u>
At December 31, 2018	<u>1,373,351</u>	<u>142,294</u>	<u>1,515,645</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

## 18 DEFERRED INCOME TAXES (Continued)

The movement on the gross deferred tax liabilities is as follows:

	Intangible assets RMB' 000	Investments using the equity method or at fair value RMB' 000	Deferred revenues RMB' 000	Others RMB' 000	Total RMB' 000
At January 1, 2019	(886,398)	(416,830)	(862,290)	(100,955)	(2,266,473)
Credited/(charged) to consolidated income statement	136,352	(18,015)	393,115	75,939	587,391
Charged to other comprehensive loss	—	(3,518)	—	—	(3,518)
At December 31, 2019	<u>(750,046)</u>	<u>(438,363)</u>	<u>(469,175)</u>	<u>(25,016)</u>	<u>(1,682,600)</u>
At January 1, 2018	(582,895)	(418,791)	(584,567)	—	(1,586,253)
Business combinations	(775,789)	—	(10,467)	—	(786,256)
Credited/(charged) to consolidated income statement	472,286	8,922	(267,256)	(100,955)	112,997
Charged to other comprehensive loss	—	(6,961)	—	—	(6,961)
At December 31, 2018	<u>(886,398)</u>	<u>(416,830)</u>	<u>(862,290)</u>	<u>(100,955)</u>	<u>(2,266,473)</u>

The Group only recognises deferred income tax assets for cumulative tax losses if it is probable that future taxable amounts will be available to utilize those tax losses. Management will continue to assess the recognition of deferred income tax assets in future reporting periods. As at December 31, 2019 and 2018, the Group did not recognise deferred income tax assets of RMB6.6 billion and RMB5.1 billion in respect of cumulative tax losses amounting to RMB28.7 billion and RMB22.8 billion. These tax losses will expire from 2020 to 2024, and certain subsidiaries of the Group may extend to 2029 if they can maintain the “high and new technology enterprises” qualification at that time.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

## 19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As of December 31,	
	2019 RMB' 000	2018 RMB' 000
<b>Non-current</b>		
Investments at fair value through profit or loss (Note a)	<u>7,166,122</u>	<u>6,241,972</u>

### (a) Investments at fair value through profit or loss

	Year ended of December 31,	
	2019 RMB' 000	2018 RMB' 000
At the beginning of the year	6,241,972	5,919,594
Additions	475,903	1,616,220
Business combinations	—	12,880
Change in fair value	77,699	1,836,382
Disposals (Note i)	(219)	(3,154,736)
Reclassification (Note 12)	319,373	(50,000)
Currency translation differences	<u>51,394</u>	<u>61,632</u>
At the end of the year	<u>7,166,122</u>	<u>6,241,972</u>

- (i) During the year ended December 31, 2018, the Group disposed several investments at fair value through profit or loss with the aggregate amount of RMB3.2 billion.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

## 19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

### (a) Investments at fair value through profit or loss (Continued)

	As of December 31,	
	2019 RMB' 000	2018 RMB' 000
Investments in associates at fair value through profit or loss (Note i)	1,376,375	2,015,957
Other investments at fair value through profit or loss (Note ii)	5,789,747	4,226,015
	<u>7,166,122</u>	<u>6,241,972</u>

#### (i) Investments in associates at fair value through profit or loss

	Year ended December 31,	
	2019 RMB' 000	2018 RMB' 000
At the beginning of the year	2,015,957	1,608,298
Additions	26,000	634,551
Business combinations	—	7,580
Change in fair value	(669,320)	(14,746)
Disposals	—	(177,982)
Reclassification	—	(50,000)
Currency translation differences	3,738	8,256
At the end of the year	<u>1,376,375</u>	<u>2,015,957</u>

For the years ended December 31, 2019 and 2018, the Group made investment in some convertible redeemable preferred shares or ordinary shares with preferential rights issued by private investee companies. The Group maintained significant influence in these companies.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

## 19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

### (a) Investments at fair value through profit or loss (Continued)

#### (ii) Other investments at fair value through profit or loss

	Year ended December 31,	
	2019 RMB' 000	2018 RMB' 000
At the beginning of the year	4,226,015	4,311,296
Additions	449,903	981,669
Business combinations	—	5,300
Change in fair value	747,019	1,851,128
Disposals	(219)	(2,976,754)
Reclassification	319,373	—
Currency translation differences	47,656	53,376
At the end of the year	<u>5,789,747</u>	<u>4,226,015</u>

The Group also has interests in certain investee companies in the form of ordinary shares without significant influence, which are managed and whose performance are evaluated on a fair value basis. The Group designated these instruments as financial assets at fair value through profit or loss.

RMB3.4 billion of investments at fair value through profit or loss is denominated in USD, other balances are denominated in RMB (2018: RMB3.0 billion).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

## 20 SHORT-TERM INVESTMENTS

	As of December 31,	
	2019 RMB' 000	2018 RMB' 000
Short-term investments measured at		
– Amortized cost	25,447,417	26,762,004
– Fair value through profit or loss	23,988,182	15,067,960
	<u>49,435,599</u>	<u>41,829,964</u>

### (a) Short-term investments measured at amortized cost

Short-term investments measured at amortized cost are fixed rate certificate of deposit and term deposit above 3 months and within 1 year.

Note 3.1 (b) sets out information about the impairment of financial assets and the Group's exposure to credit risk.

There is also no exposure to price risk as the investments will be held to maturity.

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

The short-term investments measured at fair value through profit or loss are wealth management products. The principal and returns on all of these wealth management products are not guaranteed, hence their contractual cash flows do not qualify for solely payments of principal and interest. Therefore, they are measured at fair value through profit or loss. The fair values are within level 3 of the fair value hierarchy (Note 3.3). Changes in fair value (realized and unrealized) of these financial assets had been recognised in "Other gains, net" in the consolidated income statement.

### (c) Short-term investments are denominated in the following currencies:

	As of December 31,	
	2019 RMB' 000	2018 RMB' 000
USD	32,630,495	34,050,792
RMB	16,805,104	7,340,865
HKD	—	438,307
	<u>49,435,599</u>	<u>41,829,964</u>

The majority of short-term investments denominated in USD currency units are held by the companies with the same functional currency, therefore, there is no exposure to foreign currency risk.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

## 21 PREPAYMENTS, DEPOSITS AND OTHER ASSETS

	As of December 31,	
	2019 RMB' 000	2018 RMB' 000
<b>Non-current</b>		
Recoverable value-added tax	972,099	—
Prepayment for investments	282,044	249,957
Long-term investments measured at amortized cost	200,275	—
Prepayment for fixed assets	159,703	97,920
Rental deposits	135,813	147,678
Receivables from investment disposal	—	282,919
Loan receivables (Note i)	—	74,625
Others	12,378	13,785
	<u>1,762,312</u>	<u>866,884</u>
<b>Current</b>		
Loan receivables (Note i)	5,387,552	3,762,455
Tax prepayments	1,534,292	3,036,667
Prepayments to merchants (Note ii)	408,248	220,454
Contract assets	373,609	105,630
Amounts due from related parties (Note 36)	324,741	195,202
Receivables from third-party payment service providers	303,868	131,568
Receivables from investment disposal	287,577	130,362
Deposits	147,940	155,826
Prepayments for channel marketing fee	102,593	346,834
Prepayments for rental	—	153,427
Others	720,737	826,520
	<u>9,591,157</u>	<u>9,064,945</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

## 21 PREPAYMENTS, DEPOSITS AND OTHER ASSETS (Continued)

- (i) Loan receivables are derived from micro loan business. Loan receivables are recorded initially at fair value and subsequently measured at amortized cost using the effective interest method, less allowance for impairment. The loan periods extended by the Group to the merchants or individuals are generally within 12 months. Breakdown for loan receivables included both current and non-current portion as follows:

	As of December 31,	
	2019 RMB' 000	2018 RMB' 000
Unsecured loan receivables	5,723,050	3,988,070
Less: allowance for impairment	(335,498)	(150,990)
	<u>5,387,552</u>	<u>3,837,080</u>

Movements on the Group's allowance for impairment of loan receivables are as follows:

	Year ended December 31,	
	2019 RMB' 000	2018 RMB' 000
At the beginning of the year	(150,990)	(57,074)
Provision	(435,122)	(208,326)
Receivables written off during the year as uncollectable	250,614	114,410
At the end of the year	<u>(335,498)</u>	<u>(150,990)</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

## 21 PREPAYMENTS, DEPOSITS AND OTHER ASSETS (Continued)

- (ii) Prepayments to merchants are derived from in-store, hotel & travel services. The Group prepays the third-party merchants prior to their merchant's sales campaign of vouchers on the Group's online platform. The Group recognises commission revenue from in-store, hotel & travel services when the vouchers and reservations are redeemed by transacting users to enjoy the goods or services. At each period end, prepayments to merchants are assessed for impairment to ensure the recoverability, by considering reliability of the assets and existence of advances from transacting users.

	As of December 31,	
	2019 RMB' 000	2018 RMB' 000
Prepayments to merchants	473,361	298,128
Less: allowance for impairment(a)	(65,113)	(77,674)
	<u>408,248</u>	<u>220,454</u>

- (a) Majority of loss allowance are related to the non-performing balances for which 100% provision have been provided.

Movements on the Group's allowance for impairment of prepayments to merchants are as follows:

	Year ended December 31,	
	2019 RMB' 000	2018 RMB' 000
At the beginning of the year	(77,674)	(277,582)
(Provision)/reversal	(11,502)	19,251
Receivables written off during the year as uncollectable	<u>24,063</u>	<u>180,657</u>
At the end of the year	<u>(65,113)</u>	<u>(77,674)</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

### 22 INVENTORIES

	As of December 31,	
	2019 RMB' 000	2018 RMB' 000
Raw materials	98,047	141,195
Finished goods	<u>265,975</u>	<u>370,079</u>
	364,022	511,274
Less: provision for impairment	<u>(88,795)</u>	<u>(111,030)</u>
	<u><u>275,227</u></u>	<u><u>400,244</u></u>

### 23 TRADE RECEIVABLES

	As of December 31,	
	2019 RMB' 000	2018 RMB' 000
Trade receivables	832,616	590,409
Less: allowance for impairment	<u>(155,854)</u>	<u>(124,069)</u>
	<u><u>676,762</u></u>	<u><u>466,340</u></u>

The Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of the contract assets and trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At each reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

### 23 TRADE RECEIVABLES (Continued)

Movements on the Group's allowance for impairment of trade receivables are as follows:

	Year ended December 31,	
	2019 RMB' 000	2018 RMB' 000
At the beginning of the year	(124,069)	(29,461)
Provision	(86,664)	(131,472)
Assets (transferred from derecognition of held for sale)/ classified as held for sale	(7,030)	14,600
Reversal	26,478	8,011
Receivables written off during the year as uncollectable	35,431	14,253
At the end of the year	<u>(155,854)</u>	<u>(124,069)</u>

The Group considered that the carrying amounts of the trade receivables balances approximated their fair value as of December 31, 2019 and 2018.

The Group allows a credit period of 30 to 150 days to its customers. Aging analysis of trade receivables (net off allowance for impairment of trade receivables) based on invoice date is as follows:

	As of December 31,	
	2019 RMB' 000	2018 RMB' 000
Trade receivables		
Up to 3 months	544,784	281,353
3 to 6 months	87,114	126,376
6 months to 1 year	34,574	56,574
Over 1 year	10,290	2,037
	<u>676,762</u>	<u>466,340</u>

The majority of the Group's trade receivables were denominated in RMB.

The maximum exposure to credit risk as of December 31, 2019 and 2018 was the carrying value of the trade receivables. The Group did not hold any collateral as security.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

## 24 CASH AND BALANCES WITH BANK AND FINANCIAL INSTITUTIONS

### (a) Cash and cash equivalents

	As of December 31,	
	2019 RMB' 000	2018 RMB' 000
Cash in hand and cash in bank	6,747,736	9,629,534
Term deposit with initial terms within three months	6,294,862	5,576,350
Cash held in other financial institutions (Note i)	353,587	1,837,808
	<u>13,396,185</u>	<u>17,043,692</u>

Cash and cash equivalents are denominated in the following currencies:

	As of December 31,	
	2019 RMB' 000	2018 RMB' 000
RMB	7,578,796	5,629,279
USD	5,660,813	11,247,166
JPY	60,863	88,196
Others	95,713	79,051
	<u>13,396,185</u>	<u>17,043,692</u>

- (i) Cash and cash equivalents of the Group primarily represent bank deposits and fixed deposits with maturities less than three months. As of December 31, 2019 and 2018, the Group had certain amounts of cash held in accounts managed by other financial institutions in connection with the provision of online and mobile commerce and related services in the amount of RMB354 million and RMB1,838 million, respectively, which have been classified as cash and cash equivalents on the consolidated statements of financial position.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

## 24 CASH AND BALANCES WITH BANK AND FINANCIAL INSTITUTIONS (Continued)

### (b) Restricted cash

Restricted cash are dominated in the following currencies:

	As of December 31,	
	2019 RMB' 000	2018 RMB' 000
RMB	8,704,305	3,628,619
USD	55,810	625,935
Others	—	1,566
	<u>8,760,115</u>	<u>4,256,120</u>

As of December 31, 2019, RMB231 million and USD6 million (equivalent to approximately RMB42 million) restricted deposits were held by bank as letter of guarantee. Other restricted cash balances are those held in bank account which are subject to certain restriction according to agreement with certain parties.

As of December 31, 2018, RMB178 million and USD85 million (equivalent to approximately RMB583.4 million) restricted deposits were held by bank as letter of guarantee. The USD85 million (equivalent to approximately RMB583.4 million) was pledged to China Merchants Bank Co., Ltd. for the loans of RMB300 million.

## 25 SHARE CAPITAL AND SHARE PREMIUM

As at December 31, 2019 and 2018, the authorized share capital of the Company comprises 10,000,000,000 ordinary shares with par value of USD0.00001 per share.

Issued:

	Number of ordinary shares ' 000	Nominal value of ordinary shares USD' 000	Share capital RMB' 000	Share premium RMB' 000	Total RMB' 000
At January 1, 2019	5,727,447	57	384	258,284,687	258,285,071
Exercise of option and RSU vesting	81,219	1	5	2,075,242	2,075,247
At December 31, 2019	<u>5,808,666</u>	<u>58</u>	<u>389</u>	<u>260,359,929</u>	<u>260,360,318</u>
At January 1, 2018	1,548,664	15	98	9,338,529	9,338,627
Issuance of ordinary shares	4,136,806	41	283	248,944,408	248,944,691
Exercise of option and RSU vesting	67,649	1	5	842,199	842,204
Repurchase of ordinary shares	(24,667)	—	(2)	(811,142)	(811,144)
Cancellation of ordinary shares	(1,005)	—	—	(29,307)	(29,307)
At December 31, 2018	<u>5,727,447</u>	<u>57</u>	<u>384</u>	<u>258,284,687</u>	<u>258,285,071</u>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

## 26 OTHER RESERVES

	Capital reserve RMB' 000	Share-based compensation reserve RMB' 000	Currency translation reserve RMB' 000	Others RMB' 000	Total RMB' 000
<b>As of January 1, 2019</b>	<b>20</b>	<b>2,594,722</b>	<b>(8,118,061)</b>	<b>(218,028)</b>	<b>(5,741,347)</b>
Issuance of ordinary shares	—	—	—	—	—
Share-based compensation expenses	—	2,181,436	—	—	2,181,436
Exercise of option and RSU vesting	—	(1,614,957)	—	—	(1,614,957)
Transaction with non-controlling interests	—	—	—	34,047	34,047
Disposal of a subsidiary	—	—	—	10,617	10,617
Share of other comprehensive income of investments accounted for using the equity method	—	—	—	3,905	3,905
Currency translation differences	—	—	679,047	—	679,047
<b>As of December 31, 2019</b>	<b>20</b>	<b>3,161,201</b>	<b>(7,439,014)</b>	<b>(169,459)</b>	<b>(4,447,252)</b>
<b>As of December 31, 2017</b>	<b>20</b>	<b>1,232,234</b>	<b>(500,154)</b>	<b>(265,997)</b>	<b>466,103</b>
Adjustment on adoption of IFRS9 (net of tax)	—	—	—	(423,731)	(423,731)
<b>As of January 1, 2018</b>	<b>20</b>	<b>1,232,234</b>	<b>(500,154)</b>	<b>(689,728)</b>	<b>42,372</b>
Issuance of ordinary shares	—	—	—	609,744	609,744
Business combinations	—	231,736	—	—	231,736
Share-based compensation expenses	—	1,816,453	—	—	1,816,453
Exercise of option and RSU vesting	—	(685,701)	—	—	(685,701)
Transaction with non-controlling interests	—	—	—	47,969	47,969
Preferred shares fair value change due to own credit risk	—	—	—	(186,013)	(186,013)
Currency translation differences	—	—	(7,617,907)	—	(7,617,907)
<b>As of December 31, 2018</b>	<b>20</b>	<b>2,594,722</b>	<b>(8,118,061)</b>	<b>(218,028)</b>	<b>(5,741,347)</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

## 27 DEFERRED REVENUES

	As of December 31,	
	2019 RMB' 000	2018 RMB' 000
<b>Non-Current</b>		
Business cooperation agreement with Maoyan	388,967	611,233
Others	61	13,766
	<u>389,028</u>	<u>624,999</u>
<b>Current</b>		
Online marketing services	4,299,191	2,856,343
Business cooperation agreement with Maoyan	222,267	222,267
Mobike monthly pass	44,010	24,221
Others	1,703	51
	<u>4,567,171</u>	<u>3,102,882</u>
	<u>4,956,199</u>	<u>3,727,881</u>

Movements on the Group's deferred revenues are as follows:

	Year ended December 31,	
	2019 RMB' 000	2018 RMB' 000
At the beginning of the year	3,727,881	2,947,715
Add:		
Receipt from online marketing customers	18,028,480	10,586,871
Receipt from Mobike monthly pass	555,360	515,620
Receipt from others	4,141	22,651
Less:		
Business cooperation agreement with Maoyan amortization (Note i)	(222,267)	(222,267)
Online marketing revenue recognition	(16,596,552)	(9,627,170)
Mobike monthly pass revenue recognition	(535,571)	(491,398)
Other revenue recognition	(5,273)	(4,077)
Liabilities directly associated with assets classified as held for sale	—	(64)
At the end of the year	<u>4,956,199</u>	<u>3,727,881</u>

- (i) In July 2016, as part of the Group's disposal of Maoyan, the Group entered into a business cooperation agreement with Maoyan for a 5-year period. Subsequently in September 2017, the agreement was extended for another 14 months to September 30, 2022. The Group recognises the revenue over the contract period.

**27 DEFERRED REVENUES** *(Continued)*

Majority of the deferred revenues balance at the beginning of 2019 has been recognised as revenue during 2019.

**28 CONVERTIBLE REDEEMABLE PREFERRED SHARES**

On October 6, 2015, the Company issued a total of 1,954,217,809 shares of Series A-1 through A-11 Preferred Shares.

In November 2015, the Company issued Series B Preferred Shares at an issue price of USD3.86 per share. Series B Preferred Shares were continuously issued beginning from November 2015 to August 2016 and total 801,039,606 shares were issued.

In October 2017, the Company issued Series C Preferred Shares at an issue price of USD5.59 per share. Total of 733,575,936 shares were issued.

In April 2018, the Company issued 167,703,791 shares of Series A-12 Preferred Shares in connection with the acquisition of Mobike.

Upon issuance of Series A-12 Preferred shares, a total of 2,121,921,600 shares were issued (Series A-1 through A-12, "Series A Preferred Shares").

Upon the Listing on September 20, 2018, all the outstanding Preferred Shares of the Company have been converted into ordinary shares.

The key terms of all series of Preferred Shares effective and applicable during period ended September 20, 2018 are as follows:

28 CONVERTIBLE REDEEMABLE PREFERRED SHARES (*Continued*)**Conversion**

Each Preferred Share may, at the option of the holders, be converted at any time after the original issue date into fully-paid and non-assessable ordinary shares at an initial conversion ratio of 1:1 subject to (i) adjustment for share splits and combinations; (ii) adjustment for ordinary share dividends and distributions; (iii) adjustments for other dividends; and (iv) adjustment in Preferred Share conversion price for dilutive issuances.

In addition, each Preferred Share shall automatically be converted, without the payment of any additional consideration, into fully-paid and non-assessable ordinary shares based on the then-effective applicable conversion price upon the earlier of:

- (i) the closing of a Qualified IPO, or
- (ii) the date specified by written consent or agreement of holders of a majority of the outstanding Preferred Shares; provided, however, that (a) no Series B Preferred Shares can be converted into ordinary shares without the prior written consent or agreement of holders of a majority of the outstanding Series B Preference shares, voting as a separate class; and (b) no Series C Preferred Shares can be converted into ordinary shares without the prior written consent or agreement of holders of a majority of the outstanding Series C Preferred Shares, voting as a separate class.

“Qualified IPO” is defined as a firm underwritten initial public offering of the ordinary shares and the listing of such shares for trading on the New York Stock Exchange, NASDAQ Global Market, Main Board of the Hong Kong Stock Exchange or any other internationally recognised stock exchange as approved by the Company and the holders of at least a majority of voting power of all Preferred Shares (voting as a single class), with a minimum valuation of a certain amount on a fully diluted basis immediately prior to the consummation of the offering or agreed in writing by the holders of at least a majority of voting power of all outstanding Preferred Shares (voting as a single class), at least a majority of voting power of all outstanding Series C Preferred Shares (voting as a separate class), and a majority of voting power of all outstanding Series C Preferred Shares held by certain Series C shareholders.

Prior to the issuance of Series C Preferred Shares, specific conditions attached to above conversion rights in relation to Series C shareholders as summarized above were not applicable.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

### 28 CONVERTIBLE REDEEMABLE PREFERRED SHARES *(Continued)*

#### **Liquidation preference**

Upon Liquidation Event, whether voluntary or involuntary, before any distribution or payment shall be made to the ordinary shareholders, each holder of Series B and Series C Preferred Shares shall be entitled to receive an “Liquidation Preference Amount” equal to the greater of (i) 120% of the Series B or C issuance price plus all declared but unpaid dividends and (ii) amount each holder would have received had the Series B and C Preferred Shares been converted into ordinary shares immediately prior to the closing of such Liquidation Events, and each holder of Series A Preferred Shares shall be entitled to receive 100% of the issuance price, plus all declared but unpaid dividends.

If the assets of the Company shall be insufficient to make payment of the foregoing amounts in full on all the Preferred Shares, then such assets shall be distributed among the holders of Preferred Share, ratably in proportion to the full amounts to which they would otherwise be respectively entitled thereon. After distribution or payment in full of the amount distributable or payable on any Preferred Shares, the assets of the Company legally available for distribution shall be distributed pro-rata among the holders of the ordinary shares.

The Liquidation Events are defined to include: (i) any liquidation, winding-up, or dissolution of any group company (as defined in the share purchase agreement); (ii) any merger, acquisition, sale of voting control, amalgamation or consolidation of any group company, as a result of which the shareholders of the Company will cease to own a majority of the Equity Securities or voting power of the surviving entity; (iii) any sale of any group company or any sale or distribution of all or substantially all of the assets of any group company; (iv) the exclusive licensing of all or substantially all of the intellectual property of any group company to a third-party unaffiliated with any group company; or (v) any transfer in which a majority of the outstanding voting power of the Company is transferred; unless waived in writing by the holders of at least a majority of the then outstanding Preferred Shares. There is no liquidation events triggered throughout the period ended September 20, 2018.

#### **Redemption features**

Subject to the law and applicable provisions of these Articles, if any, the Company may purchase its own shares as the Directors may determine and agree with the shareholder. Under specific conditions as provided in the Article of Association, the holders of Series C Preferred Shares shall be entitled to sell their Series C Preferred Shares to the Company on the same terms and in the same manner on a pro rata basis.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

### 28 CONVERTIBLE REDEEMABLE PREFERRED SHARES (Continued)

#### Dividends

Non-cumulative dividends of 8% per annum when and if declared by the board of the Company (the “Board”), with preference to Series C preferred shareholders, followed by series B preferred shareholders, followed by each tranche of Series A from A-12 until A-1, and then ordinary shares, in that order.

#### Voting rights

Each Preferred share has voting rights equivalent to the number of ordinary shares into which such Preferred shares could be then convertible.

The Group monitors Series A, B, and C Preferred Shares on a fair value basis which is in accordance with its risk management strategy and does not bifurcate any embedded derivatives from the host instruments and designates entire instruments as a financial liability at fair value through profit or loss with the changes in the fair value recorded in the consolidated income statement.

The movements of the convertible redeemable preferred share are set out as below:

	RMB' 000
<b>At January 1, 2018</b>	101,418,292
Issuance of Series A-12 preferred shares	5,888,472
Change in fair value	104,792,071
<i>Includes: change in fair value due to own credit risk</i>	186,013
Currency translation differences	8,336,605
Transfer to ordinary shares	<u>(220,435,440)</u>
<b>At December 31, 2018</b>	<u>—</u>

### 29 TRADE PAYABLES

	As of December 31,	
	2019	2018
	RMB' 000	RMB' 000
Trade payables	<u>6,766,253</u>	<u>5,340,963</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

### 29 TRADE PAYABLES (Continued)

As of December 31, 2019 and 2018, the aging analysis of the trade payables based on invoice date were as follows:

	As of December 31,	
	2019 RMB' 000	2018 RMB' 000
Trade payables		
Up to 3 months	6,353,368	5,067,050
3 to 6 months	237,151	168,162
6 months to 1 year	119,630	102,764
Over 1 year	56,104	2,987
	<u>6,766,253</u>	<u>5,340,963</u>

The majority of the Group's trade payables were denominated in RMB.

### 30 OTHER PAYABLES AND ACCRUALS

	As of December 31,	
	2019 RMB' 000	2018 RMB' 000
Salaries and benefits payable	2,881,176	2,598,340
Deposits	1,803,783	1,183,676
Other tax payable	881,567	685,568
Amounts due to related parties (Note 36)	351,249	407,248
Amounts collected for third parties	312,191	15,653
Accrued expenses	205,715	347,315
Advance from customers	104,252	52,916
Payables for acquisition	55,718	1,443,877
Others	641,761	568,814
	<u>7,237,412</u>	<u>7,303,407</u>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

## 31 BORROWINGS

	As of December 31,	
	2019 RMB' 000	2018 RMB' 000
Included in non-current liabilities		
Asset-backed securities	<u>466,676</u>	<u>470,056</u>
Included in current liabilities		
Bank loan — unsecured	3,190,000	1,200,000
Bank loan — secured	—	600,000
Asset-backed securities	<u>362,587</u>	<u>—</u>
	<u>3,552,587</u>	<u>1,800,000</u>

- (a) Bank borrowings of RMB3.2 billion will be repayable in 2020 and bear annual average interest rate of 5.199% (2018: 5.597%).

For the year ended December 31, 2019, the weighted average effective interest rate was 5.242% (2018: 5.980%).

- (b) The Group has securitized certain loan receivables and issued RMB500 million ABS in 2019. During 2019, the Group issued ABS of RMB500 million, of which RMB467 million represented senior tranche and RMB33 million represented subordinate tranches, which were fully acquired by the Group. These ABS bore interest at 4.59%-5.3% per annum in 2019.

## 32 SHARE-BASED PAYMENTS

On October 6, 2015, the board of Directors of the Company approved the establishment of the Company's 2015 Share Incentive Plan ("2015 Share Incentive Plan"), an equity-settled share-based compensation plan with the purpose of attracting, motivating, retaining and rewarding certain employees, consultants, and Directors. The 2015 Share Incentive Plan is valid and effective for 10 years from the date of approval by the board of Directors. The Group has reserved 598,483,347 ordinary shares under the 2015 Share Incentive Plan, and permits the awards of options and RSUs of the Company's ordinary shares.

On April 4, 2018, the Company and Mobike entered into a strategic transaction, and the Group assumed all the outstanding incentive share awards of Mobike (the "Mobike option replacement"). The number and types of the shares issuable upon the exercise of the Mobike option replacement, and the applicable exercise price for share options were adjusted according to the same term as the 2015 Share Incentive Plan. After the replacement awards were issued, Mobike's original incentive plan ceased to operate.

A total of 21,290,122 share options were assumed by the Group in the acquisition of Mobike. The Mobike option replacement has been analyzed to determine whether the awards relate to pre-combination or post-combination services or both. To the extent Mobike option replacement is for pre-combination services, a portion of the value of the awards has been allocated to the consideration transferred for the acquiree. To the extent the Mobike option replacement is for post-combination services, the value of the awards is recognised as compensation expenses attributable to post-combination services.

The incremental fair value, calculated as the difference between the fair value of share option award assumed by the Group in the Mobike option replacement and the fair value of the outstanding incentive share awards of Mobike as of the acquisition date, has been included in the measurement of the amount recognised for the services received over the remainder of the vesting period, and is recognised in the Group's consolidated income statement as share-based compensation expenses.

In addition, according to the merger agreement with Mobike, RSUs of the Company with a total valuation of USD60 million shall be granted to current Mobike officers, Directors, and employees, and subject to the Company's 2015 Share Incentive Plan. The Company recorded share-based compensation expenses over the service period based on its best estimate of the grant day fair value of related RSUs.

32 SHARE-BASED PAYMENTS (*Continued*)

As of August 30, 2018, the Group has authorized and reserved 683,038,063 ordinary shares under the 2015 Share Incentive Plan for awards of options and RSUs of the Company's ordinary shares. All the share options and RSUs under the 2015 Share Incentive Plan were granted between May 31, 2006 and August 2, 2018 and the Company will not grant further share options and RSUs under the 2015 Share Incentive Plan after the Listing.

On August 30, 2018, a new share option scheme ("**Post-IPO Share Option Scheme**") and a new share award scheme ("**Post-IPO Share Award Scheme**") had been approved by the shareholders of the Company. The total number of Class B Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other schemes is 475,568,628 Class B Shares. The aggregate number of Class B Shares underlying all grants made pursuant to the Post-IPO Share Award Scheme (excluding Award Shares which have been forfeited in accordance with the Post-IPO Share Award Scheme) will not exceed 272,336,228 Shares without Shareholders' approval (the "**Post-IPO Share Award Scheme Limit**") subject to an annual limited of 3% of the total number of issued Shares at the relevant time.

As of December 31, 2019, the Group has authorised and reserved a total of 912,013,581 ordinary shares under the 2015 Share Incentive Plan, Post-IPO Share Option Scheme and Post-IPO Share Award Scheme for awards of options and RSUs of the Company's ordinary shares.

**Share options**

Options granted typically expire in 10 years from the respective grant dates. For previously granted options that were near its expiration date (i.e., 10 years after grant date) in 2018 and 2019, their expiration date was extended to October 5, 2025. The options have graded vesting terms, and vest in tranches from the grant date over 4 years, on condition that employees remain in service without any performance requirements.

The options may be exercised at any time after they have vested subject to the terms of the award agreement and are exercisable for a maximum period of 10 years after the date of grant.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

### 32 SHARE-BASED PAYMENTS (Continued)

#### Share options (Continued)

Movements in the number of share options granted and their related weighted average exercise prices are as follows:

	Number of share options	Weighted average exercise price per share option (HKD)
Outstanding as of December 31, 2018	116,321,663	22.69
Granted during the year	740,000	69.10
Forfeited during the year	(7,484,459)	25.45
Exercised during the year	<u>(35,867,197)</u>	<u>13.18</u>
Outstanding as of December 31, 2019	73,710,007	27.81
Vested and exercisable as of December 31, 2019	<u>32,713,923</u>	<u>21.23</u>
Outstanding as of December 31, 2017	121,961,415	15.23
Granted during the year	24,081,670	36.90
Mobike option replacement	21,290,122	10.50
Forfeited during the year	(9,581,909)	13.38
Exercised during the year	<u>(41,429,635)</u>	<u>4.71</u>
Outstanding as of December 31, 2018	116,321,663	22.69
Vested and exercisable as of December 31, 2018	<u>44,792,530</u>	<u>11.86</u>

The weighted average remaining contractual life of outstanding share options was 7 years and 7 years as of December 31, 2019 and 2018. The weighted average price of the shares at the time these options were exercised was HKD68.56 per share (equivalent to approximately RMB60.64 per share) during the year ended December 31, 2019.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

### 32 SHARE-BASED PAYMENTS (Continued)

#### Fair value of share options

The Group has used the discounted cash flow method to determine the underlying equity fair value of the Company and adopted option-pricing model and equity allocation model to determine the fair value of the underlying ordinary shares. Key assumptions, such as discount rate and projections of future performance, are determined by the Group with best estimate.

Based on fair value of the underlying ordinary shares, the Group has used Black-Scholes model to determine the fair value of the share option as of the grant date. Key assumptions are set as below:

	Year ended December 31,	
	2019	2018
Risk-free interest rates	1.5%	3.2% – 3.8%
Expected term – years	6.3	2.8-6.8
Expected volatility	40%	45.0% – 50.0%
Fair value of ordinary shares (HKD)	28.41	40.60 – 48.67
Exercise price (HKD)	69.10	0-40.60
Dividend yield	—	—

The weighted average fair value of granted options was HKD28.41 and HKD28.92 per share, for the years ended December 31, 2019 and 2018, respectively.

#### RSUs

The Company also grants RSUs to the Company's employees, consultants, and Directors under the 2015 Share Incentive Plan and Post-IPO Share Awards Plan. The RSUs awarded vest in tranches from the grant date over a certain service period, on condition that employees remain in service without any performance requirements. Once the vesting conditions underlying the respective RSUs are met, the RSUs are considered duly and validly issued to the holder, and free of restrictions on transfer.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

### 32 SHARE-BASED PAYMENTS (Continued)

#### RSUs (Continued)

Movement in the number of RSUs granted and the respective weighted average grant date fair value are as follows:

	Number of RSUs	Weighted average grant date fair value per RSU (HKD)
Outstanding as of December 31, 2018	164,133,960	35.87
Granted during the year	47,430,198	69.43
Vested during the year	(45,351,471)	31.23
Forfeited during the year	(23,336,696)	43.41
Outstanding as of December 31, 2019	142,875,991	47.26
Outstanding as of December 31, 2017	114,505,992	26.18
Granted during the year	87,668,245	45.16
Vested during the year	(26,219,723)	23.09
Forfeited during the year	(11,820,554)	37.40
Outstanding as of December 31, 2018	164,133,960	35.87

The fair value of each RSU at the grant dates is determined by reference to the fair value of the underlying ordinary shares on the date of grant.

The total share-based compensation expenses recognised in the consolidated income statement are RMB2.2 billion and RMB1.9 billion for the years ended December 31, 2019 and 2018, respectively. The following table sets forth a breakdown of the share-based compensation expenses by nature:

	Year ended December 31,	
	2019	2018
	RMB'000	RMB'000
Share options	301,568	373,874
RSUs	1,879,868	1,442,579
Incremental fair value for repurchase of ordinary shares (Note 25)	—	48,660
Others	9,435	—
	<u>2,190,871</u>	<u>1,865,113</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

## 33 DIVIDENDS

No dividends have been paid or declared by the Company during each of the years ended December 31, 2019 and 2018.

## 34 COMMITMENTS

### (a) Capital commitments

	As of December 31,	
	2019 RMB' 000	2018 RMB' 000
Within 1 year	23,658	37,426
1 – 2 years	91	3,628
	<u>23,749</u>	<u>41,054</u>

	As of December 31,	
	2019 RMB' 000	2018 RMB' 000
Purchase of other property, plant and equipment	<u>23,749</u>	<u>41,054</u>

### (b) Operating lease commitments

The Group leases office under non-cancelable operating lease agreements.

From January 1, 2019, the Group has recognised right-of-use assets for these leases:

	As of December 31,	
	2019 RMB' 000	2018 RMB' 000
Within 1 year	—	605,723
1 – 5 years	—	1,281,789
Over 5 years	—	223,965
	<u>—</u>	<u>2,111,477</u>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

## 35 NOTE TO CONSOLIDATED STATEMENTS OF CASH FLOWS

### (a) Cash used in operations

	Note	Year ended December 31,	
		2019 RMB' 000	2018 RMB' 000
Profit/(Loss) before income tax		2,762,388	(115,490,807)
Adjustments for			
Depreciation and amortization	15,16	4,845,800	5,366,801
Provision for doubtful accounts	7	645,685	285,655
Non-cash employee benefits expense – share-based payments	8	2,190,871	1,865,113
Gains from business and investments disposals	9	(292,421)	(23,132)
Gains from the remeasurement of investments	9	(176,880)	—
Fair value changes of convertible redeemable preferred shares	28	—	104,606,058
Impairment provision and restructuring expense for Mobike restructuring plan		88,612	358,790
Impairment provision for Mobike tradename		—	1,346,000
Share of (gains)/losses of investments accounted for using equity method	12	(107,353)	48,267
Change in fair value from investments measured at fair value through profit or loss	19	(77,699)	(1,836,382)
Dividend income and interest classified as investing cash flows		(1,527,405)	(584,347)
Finance costs		220,362	62,099
Net exchange differences		111,045	1,485
Change in working capital			
(Increase)/decrease in restricted cash		(4,504,029)	594,744
Increase in trade receivables		(272,974)	(135,879)
Increase in prepayments, deposits and other assets		(1,703,120)	(3,722,048)
Decrease/(increase) in inventories		94,966	(168,664)
Increase in trade payables		1,291,272	2,100,697
Decrease in payables to merchants		(101,126)	(1,767,485)
Increase in advances from transacting users		640,892	439,578
Increase in deferred revenues		1,228,319	745,054
Increase in other payables and accruals		1,508,703	1,676,265
Increase in other non-current liabilities		34,955	16,906
Decrease in deposits from transacting users		(866,003)	(4,765,957)
Decrease in assets classified as held for sale		211,905	—
Decrease in liabilities directly associated with assets classified as held for sale		(209,241)	—
<b>Cash generated from/(used in) operations</b>		<b>6,037,524</b>	<b>(8,981,189)</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

## 35 NOTE TO CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

### (b) Major non-cash transactions

Other than the acquisition of right-of-use assets described in Note 15, the share based awards described in Note 32, there were no other material non-cash transactions during the year ended December 31, 2019.

### (c) Reconciliation of liabilities generated from financing activities

	Liabilities from financing activities		
	Borrowings RMB' 000	Leases RMB' 000	Total RMB' 000
Liabilities from financing activities as of December 31, 2018	2,270,056	—	2,270,056
Recognised on adoption of IFRS 16 (Note 2)	—	1,846,656	1,846,656
Liabilities from financing activities as of January 1, 2019	2,270,056	1,846,656	4,116,712
Cash flow	1,749,031	(785,825)	963,206
Acquisitions – leases	—	465,968	465,968
Recognition of issuance cost	176	—	176
Liabilities from financing activities as of December 31, 2019	4,019,263	1,526,799	5,546,062

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

### 35 NOTE TO CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

#### (c) Reconciliation of liabilities generated from financing activities (Continued)

	Liabilities from financing activities			Total RMB' 000
	Borrowings due within 1 year RMB' 000	Borrowings due after 1 year RMB' 000	Convertible redeemable preferred shares RMB' 000	
Liabilities from financing activities as of January 1, 2018	162,000	—	101,418,292	101,580,292
Cash flow	1,248,000	470,000	—	1,718,000
Business combinations	390,000	—	5,888,472	6,278,472
Fair value changes of convertible redeemable preferred shares	—	—	104,792,071	104,792,071
Currency translation differences	—	—	8,336,605	8,336,605
Recognition of issuance cost	—	56	—	56
Proceeds from issuance of ordinary shares, net	—	—	(220,435,440)	(220,435,440)
Liabilities from financing activities as of December 31, 2018	1,800,000	470,056	—	2,270,056

### 36 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions. Parties are also considered to be related if they are subjected to common control. Members of key management and their close family members of the Group are also considered as related parties.

The following significant transactions were carried out between the Group and its related parties during the periods presented. In the opinion of the Directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

## 36 RELATED PARTY TRANSACTIONS (Continued)

### (a) Names and relationships with related parties

The following companies are significant related parties of the Group that had transactions and/or balances with the Group during the year.

Name of related parties	Relationship
Tencent Group	One of the Company's shareholders
Changsha Xiangjiang Longzhu Private Equity Investment Fund Enterprise (Limited Partnership)	Associate of the Group
Tianjing Maoyan and its subsidiaries	Associate of the Group
Jilin billion-Allians Bank Co., Ltd.	Associate of the Group
Beijing Wisdom Map Technology Co., Ltd.	Associate of the Group
Dalian Tongda Enterprise Management Co., Ltd.	Associate of the Group
Dalian Sen Cheng Logistics Co., Ltd.	Associate of the Group
AsiaSea Co., Ltd.	Associate of the Group
Acewill information Technology (Beijing) Co., Ltd.	Associate of the Group
Hefei Haizhitun Technology Co., Ltd.	Associate of the Group

### (b) Significant transactions with related parties

		Year ended December 31,	
		2019	2018
		RMB' 000	RMB' 000
(i)	Sales of service		
	Associate of the Group	1,069,898	414,204
	One of the Company's shareholders	12,656	3
		<u>1,082,554</u>	<u>414,207</u>
(ii)	Purchase of goods and service		
	One of the Company's shareholders	1,849,435	963,941
	Associate of the Group	538,918	532,984
		<u>2,388,353</u>	<u>1,496,925</u>
(iii)	Sales of investments		
	Associate of the Group	—	38,776

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

### 36 RELATED PARTY TRANSACTIONS (Continued)

#### (c) Balances with related parties

		As of December 31,	
		2019	2018
		RMB' 000	RMB' 000
(i)	Other receivables from related parties		
	Associate of the Group	290,917	19,654
	One of the Company's shareholders	33,824	175,548
		<u>324,741</u>	<u>195,202</u>
(ii)	Other payables to related parties		
	Associate of the Group	271,702	378,972
	One of the Company's shareholders	79,547	28,276
		<u>351,249</u>	<u>407,248</u>

#### (d) Key management compensation

		Year ended December 31,	
		2019	2018
		RMB' 000	RMB' 000
	Fees	1,500	–
	Basic salaries	12,721	5,970
	Bonuses	13,147	8,491
	Pension costs and other employee benefits	758	375
	Share-based compensation expenses	488,139	233,504
	Others	190	88
		<u>516,455</u>	<u>248,428</u>

### 37 CONTINGENCIES

The Group did not have any material contingent liabilities as of December 31, 2019 and 2018, except for the financial guarantee amount, disclosed in Note 3.1(c).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

## 38 FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

### (a) Financial position of the Company

		As of December 31,	
	Note	2019 RMB' 000	2018 RMB' 000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments in subsidiaries		65,246,403	63,064,966
Prepayments, deposits and other assets		32,426,176	27,281,595
		97,672,579	90,346,561
<b>Current assets</b>			
Short-term investments		27,676,401	33,105,050
Prepayments, deposits and other assets		93,317	20,104
Cash and cash equivalents		6,151,379	3,960,689
		33,921,097	37,085,843
<b>Total assets</b>		<b>131,593,676</b>	<b>127,432,404</b>
<b>EQUITY</b>			
Share capital	25	389	384
Share premium	25	260,359,929	258,284,687
Other reserves	38(b)	(3,095,017)	(4,712,673)
Accumulated losses	38(b)	(126,520,961)	(127,527,156)
<b>Equity attributable to equity holders of the Company</b>		<b>130,744,340</b>	<b>126,045,242</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Other payables and accruals		849,336	1,387,162
<b>Total liabilities</b>		<b>849,336</b>	<b>1,387,162</b>
<b>Total equity and liabilities</b>		<b>131,593,676</b>	<b>127,432,404</b>

The statement of financial position of the Company was approved by the Board of Directors on March 30, 2020 and was signed on its behalf.

Wang Xing  
Director

Mu Rongjun  
Director

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

### 38 FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

#### (b) Reserve movement of the Company

	Other reserves RMB' 000	Accumulated losses RMB' 000
As of January 1, 2019	(4,712,673)	(127,527,156)
Comprehensive income		
Profit for the year	—	1,006,195
Other Comprehensive income		
Currency translation differences	1,051,177	—
Total comprehensive loss	(3,661,496)	(126,520,961)
Transaction with owners in their capacity as owners		
Share-based compensation expenses	2,181,436	—
Exercise of option and RSU vesting	(1,614,957)	—
Total transaction with owners in their capacity as owners	566,479	—
As of December 31, 2019	(3,095,017)	(126,520,961)
As of January 1, 2018	610,928	(22,654,077)
Comprehensive loss		
Loss for the year	—	(104,263,335)
Other Comprehensive loss		
Preferred shares fair value change due to own credit risk	(186,013)	—
Currency translation differences	(5,244,707)	—
Total comprehensive loss	(4,819,792)	(126,917,412)
Transaction with owners in their capacity as owners		
Share-based compensation expenses	(48,660)	—
Business combinations	231,736	—
Issuance of ordinary shares	609,744	(609,744)
Exercise of option and RSU vesting	(685,701)	—
Total transaction with owners in their capacity as owners	107,119	(609,744)
As of December 31, 2018	(4,712,673)	(127,527,156)

### 39 SUBSEQUENT EVENTS

After the outbreak of Coronavirus Disease 2019 (“COVID-19 outbreak”) in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country. The pandemic has already caused severe disruptions to the daily operations of the Group’s merchants, including restaurants, local services merchants and hotels, which in turn resulted in downward pressure on the Group’s operations. The Group will pay close attention to the development of the COVID-19 outbreak and continuously evaluate its impact on the financial position and operating results of the Group.





## INDEPENDENT AUDITOR'S REPORT

### To the Shareholders of Meituan

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

### OPINION

#### What we have audited

The consolidated financial statements of Meituan (the “Company”) and its subsidiaries (the “Group”) set out on pages 152 to 272, which comprise:

- the consolidated statement of financial position as at December 31, 2020;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

#### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (“IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Revenue recognition
- Impairment assessments of goodwill

## Key Audit Matter

## How our audit addressed the Key Audit Matter

*Revenue recognition*

Refer to notes 2.27, 4.5, 4.7 and 6 to the consolidated financial statements.

Our procedures in relation to the revenue recognition included:

The Group provides an e-commerce platform that enables merchants to sell their services or products to transacting users through the platform. The Group mainly generates revenue in the way of transaction commission, online marketing fees and others. Revenue of RMB114.8 billion was recognised for the current year.

We understood and tested management's process and controls in respect of revenue recognition and calculation derived from different services.

We discussed with management and evaluated their judgements made in determining the method and timing of revenue recognition and calculation.

We focused on this area as significant efforts were spent on auditing the accuracy of revenue recognition due to the magnitude of revenue amount and the huge volume of revenue transactions recorded in the operating systems and then interfaced with the financial system.

We tested the general control environment and automated controls of the information technology systems used in the transaction processes. We tested the interface between the operating and financial systems.

We tested, on a sample basis, transactions by checking the cash receipt, reviewing the underlying contracts, identifying the key terms and attributes from the contracts and checking them against the underlying data from the system used in the transaction processes, and then recalculating the revenue amount.

Based on the procedures performed, we found that the Group's revenue recognition was supported by the evidence obtained.



### Key Audit Matter

### How our audit addressed the Key Audit Matter

#### *Impairment assessments of goodwill*

Refer to Notes 2.9, 2.11, 4.4 and 16 to the consolidated financial statements.

As at December 31, 2020, the net carrying amount of goodwill amounted to RMB27.6 billion.

Under International Accounting Standards ("IAS") 36 Impairment of Assets, the Group is required to perform goodwill impairment assessment both annually and whenever there is an indication that a cash-generating unit ("CGU") to which goodwill has been allocated may be impaired.

The Group engaged an independent external valuer to prepare the goodwill impairment testing. The recoverable amounts of CGUs were determined based on the value-in-use calculations using cash flow projections.

We focused on this area due to (a) the magnitude of the carrying amount of goodwill; and (b) the estimation of recoverable amount is subject to high degree of estimation uncertainty. The inherent risk in relation to the impairment assessment of goodwill is considered significant due to the complexity of the models, subjectivity of significant assumptions used, and significant judgements involved in selecting data, such as annual revenue growth rate for the 5-year period, gross profit, terminal revenue growth rate and pre-tax discount rate.

Our procedures in relation to the impairment assessments of goodwill included:

We tested management's assessment including periodic impairment indications evaluation as to whether indicators of impairment exist by corroborating with management and market information.

We obtained an understanding of the management's internal control and assessment process of goodwill impairment and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud. We evaluated the outcome of prior period assessment of the goodwill to assess the effectiveness of the management's estimation process.

We evaluated and tested the key controls over the impairment of goodwill.

We assessed the appropriateness of the valuation models and significant assumptions with the involvement of our internal valuation experts.

We evaluated the independent valuer's objectivity and competency. We assessed the reasonableness of the basis that management used to identify separate group of CGUs for the allocation of goodwill.

We assessed the key assumptions adopted including annual revenue growth rate for the 5-year period and gross profit rate by examining the approved financial/business forecast models, and comparing actual results for the year against the previous period taking into consideration of market trends and our industry knowledge. We assessed terminal revenue growth rate and pre-tax discount rate with the involvement of our internal valuation experts.

### Key Audit Matter

### How our audit addressed the Key Audit Matter

We independently tested, on a sample basis, the accuracy of mathematical calculation applied in the valuation models and the calculation of impairment charges.

We evaluated the reasonableness of management's forecast performance and assessed management's sensitivity analysis around the key assumptions, to ascertain the extent to which adverse changes, would result in the goodwill being impaired.

We assessed the adequacy of the disclosures related to goodwill impairment in the context of the applicable financial reporting framework.

We also considered whether the judgements made in selecting the models, significant assumptions and data would give rise to indicators of possible management bias.

Based on the procedures performed, we considered that the risk assessment of goodwill impairment remained appropriate and the key assumptions adopted by management in the assessment of goodwill impairment are supported by the evidence obtained.

### OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



## INDEPENDENT AUDITOR'S REPORT

### RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Jack Li.

**PricewaterhouseCoopers**  
*Certified Public Accountants*  
Hong Kong, March 26, 2021



## CONSOLIDATED INCOME STATEMENT

	Note	Year ended December 31,	
		2020 RMB' 000	2019 RMB' 000
<b>Revenues</b>			
Commission	6	74,213,352	65,525,997
Online marketing services	6	18,908,045	15,840,078
Interest revenue	6	884,897	786,032
Other services and sales	6	20,788,216	15,376,424
		<u>114,794,510</u>	<u>97,528,531</u>
Cost of revenues	7	<u>(80,744,368)</u>	<u>(65,208,143)</u>
<b>Gross profit</b>		<b>34,050,142</b>	<b>32,320,388</b>
Selling and marketing expenses	7	(20,882,685)	(18,819,067)
Research and development expenses	7	(10,892,514)	(8,445,664)
General and administrative expenses	7	(5,593,895)	(4,338,954)
Net provision for impairment losses on financial assets		(467,690)	(645,685)
Fair value changes on other financial investments at fair value through profit or loss	19	4,955,909	77,699
Other gains, net	9	<u>3,160,835</u>	<u>2,531,143</u>
<b>Operating profit</b>		<b>4,330,102</b>	<b>2,679,860</b>
Finance income	10	213,684	166,217
Finance costs	10	(370,016)	(191,042)
Share of gains of investments accounted for using equity method	12	<u>264,105</u>	<u>107,353</u>
<b>Profit before income tax</b>		<b>4,437,875</b>	<b>2,762,388</b>
Income tax credits/(expenses)	13	<u>269,737</u>	<u>(526,223)</u>
<b>Profit for the year</b>		<b><u>4,707,612</u></b>	<b><u>2,236,165</u></b>
<b>Profit/(loss) for the year attributable to:</b>			
Equity holders of the Company		4,708,313	2,238,769
Non-controlling interests		<u>(701)</u>	<u>(2,604)</u>
		<u><b>4,707,612</b></u>	<u><b>2,236,165</b></u>
<b>Earnings per share for profit for the year attributable to the equity holders of the Company</b>			
Basic earnings per share (RMB)	14	<u><b>0.81</b></u>	<u><b>0.39</b></u>
Diluted earnings per share (RMB)	14	<u><b>0.78</b></u>	<u><b>0.38</b></u>

The notes on pages 160 to 272 are an integral part of these consolidated financial statements.



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended December 31,	
		2020 RMB' 000	2019 RMB' 000
<b>Other comprehensive (loss)/income:</b>			
<i>Items that may be reclassified to profit or loss</i>			
Share of other comprehensive (loss)/income of investments accounted for using the equity method	12,27	(300)	3,905
Changes in the fair value of short-term treasury investments at fair value through other comprehensive income	27	(60)	—
<i>Items that may not be reclassified to profit or loss</i>			
Currency translation differences	27	(2,920,302)	678,973
Share of other comprehensive loss of investments accounted for using the equity method	12,27	(142,357)	—
Changes in the fair value of other financial investments at fair value through other comprehensive income	20,27	84,387	—
<b>Other comprehensive (loss)/income for the year, net of tax</b>		<b>(2,978,632)</b>	<b>682,878</b>
<b>Total comprehensive income for the year</b>		<b>1,728,980</b>	<b>2,919,043</b>
<b>Total comprehensive income/(loss) for the year attributable to:</b>			
Equity holders of the Company		1,729,681	2,921,721
Non-controlling interests		(701)	(2,678)
		<b>1,728,980</b>	<b>2,919,043</b>

The notes on pages 160 to 272 are an integral part of these consolidated financial statements.



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As of December 31,	
		2020	2019
	Note	RMB' 000	RMB' 000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15	13,917,165	5,376,217
Intangible assets	16	31,676,381	32,699,575
Deferred tax assets	18(a)	448,670	590,054
Long-term treasury investments	21	612,967	200,275
Other financial investments at fair value through profit or loss	19	10,256,786	7,166,122
Investments accounted for using the equity method	12	13,180,943	2,283,590
Other financial investments at fair value through other comprehensive income	20	605,918	—
Prepayments, deposits and other assets	22	7,569,817	1,562,037
		<u>78,268,647</u>	<u>49,877,870</u>
<b>Current assets</b>			
Inventories	23	466,492	275,227
Trade receivables	24	1,030,948	676,762
Prepayments, deposits and other assets	22	12,940,125	9,591,157
Short-term treasury investments	21	43,999,364	49,435,599
Restricted cash	25(b)	12,775,667	8,760,115
Cash and cash equivalents	25(a)	17,093,559	13,396,185
		<u>88,306,155</u>	<u>82,135,045</u>
<b>Total assets</b>		<u><b>166,574,802</b></u>	<u><b>132,012,915</b></u>
<b>EQUITY</b>			
Share capital	26	395	389
Share premium	26	263,155,201	260,359,929
Shares held for shares award scheme	26	—	—
Other reserves	27	(6,262,066)	(4,447,252)
Accumulated losses		<u>(159,200,503)</u>	<u>(163,800,621)</u>
<b>Equity attributable to equity holders of the Company</b>		<b>97,693,027</b>	<b>92,112,445</b>
<b>Non-controlling interests</b>		<u><b>(58,752)</b></u>	<u><b>(58,051)</b></u>
<b>Total equity</b>		<b>97,634,275</b>	<b>92,054,394</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As of December 31,	
		2020 RMB' 000	2019 RMB' 000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities	18(b)	755,694	1,388,469
Financial liabilities at fair value through profit or loss		114,600	—
Deferred revenues	28	166,700	389,028
Borrowings	31	1,957,470	466,676
Notes payable	32	12,966,341	—
Lease liabilities	15	1,648,008	992,233
Other non-current liabilities		184,073	129,552
		<u>17,792,886</u>	<u>3,365,958</u>
<b>Current liabilities</b>			
Trade payables	29	11,967,026	6,766,253
Payables to merchants		9,414,936	7,495,262
Advances from transacting users		4,307,861	3,855,559
Deposits from transacting users		2,222,211	2,491,947
Other payables and accruals	30	10,557,218	7,237,412
Borrowings	31	6,395,002	3,552,587
Deferred revenues	28	5,052,830	4,567,171
Lease liabilities	15	1,089,847	534,566
Income tax liabilities		140,710	91,806
		<u>51,147,641</u>	<u>36,592,563</u>
<b>Total liabilities</b>		<u>68,940,527</u>	<u>39,958,521</u>
<b>Total equity and liabilities</b>		<u>166,574,802</u>	<u>132,012,915</u>

The notes on pages 160 to 272 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 152 to 272 were approved by the Board of Directors on March 26, 2021 and were signed on its behalf:

Wang Xing  
Director

Mu Rongjun  
Director



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to equity holders of the Company							Total RMB' 000
		Share capital RMB' 000	Share premium RMB' 000	Shares held for shares award scheme RMB' 000	Other reserves RMB' 000	Accumulated losses RMB' 000	Sub-total RMB' 000	Non-controlling interests RMB' 000	
As of January 1, 2020		389	260,359,929	—	(4,447,252)	(163,800,621)	92,112,445	(58,051)	92,054,394
Comprehensive income									
Profit for the year		—	—	—	—	4,708,313	4,708,313	(701)	4,707,612
Other comprehensive income									
Share of other comprehensive loss of investments accounted for using the equity method	12,27	—	—	—	(142,657)	—	(142,657)	—	(142,657)
Changes in the fair value of other financial investments at fair value through other comprehensive income	20,27	—	—	—	84,387	—	84,387	—	84,387
Changes in the fair value of short-term treasury investments at fair value through other comprehensive income	27	—	—	—	(60)	—	(60)	—	(60)
Currency translation differences	27	—	—	—	(2,920,302)	—	(2,920,302)	—	(2,920,302)
Total comprehensive income		—	—	—	(2,978,632)	4,708,313	1,729,681	(701)	1,728,980
Transaction with owners in their capacity as owners									
Share-based compensation expenses	27,33	—	—	—	3,272,930	—	3,272,930	—	3,272,930
Shares held for shares award scheme	26	1	—	(1)	—	—	—	—	—
Exercise of option and RSU vesting	26,27	5	2,795,272	1	(2,283,840)	—	511,438	—	511,438
Share of equity movement in an associate	12,27	—	—	—	21,671	—	21,671	—	21,671
Tax benefit from share-based payments		—	—	—	44,862	—	44,862	—	44,862
Appropriations to general reserves		—	—	—	108,195	(108,195)	—	—	—
Total transaction with owners in their capacity as owners		6	2,795,272	—	1,163,818	(108,195)	3,850,901	—	3,850,901
As of December 31, 2020		395	263,155,201	—	(6,262,066)	(159,200,503)	97,693,027	(58,752)	97,634,275

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to equity holders of the Company						
	Note	Share capital	Share premium	Other reserves	Accumulated losses	Sub-total	Non-controlling interests	Total
		RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
As of January 1, 2019		384	258,284,687	(5,741,347)	(166,039,390)	86,504,334	5,438	86,509,772
Comprehensive income								
Profit for the year		—	—	—	2,238,769	2,238,769	(2,604)	2,236,165
Other comprehensive income								
Share of other comprehensive income of investments accounted for using the equity method	12,27	—	—	3,905	—	3,905	—	3,905
Currency translation differences	27	—	—	679,047	—	679,047	(74)	678,973
Total comprehensive income		—	—	682,952	2,238,769	2,921,721	(2,678)	2,919,043
Transaction with owners in their capacity as owners								
Share-based compensation expenses	27,33	—	—	2,181,436	—	2,181,436	—	2,181,436
Exercise of option and RSU vesting	26,27	5	2,075,242	(1,614,957)	—	460,290	—	460,290
Disposal of a subsidiary		—	—	10,617	—	10,617	386	11,003
Transaction with non-controlling interests		—	—	34,047	—	34,047	(61,197)	(27,150)
Total transaction with owners in their capacity as owners		5	2,075,242	611,143	—	2,686,390	(60,811)	2,625,579
As of December 31, 2019		389	260,359,929	(4,447,252)	(163,800,621)	92,112,445	(58,051)	92,054,394



## CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended December 31,	
		2020 RMB' 000	2019 RMB' 000
<b>Cash flows from operating activities</b>			
Cash generated from operations	36(a)	8,561,324	6,037,524
Income tax paid		(86,311)	(463,304)
Net cash flows generated from operating activities		8,475,013	5,574,220
<b>Cash flows used in investing activities</b>			
Purchase of property, plant and equipment		(11,222,560)	(2,984,976)
Proceeds from disposals of property, plant and equipment		279,764	62,334
Purchase of intangible assets		(22,966)	(16,760)
Purchase of land use rights		(4,578,910)	—
Proceeds from disposals of intangible assets		—	1,938
Payments for business combinations, net of cash acquired		(26,849)	(1,365,975)
Purchase of treasury investments		(196,817,451)	(177,154,553)
Proceeds from disposals of treasury investments		199,496,075	170,248,473
Acquisition of investments accounted for using the equity method		(2,367,376)	(141,025)
Proceeds from disposal of equity investments and refunds of prepayment for investments		601,370	323,377
Acquisition of other financial investments at fair value		(7,326,690)	(455,987)
Cash inflow arising from disposal of subsidiaries, net of cash disposed		—	35,808
Gains received from treasury investments		1,629,777	1,315,886
Dividends received		18,912	13,761
Loan to related parties		(875,919)	(35,365)
Increase in prepayment for investments		(19,181)	(20,954)
Net cash flows used in investing activities		(21,232,004)	(10,174,018)

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended December 31,	
		2020 RMB' 000	2019 RMB' 000
<b>Cash flows generated from financing activities</b>			
Proceeds from borrowings, excluding asset-backed securities ("ABS")		10,900,292	3,640,000
Repayments of borrowings, excluding ABS		(5,448,702)	(2,250,000)
Proceeds from ABS, net		—	467,000
Repayments of ABS		(830,031)	(107,969)
Issuance of notes payable		13,337,825	—
Finance costs paid		(218,611)	(218,692)
Proceeds from exercise of option and RSU vesting		499,088	444,915
Payment for acquisitions of non-controlling interests		—	(75,162)
Lease payments		(936,380)	(785,825)
Increase in financial liabilities		114,600	—
Net cash flows generated from financing activities		17,418,081	1,114,267
<b>Net increase/(decrease) in cash and cash equivalents</b>		4,661,090	(3,485,531)
Cash and cash equivalents at the beginning of the year		13,396,185	17,043,692
Exchange loss on cash and cash equivalents		(963,716)	(173,442)
Cash and cash equivalents reclassified from the assets classified as held for sale		—	11,466
<b>Cash and cash equivalents at the end of the year</b>	25(a)	17,093,559	13,396,185





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

## 1 GENERAL INFORMATION AND BASIS OF PRESENTATION

### 1.1 General information

Meituan (formerly known as Meituan Dianping) (“**the Company**”) was incorporated in the Cayman Islands (“**Cayman**”) on September 25, 2015 as an exempted company with limited liability. The registered office is at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries, including structured entities (collectively, the “**Group**”), provides platform which uses technology to connect consumers and merchants and offers diversified daily services, including food delivery, in-store, hotel and travel booking and other services and sales.

The financial information is presented in Renminbi (“**RMB**”), unless otherwise stated.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable International Financial Reporting Standards (“**IFRSs**”) issued by International Accounting Standards Board (“**IASB**”) and disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income, which are carried at fair value.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*2.1 Basis of preparation *(Continued)*

## 2.1.1 Changes in accounting policies

*(a) New and amended standards adopted by the Group*

The Group has applied the following standards and amendments for the first time commencing January 1, 2020:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3 Conceptual Framework	Definition of a Business
IFRS 16 (Amendments)	Revised Conceptual Framework for Financial Reporting
Amendments to IFRS 9, IAS 39 and IFRS 7	COVID-19 related rent concessions
Amendments to IFRS	Interest Rate Benchmark Reform
	Annual Improvements to IFRS Standards 2018-2020 Cycle

The adoption of the above new and amended standards did not have any significant financial impact on these consolidated financial statements.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.1 Basis of preparation *(Continued)*

##### 2.1.1 Changes in accounting policies *(Continued)*

###### *(b) New standards and amendments not yet adopted by the management of the Group*

The following new and amended standards have been issued, but are not effective for the Group's financial year beginning on January 1, 2020 and have not been early adopted by the Group's management.

		Effective for accounting year beginning on or after
Amendments to IAS 28 and IFRS 10	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – phase 2	January 1, 2021
IAS 16 (Amendments)	Property, plant and equipment: proceeds before intended use	January 1, 2022
IAS 37 (Amendments)	Onerous contract – cost of fulfilling a contract	January 1, 2022
IAS 1 (Amendments)	Classification of liabilities as current and non-current	January 1, 2023
IFRS 17	Insurance contracts	January 1, 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
Amendments to IAS 8	Definition of Accounting Estimates	January 1, 2023

The Group is in the process of assessing potential impact of the above new standards and amendments to standards that is relevant to the Group upon initial application. According to the preliminary assessment made by the directors of the Company ("Directors"), management does not anticipate any significant impact on the Group's financial positions and results of operations upon adopting the above new standards and amendments to existing standards. The management of the Group plans to adopt these new standards and amendments to existing standards when they become effective.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.2 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement (including structured entities) with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

#### 2.2.1 Business combinations

The Group applies the acquisition method to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's identifiable net assets.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.2 Subsidiaries *(Continued)*

##### 2.2.1 Business combinations *(Continued)*

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, amount of any non-controlling interest in the acquiree, and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss. Amounts classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

##### 2.2.2 Changes in ownership interests in subsidiaries without change of control

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

##### 2.2.3 Disposal of subsidiaries

When the Group ceases to consolidate a subsidiary because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.3 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. The Group's investments in associates in the form of redeemable instruments are financial assets designated at fair value through profit or loss. All investments in associates in the form of ordinary shares with significant influence are accounted for using the equity method of accounting, after initially being recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an investment accounted for using the equity method equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group determines at each reporting date whether there is any objective evidence that investments accounted for using the equity method are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the investment and its carrying value and recognises the amount in "Other gains, net" in the consolidated income statement.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

### 2.4 Joint arrangements

The Group has applied IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has both joint operations and joint ventures.

The Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.4 Joint arrangements *(Continued)*

Interests in joint ventures are accounted for using the equity method. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill.

Where the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealized gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

#### 2.5 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

#### 2.6 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, mainly includes the executive Directors.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.7 Foreign currency translation

#### 2.7.1 Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Company's functional currency is USD as its key activities and transactions are denominated in USD. The Company's primary subsidiaries were incorporated in the PRC and these subsidiaries considered RMB as their functional currency. The Group's presentation currency is RMB.

#### 2.7.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in consolidated income statement on a net basis within "Other gains, net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as investments at fair value through profit or loss are recognised in consolidated income statement as part of the "Fair value changes on other financial investments at fair value through profit or loss".

#### 2.7.3 Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position
- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.7 Foreign currency translation *(Continued)*

##### 2.7.3 Group companies *(Continued)*

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified into income statement, as part of “Other gains, net”.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

#### 2.8 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

- |  |   |
|--|---|
| • computer equipment (including servers) | 3 years   |
| • furniture and appliances               | 5 years   |
| • bikes and electric mopeds              | 2-3 years   |
| • leasehold improvements                 | the shorter of the term of the lease or<br>the estimated useful lives of the assets |
| • others                                 | 2-3 years   |

Property, plant and equipment arising from business acquisition is depreciated over the remaining useful life.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.8 Property, plant and equipment *(Continued)*

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount, and are recognised in "Other gains, net" in the consolidated income statement.

### 2.9 Intangible assets

#### 2.9.1 Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the aggregate purchase consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes at the operating segments.



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.9 Intangible assets *(Continued)*

#### 2.9.2 Other intangible assets

Other intangible assets mainly include trade name, user generated content, software purchased from third parties, online payment license, technology and licenses, user list and supplier relationship. They are initially recognised and measured at cost or fair value if they are acquired in business combinations. Other intangible assets are amortized over their estimated useful lives using the straight-line method which reflects the pattern in which the intangible asset's future economic benefits are expected to be consumed.

The Group amortizes intangible assets with a limited useful life using the straight-line method over the following periods:

• trade name	2 – 25 years
• user generated content	5 years
• software and others	1 – 10 years
• online payment license	15 years
• technology and licenses	2 – 5 years
• user list	5 years
• supplier relationship	2 – 8 years

When determining the length of useful life of an intangible asset, management take into account the (i) estimated period during which such asset can bring economic benefits to the Group; and (ii) the useful life estimated by comparable companies in the market.

#### 2.9.3 Research and development

Research expenditures are recognised as an expenses as incurred. Costs incurred on development projects are capitalized as intangible assets when recognition criteria are met, including (a) it is technically feasible to complete the software so that it will be available for use; (b) management intends to complete the software and use or sell it; (c) there is an ability to use or sell the software; (d) it can be demonstrated how the software will generate probable future economic benefits; (e) adequate technical, financial and other resources to complete the development and to use or sell the software are available; and (f) the expenditure attributable to the software during its development can be reliably measured. Other development costs that do not meet those criteria are expensed as incurred. There were no development costs meeting these criteria and capitalized as intangible assets as of December 31, 2020 and 2019.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****2.10 Shares held for shares award scheme**

The amount of the shares transferred by the Company to the Share Scheme Trust, is presented as “Shares held for shares award scheme”.

When the Share Scheme Trust transfers the Company’s shares to the awardees upon vesting, the related par value of the awarded shares vested are credited to “Shares held for shares award scheme”, with a corresponding adjustment made to “Share premium”.

**2.11 Impairment of non-financial assets**

Goodwill is not subject to amortization and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

**2.12 Financial guarantee contracts**

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under IFRS 9 Financial Instruments; and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.



### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.13 Financial assets

##### *(i) Classification*

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income ("OCI"). For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investments at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

##### *(ii) Recognition*

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

##### *(iii) Derecognition*

The Group derecognises a financial asset, if the part being considered for derecognition meets one of the following conditions: (i) the contractual rights to receive the cash flows from the financial asset expire; or (ii) the contractual rights to receive the cash flows of the financial asset have been transferred, the Group transfers substantially all the risks and rewards of ownership of the financial asset; or (iii) the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement that meets all the conditions of de-recognition of transfer of cash flows ("pass through" requirements) and transfers substantially all the risks and rewards of ownership of the financial asset.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.13 Financial assets *(Continued)*

#### *(iii) Derecognition (Continued)*

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss or retained earnings:

- the carrying amount of the financial asset transferred; and
- the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised directly in equity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability.

As part of its operations, the Group securitizes financial assets, generally through the sale of these assets to special purpose vehicles which issue securities to investors. Further details on prerequisites for derecognition of financial assets are set out above. When the securitization of financial assets that qualify for derecognition, the relevant financial assets are derecognised in their entirety and a new financial asset or liabilities is recognised regarding the interest in the unconsolidated securitization vehicles that the Group acquired. When the securitization of financial assets that do not qualify for derecognition, the relevant financial asset are not derecognised, and the consideration paid by third parties are recorded as a financial liability; when the securitization of financial assets that partially qualify for derecognition, the book value of the transferred asset should be recognised between the derecognised portion and the retained portion based on their respective relative fair values, and the difference between the book value of the derecognised portion and the total consideration paid for the derecognised portion shall be recorded in profit or loss.

#### *(iv) Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.



### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.13 Financial assets *(Continued)*

##### *(iv) Measurement (Continued)*

###### *Debt instruments*

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "Other gains, net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "Other gains, net". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "Other gains, net" and impairment expenses are presented as separate line item in the statement of profit or loss.
- **FVPL:** Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within "Other gains, net" in the period in which it arises.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

## 2.13 Financial assets (Continued)

## (iv) Measurement (Continued)

*Equity instruments*

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in "Other gains, net" in profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments at FVOCI are not reported separately from other changes in fair value.

## (v) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group has three types of financial assets that are subject to IFRS 9's new ECL model (Note 3.1 (b)):

- loan receivables
- trade receivables
- prepayment, deposits and other assets

While cash and cash equivalents, restricted cash, short-term treasury investments at amortized cost, short-term treasury investments at fair value through other comprehensive income and long-term treasury investments at amortized cost are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.





### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.14 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

#### 2.15 Deposits from transacting users

Deposits from transacting users are the deposits received from transacting users of bike-sharing services, which are redeemable at any time upon the requests from transacting users.

#### 2.16 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

#### 2.17 Trade and other receivables

Trade receivables are amounts due from customers for goods and services provided in the ordinary course of business.

Trade and other receivables are generally due for settlement within 1 year and therefore are all classified as current.

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. They are subsequently measured at amortised cost using the effective interest method, less loss allowance.

Other receivables are recognised initially at fair value and subsequently measured at amortized cost using the effective interest method, less allowance for impairment.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****2.18 Cash and cash equivalents and restricted cash**

Cash and cash equivalents includes cash in hand, deposits held at call with banks within three months, certain amounts of cash held in accounts managed by other financial institutions in connection with the provision of services and sale of goods.

Cash that restricted from withdrawal, use or pledged as security is reported separately on the face of the consolidated statements of financial position, and is not included in the total cash and cash equivalents in the consolidated statements of cash flows.

**2.19 Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or share options are shown in equity as a deduction from the proceeds.

**2.20 Trade and other payables**

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortized cost using the effective interest method.

**2.21 Borrowings, notes payable and borrowing costs**

Borrowings and notes payable issued by the Group are initially recognised at fair value, net of transaction costs incurred. They are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over their contractual terms using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Notes payable are classified as non-current liabilities unless the Group has an unconditional obligation to settle the liability within 12 months after the end of the reporting period.

Borrowing costs are expensed in the period in which they are incurred.

Borrowings and notes payable are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.22 Financial liabilities at fair value through profit or loss

The Group irrevocably designate a financial liability at fair value through profit or loss when doing so results in more relevant information at initial recognition, because either:

- (a) it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as ‘an accounting mismatch’) that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases; or
- (b) a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group’s key management personnel, for example, the Group’s board of directors (“**Board**”) and chief executive officer.

#### 2.23 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period’s taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

##### 2.23.1 *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company’s subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****2.23 Current and deferred income tax (Continued)***2.23.2 Deferred income tax**(a) Inside basis differences*

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

*(b) Outside basis differences*

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the subsidiaries and associates' undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.23 Current and deferred income tax *(Continued)*

#### 2.23.2 *Deferred income tax (Continued)*

##### *(c) Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### 2.24 Employee benefits

#### 2.24.1 *Employee leave entitlement*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick and maternity leave are not recognised until the time of leave.

#### 2.24.2 *Pension obligations and other social welfare benefits*

The Group contributes on a monthly basis to various defined contribution plans organised by the relevant governmental authorities. The Group's liability in respect of these plans is limited to the contributions payable in each period. The Group's contributions to these plans are expensed as incurred. Assets of the plans are held and managed by government authorities and are separated from those of the Group.

#### 2.24.3 *Bonus plan*

The expected cost of bonuses is recognised as a liability when the Group has a present legal or constructive obligation for payment of bonuses as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonuses are expected to be settled within 1 year and are measured at the amounts expected to be paid when they are settled.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.25 Share-based payments

The Group has operated share incentive plans including share option schemes and share award schemes. The pre-IPO employee stock incentive scheme adopted by the Company dated October 6, 2015 (“Pre-IPO ESOP”) was administered until the initial public offering, after which it was replaced by the post-IPO share option scheme adopted by the Company on August 30, 2018 (“Post-IPO Share Option Scheme”) and the post-IPO share award scheme adopted by the Company on August 30, 2018 (“Post-IPO Share Award Scheme”). Share-based compensation benefits are provided to employees via the Pre-IPO ESOP, the Post-IPO Share Option Scheme and the Post-IPO Share Award Scheme. The Group receives services from employees and other qualifying participants as consideration for equity instruments (including share options and RSUs) of the Group. The fair value of the services received in exchange for the grant of the equity instruments is recognised as an expense in the consolidated income statement.

#### 2.25.1 Share options

For grant of share options, the total amount to be expensed is determined by reference to the fair value of the options granted by using Black-Scholes models:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

#### 2.25.2 RSUs

For grant of RSUs, the total amount to be expensed is determined by reference to the fair value of the Company’s shares at the grant date.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognizing the expense during the period between service commencement date and grant date.



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.25 Share-based payments *(Continued)*

#### 2.25.3 Modifications and Cancellations

The Group may modify the terms and conditions on which share incentive awards were granted. If a modification increases the fair value of the equity instruments granted, the incremental fair value granted is included in the measurement of the amount recognised for the services received over the remainder of the vesting period.

A grant of share incentive awards, that is cancelled or settled during the vesting period, is treated as an acceleration of vesting. The Group immediately recognises the amount that otherwise would have been recognised for services received over the remainder of the vesting period.

### 2.26 Provisions

Provisions for service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

### 2.27 Revenue recognition

Revenue is principally comprised of commission, online marketing services, interest revenue and other services and sales. The Group recognises revenue when or as the control of the promised goods or services is transferred to a customer, netting of value-added taxes ("VAT"). Depending on the terms of the contract and the laws that apply to the contract, if control of the goods and services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or services.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.27 Revenue recognition *(Continued)*

Contracts with customers may include multiple performance obligations. For such arrangements, the Group allocates revenue to each performance obligation based on its relative standalone selling price. The Group generally determines standalone selling prices based on the prices charged to customers. If the standalone selling price is not directly observable, it is estimated using expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information. Revenue arrangements with multiple performance obligations are not significant to the Group's total revenue.

In accordance with the principal versus agent considerations prescribed by IFRS 15, the Group evaluates whether it acts as the principal or agent in each of its revenue streams to determine whether revenue should be recorded on a gross or net basis. The Group is acting as the principal if, individually or in combination, it controls the specified good or service before being transferred to the customer, is primarily responsible for fulfilling the contract, is subject to inventory risk, and has discretion in establishing prices. An agent arranges for goods or services to be provided by the principal to its end customer, which normally receives a commission or fee for these activities.

#### 2.27.1 *The accounting policy for the Group's principal revenue sources*

##### *(a) Commission*

The Group provides an e-commerce platform that enables merchants to sell their services or products to transacting users through the platform. Acting as an agent, the Group generates revenue from commission fees, which are generally charged as a percentage of the value of transactions placed by transacting users on the Group's platform.

Under certain circumstances, the Group provides delivery service mainly to transacting users as a principal, and earns the delivery service fee collecting from transacting users as revenue on a gross basis.

##### *On-demand delivery services (including food and non-food delivery)*

The on-demand delivery services facilitate food and non-food ordering and offer delivery service to transacting users through the Group's platform. Meanwhile, the Group provides platform service to merchants and certain business partners in certain regions within the PRC, displaying the food or other goods information to transacting users. Upon the completion of a transaction, both the delivery service and the platform service are rendered. The Group recognises the delivery service fees collected from transaction users and the commission as revenue at the same time. The amounts to be remitted to third-party merchants, after netting the commission revenue from the cash payments by transacting users, are recorded as payables to merchants. In instances where the Group is not responsible for delivery, only commission revenue is recognised once a transaction is completed.





### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.27 Revenue recognition *(Continued)*

##### 2.27.1 *The accounting policy for the Group's principal revenue sources (Continued)*

###### *(a) Commission (Continued)*

###### *In-store, hotel & travel services*

The Group's in-store, hotel & travel services provides merchants platform to display their own services or goods. Transacting users can purchase the vouchers or make reservations offered by merchants via the Group's platform. When the vouchers are redeemed at merchants site, upon room check-in for hotel reservations, or on the departure date of the packaged tours, commission revenues are recognised.

Under all circumstances, cash payments received from transacting users are initially recorded as advances from transacting users, as unredeemed vouchers can be returned by users at any time. When revenues are recognised at the point in time as determined above, the amounts to be remitted to third-party merchants are recorded as payables to merchants.

###### *(b) Online marketing services*

The Group provides online marketing services to merchants or marketers. Some of the merchants or marketers pay the Group for performance-based marketing only when a user clicks on marketer's link on the Group's websites or/and mobile applications, or when the advertisement is viewed by a pre-determined number of users. The Group recognises revenue each time a user clicks on the marketer's link or when its information is viewed by pre-determined number of users.

The Group also offers display-based marketing services in the form of key words search, banners, and textual or graphical marketer's link. The marketers pay the Group based on the period their advertisements are displayed on the Group's websites and/or mobile applications. The revenue is recognised on a pro-rata basis over the contractual service period, which is normally less than 1 year, starting on the date when the advertisement is first displayed on the Group's websites and/or mobile applications.

For certain merchants, the Group provides value-added marketing services under an annual plan, and charges an annual fee for such plan. The Group recognises revenue ratably as the value-added marketing services are provided over the plan period.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

## 2.27 Revenue recognition (Continued)

## 2.27.1 The accounting policy for the Group's principal revenue sources (Continued)

## (c) Interest revenue

The Group directly offers loans, including joint loans together with other institutions, through its online platform to merchants or individual users via qualified subsidiary. The loan principal is funded entirely or partially by the Group, and loan receivables due from such loan facilitation are recorded on the statement of financial position. Interest revenue is calculated by applying the effective interest rate to the gross carrying amount of a loan receivable except for loan receivables that subsequently become credit-impaired. For credit-impaired loan receivables, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

## (d) Other services and sales

Other services and sales comprise primarily revenue generated from business to business food distribution services ("B2B food distribution services"), loan facilitation and relative post-origination services, ride-sharing services, car-hailing services and other products or services. The Group recognises revenues when the respective services are rendered, or when the control of the products are transferred to the customers.

The Group's local transportation services mainly provide ride-sharing services and car-hailing services to its transacting users. Currently, for ride-sharing services and car-hailing services other than aggregated model, the Group recognises revenues substantially for the fees collected from transacting users. Revenues from car-hailing services of aggregated model are immaterial to the Group. As to the transportation services relating to the taxi services, the Group acts as an agent by connecting transacting users with taxi drivers, and does not earn any fee from either party, and therefore recognises no revenue.

The Group's B2B food distribution services provide supply chain solution to merchants in the catering industry mainly through sales of food ingredients. The Group recognises goods sold revenue on a gross basis when the control of inventories is transferred.



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.27 Revenue recognition *(Continued)*

#### 2.27.1 *The accounting policy for the Group's principal revenue sources (Continued)*

##### *(d) Other services and sales (Continued)*

In certain cases, the Group also provides loan facilitation services to borrowers and lenders, and provides post-origination services (e.g. cash process, collection and short message services) to lenders and regard facilitation services and post origination services as two distinctive performance obligations. The borrowers are commonly merchants or individual users who utilize the Group's online platform. For loan facilitation services, the Group determines that it is not the legal lender or borrower in the loan origination and repayment process, but acting as an intermediary to bring both parties together. Therefore, the Group does not record the loans receivable or payable arising from the loan facilitation activities. Loan facilitation services revenue are recognised at point of time when the loan contract established between borrowers and lenders and post-origination services revenue are recognised over the loan contract period.

The Group also generates other revenues from a long-term business cooperation agreement with Maoyan, which provides that Maoyan shall be the Group's exclusive business partner for the movie ticketing business. Through this cooperation agreement, the Group provides Maoyan with user traffic and other sources services over the cooperation period and recognizes revenue in a straight line basis. Please refer to Note 28 for further details.

#### 2.27.2 *Contract Balances*

When either party to a contract has performed, the Group presents the contract in the statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for goods and services that the Group has transferred to a customer. A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due. The Group's contract assets are mainly trade receivables due from online marketing services and loan facilitation services.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****2.27 Revenue recognition (Continued)****2.27.2 Contract Balances (Continued)**

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group presents the contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. The Group's contract liabilities are mainly resulted from the online marketing services, which are recorded as deferred revenues.

The Group generally expenses contract acquisition cost when incurred because the amortization period would have been 1 year or less.

**2.27.3 Incentives**

The Group provides various types of incentives to transacting users, delivery riders, borrowers, drivers and merchants under online marketing services or supply chain solution service, including discounted coupons (with a minimum value to use), direct payment deduction, red packet, interest reduction/exemption coupons and discounts on goods or services. The major accounting policy for incentives is described as follows.

**(a) Incentives to customers**

The Group records such incentives as deduction of revenue, to the extent of the revenue collected from the customers. The exceeded amount is recorded as selling and marketing expenses. The incentives on delivery service or local transporting service to transacting users, the incentives to crowdsourced delivery riders on behalf of merchants or individual users, the interest favorable offered to borrowers, and discounts on online marketing services or supply chain solution service to merchants are classified as such.

**(b) Incentives to transacting users**

If substantial services to transacting users are provided by the third parties, the incentives at the Group's discretion in order to stimulate the transaction volume on the online platform are recorded as selling and marketing expenses. The incentives to transacting users where the Group is not responsible for delivery and substantially all of the incentives for in-store, hotel & travel services are classified as such.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.27 Revenue recognition *(Continued)*

##### 2.27.3 Incentives *(Continued)*

###### *(c) Incentives to vendors*

In circumstance where the Group is responsible for the delivery service, the incentive to delivery riders is recognised as cost of revenue as it is part of the Group's fulfilment costs for completion of the delivery performance obligation. In connection with car-hailing services, the incentives to drivers are recorded as cost of revenue.

###### *(d) Incentives on behalf of third parties*

For certain business partners in certain regions within the PRC in food delivery business, they setup the incentive plans via the Group's system to maintain local market and manage the daily operation. The Group receives and pays the incentives on behalf of such business partners to transacting users, which is not treated as the Group's incentives.

For all the business lines, the Group may facilitate cash refunds or incentives to its transacting users for unsatisfactory goods or services rendered by the merchants, but merchants are contractually responsible and liable for the quality of the goods or services. The Group also holds the contractual right to claim reimbursements from merchants. For those which are not refunded by merchants, the refunds or incentives from the Group to transacting users are recorded as a reduction of revenue unless there are objective evidence that they are not paid on behalf of merchants.

The total incentives recorded as selling and marketing expenses have been included in Note 7-Transacting User incentives.

##### 2.27.4 Practical Expedients and Exemptions

The transaction price allocated to the performance obligations that are unsatisfied, or partially unsatisfied, has not been disclosed, as substantially all of the Group's contracts have a duration of 1 year or less. The unsatisfied performance obligation related to the Maoyan cooperation agreement has been included in deferred revenues (Note 28).

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****2.28 Interest income**

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Interest income is presented as interest revenue where it is calculated using the effective interest rate method and earned from financial assets that are held for micro-credit business. Any other gains from short-term and long-term treasury investments is included in “Other gains, net”.

**2.29 Dividend income**

Dividends are recognised when the right to receive payment is established.

**2.30 Leases**

The Group leases various offices and others. Rental contracts are typically made for fixed periods of 1 month to 10 years but may have extension options, which are used to maximise operational flexibility in terms of managing the assets used in the Group’s operations.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.



### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.30 Leases *(Continued)*

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have third-party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The lease payments are allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs; and
- restoration costs.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****2.30 Leases (Continued)**

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

The payments associated with leases of the low-value assets are recognised on a straight-line basis as an expense in profit or loss. The low-value assets comprise small items of facilities.

The Group considers the lease as a single transaction in which the asset and liabilities are integrally linked. There is no net temporary difference at inception. Subsequently, the differences arisen on settlement of the liability and the amortisation of leased assets, there will be a net temporary difference on which deferred tax is recognised.

Right-of-use assets are presented in "Property, plant and equipment" on face of the Group's consolidated statement of financial position.

**2.31 Dividends distribution**

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's Shareholders or Directors, where appropriate.

**2.32 Government subsidies**

Subsidies from the government are recognised at their fair value where there is a reasonable assurance that the subsidies will be received and the Group will comply with all attached conditions. Under these circumstances, the subsidies are recognised as income or matched with the associated costs which the subsidies are intended to compensate.





### 3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk, and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group.

#### 3.1 Financial risk factors

##### (a) *Market risk*

###### (i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the Group entities' functional currency. The functional currency of the Company is USD whereas functional currency of the subsidiaries operating in the PRC is RMB. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and tries to minimize these exposures through natural hedges, wherever possible and may enter into forward foreign exchange contracts, when necessary.

The Group operates mainly in the PRC with most of the transactions settled in RMB, management considers that the business is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities of the Group are denominated in the currencies other than the respective functional currencies of the Group's entities.

###### (ii) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates and the Group has no significant interest-bearing assets except for cash and cash equivalents, restricted cash and short-term treasury investments at amortized cost, and details of which have been disclosed in Note 25 and Note 21, respectively.

The Group's exposure to changes in interest rates is also attributable to its borrowings and notes payable, details of which has been disclosed in Note 31 and Note 32. Borrowings and notes payable carried at floating rates expose the Group to cash flow interest rate risk whereas those carried at fixed rates expose the Group to fair value interest rate risk.

As of December 31, 2020, the Group's notes payable were carried at fixed rates, which did not expose the Group to cash flow interest rate risk.

### 3 FINANCIAL RISK MANAGEMENT *(Continued)*

#### 3.1 Financial risk factors *(Continued)*

##### *(a) Market risk (Continued)*

###### *(iii) Price risk*

The Group is exposed to price risk in respect of other financial investments at fair value through profit or loss, other financial investments at fair value through other comprehensive income, short-term and long-term treasury investments at fair value through profit or loss and short-term treasury investments at fair value through other comprehensive income held by the Group. The Group is not exposed to commodity price risk. To manage its price risk arising from the investments, the Group diversifies its portfolio. Each investment is managed by senior management on a case by case basis. The sensitivity analysis is performed by management, see Note 3.3 for detail.

##### *(b) Credit risk*

The Group is exposed to credit risk in relation to its cash and cash equivalents, restricted cash, treasury investments at amortized cost, short-term treasury investments at fair value through other comprehensive income, trade receivables and prepayments, deposits and other assets. The carrying amounts of each class of the above financial assets represent the Group's maximum exposure to credit risk in relation to financial assets. The Group is also exposed to credit risk in relation to its financial guarantee contracts.

To manage risk arising from cash and cash equivalents, restricted cash, treasury investments at amortized cost and short-term treasury investments at fair value through other comprehensive income, the Group only transacts with state-owned or reputable financial institutions in mainland China and reputable international financial institutions outside of mainland China. There has been no recent history of default in relation to these financial institutions. These instruments are considered to have low credit risk because they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term. The identified credit losses are immaterial.

To manage risk arising from trade receivables and contract assets, the Group has policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and the management performs ongoing credit evaluations of its counterparties. The credit period granted to the customers is usually no more than 180 days and the credit quality of these customers is assessed, which takes into account their financial position, past experience and other factors.

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.



### 3 FINANCIAL RISK MANAGEMENT *(Continued)*

#### 3.1 Financial risk factors *(Continued)*

##### *(b) Credit risk (Continued)*

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts.

The expected loss rates are based on the payment profiles of sales over a period of 36 months or enough credit cycle for those new lines of business which continue operation for less than 3 years before December 31, 2020 or January 1, 2020 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the urban per capita disposable income and the total retail sales of consumer goods of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 180 days past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

For prepayments, deposits and other assets, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables and prepayments to merchants based on historical settlement records and past experiences incorporating forward-looking information. Impairment on prepayments, deposits and other assets is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

### 3 FINANCIAL RISK MANAGEMENT *(Continued)*

#### 3.1 Financial risk factors *(Continued)*

##### *(b) Credit risk (Continued)*

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counter party's ability to meet its obligations
- actual or expected significant changes in the operating results of the counter party
- significant increases in credit risk on other financial instruments of the same counter party
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements, and
- significant changes in the expected performance and behaviour of the counter party, including changes in the payment status and operating results of the counter party.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

### 3 FINANCIAL RISK MANAGEMENT *(Continued)*

#### 3.1 Financial risk factors *(Continued)*

##### *(b) Credit risk (Continued)*

Category	Group definition of category		Basis for recognition of expected credit loss provision
	Other receivables excluding loan receivables and prepayments to merchants	Prepayments to merchants	
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows		12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	A significant increase in credit risk is presumed if repayments are 30 days past due	The Group terminates its cooperation with merchants	Lifetime expected losses
Non-performing	Repayments are 90 days past due	The Group terminates its cooperation with merchants for more than 60 days	Lifetime expected losses
Write-off	1>Repayments are 3 years past due 2> and there is no reasonable expectation of recovery	1>Repayments are 3 years past due 2> and there is no reasonable expectation of recovery	Asset is written off

## 3 FINANCIAL RISK MANAGEMENT (Continued)

## 3.1 Financial risk factors (Continued)

## (b) Credit risk (Continued)

To manage risk arising from loan receivables and financial guarantee contracts, standardized credit management procedures are performed. For pre-approval investigation, the Group optimizes the review process by using big data technology through its platform and system, including credit analysis, assessment of collectability of borrowers, monitoring the cash flow status of the merchants, possibility of misconduct and fraudulent activities. In terms of credit examining management, specific policies and procedures are established to assess loans offering. For subsequent monitoring, the Group monitors the cash flow and operation status of each borrowers. Once the loan was issued, all borrowers would be assessed by fraud examination model to prevent fraudulent behaviors. In post-loan supervision, the Group establishes risk monitoring alert system through periodical monitoring. The estimation of credit exposure for risk management purposes is complex and requires use of models as the exposure varies with changes in market conditions, expected cash flows and passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default corrections between counterparties. The Group measures credit risk using Probability of Default ("PD"), Exposure at Default ("EAD") and Loss Given Default ("LGD"). This is consistent with the general approach used for the purposes of measuring ECL under IFRS 9. The maximum credit risk from financial guarantee contracts as of December 31, 2020 was nil (2019: RMB15 million).

## (i) ECL model for loan receivables, as summarized below:

- The loan receivables that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group. The expected credit loss is measured on a 12-month basis.
- If a significant increase in credit risk (as defined below) since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. The expected credit loss is measured on lifetime basis.
- If the financial instrument is credit-impaired (as defined below), the financial instrument is then moved to 'Stage 3'. The expected credit loss is measured on lifetime basis.
- In Stages 1 and 2, interest income is calculated on the gross carrying amount (without deducting the loss allowance). If a financial asset subsequently becomes credit-impaired (Stage 3), the Group is required to calculate the interest income by applying the effective interest method in subsequent reporting periods to the amortized cost of the financial asset (the gross carrying amount net of loss allowance) rather than the gross carrying amount.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

### 3 FINANCIAL RISK MANAGEMENT *(Continued)*

#### 3.1 Financial risk factors *(Continued)*

##### *(b) Credit risk (Continued)*

##### *(i) ECL model for loan receivables, as summarized below: (Continued)*

The impairment of loan receivables was provided based on the 'three-stages' model by referring to the changes in credit quality since initial recognition.

The key judgments and assumptions adopted by the Group in addressing the requirements of the standard are discussed below:

##### *(1) Significant increase in credit risk (SICR)*

The Group considers loan receivables to have experienced a significant increase in credit risk when backstop criteria has been met. A backstop is applied and the loan receivables are considered to have experienced a significant increase in credit risk if the borrower is past due more than 1 day on its contractual payments.

##### *(2) Definition of default and credit-impaired assets*

The Group defines a financial instrument as in default, when the borrower is more than 90 days past due on its contractual payments. This has been applied to all loan receivables held by the Group.

##### *(3) Measuring ECL – Explanation of inputs, assumptions and estimation techniques*

The expected credit loss is measured on either a 12-month ("12M") or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the PD, EAD, and LGD.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each portfolio. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summarized. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

3 FINANCIAL RISK MANAGEMENT *(Continued)*3.1 Financial risk factors *(Continued)**(b) Credit risk (Continued)*(i) ECL model for loan receivables, as summarized below: *(Continued)*

## (4) Forward-looking information incorporated in the ECL models

The calculation of ECL incorporates forward-looking information. The Group has performed historical analysis and identified the per capita disposable income of urban residents as the key economic variables impacting credit risk and expected credit losses.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and has analyzed the non-linearities and asymmetries within the Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

## (5) Grouping of instruments for losses measured on a collective basis

For ECL provisions modeled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

## (ii) Loss allowance

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stage 2 or 3 due to loan receivables experiencing significant increases (or decreases) of credit risk in the period, and the subsequent "step up" (or "step down") between 12-month and lifetime ECL;
- Additional allowances for new financial instruments recognised, as well as releases for loan receivables derecognised in the period;
- Loan receivables derecognised and write-offs of allowances related to assets that were written off during the period.





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.1 Financial risk factors (Continued)

#### (b) Credit risk (Continued)

##### (ii) Loss allowance (Continued)

The gross carrying amount of the loan receivables explains their significance to the changes in the loss allowance as discussed above:

	Stage 1 12-month ECL RMB' 000	Stage 2 Lifetime ECL RMB' 000	Stage 3 Lifetime ECL RMB' 000	Total RMB' 000
Gross carrying amount as of January 1, 2020	5,533,758	129,915	59,377	5,723,050
Transfers:				
Transfer from Stage 1 to Stage 2	(105,138)	105,138	—	—
Transfer from Stage 1 to Stage 3	(303,815)	—	303,815	—
Transfer from Stage 2 to Stage 1	—	—	—	—
Transfer from Stage 2 to Stage 3	—	(78,333)	78,333	—
Transfer from Stage 3 to Stage 1	—	—	—	—
Transfer from Stage 3 to Stage 2	—	—	—	—
Loan receivables derecognised during the period other than write-off	(38,903,663)	(49,221)	(52,774)	(39,005,658)
New loan receivables originated	40,883,459	—	—	40,883,459
Write-off	—	—	(384,107)	(384,107)
Recovered after written off	—	—	45,272	45,272
Gross carrying amount as of December 31, 2020	<u>7,104,601</u>	<u>107,499</u>	<u>49,916</u>	<u>7,262,016</u>

## 3 FINANCIAL RISK MANAGEMENT (Continued)

## 3.1 Financial risk factors (Continued)

## (b) Credit risk (Continued)

## (ii) Loss allowance (Continued)

The following tables explain the changes in the loss allowance for loan receivables between the beginning and the end of the period due to these factors:

	Stage 1 12-month ECL RMB' 000	Stage 2 Lifetime ECL RMB' 000	Stage 3 Lifetime ECL RMB' 000	Total RMB' 000
Loss allowance as of January 1, 2020	(172,630)	(103,491)	(59,377)	(335,498)
Transfers:				
Transfer from Stage 1 to Stage 2	3,296	(81,245)	—	(77,949)
Transfer from Stage 1 to Stage 3	9,524	—	(303,815)	(294,291)
Transfer from Stage 2 to Stage 1	—	—	—	—
Transfer from Stage 2 to Stage 3	—	60,531	(78,333)	(17,802)
Transfer from Stage 3 to Stage 1	—	—	—	—
Transfer from Stage 3 to Stage 2	—	—	—	—
Loan receivables derecognised during the period other than write-off	1,219,560	38,035	52,774	1,310,369
New loan receivables originated	(1,281,624)	—	—	(1,281,624)
Write-off	—	—	384,107	384,107
Recovered after written off	—	—	(45,272)	(45,272)
Accrual and reversal	(1,925)	5,666	—	3,741
Loss allowance as of December 31, 2020	<u>(223,799)</u>	<u>(80,504)</u>	<u>(49,916)</u>	<u>(354,219)</u>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.1 Financial risk factors (Continued)

#### (b) Credit risk (Continued)

##### (iii) Write-off policy

The Group writes off loan receivables, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include ceasing enforcement activity.

The Group may write-off loan receivables that are still subject to enforcement activity.

##### (iv) Modification

The Group rarely modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximizing recovery. The Group considers the impact from such modification is not significant.

#### (c) Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying business, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate cash and cash equivalents or adjust financing arrangements to meet the Group's liquidity requirements.

The table below analyzes the Group's non-derivative financial liabilities. The amount disclosed in the table is the contractual undiscounted cash flows.

	Less than 1 year RMB' 000	Between 1 and 2 years RMB' 000	Between 2 and 5 years RMB' 000	Over 5 years RMB' 000	Total RMB' 000
As of December 31, 2020					
Trade payables	11,967,026	—	—	—	11,967,026
Payables to merchants	9,414,936	—	—	—	9,414,936
Advances from transacting users	4,307,861	—	—	—	4,307,861
Deposits from transacting users	2,222,211	—	—	—	2,222,211
Other payables and accruals	5,044,613	—	—	—	5,044,613
Borrowings	6,514,417	31,946	1,983,377	—	8,529,740
Notes payable	352,752	352,752	5,951,932	9,399,935	16,057,371
Lease liabilities	1,211,544	882,633	893,109	10,223	2,997,509
Other non-current liabilities	—	—	119,512	—	119,512
	<u>41,035,360</u>	<u>1,267,331</u>	<u>8,947,930</u>	<u>9,410,158</u>	<u>60,660,779</u>

## 3 FINANCIAL RISK MANAGEMENT (Continued)

## 3.1 Financial risk factors (Continued)

## (c) Liquidity risk (Continued)

	Less than 1 year RMB' 000	Between 1 and 2 years RMB' 000	Between 2 and 5 years RMB' 000	Over 5 years RMB' 000	Total RMB' 000
As of December 31, 2019					
Trade payables	6,766,253	—	—	—	6,766,253
Payables to merchants	7,495,262	—	—	—	7,495,262
Advances from transacting users	3,855,559	—	—	—	3,855,559
Deposits from transacting users	2,491,947	—	—	—	2,491,947
Other payables and accruals	3,474,669	—	—	—	3,474,669
Borrowings	3,666,595	466,676	—	—	4,133,271
Lease liabilities	605,233	491,197	586,922	9,361	1,692,713
Other non-current liabilities	—	3,336	126,311	—	129,647
Financial guarantee contracts (Note 2.12)	14,977	—	—	—	14,977
	<u>28,370,495</u>	<u>961,209</u>	<u>713,233</u>	<u>9,361</u>	<u>30,054,298</u>

## 3.2 Capital management

The Group's objectives when managing capital are to:

- Safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders; and
- Maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to Shareholders, return capital to Shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital (including share capital, share premium and shares held for shares award scheme) by regularly reviewing the capital structure. As a part of this review, the Group considers the cost of capital and the risks associated with the issued share capital. In the opinion of the Directors of the Company, the Group's capital risk is low.



### 3 FINANCIAL RISK MANAGEMENT *(Continued)*

#### 3.3 Fair value estimation

##### *3.3.1 Fair value hierarchy*

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

The table below analyzes the Group's financial instruments carried at fair value as of December 31, 2020 and 2019 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

## 3 FINANCIAL RISK MANAGEMENT (Continued)

## 3.3 Fair value estimation (Continued)

## 3.3.1 Fair value hierarchy (Continued)

The following table presents the Group's assets and liabilities that are measured at fair value as of December 31, 2020.

	Level 1 RMB' 000	Level 2 RMB' 000	Level 3 RMB' 000	Total RMB' 000
<b>As of December 31, 2020</b>				
<b>Financial assets</b>				
Short-term treasury investments at fair value through profit or loss (Note 21)	—	—	32,083,979	32,083,979
Short-term treasury investments at fair value through other comprehensive income (Note 21)	—	65,442	900,111	965,553
Long-term treasury investments at fair value through profit or loss (Note 21)	—	—	612,967	612,967
Other financial investments at fair value through profit or loss (Note 19)	2,124,519*	—	8,132,267	10,256,786
Other financial investments at fair value through other comprehensive income (Note 20)	605,918*	—	—	605,918
	<u>2,730,437</u>	<u>65,442</u>	<u>41,729,324</u>	<u>44,525,203</u>
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss	—	—	114,600	114,600



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.3 Fair value estimation (Continued)

##### 3.3.1 Fair value hierarchy (Continued)

The following table presents the Group's assets and liabilities that are measured at fair value as of December 31, 2019.

	Level 1 RMB' 000	Level 2 RMB' 000	Level 3 RMB' 000	Total RMB' 000
<b>As of December 31, 2019</b>				
<b>Financial assets</b>				
Short-term treasury investments at fair value through profit or loss (Note 21)	—	—	23,988,182	23,988,182
Other financial investments at fair value through profit or loss (Note 19)	2,076,995*	—	5,089,127	7,166,122
	<u>2,076,995*</u>	<u>—</u>	<u>29,077,309</u>	<u>31,154,304</u>

\* This presents investments in listed entities with observable quoted price.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

##### 3.3.2 Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments; and
- The discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate; and
- The latest round financing, i.e. the prior transaction price or the third-party pricing information; and
- A combination of observable and unobservable inputs, including risk-free rate, expected volatility, discount rate for lack of marketability, market multiples, etc.

There was no change to valuation techniques during the year ended December 31, 2020.

All of the resulting fair value estimates are included in level 3, where the fair values have been determined based on present values and the discount rates used were adjusted for counterparty or own credit risk.

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.3 Fair value estimation (Continued)

##### 3.3.3 Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items including short-term treasury investments at fair value through profit or loss, short-term treasury investments at fair value through other comprehensive income, long-term treasury investments at fair value through profit or loss, investments in unlisted companies, and financial liabilities at fair value through profit or loss for the years ended December 31, 2020 and 2019.

	Short-term treasury investments at fair value through profit or loss RMB' 000	Short-term treasury investments at fair value through other comprehensive income RMB' 000	Long-term treasury investments at fair value through profit or loss RMB' 000	Other financial investments at fair value through profit or loss Investments in unlisted companies RMB' 000	Financial liabilities at fair value through profit or loss RMB' 000
As of January 1, 2020	23,988,182	—	—	5,089,127	—
Acquisitions	176,723,212	900,000	694,106	6,849,861	114,600
Disposals/settlements	(168,059,503)	—	(41,237)	(314,475)	—
Transfer	—	—	—	(8,071,981)	—
Change in fair value	812,289	111	4,599	4,908,385	—
Currency translation differences	(1,380,201)	—	(44,501)	(328,650)	—
As of December 31, 2020	<u>32,083,979</u>	<u>900,111</u>	<u>612,967</u>	<u>8,132,267</u>	<u>114,600</u>
Net unrealized gains for the year	<u>148,811</u>	<u>111</u>	<u>4,450</u>	<u>46,842</u>	<u>—</u>

	Short-term treasury investments at fair value through profit or loss RMB' 000	Other financial investments at fair value through profit or loss Investments in unlisted companies RMB' 000
As of January 1, 2019	15,067,960	4,904,247
Acquisitions	143,080,844	475,903
Disposals/settlements	(134,898,095)	(219)
Transfer	—	319,373
Change in fair value	637,410	(661,571)
Currency translation differences	100,063	51,394
As of December 31, 2019	<u>23,988,182</u>	<u>5,089,127</u>
Net unrealized gains/(losses) for the year	<u>147,157</u>	<u>(661,790)</u>





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.3 Fair value estimation (Continued)

##### 3.3.4 Valuation process, inputs and relationships to fair value

The Group has a team that manages the valuation of level 3 instruments for financial reporting purposes. The team manages the valuation exercise of the investments on a case by case basis. At least once every year, the team would use valuation techniques to determine the fair value of the Group's level 3 instruments. External valuation experts will be involved when necessary.

The valuation of the level 3 instruments mainly included short-term treasury investments at fair value through profit or loss, short-term treasury investments at fair value through other comprehensive income, long-term treasury investments at fair value through profit or loss, investments in unlisted companies, and financial liabilities at fair value through profit or loss. As these instruments are not traded in an active market, their fair values have been determined by using various applicable valuation techniques, including discounted cash flows and market approach.

The following table summarizes the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements.

Description	Fair value at December 31,		Unobservable inputs	Range of inputs at December 31,		Relationship of unobservable inputs to fair value
	2020	2019		2020	2019	
	RMB' 000	RMB' 000				
Investments in unlisted companies	8,132,267	5,089,127	Expected volatility	40%-49.3%	40%-55%	The higher the expected volatility, the lower the fair value
			Discount for lack of marketability ("DLOM")	20%-25%	15%-25%	The higher the DLOM, the lower the fair value
Short-term treasury investments at fair value through profit or loss	32,083,979	23,988,182	Expected rate of return	(0.11%)~6.70%	1.7%-7%	The higher the expected rate of return, the higher the fair value
Short-term treasury investments at fair value through other comprehensive income	900,111	—	Expected rate of return	2.80%~3.20%	NA	The higher the expected rate of return, the higher the fair value
Long-term treasury investments at fair value through profit or loss	612,967	—	Expected rate of return	0%-2.4%	NA	The higher the expected rate of return, the higher the fair value
Financial liabilities at fair value through profit or loss	114,600	—	Note a	Note a	Note a	Note a

### 3 FINANCIAL RISK MANAGEMENT *(Continued)*

#### 3.3 Fair value estimation *(Continued)*

##### 3.3.4 Valuation process, inputs and relationships to fair value *(Continued)*

If the unobservable inputs of financial assets at fair value through profit or loss held by the Group had been 10% higher/lower, the profit before income tax for the years ended December 31, 2020 and 2019 would have been approximately RMB166 million lower or RMB124 million higher and RMB67 million lower or RMB68 million higher, respectively.

If the unobservable inputs of financial assets at fair value through other comprehensive income held by the Group had been 10% higher/lower, the other comprehensive income, net of tax for the years ended December 31, 2020 and 2019 would have been approximately RMB31 thousand higher/lower and nil, respectively.

There were no transfers between level 1, 2 and 3 of fair value hierarchy classifications during the years ended December 31, 2020 and 2019.

The carrying amount of the Group's financial assets, including cash and cash equivalents, restricted cash, trade receivables, prepayments, deposits and other assets, short-term treasury investments at amortized cost and the Group's financial liabilities, including borrowings, notes payable, trade payables, payables to merchants, deposits from transacting users, advances from transacting users, other payables and accruals, lease liabilities and other non-current liabilities, are approximate their fair values.

Note a: Financial liabilities at fair value through profit or loss

The Group established and consolidated a limited partnership investment fund ("the Fund") with limited life in January 2020. The Fund invested in private companies providing local deal services in the form of ordinary shares or preferred shares and measured these investments at fair value through profit and loss. The Group designates the return payables to other limited partners who invested in the Fund at fair value through profit or loss at initial recognition.

The fair value of financial liabilities at fair value through profit or loss is based on the fair value of underlying investments in the Fund (Note 2.22) and the predetermined distribution mechanism of returns that set out in the agreement of the Fund. Therefore, the significant unobservable inputs are the same with those used in the valuation of the underlying investments in unlisted entities disclosed above.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

#### 4.1 Recognition of share-based compensation expenses

The Group set up the Pre-IPO ESOP, Post-IPO Share Option Scheme and Post-IPO Share Award Scheme and granted restricted share units and options to employees and other qualifying participants. The fair value of the options is determined by the Black-Scholes option-pricing model at the grant date, and is expected to be expensed over the respective vesting period. Significant estimates on assumptions, including underlying equity value, risk-free interest rate, expected volatility, dividend yield, and terms, are made by the Directors and third-party valuers. The fair value of the restricted share units is determined by reference to the grant-date market price of the ordinary shares.

The Group has also authorized the repurchase of ordinary shares from certain employees, founders, and Shareholders of the Company. Judgment is required to determine whether the repurchase establishes "past practice" for which the Group has now created an obligation to settle in cash, and accordingly reclassifies all outstanding awards to cash-settled. The Group has determined that no valid expectation for the Company to settle such share-based awards in cash is created, such that all awards remain equity-settled awards.

#### 4.2 Estimation of the fair value of financial assets and financial liabilities

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Changes in these assumptions and estimates could materially affect the respective fair value of these financial assets and financial liabilities (Note 3.3).

#### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

##### 4.3 Impairment provision for trade receivables and prepayments, deposits and other assets

The loss allowances for trade receivables and prepayments, deposits and other assets are based on assumptions about risk of defaults and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Noted 3.1(b).

##### 4.4 Recoverability of non-financial assets

The Group tests whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.11. Management judgment is required in the area of non-financial asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; (iii) the selection of the most appropriate valuation technique, e.g. the market approach, the income approach, as well as a combination of approaches, including the adjusted net asset method; and (iv) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the revenue growth rate and margin, terminal growth rates and pre-tax discount rates assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to income statement. Management determined the recoverable amounts of these CGU or group of CGUs based on the higher of (i) their value in use ("VIU") and (ii) their fair value less costs of disposal, of which VIU is calculated based on discounted cash flows expected to be derived from the respective CGU or group of CGUs. The calculations use cash flow projections based on financial budgets approved by management covering a 5-year period.

Cash flows beyond the 5-year period are extrapolated using the estimated growth rates stated in Note 16. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

Details of impairment charge, key assumptions and impact of possible changes in key assumptions are disclosed in Note 16.



#### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

##### 4.5 Incentives

As disclosed in Note 2.27, the Group provides incentives to its Transacting Users in various forms including discounted coupons (with a minimum value to use), direct payment deduction, red packet, interest reduction/exemption coupons and discounts on goods or services. All incentives given to the accounting customers are recorded as a reduction of revenue to the extent of the revenue earned from that customer on a transaction by transaction basis. For certain other incentives, management judgment is required to determine whether the incentives are in substance a payment on behalf of customers and should therefore be recorded as a reduction of revenue or selling and marketing expenses. Some of the factors considered in management's evaluation if such incentives are in substance a payment on behalf of customers include whether the incentives are given at the Group's discretion and the objectives, business strategy and design of the incentive programs.

##### 4.6 Useful lives and amortization of intangible assets

The Group's management determines the estimated useful lives and related amortization for the Group's intangible assets with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Management will revise the amortization charges where useful lives are different from that of previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in useful lives and therefore amortization expense in the future periods.

##### 4.7 Principal versus agent considerations

Determining whether the Group is acting as a principal or as an agent in the provision of certain services to its customers requires judgment and consideration of all relevant facts and circumstances. In evaluation of the Group's role as a principal or agent, the Group considers, individually or in combination, whether the Group controls the specified good or service before it is transferred to the customer, is primarily responsible for fulfilling the contract, is subject to inventory risk, and has discretion in establishing prices.

#### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

##### 4.8 Current and deferred income tax

The Group is subject to income taxes in several jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences or tax losses are recognised when management considers that it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. As of December 31, 2020, the Group did not recognise deferred income tax asset of RMB9.3 billion in respect of cumulative tax losses including the amount arising from the excess deduction of share-based payments. The outcome of their actual utilization may be different from management's estimation.

##### 4.9 Presentation and measurement of investments in associates

The Group made certain investments in the form of convertible redeemable preferred shares or ordinary shares with preferential rights of investee companies. As the Group has significant influence on these investee companies, judgement is required in determining whether these investments are in substance existing ownership interests. If not, they are accounted for as hybrid financial instruments, which should be measured at fair value through profit or loss. Different conclusions around these judgements may affect how these investments presented and measured in the consolidated statement of financial position of the Group.

#### 5 SEGMENT REPORTING

##### 5.1 Segment reporting

The Group's business activities, for which discrete financial information is available, are regularly reviewed and evaluated by the CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segments, mainly includes the executive Directors of the Company that make strategic decisions. The Group evaluated its operating segments separately or aggregately, and determined that it has reportable segments as follows.

The CODM assesses the performance of the operating segments mainly based on revenues and operating profit or loss of each operating segment. Thus, segment result would present revenues, cost of revenues and operating expenses, and operating profit or loss for each segment, which is in line with CODM's performance review. There were no material inter-segment sales during the years ended December 31, 2020 and 2019.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

### 5 SEGMENT REPORTING (Continued)

#### 5.1 Segment reporting (Continued)

The revenues from customers reported to CODM are measured as revenues in each segment. The operating profit or loss in each segment reported to CODM are measured as cost of revenues and operating expenses deducted from its revenues. Certain unallocated items are not allocated to each segment as they are not directly relevant to the operating results upon performance measurement and resource allocation by the CODM.

##### *Food delivery*

The food delivery segment offers food ordering and delivery service through the Group's platform. Revenues from the food delivery segment are primarily derived from (a) platform service to merchants to display the food information and connect transacting users; (b) food delivery service; (c) online marketing services in various advertising formats provided to merchants. The cost of revenues and operating expenses for the food delivery segment primarily consists of (a) food delivery rider costs; (b) employee benefits expenses; (c) transacting user incentives; (d) promotion and advertising; and (e) payment processing costs.

##### *In-store, hotel & travel*

The in-store, hotel & travel segment offers merchants to sell vouchers, coupons, tickets and reservations on the Group's platform. Revenues from the in-store, hotel & travel segment are primarily derived from (a) commission from merchants for vouchers, coupons, tickets and reservations sold on the Group's platform; and (b) online marketing services to merchants, including performance-based and display-based marketing services, as well as marketing services provided under annual plans. The cost of revenues and operating expenses for the in-store, hotel & travel segment primarily consists of (a) employee benefits expenses; (b) transacting user incentives; (c) promotion and advertising; (d) depreciation of property, plant and equipment; and (e) other outsourcing labor costs.

##### *New initiatives and others*

Revenues from the new initiatives and other segment are primarily derived from (a) B2B food distribution services; (b) micro-credit business; (c) Meituan Instashopping; (d) Ride-sharing services. The cost of revenues and operating expenses for the new initiatives and others segment primarily consists of (a) cost of goods sold; (b) employee benefits expenses; (c) other outsourcing labor costs; (d) depreciation of property, plant and equipment, and (e) transacting user incentives.

There were no separate segment assets and segment liabilities information provided to the CODM as CODM does not use this information to allocate resources to or evaluate the performance of the operating segments.

The Group's revenue is mainly generated in China.

## 5 SEGMENT REPORTING (Continued)

## 5.1 Segment reporting (Continued)

The segment information provided to the Group's CODM for the reportable segments for the years ended December 31, 2020 and 2019 is as follows:

	Year ended December 31, 2020				Total RMB' 000
	Food delivery RMB' 000	In-store, hotel & travel RMB' 000	New initiatives and others RMB' 000	Unallocated items (Note i) RMB' 000	
Commission	58,592,036	10,193,162	5,428,154	—	74,213,352
Online marketing services	7,565,111	11,018,337	324,597	—	18,908,045
Other services and sales (including interest revenue)	108,172	40,899	21,524,042	—	21,673,113
Revenues in total	66,265,319	21,252,398	27,276,793	—	114,794,510
Cost of revenues, operating expenses and unallocated items	(63,431,950)	(13,071,465)	(38,131,789)	4,170,796	(110,464,408)
Operating profit/(loss)	2,833,369	8,180,933	(10,854,996)	4,170,796	4,330,102

	Year ended December 31, 2019				Total RMB' 000
	Food delivery RMB' 000	In-store, hotel & travel RMB' 000	New initiatives and others RMB' 000	Unallocated items (Note i) RMB' 000	
Commission	49,646,589	11,679,344	4,200,064	—	65,525,997
Online marketing services	5,103,794	10,516,428	219,856	—	15,840,078
Other services and sales (including interest revenue)	92,822	79,700	15,989,934	—	16,162,456
Revenues in total	54,843,205	22,275,472	20,409,854	—	97,528,531
Cost of revenues, operating expenses and unallocated items	(53,427,325)	(13,872,179)	(27,159,003)	(390,164)	(94,848,671)
Operating profit/(loss)	1,415,880	8,403,293	(6,749,149)	(390,164)	2,679,860

- (i) Unallocated items are cost of revenues and operating expenses which could not be categorized into a segment. These items include (i) share-based compensation expenses, (ii) amortization of intangible assets resulting from acquisitions, (iii) fair value changes on other financial investments at fair value through profit or loss, (iv) other gains, net, (v) impairment of goodwill, (vi) impairment and expense provision/(reversal) for Mobike restructuring plan, and (vii) net provision for impairment losses on financial assets.





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

### 5 SEGMENT REPORTING (Continued)

#### 5.1 Segment reporting (Continued)

There is no concentration risk as no revenue from a single external customer was more than 10% of the Group's total revenues for the years ended December 31, 2020 and 2019.

The reconciliation of operating profit to profit before income tax of respective period for the years ended December 31, 2020 and 2019 is shown in the consolidated income statement.

#### 5.2 Segment assets

As of December 31, 2020 and 2019, substantially all of the non-current assets of the Group were located in the PRC.

### 6 REVENUES BY TYPE

	Year ended December 31,	
	2020	2019
	RMB' 000	RMB' 000
Commission	74,213,352	65,525,997
Online marketing services	18,908,045	15,840,078
Other services and sales (including interest revenue)	21,673,113	16,162,456
	<u>114,794,510</u>	<u>97,528,531</u>

Further disaggregation of revenues are included in Note 5.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

## 7 EXPENSES BY NATURE

	Year ended December 31,	
	2020 RMB' 000	2019 RMB' 000
Food delivery rider costs	48,692,295	41,041,513
Employee benefits expenses (Note 8)	21,541,521	17,754,642
Cost of goods sold	10,726,592	7,492,322
Transacting User incentives	8,072,985	8,149,976
Other outsourcing labor costs	5,585,367	2,991,197
Depreciation of property, plant and equipment	4,202,623	3,654,793
Promotion and advertising	2,956,884	2,126,910
Payment processing costs	2,386,671	2,189,646
Car-hailing driver related costs	1,891,366	3,119,491
Amortization of intangible assets	991,486	1,191,007
Rental, facility and utilities	907,287	271,012
Bandwidth and server custody fees	868,964	726,443
Online traffic costs	457,334	509,581
Professional fees	421,787	218,732
Tax surcharge expenses	170,175	247,989
Impairment provision for non-financial assets	87,857	—
Auditor's remuneration		
– Audit and audit-related services	48,889	41,281
– Non-audit services	1,898	4,108
Impairment provision and restructuring expense for		
Mobike restructuring plan	(5,272)	88,612
Others (Note i)	8,106,753	4,992,573
Total cost of revenues, selling and marketing expenses, research and development expenses and general and administrative expenses	<u>118,113,462</u>	<u>96,811,828</u>

- (i) Others mainly comprise travelling and entertainment expenses, message and verification fees, transportation and logistics fees, and bike maintenance and relocation fees.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

## 8 EMPLOYEE BENEFITS EXPENSES

	Year ended December 31,	
	2020 RMB' 000	2019 RMB' 000
Wages, salaries and bonuses	15,398,542	12,416,342
Share-based compensation expenses (Note 33)	3,277,476	2,190,871
Other employee benefits	2,133,801	1,950,296
Pension costs – defined contribution plans (Note i)	731,702	1,197,133
	<u>21,541,521</u>	<u>17,754,642</u>

(i) Pension costs – defined contribution plans

Employees of the Group companies in the PRC are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group contributes funds which are calculated on fixed percentage of the employees' salary (subject to a floor and cap) as set by local municipal governments to each scheme locally to fund the retirement benefits of the employees.

(a) Share-based compensation expenses have been charged to the consolidated income statement as follows:

	Year ended December 31,	
	2020 RMB' 000	2019 RMB' 000
Cost of revenues	80,635	60,498
Selling and marketing expenses	420,873	264,538
Research and development expenses	1,446,846	838,746
General and administrative expenses	1,329,122	1,027,089
	<u>3,277,476</u>	<u>2,190,871</u>

## 8 EMPLOYEE BENEFITS EXPENSES (Continued)

## (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include one Director whose emolument is reflected in the analysis shown in Note 8(c) for the year ended December 31, 2020 (2019: one). All of these individuals have not received any emolument from the Group as an inducement to join or leave the Group or compensation for loss of office during the years ended December 31, 2020 and 2019. The emoluments payable to the remaining individuals for the years ended December 31, 2020 and 2019 are as follows:

	Year ended December 31,	
	2020 RMB' 000	2019 RMB' 000
Basic salaries	8,274	8,274
Bonuses	8,049	10,358
Pension costs and other employee benefits	521	623
Share-based compensation expenses	459,876	363,067
	<u>476,720</u>	<u>382,322</u>

The emoluments fell within the following bands:

	Number of individuals Year ended December 31,	
	2020	2019
Emolument bands (in HK dollar)		
HK\$76,000,001 – HK\$76,500,000	—	2
HK\$118,500,001 – HK\$119,000,000	1	—
HK\$124,000,001 – HK\$124,500,000	1	—
HK\$136,000,001 – HK\$136,500,000	—	1
HK\$145,000,001 – HK\$145,500,000	1	—
HK\$145,500,001 – HK\$146,000,000	—	1
HK\$147,500,001 – HK\$148,000,000	1	—
	<u>4</u>	<u>4</u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

### 8 EMPLOYEE BENEFITS EXPENSES (Continued)

#### (c) Directors' and chief executive's emoluments

The remuneration of every Director and the chief executive is set out below:

For the year ended December 31, 2020:

Name	Pension costs and other employee benefits					Share-based compensation	Total  RMB' 000
	Fees	Basic salaries	Bonuses		expenses		
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000		
Wang Xing	—	2,520	2,520	150	—	5,190	
Mu Rongjun	—	2,041	2,040	132	19,442	23,655	
Wang Huiwen	—	2,040	1,968	94	71,722	75,824	
Lau, Chi Ping Martin	—	—	—	—	—	—	
Shen, Nanpeng Neil	—	—	—	—	—	—	
Orr Gordon Robert Halyburton	500	—	—	—	625	1,125	
Shum Heung Yeung Harry	500	—	—	—	625	1,125	
Leng Xuesong	500	—	—	—	625	1,125	
Total	1,500	6,601	6,528	376	93,039	108,044	

For the year ended December 31, 2019:

Name	Fees RMB' 000	Basic salaries RMB' 000	Bonuses RMB' 000	Pension costs and other employee benefits RMB' 000	Share-based compensation expenses RMB' 000	Total RMB' 000
Wang Xing	—	2,520	2,772	169	—	5,461
Mu Rongjun	—	2,041	1,796	155	37,371	41,363
Wang Huiwen	—	2,040	1,995	156	144,923	149,114
Lau, Chi Ping Martin	—	—	—	—	—	—
Shen, Nanpeng Neil	—	—	—	—	—	—
Orr Gordon Robert Halyburton	500	—	—	—	1,264	1,764
Shum Heung Yeung Harry	500	—	—	—	1,264	1,764
Leng Xuesong	500	—	—	—	1,264	1,764
Total	1,500	6,601	6,563	480	186,086	201,230

8 EMPLOYEE BENEFITS EXPENSES *(Continued)*(c) Directors' and chief executive's emoluments *(Continued)*

## i) Directors' termination benefits

No Director's termination benefit subsisted at the end of the year or at any time during the years ended December 31, 2020 and 2019.

## ii) Consideration provided to third parties for making available Directors' services

No consideration provided to or receivable by third parties for making available Director's services subsisted at the end of the year or at any time during the years ended December 31, 2020 and 2019.

## iii) Information about loans, quasi-loans and other dealings in favor of Directors, controlled bodies corporate by and connected entities with such Directors.

There were no loans, quasi-loans and other dealings in favor of Directors, their controlled bodies corporate and connected entities subsisted at the end of the year or at any time during the years ended December 31, 2020 and 2019.

## iv) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the years ended December 31, 2020 and 2019.

## v) Waiver of Director's emoluments

The non-executive Directors have not received any remuneration for the year ended December 31, 2020. None of the other Director waived or has agreed to waive any emoluments during the years ended December 31, 2020 and 2019.

## vi) Inducement to join the Group and compensation for loss of office

No Director received any emolument from the Group as an inducement to join or leave the Group or compensation for loss of office during the years ended December 31, 2020 and 2019.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

### 9 OTHER GAINS, NET

	Year ended December 31,	
	2020 RMB' 000	2019 RMB' 000
Subsidies and tax preference (Note i)	1,388,365	589,912
Dilution gain (Note 12)	853,618	91,360
Fair value changes of treasury investments at fair value through profit or loss (Note 3.3)	816,888	637,410
Interest income from treasury investments at amortized cost	386,771	876,467
Gains from remeasurement of investments	—	176,880
Gains from the disposal of investments	—	160,884
Gains from the disposal of subsidiaries	—	40,177
Foreign exchange loss, net	(170,340)	(81,872)
Others	(114,467)	39,925
	<u>3,160,835</u>	<u>2,531,143</u>

- (i) Since April 1, 2019, taxpayers in the manufacturing and consumer services industry are allowed to enjoy additional 10% of input VAT amount to deduct from tax payable. Since October 1, 2019, taxpayers in consumer services industry are allowed to enjoy additional 15% of input VAT amount to deduct from tax payable. As a result, for the year ended December 31, 2020, the Group recognised a gain of RMB805.7 million (2019: RMB299.9 million).

### 10 FINANCE INCOME/(COSTS)

	Year ended December 31,	
	2020 RMB' 000	2019 RMB' 000
<b>Finance income</b>		
Interest income from bank deposits	<u>213,684</u>	<u>166,217</u>
<b>Finance costs</b>		
Interest expense on bank borrowings and notes payable	(253,216)	(91,199)
Interest in respect of lease liabilities	(92,266)	(85,028)
Bank charges and others	<u>(24,534)</u>	<u>(14,815)</u>
<b>Total</b>	<u>(370,016)</u>	<u>(191,042)</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

## 11 SUBSIDIARIES

The Company's major subsidiaries (including controlled and structured entities) during the year ended December 31, 2020 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group.

	Place of incorporation/ establishment and kind of legal entity	Date of incorporation/ establishment	Particulars of issued capital	Effective interest held (b) As of December 31,		Principal activities and place of operation
Name				2020	2019	
Subsidiaries						
Directly held:						
Meituan Corporation	Cayman, limited liability company	July 29, 2010	USD50,000	100%	100%	Investment holding in Cayman
DianPing Holdings Limited ("DianPing")	Cayman, limited liability company	December 20, 2005	USD50,000	100%	100%	Investment holding in Cayman
Internet Plus (Hong Kong) Limited	Hong Kong, limited liability company	November 27, 2015	HKD1	100%	100%	Investment holding in Hong Kong
Kangaroo Technology Corporation	Cayman, limited liability company	April 1, 2016	USD50,000	100%	100%	Investment holding in Cayman
mobike Ltd. ("Mobike")	Cayman, limited liability company	April 2, 2015	USD50,000	100%	100%	Investment holding in Cayman
Inspired Elite Investments Limited	The British Virgin Islands, limited liability company	March 19, 2014	USD50,000	100%	100%	Investment holding in The British Virgin Islands
Indirectly held:						
Beijing Sankuai Online Technology Co., Ltd.	Beijing, the PRC, limited liability company	May 6, 2011	USD2,676,260,000	100%	100%	E-commerce service platform in the PRC
Beijing Kuxun Technology Co., Ltd.	Beijing, the PRC, limited liability company	April 27, 2006	USD54,665,694	100%	100%	Online hotel and travel services in the PRC
Hanhai Information Technology (Shanghai) Co., Ltd.	Shanghai, the PRC, limited liability company	March 16, 2006	USD495,000,000	100%	100%	Multimedia information technology services in the PRC
Xiamen Sankuai Online Technology Co., Ltd.	Xiamen, the PRC, limited liability company	March 25, 2014	USD549,049,120	100%	100%	E-commerce service platform in the PRC
Hucheng Information Technology (Shanghai) Co., Ltd.	Shanghai, the PRC, limited liability company	January 11, 2016	USD200,000,000	100%	100%	Multimedia information technology services in the PRC
Mobike (Beijing) Information Technology Co., Ltd.	Beijing, the PRC, limited liability company	January 12, 2016	USD199,000,000	100%	100%	Ride-sharing services in the PRC
Shanghai Sankuai Zhisong Technology Co., Ltd.	Shanghai, the PRC, limited liability company	November 27, 2018	USD320,000,000	100%	100%	Delivery services in the PRC
Tianjin Xiaoyi Technology Co., Ltd.	Tianjin, the PRC, limited liability company	February 13, 2018	USD500,000,000	100%	100%	Supply chain service in the PRC
Chongqing Meituan Sankuai Micro-credit Co., Ltd.	Chongqing, the PRC, limited liability company	November 28, 2016	USD460,000,000	100%	100%	Micro-credit business in the PRC





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

### 11 SUBSIDIARIES (Continued)

Name	Place of incorporation/ establishment and kind of legal entity	Date of incorporation/ establishment	Particulars of issued capital	Effective interest held (b) As of December 31,		Principal activities and place of operation
				2020	2019	
Structured entities(a):						
Beijing SanKuai Technology Co., Ltd.	Beijing, the PRC, limited liability company	April 10, 2007	RMB5,480,000,000	100%	100%	E-commerce service platform in the PRC
Shanghai SanKuai Technology Co., Ltd.	Shanghai, the PRC, limited liability company	September 19, 2012	RMB5,000,000	100%	100%	Online retail platform in the PRC
Beijing Sankuai Cloud Computing Technology Co., Ltd.	Beijing, the PRC, limited liability company	June 17, 2015	RMB870,000,000	100%	100%	Restaurant Management System("RMS") system and cloud computing in the PRC
Beijing Kuxun Interaction Technology Co., Ltd.	Beijing, the PRC, limited liability company	March 29, 2006	RMB52,000,000	100%	100%	Multimedia information technology services in the PRC
Shanghai Hantao Information Consulting Co., Ltd.	Shanghai, the PRC, limited liability company	September 23, 2003	RMB10,000,000	100%	100%	Merchant information advisory services in the PRC

Note (a) As described in Note 2.2, the Company does not have directly or indirectly legal ownership in equity of these structured entities or their subsidiaries. Nevertheless, under certain Contractual Arrangements entered into with these structured entities and their registered owners, the Company and its other legally owned subsidiaries has rights to exercise power over these structured entities, receives variable returns from its involvement in these structured entities, and has the ability to affect those returns through its power over these structured entities. As a result, they are presented as consolidated structured entities of the Company.

Note (b) The Effective interest held has no change after December 31, 2020 until the report date.

Note (c) Consolidation of structured entities

As mentioned in Note (a) above and Note 2.22, the Company has consolidated the operating entities in which the Group does not have legal ownership in equity and one investment fund. In addition, due to the implementation of the shares award scheme of the Group mentioned in Note 2.10, the Company has set up a structured entity ("Share Scheme Trust"), and its particulars are as follows:

## 11 SUBSIDIARIES (Continued)

Note (c) Consolidation of structured entities (Continued)

Structured entity	Principal activities
Share Scheme Trust	Administering and holding the Company's shares issued for shares award scheme which are set up for the benefits of eligible persons of the Share Award Scheme

As the Company has the power to govern the financial and operating policies of the Share Scheme Trust and can derive benefits from the contributions of the eligible persons who are awarded with the shares by the schemes, the Directors of the Company consider that it is appropriate to consolidate the Share Scheme Trust.

## 12 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	As of December 31,	
	2020 RMB' 000	2019 RMB' 000
Associates (a)	13,167,893	2,269,638
Joint ventures	13,050	13,952
	<u>13,180,943</u>	<u>2,283,590</u>

## (a) Investments in associates using the equity method

	As of December 31,	
	2020 RMB' 000	2019 RMB' 000
Investments in associates		
– listed entities	11,361,160	1,106,578
– unlisted entities	1,806,733	1,163,060
	<u>13,167,893</u>	<u>2,269,638</u>

The quoted fair value of the investments in listed entities was RMB25,224 million and RMB1,144 million as of December 31, 2020 and 2019, respectively.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

## 12 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(Continued)*

### (a) Investments in associates using the equity method *(Continued)*

	Year ended December 31,	
	2020 RMB' 000	2019 RMB' 000
At the beginning of the year	2,269,638	2,089,677
Additions (Note i)	2,367,376	141,025
Transfer (Note ii)	8,071,981	(142,493)
Dilution gain (Note iii)	853,618	91,360
Dividends from an associate	(5,369)	(4,953)
Disposals	—	(33,116)
Share of gains of investments accounted for using equity method	264,105	107,353
Other reserves	(120,986)	3,905
Currency translation differences	(532,470)	16,880
At the end of the year	<u>13,167,893</u>	<u>2,269,638</u>

- (i) The Group entered into a share subscription agreement to make an additional investment of USD300 million (equivalent to approximately RMB2,080 million) on Li Auto Inc. in the concurrent private placement of its global offering.
- (ii) In 2020, the Group transferred the investment in Li Auto Inc. from other financial investments at fair value through profit or loss to investments accounted for using the equity method due to the conversion of preferred shares into ordinary shares upon its successful listing on Nasdaq (Note 19).
- (iii) The interest of the Group in Li Auto Inc. was diluted from 15.18% to 14.27% due to the public offering of additional issuance in December 2020, and the Group realized dilution gain of RMB853 million.

12 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(Continued)*(a) Investments in associates using the equity method *(Continued)*

Particulars of a material associate of the Group, as determined by the Directors, are set out below:

Name of entity	Place of incorporation	Number of shares held	Interest held indirectly	Principal activities/place of operation
Li Auto Inc.	PRC	258,171,601	14.27%	new energy vehicles manufacturer/PRC

Except for Li Auto Inc., the Directors of the Company considered that there is no other individual investment which was determined as a material associate.

Set out below are the summarised financial information of Li Auto Inc. extracted from its financial statements prepared under US Generally Accepted Accounting Principles ("US GAAP"). They have been amended to reflect adjustments made by the Group when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

	As of December 31, 2020 RMB' 000
<b>Summarised consolidated financial statements</b>	
Revenues	9,456,609
Cost of sales	(7,907,270)
Loss from operations	(669,337)
Net loss	(151,657)
Currency translation differences	(1,020,728)
<b>Summarised consolidated balance sheet</b>	
Current assets	31,391,109
Non-current assets	4,982,167
Current liabilities	4,309,221
Non-current liabilities	2,260,458
Total equity	<u>29,803,597</u>
<b>Reconciliation to carrying amounts:</b>	
Net assets	<u>29,803,597</u>
Group's share in %	14.27%
Group's share in RMB	4,252,973
Goodwill and others	<u>6,117,243</u>
Carrying amount	<u>10,370,216</u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

### 12 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(Continued)*

#### (a) Investments in associates using the equity method *(Continued)*

As of December 31, 2020, the carrying amount of the investment in Li Auto Inc. relative to the Group's total assets is 6.23%, and the fair value of this investment was RMB24,283 million.

There were no dividends received from Li Auto Inc. during the year ended December 31, 2020 and the unrealised loss mainly represents the Group's share of results of Li Auto Inc.

There were no material contingent liabilities relating to the Group's interests in the associates.

The Group has interests in a number of individually immaterial associates that are accounted for using the equity method.

	As of December 31,	
	2020 RMB' 000	2019 RMB' 000
Aggregate carrying amount of individually immaterial associates	2,797,677	2,269,638
Aggregate amounts of the Group's share of:		
– Profit from operations	311,278	107,353
– Other comprehensive (loss)/income	(300)	3,905
Total comprehensive income	<u>310,978</u>	<u>111,258</u>

RMB11.3 billion of investments accounted for using the equity method is denominated in USD (2019: RMB1.1 billion), other balances are denominated in RMB.

### 13 TAXATION

#### (a) Value Added Tax

The Group is mainly subject to 6% VAT, and surcharges on VAT payments according to PRC tax law.

#### (b) Income tax

##### *Cayman Islands*

Under the current laws of the Cayman Islands, the Company and its subsidiaries incorporated in the Cayman Islands are not subject to tax on income or capital gains. Additionally, the Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

## 13 TAXATION (Continued)

## (b) Income tax (Continued)

*British Virgin Islands*

Under the current laws of the British Virgin Islands, entities incorporated in British Virgin Islands are not subject to tax on their income or capital gains.

*Hong Kong*

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profit for the year ended December 31, 2020. No Hong Kong profits tax was provided for as there was no estimated assessable profit for the year ended December 31, 2019.

*PRC corporate income tax ("CIT")*

CIT provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC and was calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The general PRC CIT rate is 25% during the years ended December 31, 2020 and 2019.

Certain subsidiaries of the Group in the PRC are subject to "high and new technology enterprises" and, accordingly, were eligible for a preferential income tax rate of 15% for the years ended December 31, 2020 and 2019. In addition, certain PRC subsidiaries of the Group are subject to "small and thin-profit enterprises" under the EIT Law, and accordingly, were eligible for a preferential income tax rate of 20% for the years ended December 31, 2020 and 2019.

*Withholding tax on undistributed dividends*

Pursuant to the CIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from China effective from January 1, 2008. The withholding tax rate may be lowered to a minimum of 5% if there is a tax arrangement between China and the jurisdiction of the foreign investors. However, the 5% withholding tax rate does not automatically apply and certain requirements must be satisfied.

	Year ended December 31,	
	2020 RMB' 000	2019 RMB' 000
Current income tax expenses	(147,172)	(482,154)
Deferred income tax credits/(expenses) (Note 18)	416,909	(44,069)
Total income tax credits/(expenses)	269,737	(526,223)



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

## 13 TAXATION (Continued)

### (b) Income tax (Continued)

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of 25% for the years ended December 31, 2020 and 2019, being the tax rate of the major subsidiaries of the Group.

The difference is analyzed as follows:

	Year ended December 31,	
	2020 RMB' 000	2019 RMB' 000
Profit before income tax	4,437,875	2,762,388
Tax calculated at statutory income tax rate of 25% in the PRC	(1,109,469)	(690,597)
Tax effects of:		
– Different tax rates available to different jurisdictions	1,509,383	(460,243)
– Preferential income tax rates applicable to subsidiaries	(298,412)	502,450
– Expenses not deductible for income tax purposes	(227,279)	(37,581)
– Super deduction for research and development expenses	1,261,674	498,142
– Utilization of previously unrecognised tax losses	1,239,239	432,959
– Tax losses for which no deferred income tax assets were recognised	(2,136,100)	(1,768,349)
– Utilization of previously unrecognised temporary differences	537,509	1,006,456
– Withholding tax (Note i)	(568,384)	—
– Adjustments for current tax of prior year	61,576	(9,460)
Total income tax credits/(expenses)	<u>269,737</u>	<u>(526,223)</u>

(i) The Group's subsidiaries outside of PRC recognised withholding tax for their investments in the PRC entities.

## 14 EARNINGS PER SHARE

- (a) Basic earnings per share for the years ended December 31, 2020 and 2019 were calculated by dividing the profit attributable to the Company's equity holders by the weighted average number of ordinary shares in issue during the year.

	Year ended December 31,	
	2020	2019
Profit attributable to equity holders of the Company (RMB' 000)	4,708,313	2,238,769
Weighted average number of ordinary shares in issue (thousand)	5,845,354	5,767,906
Basic earnings per share (RMB)	0.81	0.39

- (b) Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: share options and RSUs.

	Year ended December 31,	
	2020	2019
Profit attributable to equity holders of the Company (RMB' 000)	4,708,313	2,238,769
Weighted average number of ordinary shares in issue (thousand)	5,845,354	5,767,906
Adjustments for share options and RSUs (thousand)	158,251	155,004
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share (thousand)	6,003,605	5,922,910
Diluted earnings per share (RMB)	0.78	0.38





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

## 15 PROPERTY, PLANT AND EQUIPMENT

	Computer equipment RMB' 000	Furniture and appliances RMB' 000	Bikes and electric mopeds RMB' 000	Leasehold improvements RMB' 000	Assets under construction RMB' 000	Right-of-use assets RMB' 000	Others RMB' 000	Total RMB' 000
<b>Cost</b>								
At January 1, 2020	4,505,983	86,706	5,781,823	322,642	141,368	2,166,794	—	13,005,316
Additions	1,192,179	180,074	6,951,124	—	2,540,360	2,180,516	—	13,044,253
Disposal	(53,631)	(38,709)	(2,629,859)	(10,456)	(8,493)	(590,460)	(18,070)	(3,344,678)
Transfers	—	—	1,734,740	108,278	(2,431,532)	—	588,514	—
Currency translation differences	(1)	—	—	—	—	(21)	—	(22)
At December 31, 2020	<u>5,644,530</u>	<u>228,071</u>	<u>11,837,828</u>	<u>420,464</u>	<u>241,703</u>	<u>3,756,829</u>	<u>570,444</u>	<u>22,694,869</u>
<b>Accumulated depreciation</b>								
At January 1, 2020	(2,288,342)	(15,805)	(4,497,479)	(206,251)	—	(605,780)	—	(7,613,657)
Depreciation	(1,278,647)	(27,949)	(1,783,990)	(105,140)	—	(921,846)	(85,051)	(4,202,623)
Disposal	46,088	18,200	2,496,832	2,351	—	495,703	3,332	3,062,506
Currency translation differences	—	—	—	—	—	11	—	11
At December 31, 2020	<u>(3,520,901)</u>	<u>(25,554)</u>	<u>(3,784,637)</u>	<u>(309,040)</u>	<u>—</u>	<u>(1,031,912)</u>	<u>(81,719)</u>	<u>(8,753,763)</u>
<b>Impairment</b>								
At January 1, 2020	—	—	(7,497)	—	(7,945)	—	—	(15,442)
Additions	—	—	—	—	—	—	(29,691)	(29,691)
Disposal	—	—	7,497	—	7,399	—	1,296	16,192
At December 31, 2020	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(546)</u>	<u>—</u>	<u>(28,395)</u>	<u>(28,941)</u>
<b>Net carrying amount</b>								
At January 1, 2020	<u>2,217,641</u>	<u>70,901</u>	<u>1,276,847</u>	<u>116,391</u>	<u>133,423</u>	<u>1,561,014</u>	<u>—</u>	<u>5,376,217</u>
At December 31, 2020	<u>2,123,629</u>	<u>202,517</u>	<u>8,053,191</u>	<u>111,424</u>	<u>241,157</u>	<u>2,724,917</u>	<u>460,330</u>	<u>13,917,165</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

## 15 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Computer equipment RMB' 000	Furniture and appliances RMB' 000	Bikes and electric mopeds RMB' 000	Leasehold improvements RMB' 000	Assets under construction RMB' 000	Right-of-use assets RMB' 000	Total RMB' 000
<b>Cost</b>							
At December 31, 2018	3,198,019	100,342	5,152,325	182,058	194,512	—	8,827,256
Adjustment on adoption of IFRS 16	—	—	—	—	—	2,021,192	2,021,192
At January 1, 2019	3,198,019	100,342	5,152,325	182,058	194,512	2,021,192	10,848,448
Additions	1,377,383	104,468	920,527	6,604	516,624	594,696	3,520,302
Disposal	(69,419)	(118,105)	(650,009)	(20,061)	(6,023)	(449,094)	(1,312,711)
Transfers	—	—	354,885	154,041	(563,745)	—	(54,819)
Currency translation differences	—	1	4,095	—	—	—	4,096
At December 31, 2019	<u>4,505,983</u>	<u>86,706</u>	<u>5,781,823</u>	<u>322,642</u>	<u>141,368</u>	<u>2,166,794</u>	<u>13,005,316</u>
<b>Accumulated depreciation</b>							
At January 1, 2019	(1,231,642)	(47,329)	(3,420,977)	(77,979)	—	—	(4,777,927)
Depreciation	(1,105,763)	(42,485)	(1,554,568)	(131,069)	—	(820,908)	(3,654,793)
Disposal	49,063	74,010	481,399	2,797	—	215,128	822,397
Currency translation differences	—	(1)	(3,333)	—	—	—	(3,334)
At December 31, 2019	<u>(2,288,342)</u>	<u>(15,805)</u>	<u>(4,497,479)</u>	<u>(206,251)</u>	<u>—</u>	<u>(605,780)</u>	<u>(7,613,657)</u>
<b>Impairment</b>							
At January 1, 2019	—	—	(70,514)	—	—	—	(70,514)
Additions	(30)	—	(8,181)	—	(13,968)	—	(22,179)
Disposal	30	—	71,198	—	6,023	—	77,251
At December 31, 2019	<u>—</u>	<u>—</u>	<u>(7,497)</u>	<u>—</u>	<u>(7,945)</u>	<u>—</u>	<u>(15,442)</u>
<b>Net carrying amount</b>							
At January 1, 2019 on adoption of IFRS 16	<u>1,966,377</u>	<u>53,013</u>	<u>1,660,834</u>	<u>104,079</u>	<u>194,512</u>	<u>2,021,192</u>	<u>6,000,007</u>
At December 31, 2019	<u>2,217,641</u>	<u>70,901</u>	<u>1,276,847</u>	<u>116,391</u>	<u>133,423</u>	<u>1,561,014</u>	<u>5,376,217</u>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

## 15 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Depreciation expenses have been charged to the consolidated income statement as follows:

	Year ended December 31,	
	2020 RMB' 000	2019 RMB' 000
Cost of revenues	3,216,094	2,717,465
Selling and marketing expenses	513,443	516,988
Research and development expenses	302,013	233,764
General and administrative expenses	171,073	186,576
	<u>4,202,623</u>	<u>3,654,793</u>

### (a) Leases

#### (i) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

##### *Right-of-use assets*

	As of December 31,	
	2020 RMB' 000	2019 RMB' 000
Offices	1,923,104	1,164,141
Others	801,813	396,873
Total	<u>2,724,917</u>	<u>1,561,014</u>

##### *Lease liabilities*

	As of December 31,	
	2020 RMB' 000	2019 RMB' 000
Current	1,089,847	534,566
Non-current	1,648,008	992,233
	<u>2,737,855</u>	<u>1,526,799</u>

The additions to the right-of-use assets during the year ended December 31, 2020 were RMB2,181 million, which mainly represented some lease-hold of office buildings.

#### (ii) Amounts recognised in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases:

	Year ended December 31,	
	2020 RMB' 000	2019 RMB' 000
Depreciation charge of right-of-use assets	921,846	820,908
Interest expense (included in finance income/(costs))	92,266	85,028

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

## 16 INTANGIBLE ASSETS

	Trade name RMB' 000	User generated content RMB' 000	Software and others RMB' 000	Online payment license RMB' 000	Technology and licenses RMB' 000	User list RMB' 000	Supplier relationship RMB' 000	Goodwill RMB' 000	Total RMB' 000
<b>Cost</b>									
At January 1, 2020	5,006,300	490,000	1,877,633	390,000	849,830	907,000	28,700	27,849,022	37,398,485
Additions	—	—	29,568	—	—	—	—	—	29,568
Disposal	—	—	(14,492)	—	—	—	—	—	(14,492)
At December 31, 2020	<u>5,006,300</u>	<u>490,000</u>	<u>1,892,709</u>	<u>390,000</u>	<u>849,830</u>	<u>907,000</u>	<u>28,700</u>	<u>27,849,022</u>	<u>37,413,561</u>
<b>Accumulated amortization</b>									
At January 1, 2020	(768,984)	(416,500)	(1,178,322)	(88,833)	(389,525)	(351,016)	(11,473)	—	(3,204,653)
Amortization	(184,658)	(73,500)	(375,908)	(26,000)	(149,350)	(178,050)	(4,020)	—	(991,486)
Disposal	—	—	11,382	—	—	—	—	—	11,382
At December 31, 2020	<u>(953,642)</u>	<u>(490,000)</u>	<u>(1,542,848)</u>	<u>(114,833)</u>	<u>(538,875)</u>	<u>(529,066)</u>	<u>(15,493)</u>	<u>—</u>	<u>(4,184,757)</u>
<b>Impairment</b>									
At January 1, 2020	(1,347,510)	—	—	—	(3,238)	—	(88)	(143,421)	(1,494,257)
Additions	—	—	—	—	—	—	—	(58,166)	(58,166)
At December 31, 2020	<u>(1,347,510)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(3,238)</u>	<u>—</u>	<u>(88)</u>	<u>(201,587)</u>	<u>(1,552,423)</u>
<b>Net carrying amount</b>									
At January 1, 2020	<u>2,889,806</u>	<u>73,500</u>	<u>699,311</u>	<u>301,167</u>	<u>457,067</u>	<u>555,984</u>	<u>17,139</u>	<u>27,705,601</u>	<u>32,699,575</u>
At December 31, 2020	<u>2,705,148</u>	<u>—</u>	<u>349,861</u>	<u>275,167</u>	<u>307,717</u>	<u>377,934</u>	<u>13,119</u>	<u>27,647,435</u>	<u>31,676,381</u>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

## 16 INTANGIBLE ASSETS (Continued)

	Trade name RMB' 000	User generated content RMB' 000	Software and others RMB' 000	Online payment license RMB' 000	Technology and licenses RMB' 000	User list RMB' 000	Supplier relationship RMB' 000	Goodwill RMB' 000	Total RMB' 000
<b>Cost</b>									
At January 1, 2019	5,006,300	490,000	1,865,688	390,000	849,830	907,000	28,700	27,861,023	37,398,541
Additions	—	—	22,746	—	—	—	—	—	22,746
Disposal	—	—	(10,801)	—	—	—	—	(12,001)	(22,802)
At December 31, 2019	<u>5,006,300</u>	<u>490,000</u>	<u>1,877,633</u>	<u>390,000</u>	<u>849,830</u>	<u>907,000</u>	<u>28,700</u>	<u>27,849,022</u>	<u>37,398,485</u>
<b>Accumulated amortization</b>									
At January 1, 2019	(565,565)	(318,500)	(652,138)	(62,833)	(240,174)	(169,616)	(7,453)	—	(2,016,279)
Amortization	(203,419)	(98,000)	(528,817)	(26,000)	(149,351)	(181,400)	(4,020)	—	(1,191,007)
Disposal	—	—	2,633	—	—	—	—	—	2,633
At December 31, 2019	<u>(768,984)</u>	<u>(416,500)</u>	<u>(1,178,322)</u>	<u>(88,833)</u>	<u>(389,525)</u>	<u>(351,016)</u>	<u>(11,473)</u>	<u>—</u>	<u>(3,204,653)</u>
<b>Impairment</b>									
At January 1, 2019	(1,347,510)	—	—	—	(3,238)	—	(88)	(155,422)	(1,506,258)
Disposal	—	—	—	—	—	—	—	12,001	12,001
At December 31, 2019	<u>(1,347,510)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(3,238)</u>	<u>—</u>	<u>(88)</u>	<u>(143,421)</u>	<u>(1,494,257)</u>
<b>Net carrying amount</b>									
At January 1, 2019	<u>3,093,225</u>	<u>171,500</u>	<u>1,213,550</u>	<u>327,167</u>	<u>606,418</u>	<u>737,384</u>	<u>21,159</u>	<u>27,705,601</u>	<u>33,876,004</u>
At December 31, 2019	<u>2,889,806</u>	<u>73,500</u>	<u>699,311</u>	<u>301,167</u>	<u>457,067</u>	<u>555,984</u>	<u>17,139</u>	<u>27,705,601</u>	<u>32,699,575</u>

## 16 INTANGIBLE ASSETS (Continued)

Amortization expenses have been charged to the consolidated income statement as follows:

	Year ended December 31,	
	2020 RMB' 000	2019 RMB' 000
Selling and marketing expenses	592,367	768,079
General and administrative expenses	215,993	242,504
Cost of revenues	176,978	176,636
Research and development expenses	6,148	3,788
	<u>991,486</u>	<u>1,191,007</u>

### Impairment of goodwill

Management reviews the business performance based on type of business and monitors the goodwill at the operating segment level. The following is a summary of goodwill allocation for each operating segment:

Year ended December 31, 2020	Opening RMB' 000	Addition RMB' 000	Reallocation RMB' 000	Impairment RMB' 000	Disposal RMB' 000	Closing RMB' 000
Food delivery	4,845,229	—	—	—	—	4,845,229
In-store, hotel & travel	18,950,647	—	—	—	—	18,950,647
Ride-sharing services	3,707,427	—	—	—	—	3,707,427
New initiatives and others (excluding ride-sharing services)	<u>202,298</u>	<u>—</u>	<u>—</u>	<u>(58,166)</u>	<u>—</u>	<u>144,132</u>
	<u>27,705,601</u>	<u>—</u>	<u>—</u>	<u>(58,166)</u>	<u>—</u>	<u>27,647,435</u>
Year ended December 31, 2019	Opening RMB' 000	Addition RMB' 000	Reallocation RMB' 000	Impairment RMB' 000	Disposal RMB' 000	Closing RMB' 000
Food delivery	4,845,229	—	—	—	—	4,845,229
In-store, hotel & travel	18,950,647	—	—	—	—	18,950,647
Ride-sharing services	3,707,427	—	—	—	—	3,707,427
New initiatives and others (excluding ride-sharing services)	<u>202,298</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>202,298</u>
	<u>27,705,601</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>27,705,601</u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

### 16 INTANGIBLE ASSETS (Continued)

#### Impairment of goodwill (Continued)

The goodwill balance mainly arose from the strategic transaction of Meituan and Dianping and business combination of Mobike. Goodwill is attributable to the acquired transacting volume and economies of scale expected to be derived from combining with the operations of the Group.

The Group carries out its annual impairment test on goodwill by comparing the recoverable amounts of cash generating unit (“CGU”) to the carrying amounts. The recoverable amount of a CGU was determined based on value-in-use calculations. These calculations used pre-tax cash flow projections based on financial budgets approved by management covering a 5-year period with a terminal value related to the future cash flows extrapolated using the estimated growth rates stated below beyond the 5-year period. The Group believes that it is appropriate to cover a 5-year period in its cash flow projection, because it captures the development stage of the Group’s businesses during which the Group expects to experience a high growth rate. The accuracy and reliability of the information is reasonably assured by the appropriate budgeting, forecast and control process established by the Group. The management leveraged their extensive experiences in the industries and provided forecast based on past performance and their expectation of future business plans and market developments.

Impairment review on the goodwill of the Group has been conducted by the management as of December 31, 2020 and 2019, according to IAS 36 “Impairment of assets”.

The key assumptions used in the value-in-use calculations for significant group of CGUs allocated with goodwill are as follows:

#### As of December 31, 2020

	Food delivery	In-store, hotel & travel	Ride-sharing services
Annual revenue growth rate for the 5-year period (%)	5%-50%	5%-55%	6%-67%
Gross profit rate	21%-25%	90%	23%-36%
Terminal revenue growth rate (%)	3%	3%	3%
Pre-tax discount rate (%)	25%	25%	28%

## 16 INTANGIBLE ASSETS (Continued)

## Impairment of goodwill (Continued)

As of December 31, 2019

	Food delivery	In-store, hotel & travel	Ride-sharing services
Annual revenue growth rate for the 5-year period (%)	5%-31%	13%-32%	11%-166%
Gross profit rate	20%-27%	88%-90%	29%-49%
Terminal revenue growth rate (%)	3%	3%	3%
Pre-tax discount rate (%)	28%	27%	31%

The budgeted gross margins used in the goodwill impairment testing were determined by the management based on past performance and its expectation for market development. The expected revenue growth rate and gross profit rates are following the business plan approved by the Company. Discount rates reflect market assessments of the time value and the specific risks relating to the industry.

New initiatives and others includes different CGUs. Those CGUs cover the business of RMS, B2B food distribution services and micro-credit business. The discount rate used in the impairment testing for the CGUs in new initiatives and others segments is from 24% to 28%, while the terminal revenue growth rate is 3% for the years ended December 31, 2020 and 2019.

Impairment losses of RMB58 million related to the CGU of supply chain has been charged in “General and administrative expenses” for the year ended December 31, 2020, resulting from revisions of financial/business outlook and changes in the market environment of the underlying business.





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

## 17 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

		As of December 31,	
	Note	2020 RMB' 000	2019 RMB' 000
<b>Assets as per consolidated statements of financial position</b>			
Financial assets at fair value through profit or loss:			
– Other financial investments at fair value through profit or loss	19	10,256,786	7,166,122
– Short-term treasury investments at fair value through profit or loss	21	32,083,979	23,988,182
– Long-term treasury investments at fair value through profit or loss	21	612,967	—
		<u>42,953,732</u>	<u>31,154,304</u>
Financial assets at fair value through other comprehensive income:			
– Short-term treasury investments at fair value through other comprehensive income	21	965,553	—
– Other financial investments at fair value through other comprehensive income	20	605,918	—
		<u>1,571,471</u>	<u>—</u>
Financial assets at amortized cost:			
– Trade receivables	24	1,030,948	676,762
– Prepayments, deposits and other assets	22	10,560,882	8,646,803
– Long-term treasury investments at amortized cost	21	—	200,275
– Short-term treasury investments at amortized cost	21	10,949,832	25,447,417
– Restricted cash	25(b)	12,775,667	8,760,115
– Cash and cash equivalents	25(a)	17,093,559	13,396,185
		<u>52,410,888</u>	<u>57,127,557</u>
<b>Liabilities as per consolidated statement of financial position</b>			
Financial liabilities at fair value through profit or loss:			
– Financial liabilities at fair value through profit or loss		114,600	—
Financial liabilities at amortized cost:			
– Trade payables	29	11,967,026	6,766,253
– Payables to merchants		9,414,936	7,495,262
– Advances from transacting users		4,307,861	3,855,559
– Deposits from transacting users		2,222,211	2,491,947
– Other payables and accruals	30	5,106,345	3,474,669
– Other non-current liabilities		119,512	129,552
– Borrowings	31	8,352,472	4,019,263
– Notes payable	32	12,966,341	—
– Lease liabilities		2,737,855	1,526,799
		<u>57,194,559</u>	<u>29,759,304</u>

## 18 DEFERRED INCOME TAXES

The following amounts, determined after appropriate offsetting, are shown in the consolidated statements of financial position:

## (a) Deferred tax assets

	As of December 31,	
	2020 RMB' 000	2019 RMB' 000
The balance comprises temporary differences attributable to:		
– Tax losses	1,009,919	848,365
– Others	314,032	35,820
Total gross deferred tax assets	1,323,951	884,185
Set-off of deferred tax assets pursuant to set-off provisions	(875,281)	(294,131)
Net deferred tax assets	448,670	590,054

	As of December 31,	
	2020 RMB' 000	2019 RMB' 000
Deferred tax assets:		
– to be recovered after 12 months	176,250	154,255
– to be recovered within 12 months	272,420	435,799
	448,670	590,054



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

## 18 DEFERRED INCOME TAXES (Continued)

### (b) Deferred tax liabilities

	As of December 31,	
	2020 RMB' 000	2019 RMB' 000
The balance comprises temporary differences attributable to:		
– Intangible assets arising from business combinations	(620,647)	(750,046)
– Investments using the equity method or at fair value	(804,356)	(438,363)
– Deferred revenues	(50,029)	(469,175)
– Others	(155,943)	(25,016)
Total gross deferred tax liabilities	(1,630,975)	(1,682,600)
Set-off of deferred tax liabilities pursuant to set-off provisions	875,281	294,131
Net deferred tax liabilities	(755,694)	(1,388,469)

	As of December 31,	
	2020 RMB' 000	2019 RMB' 000
Deferred tax liabilities:		
– to be recovered after 12 months	(751,223)	(859,574)
– to be recovered within 12 months	(4,471)	(528,895)
	(755,694)	(1,388,469)

The movement on the gross deferred tax assets is as follows:

	Tax losses RMB' 000	Others RMB' 000	Total RMB' 000
As of January 1, 2020	848,365	35,820	884,185
Charged to consolidated income statement	118,440	278,212	396,652
Charged to other comprehensive income	43,114	—	43,114
As of December 31, 2020	1,009,919	314,032	1,323,951
As of January 1, 2019	1,373,351	142,294	1,515,645
Credited to consolidated income statement	(524,986)	(106,474)	(631,460)
As of December 31, 2019	848,365	35,820	884,185

## 18 DEFERRED INCOME TAXES (Continued)

The movement on the gross deferred tax liabilities is as follows:

	Intangible Assets RMB' 000	Investments using the equity method or at fair value RMB' 000	Deferred revenues RMB' 000	Others RMB' 000	Total RMB' 000
As of January 1, 2020	(750,046)	(438,363)	(469,175)	(25,016)	(1,682,600)
Credited/(charged) to consolidated income statement	129,399	(397,361)	419,146	(130,927)	20,257
Credited to other comprehensive income	—	31,368	—	—	31,368
As of December 31, 2020	<u>(620,647)</u>	<u>(804,356)</u>	<u>(50,029)</u>	<u>(155,943)</u>	<u>(1,630,975)</u>
As of January 1, 2019	(886,398)	(416,830)	(862,290)	(100,955)	(2,266,473)
Credited/(charged) to consolidated income statement	136,352	(18,015)	393,115	75,939	587,391
Charged to other comprehensive income	—	(3,518)	—	—	(3,518)
As of December 31, 2019	<u>(750,046)</u>	<u>(438,363)</u>	<u>(469,175)</u>	<u>(25,016)</u>	<u>(1,682,600)</u>

The Group only recognises deferred income tax assets for cumulative tax losses if it is probable that future taxable amounts will be available to utilize those tax losses. Management will continue to assess the recognition of deferred income tax assets in future reporting periods. As of December 31, 2020 and 2019, the Group did not recognise deferred income tax assets of RMB9.3 billion and RMB6.6 billion in respect of cumulative tax losses amounting to RMB43.6 billion and RMB28.7 billion including the tax losses arising from the excess deduction of share-based payments. These tax losses will expire from 2021 to 2025, and certain subsidiaries of the Group may extend to 2030.

The Company has undistributed earnings which, if paid out as dividends, would be subject to tax in the hands of the recipient. An assessable temporary difference exists, but no deferred tax liability has been recognised as the Company is able to control the timing of distributions from subsidiaries and is not expected to distribute these profits in the foreseeable future.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

### 19 OTHER FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As of December 31,	
	2020 RMB' 000	2019 RMB' 000
<b>Non-current</b>		
Other financial investments at fair value through profit or loss (Note a)	<u>10,256,786</u>	<u>7,166,122</u>

#### (a) Other financial investments at fair value through profit or loss

	Year ended of December 31,	
	2020 RMB' 000	2019 RMB' 000
At the beginning of the year	7,166,122	6,241,972
Additions (Note i)	6,849,861	475,903
Change in fair value	4,955,909	77,699
Disposals (Note ii)	(314,475)	(219)
Transfer (Note 12)	(8,071,981)	319,373
Currency translation differences	<u>(328,650)</u>	<u>51,394</u>
At the end of the year	<u>10,256,786</u>	<u>7,166,122</u>

- (i) During the year ended December 31, 2020, the Group's additions to other financial investments at fair value through profit or loss mainly comprised the investment in Li Auto Inc. amounting to USD500 million (equivalent to approximately RMB3,504 million).
- (ii) During the year ended December 31, 2020, the Group disposed several investments at fair value through profit or loss with the aggregate amount of RMB314 million.

19 OTHER FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*(a) Other financial investments at fair value through profit or loss *(Continued)*

	As of December 31,	
	2020 RMB' 000	2019 RMB' 000
Investments in associates at fair value through profit or loss (Note i)	2,690,100	1,376,375
Other investments at fair value through profit or loss (Note ii)	7,566,686	5,789,747
	<u>10,256,786</u>	<u>7,166,122</u>

## (i) Investments in associates at fair value through profit or loss

	Year ended December 31,	
	2020 RMB' 000	2019 RMB' 000
At the beginning of the year	1,376,375	2,015,957
Additions	4,717,562	26,000
Change in fair value	4,785,089	(669,320)
Disposals	(225,681)	—
Transfer	(7,853,443)	—
Currency translation differences	(109,802)	3,738
At the end of the year	<u>2,690,100</u>	<u>1,376,375</u>

For the years ended December 31, 2020 and 2019, the Group made investments in some convertible redeemable preferred shares or ordinary shares with preferential rights issued by private investee companies. The Group maintained significant influence in these companies.

## (ii) Other investments at fair value through profit or loss

	Year ended December 31,	
	2020 RMB' 000	2019 RMB' 000
At the beginning of the year	5,789,747	4,226,015
Additions	2,132,299	449,903
Change in fair value	170,820	747,019
Disposals	(88,794)	(219)
Transfer	(218,538)	319,373
Currency translation differences	(218,848)	47,656
At the end of the year	<u>7,566,686</u>	<u>5,789,747</u>

The Group also has interests in certain investee companies in the form of preferred and ordinary shares without significant influence, which are managed and whose performance are evaluated on a fair value basis. The Group designated these instruments as other financial investments at fair value through profit or loss.

RMB4.0 billion of other financial investments at fair value through profit or loss is denominated in USD (2019: RMB3.4 billion), other balances are denominated in RMB.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

### 20 OTHER FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Other financial investments at fair value through other comprehensive income comprise the following:

	As of December 31,	
	2020 RMB' 000	2019 RMB' 000
<b>Non-current assets</b>		
Equity investments in listed securities	605,918	—
	<u>605,918</u>	<u>—</u>

Movement of other financial investments at fair value through other comprehensive income is analysed as follows:

	Year ended December 31,	
	2020 RMB' 000	2019 RMB' 000
At the beginning of the year	—	—
Additions (Note i)	548,668	—
Change in fair value	84,387	—
Currency translation differences	(27,137)	—
At the end of the year	<u>605,918</u>	<u>—</u>

- (i) During the year ended December 31, 2020, the Group made a new investment with the amount of approximately RMB549 million that are not held for trading. And the Group made an irrevocable election to measure the investment as other financial investments at fair value through other comprehensive income.

Amounts recognised in other comprehensive income:

	Year ended December 31,	
	2020 RMB' 000	2019 RMB' 000
Gain recognised in other comprehensive income		
Related to equity investments (Note 27)	84,387	—
	<u>84,387</u>	<u>—</u>

## 21 TREASURY INVESTMENTS

	As of December 31,	
	2020 RMB' 000	2019 RMB' 000
Long-term treasury investments at		
– Amortized cost (a)	—	200,275
– Fair value through profit or loss (b)	612,967	—
	<u>612,967</u>	<u>200,275</u>
Short-term treasury investments at		
– Amortized cost (a)	10,949,832	25,447,417
– Fair value through profit or loss (b)	32,083,979	23,988,182
– Fair value through other comprehensive income (c)	965,553	—
	<u>43,999,364</u>	<u>49,435,599</u>

**(a) Treasury investments at amortized cost**

Treasury investments at amortized cost are fixed rate certificate of deposit and term deposits.

Note 3.1 (b) sets out information about the impairment of financial assets and the Group's exposure to credit risk.

There is also no exposure to price risk as the investments will be held to maturity.

**(b) Treasury investments at fair value through profit or loss**

Treasury investments at fair value through profit or loss are wealth management products. The principal and returns on all of these wealth management products are not guaranteed, hence their contractual cash flows do not qualify for solely payments of principal and interest. Therefore, they are measured at fair value through profit or loss. The fair values are within level 3 of the fair value hierarchy (Note 3.3). Changes in fair value (realized and unrealized) of these financial assets had been recognised in "Other gains, net" in the consolidated income statement.





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

### 21 TREASURY INVESTMENTS *(Continued)*

#### (c) Treasury investments at fair value through other comprehensive income

Treasury investments at fair value through other comprehensive income are large-denomination negotiable certificates of term deposits and other financial products, in which the contractual cash flows represent solely payments of principal and interest and the objective of the Group's business model is achieved both by collecting contractual cash flows and selling these financial assets. The fair values are within level 2 and 3 of the fair value hierarchy (Note 3.3).

#### (d) Treasury investments are denominated in the following currencies:

	As of December 31,	
	2020 RMB' 000	2019 RMB' 000
USD	31,828,437	32,630,495
RMB	12,783,894	17,005,379
	<u>44,612,331</u>	<u>49,635,874</u>

The majority of treasury investments denominated in USD currency are held by the entities with the same functional currency. Therefore, there is no exposure to foreign currency risk.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

## 22 PREPAYMENTS, DEPOSITS AND OTHER ASSETS

	As of December 31,	
	2020 RMB' 000	2019 RMB' 000
<b>Non-current</b>		
Prepayment for land use rights	4,578,910	—
Prepayment for fixed assets	1,356,167	159,703
Loan receivables (Note i)	466,232	—
Recoverable value-added tax	334,509	972,099
Prepayment for investments	297,044	282,044
Rental deposits	268,658	135,813
Others	268,297	12,378
	<u>7,569,817</u>	<u>1,562,037</u>
<b>Current</b>		
Loan receivables (Note i)	6,441,565	5,387,552
Tax prepayments	2,275,045	1,534,292
Amounts due from related parties (Note 37)	1,425,059	324,741
Contract assets	591,646	373,609
Receivables from third-party payment service providers	369,744	303,868
Receivables related to share options and RSUs	303,176	86,273
Prepayments to merchants (Note ii)	299,358	408,248
Deposits	156,044	147,940
Prepayments for channel marketing fee	123,602	102,593
Receivables from investment disposal	—	287,577
Others	954,886	634,464
	<u>12,940,125</u>	<u>9,591,157</u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

### 22 PREPAYMENTS, DEPOSITS AND OTHER ASSETS (Continued)

- (i) Loan receivables are derived from micro-credit business. Loan receivables are recorded initially at fair value and subsequently measured at amortized cost using the effective interest method, less allowance for impairment. The loan periods extended by the Group to the merchants or individuals are generally within 12 months. Breakdown for loan receivables included both current and non-current portion as follows:

	As of December 31,	
	2020 RMB' 000	2019 RMB' 000
Unsecured loan receivables	7,262,016	5,723,050
Less: allowance for impairment	(354,219)	(335,498)
	<u>6,907,797</u>	<u>5,387,552</u>

Movements on the Group's allowance for impairment of loan receivables are as follows:

	Year ended December 31,	
	2020 RMB' 000	2019 RMB' 000
At the beginning of the year	(335,498)	(150,990)
Provision	(357,556)	(435,122)
Receivables written off during the year as uncollectable	384,107	250,614
Recovered after written off	(45,272)	—
At the end of the year	<u>(354,219)</u>	<u>(335,498)</u>

- (ii) Prepayments to merchants are derived from in-store, hotel & travel services. The Group prepay the third-party merchants prior to their merchant's sales campaign of vouchers on the Group's online platform. The Group recognises commission revenue from in-store, hotel & travel services when the vouchers and reservations are redeemed by Transacting Users to enjoy the goods or services. At each period end, prepayments to merchants are assessed for impairment to ensure the recoverability, by considering reliability of the assets and existence of advances from transacting users.

	As of December 31,	
	2020 RMB' 000	2019 RMB' 000
Prepayments to merchants	358,939	473,361
Less: allowance for impairment(a)	(59,581)	(65,113)
	<u>299,358</u>	<u>408,248</u>

- (a) Majority of loss allowance are related to the non-performing balances for which 100% provision have been provided.

Movements on the Group's allowance for impairment of prepayments to merchants are as follows:

	Year ended December 31,	
	2020 RMB' 000	2019 RMB' 000
At the beginning of the year	(65,113)	(77,674)
Reversal/(provision)	57	(11,502)
Receivables written off during the year as uncollectable	5,475	24,063
At the end of the year	<u>(59,581)</u>	<u>(65,113)</u>

## 23 INVENTORIES

	As of December 31,	
	2020 RMB' 000	2019 RMB' 000
Raw materials	41,109	98,047
Finished goods	439,130	265,975
	480,239	364,022
Less: provision for impairment	(13,747)	(88,795)
	<u>466,492</u>	<u>275,227</u>

## 24 TRADE RECEIVABLES

	As of December 31,	
	2020 RMB' 000	2019 RMB' 000
Trade receivables	1,197,518	832,616
Less: allowance for impairment	(166,570)	(155,854)
	<u>1,030,948</u>	<u>676,762</u>

The Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of the contract assets and trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At each reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

### 24 TRADE RECEIVABLES (Continued)

Movements on the Group's allowance for impairment of trade receivables are as follows:

	Year ended December 31,	
	2020 RMB' 000	2019 RMB' 000
At the beginning of the year	(155,854)	(124,069)
Provision	(89,964)	(86,664)
Assets transferred from derecognition of held for sale as held for sale	—	(7,030)
Reversal	54,016	26,478
Receivables written off during the year as uncollectable	25,232	35,431
At the end of the year	<u>(166,570)</u>	<u>(155,854)</u>

The Group considered that the carrying amounts of the trade receivables balances approximated their fair value as of December 31, 2020 and 2019.

The Group allows a credit period of 30 to 180 days to its customers. Aging analysis of trade receivables (net off allowance for impairment of trade receivables) based on invoice date is as follows:

	As of December 31,	
	2020 RMB' 000	2019 RMB' 000
Trade receivables		
Up to 3 months	889,861	544,784
3 to 6 months	94,088	87,114
6 months to 1 year	39,416	34,574
Over 1 year	7,583	10,290
	<u>1,030,948</u>	<u>676,762</u>

The majority of the Group's trade receivables were denominated in RMB.

The maximum exposure to credit risk as of December 31, 2020 and 2019 was the carrying value of the trade receivables. The Group did not hold any collateral as security.

## 25 CASH AND BALANCES WITH BANK AND FINANCIAL INSTITUTIONS

## (a) Cash and cash equivalents

	As of December 31,	
	2020 RMB' 000	2019 RMB' 000
Cash in hand and cash in bank	14,927,081	6,747,736
Term deposit with initial terms within three months	1,305,480	6,294,862
Cash held in other financial institutions (Note i)	860,998	353,587
	<u>17,093,559</u>	<u>13,396,185</u>

- (i) Cash and cash equivalents of the Group primarily represent bank deposits and fixed deposits with maturities less than three months. As of December 31, 2020 and 2019, the Group had certain amounts of cash held in accounts managed by other financial institutions in connection with the provision of online and mobile commerce and related services in the amount of RMB861 million and RMB354 million, respectively, which have been classified as cash and cash equivalents on the consolidated statements of financial position.

Cash and cash equivalents are denominated in the following currencies:

	As of December 31,	
	2020 RMB' 000	2019 RMB' 000
RMB	8,582,899	7,578,796
USD	7,866,891	5,660,813
Others	643,769	156,576
	<u>17,093,559</u>	<u>13,396,185</u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

### 25 CASH AND BALANCES WITH BANK AND FINANCIAL INSTITUTIONS *(Continued)*

#### (b) Restricted cash

Restricted cash are dominated in the following currencies:

	As of December 31,	
	2020 RMB' 000	2019 RMB' 000
RMB	12,730,092	8,704,305
USD	42,427	55,810
Others	3,148	—
	<u>12,775,667</u>	<u>8,760,115</u>

As of December 31, 2020, RMB190 million, USD4 million and HKD1 million (equivalent to approximately RMB27 million) restricted deposits were held by bank as letter of guarantee. Other restricted cash balances are those held in bank account which are subject to certain restriction according to agreement with certain parties.

As of December 31, 2019, RMB231 million and USD6 million (equivalent to approximately RMB42million) restricted deposits were held by bank as letter of guarantee. Other restricted cash balances are those held in bank account which are subject to certain restriction according to agreement with certain parties.

### 26 SHARE CAPITAL, SHARE PREMIUM AND SHARES HELD FOR SHARES AWARD SCHEME

As of December 31, 2020 and 2019, the authorized share capital of the Company comprises 10,000,000,000 ordinary shares with par value of USD0.00001 per share.

Issued:

	Number of ordinary shares '000	Nominal value of ordinary shares USD' 000	Share capital RMB' 000	Share premium RMB' 000	Shares held for shares award scheme RMB' 000	Total RMB' 000
As of January 1, 2020	5,808,666	58	389	260,359,929	—	260,360,318
Exercise of option and RSU vesting	65,776	1	5	2,795,272	1	2,795,278
Shares held for shares award scheme	11,207	—	1	—	(1)	—
As of December 31, 2020	<u>5,885,649</u>	<u>59</u>	<u>395</u>	<u>263,155,201</u>	<u>—</u>	<u>263,155,596</u>
As of January 1, 2019	5,727,447	57	384	258,284,687	—	258,285,071
Exercise of option and RSU vesting	81,219	1	5	2,075,242	—	2,075,247
As of December 31, 2019	<u>5,808,666</u>	<u>58</u>	<u>389</u>	<u>260,359,929</u>	<u>—</u>	<u>260,360,318</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

## 27 OTHER RESERVES

	Capital reserve RMB' 000	Share-based compensation reserve RMB' 000	Currency translation reserve RMB' 000	Changes in the fair value of other financial investments at fair value through other comprehensive income RMB' 000	Others RMB' 000	Total RMB' 000
As of January 1, 2020	20	3,161,201	(7,439,014)	—	(169,459)	(4,447,252)
Share-based compensation expenses	—	3,272,930	—	—	—	3,272,930
Exercise of option and RSU vesting	—	(2,283,840)	—	—	—	(2,283,840)
Share of equity movement in associates	—	—	—	—	(120,986)	(120,986)
Currency translation differences	—	—	(2,920,302)	—	—	(2,920,302)
Changes in the fair value of other financial investments at fair value through other comprehensive income	—	—	—	84,387	—	84,387
Changes in the fair value of short-term treasury investments at fair value through other comprehensive income	—	—	—	—	(60)	(60)
Tax benefit from share-based payments	—	—	—	—	44,862	44,862
Appropriations to general reserves	—	—	—	—	108,195	108,195
As of December 31, 2020	20	4,150,291	(10,359,316)	84,387	(137,448)	(6,262,066)





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 27 OTHER RESERVES (Continued)

	Capital reserve RMB' 000	Share-based compensation reserve RMB' 000	Currency translation reserve RMB' 000	Others RMB' 000	Total RMB' 000
<b>As of January 1, 2019</b>	20	2,594,722	(8,118,061)	(218,028)	(5,741,347)
Share-based compensation expenses	—	2,181,436	—	—	2,181,436
Exercise of option and RSU vesting	—	(1,614,957)	—	—	(1,614,957)
Transaction with non-controlling interests	—	—	—	34,047	34,047
Disposal of a subsidiary	—	—	—	10,617	10,617
Share of other comprehensive income of investments accounted for using the equity method	—	—	—	3,905	3,905
Currency translation differences	—	—	679,047	—	679,047
<b>As of December 31, 2019</b>	<u>20</u>	<u>3,161,201</u>	<u>(7,439,014)</u>	<u>(169,459)</u>	<u>(4,447,252)</u>

## 28 DEFERRED REVENUES

	As of December 31,	
	2020 RMB' 000	2019 RMB' 000
<b>Non-Current</b>		
Business cooperation agreement with Maoyan (Note i)	166,700	388,967
Others	—	61
	<u>166,700</u>	<u>389,028</u>
<b>Current</b>		
Online marketing services	4,764,327	4,299,191
Business cooperation agreement with Maoyan (Note i)	222,267	222,267
Ride-sharing monthly pass	65,873	44,010
Others	363	1,703
	<u>5,052,830</u>	<u>4,567,171</u>
	<u>5,219,530</u>	<u>4,956,199</u>

- (i) In July 2016, as part of the Group's disposal of Maoyan, the Group entered into a business cooperation agreement with Maoyan for a 5-year period. Subsequently in September 2017, the agreement was extended for another 14 months to September 30, 2022. The Group recognises the revenue over the contract period.

## 28 DEFERRED REVENUES (Continued)

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward deferred revenues :

	Year ended December 31,	
	2020 RMB' 000	2019 RMB' 000
Revenue recognised that was included in the deferred revenues balance at the beginning of the year		
Online marketing services	3,664,123	2,235,817
Business cooperation agreement with Maoyan	222,267	222,267
Ride-sharing monthly pass	44,010	21,741
Others	1,279	2,236
	<u>3,931,679</u>	<u>2,482,061</u>

## 29 TRADE PAYABLES

	As of December 31,	
	2020 RMB' 000	2019 RMB' 000
Trade payables	<u>11,967,026</u>	<u>6,766,253</u>

As of December 31, 2020 and 2019, the aging analysis of the trade payables based on invoice date were as follows:

	As of December 31,	
	2020 RMB' 000	2019 RMB' 000
Trade payables		
Up to 3 months	11,810,659	6,353,368
3 to 6 months	46,688	237,151
6 months to 1 year	45,876	119,630
Over 1 year	63,803	56,104
	<u>11,967,026</u>	<u>6,766,253</u>

The majority of the Group's trade payables were denominated in RMB.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

### 30 OTHER PAYABLES AND ACCRUALS

	As of December 31,	
	2020 RMB' 000	2019 RMB' 000
Salaries and benefits payable	4,124,807	2,947,738
Deposits	2,680,966	1,803,783
Other tax payable	1,150,193	881,567
Amounts collected for third parties	601,193	312,191
Amounts due to related parties (Note 37)	395,785	351,249
Advance from customers and others	367,960	328,690
Accrued expenses	312,481	205,715
Payables for acquisition	82,316	55,718
Undue interests accrued for notes payable (Note 32)	61,732	—
Others	779,785	350,761
	<u>10,557,218</u>	<u>7,237,412</u>

### 31 BORROWINGS

	As of December 31, 2020		As of December 31, 2019	
	Original amount ' 000	Amount RMB' 000	Original amount ' 000	Amount RMB' 000
Included in non-current liabilities:				
USD bank loans – unsecured	USD300,000	1,957,470	—	—
RMB asset-backed securities	—	—	RMB466,676	466,676
Included in current liabilities:				
RMB bank loans – unsecured	RMB3,250,000	3,250,000	RMB3,190,000	3,190,000
USD bank loans – unsecured	USD482,000	3,145,002	—	—
RMB asset-backed securities	—	—	RMB362,587	362,587
		<u>6,395,002</u>		<u>3,552,587</u>

31 BORROWINGS *(Continued)*

- (a) As of December 31, 2020, the effective interest rates for bank loans were 1.54%-3.85% (2019: 3.68%-6.50%), and the effective interest rates for asset-backed securities were nil (2019: 4.59%-6.20%).
- (b) For the year ended December 31, 2020, the weighted average effective interest rate was 3.21% (2019: 5.242%). The floating rates of USD bank loans which were subject to London interbank offered rate would be repriced quarterly or yearly according to the contract terms.
- (c) There were no consolidated ABS issued in the year of 2020. ABS issued in the year of 2019 have been fully repaid in 2020.

## 32 NOTES PAYABLE

	As of December 31,	
	2020 RMB' 000	2019 RMB' 000
<b>Included in non-current liabilities:</b>		
Non-current portion of long-term USD notes payable	<u>12,966,341</u>	<u>—</u>
<b>Included in current liabilities:</b>		
Undue interests accrued for notes payable (Note 30)	<u>61,732</u>	<u>—</u>

The aggregate principal amounts of notes payable were USD2,000 million (2019: nil). Applicable interest rates are at 2.125% ~ 3.05% per annum, and the interests will be payable semi-annually.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

### 32 NOTES PAYABLE (Continued)

The notes payable and undue interests were repayable as follows:

	As of December 31,	
	2020 RMB' 000	2019 RMB' 000
Within 1 year (Note 30)	61,732	—
Between 2 and 5 years	4,863,174	—
More than 5 years	8,103,167	—
	<u>13,028,073</u>	<u>—</u>

All of these notes payable issued by the Group were unsecured.

On October 29, 2020, the Company issued senior notes with an aggregate principal amount of USD2,000 million on the Stock Exchange of Hong Kong Limited as set out below.

	Amount (USD million)	Interest Rate (per annum)	Due Date
2025 senior notes	750	2.125%	October 28, 2025
2030 senior notes	<u>1,250</u>	3.05%	October 28, 2030
	<u>2,000</u>		

As of December 31, 2020, the fair value of the notes payable amounted to RMB13,515 million. The respective fair values are assessed based on the quoted market price of these notes on the reporting date.

### 33 SHARE-BASED PAYMENTS

On October 6, 2015, the Board of the Company approved the establishment of the Company's Pre-IPO ESOP, an equity-settled share-based compensation plan with the purpose of attracting, motivating, retaining and rewarding certain employees, consultants, and Directors. The Pre-IPO ESOP is valid and effective for 10 years from the date of approval by the Board. The Group has reserved 598,483,347 ordinary shares under the Pre-IPO ESOP, and permits the awards of options and RSUs of the Company's ordinary shares.

On April 4, 2018, the Company and Mobike entered into a strategic transaction, and the Group assumed all the outstanding incentive share awards of Mobike (the "Mobike option replacement"). The number and types of the shares issuable upon the exercise of the Mobike option replacement, and the applicable exercise price for share options were adjusted according to the same term as the Pre-IPO ESOP. After the replacement awards were issued, Mobike's original incentive plan ceased to operate.

## 33 SHARE-BASED PAYMENTS (Continued)

A total of 21,290,122 share options were assumed by the Group in the acquisition of Mobike. The Mobike option replacement has been analyzed to determine whether the awards relate to pre-combination or post-combination services or both. To the extent Mobike option replacement is for pre-combination services, a portion of the value of the awards has been allocated to the consideration transferred for the acquiree. To the extent the Mobike option replacement is for post-combination services, the value of the awards is recognised as compensation expenses attributable to post-combination services.

The incremental fair value, calculated as the difference between the fair value of share option award assumed by the Group in the Mobike option replacement and the fair value of the outstanding incentive share awards of Mobike as of the acquisition date, has been included in the measurement of the amount recognised for the services received over the remainder of the vesting period, and is recognised in the Group's consolidated income statement as share-based compensation expenses.

In addition, according to the merger agreement with Mobike, RSUs of the Company with a total valuation of USD60 million shall be granted to current Mobike officers, Directors, and employees, and subject to the Company's Pre-IPO ESOP. The Company recorded share-based compensation expenses over the service period based on its best estimate of the grant date fair value of related RSUs.

As of August 30, 2018, the Group has authorized and reserved 683,038,063 ordinary shares under the Pre-IPO ESOP for awards of options and RSUs of the Company's ordinary shares. All the share options and RSUs under the Pre-IPO ESOP were granted between May 31, 2006 and August 2, 2018 and the Company will not grant further share options and RSUs under the Pre-IPO ESOP after the listing of the Class B shares on the Main Board of the Stock Exchange of Hong Kong Limited.

On August 30, 2018, Post-IPO Share Option Scheme and Post-IPO Share Award Scheme had been approved by the shareholders of the Company. The total number of Class B Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other schemes is 475,568,628 Class B Shares. The aggregate number of Class B Shares underlying all grants made pursuant to the Post-IPO Share Award Scheme (excluding Award Shares which have been forfeited in accordance with the Post-IPO Share Award Scheme) will not exceed 272,336,228 Shares without Shareholders' approval (the "**Post-IPO Share Award Scheme Limit**") subject to an annual limited of 3% of the total number of issued Shares at the relevant time.

As of December 31, 2020, the Group has authorised and reserved a total of 652,738,577 ordinary shares under the Pre-IPO ESOP, Post-IPO Share Option Scheme and Post-IPO Share Award Scheme for awards of options and RSUs of the Company's ordinary shares.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

### 33 SHARE-BASED PAYMENTS *(Continued)*

#### Share options

Options granted typically expire in 10 years from the respective grant dates. The options have graded vesting terms, and vest in tranches from the grant date over the vesting period, on condition that employees remain in service without any performance requirements.

The options may be exercised at any time after they have vested subject to the terms of the award agreement and are exercisable for a maximum period of 10 years after the date of grant.

Movements in the number of share options granted and their related weighted average exercise prices are as follows:

	Number of share options	Weighted average exercise price per share option (HKD)
Outstanding as of January 1, 2020	73,710,007	27.81
Granted during the year	2,611,316	146.22
Forfeited during the year	(3,861,049)	33.76
Exercised during the year	<u>(21,567,100)</u>	<u>26.59</u>
Outstanding as of December 31, 2020	<u>50,893,174</u>	<u>33.95</u>
Vested and exercisable as of December 31, 2020	<u>24,147,385</u>	<u>21.60</u>
Outstanding as of January 1, 2019	116,321,663	22.69
Granted during the year	740,000	69.10
Forfeited during the year	(7,484,459)	25.45
Exercised during the year	<u>(35,867,197)</u>	<u>13.18</u>
Outstanding as of December 31, 2019	<u>73,710,007</u>	<u>27.81</u>
Vested and exercisable as of December 31, 2019	<u>32,713,923</u>	<u>21.23</u>

The weighted average remaining contractual life of outstanding share options was 6 years and 7 years as of December 31, 2020 and 2019. The weighted average price of the shares at the time these options were exercised was HKD175.76 per share (equivalent to approximately RMB156.13 per share) during the year ended December 31, 2020.

## 33 SHARE-BASED PAYMENTS (Continued)

## Fair value of share options

The Group has used Black-Scholes model to determine the fair value of the share option as of the grant date. Key assumptions are set as below:

	Year ended December 31,	
	2020	2019
Risk-free interest rates	0.5%	1.5%
Expected term – years	6.3-6.5	6.3
Expected volatility	40%-45%	40%
Fair value of share options (HKD)	43.20-72.99	28.41
Exercise price (HKD)	100.15-195.98	69.10

The weighted average fair value of granted options was HKD57.52 and HKD28.41 per share, for the years ended December 31, 2020 and 2019, respectively.

## RSUs

The Company also grants RSUs to the Company's employees, consultants, and Directors under the Pre-IPO ESOP and Post-IPO Share Award Scheme. The RSUs awarded vest in tranches from the grant date over a certain service period, on condition that employees remain in service without any performance requirements. Once the vesting conditions underlying the respective RSUs are met, the RSUs are considered duly and validly issued to the holder, and free of restrictions on transfer.





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

### 33 SHARE-BASED PAYMENTS (Continued)

#### RSUs (Continued)

Movement in the number of RSUs granted and the respective weighted average grant date fair value are as follows:

	Number of RSUs	Weighted average grant date fair value per RSU (HKD)
Outstanding as of January 1, 2020	142,875,991	47.26
Granted during the year	44,797,063	167.84
Vested during the year	(49,436,884)	43.67
Forfeited during the year	(11,695,041)	60.02
Outstanding as of December 31, 2020	126,541,129	90.18
Outstanding as of January 1, 2019	164,133,960	35.87
Granted during the year	47,430,198	69.43
Vested during the year	(45,351,471)	31.23
Forfeited during the year	(23,336,696)	43.41
Outstanding as of December 31, 2019	142,875,991	47.26

The fair value of each RSU at the grant dates is determined by reference to the fair value of the underlying ordinary shares on the date of grant.

The total share-based compensation expenses recognised in the consolidated income statement are RMB3.3 billion and RMB2.2 billion for the years ended December 31, 2020 and 2019, respectively. The following table sets forth a breakdown of the share-based compensation expenses by nature:

	Year ended December 31,	
	2020 RMB' 000	2019 RMB' 000
Share options	170,017	301,568
RSUs	3,102,913	1,879,868
Others	4,546	9,435
	<u>3,277,476</u>	<u>2,190,871</u>

## 34 DIVIDENDS

No dividends have been paid or declared by the Company during each of the years ended December 31, 2020 and 2019.

## 35 CAPITAL COMMITMENTS

	As of December 31,	
	2020 RMB' 000	2019 RMB' 000
Within 1 year	5,242,423	23,658
1 – 2 years	—	91
	<u>5,242,423</u>	<u>23,749</u>

	As of December 31,	
	2020 RMB' 000	2019 RMB' 000
Purchase of property, plant and equipment	2,546,586	23,749
Purchase of land use rights	1,962,390	—
Purchase of Investments	<u>733,447</u>	<u>—</u>
	<u>5,242,423</u>	<u>23,749</u>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

## 36 NOTE TO CONSOLIDATED STATEMENTS OF CASH FLOWS

### (a) Cash generated from operations

	Note	Year ended December 31,	
		2020 RMB' 000	2019 RMB' 000
Profit before income tax		4,437,875	2,762,388
Adjustments for			
Depreciation and amortization	15,16	5,194,109	4,845,800
Net provision for impairment losses on financial assets		467,690	645,685
Non-cash employee benefits expense – share-based payments	8	3,277,476	2,190,871
Dilution gain and gains from business and investments disposals	9	(853,618)	(292,421)
Gains from the remeasurement of investments	9	—	(176,880)
Impairment provision and restructuring expense for Mobike restructuring plan		(5,272)	88,612
Impairment provision for goodwill	7,16	58,166	—
Impairment provision for other long-term assets	7,15	29,691	—
Share of gains of investments accounted for using equity method	12	(264,105)	(107,353)
Change in fair value from investments at fair value through profit or loss	19	(4,955,909)	(77,699)
Dividend income and interest classified as investing cash flows		(1,218,122)	(1,527,405)
Finance costs		384,791	220,362
Net exchange loss		151,198	111,045
Net gain on sale of non-current assets		(38,217)	—
Change in working capital			
Increase in restricted cash		(4,016,150)	(4,504,029)
Increase in trade receivables		(381,667)	(272,974)
Increase in prepayments, deposits and other assets		(3,261,037)	(1,703,120)
(Increase)/decrease in inventories		(191,265)	94,966
Increase in trade payables		3,991,118	1,291,272
Increase/(decrease) in payables to merchants		1,919,674	(101,126)
Increase in advances from transacting users		452,277	640,892
Increase in deferred revenues		263,331	1,228,319
Increase in other payables and accruals		3,383,910	1,508,703
Increase in other non-current liabilities		5,106	34,955
Decrease in deposits from transacting users		(269,726)	(866,003)
Decrease in assets classified as held for sale		—	211,905
Decrease in liabilities directly associated with assets classified as held for sale		—	(209,241)
<b>Cash generated from operations</b>		<b>8,561,324</b>	<b>6,037,524</b>

## 36 NOTE TO CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

## (b) Major non-cash transactions

Other than the acquisition of right-of-use assets described in Note 15, the share-based payments described in Note 33, there were no other material non-cash transactions during the year ended December 31, 2020.

## (c) Reconciliation of liabilities generated from financing activities

	Liabilities from financing activities				Total RMB' 000
	Borrowings RMB' 000	Notes payable RMB' 000	Financial liabilities at fair value through profit or loss RMB' 000	Lease liabilities RMB' 000	
Liabilities from financing activities as of January 1, 2020	4,019,263	—	—	1,526,799	5,546,062
Cash flow	4,621,559	13,337,825	114,600	(936,380)	17,137,604
Acquisitions	—	—	—	2,180,516	2,180,516
Disposals	—	—	—	(125,346)	(125,346)
Recognition of issuance cost	—	(3,352)	—	—	(3,352)
Finance cost	768	63,606	—	92,266	156,640
Currency translation differences	(289,118)	(370,006)	—	—	(659,124)
Liabilities from financing activities as of December 31, 2020	<u>8,352,472</u>	<u>13,028,073</u>	<u>114,600</u>	<u>2,737,855</u>	<u>24,233,000</u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

### 36 NOTE TO CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

#### (c) Reconciliation of liabilities generated from financing activities (Continued)

	Liabilities from financing activities		
	Borrowings	Lease Liabilities	Total
	RMB' 000	RMB' 000	RMB' 000
<b>Liabilities from financing activities as of</b>			
December 31, 2018	2,270,056	—	2,270,056
Recognised on adoption of IFRS 16	—	1,846,656	1,846,656
<b>Liabilities from financing activities as of</b>			
January 1, 2019	2,270,056	1,846,656	4,116,712
Cash flow	1,749,031	(785,825)	963,206
Acquisitions	—	465,968	465,968
Recognition of issuance cost	176	—	176
<b>Liabilities from financing activities as of</b>			
December 31, 2019	4,019,263	1,526,799	5,546,062

### 37 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions. Parties are also considered to be related if they are subjected to common control. Members of key management and their close family members of the Group are also considered as related parties.

The following significant transactions were carried out between the Group and its related parties during the periods presented. In the opinion of the Directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

## 37 RELATED PARTY TRANSACTIONS (Continued)

## (a) Names and relationships with related parties

The following companies are significant related parties of the Group that had transactions and/or balances with the Group during the year.

Name of related parties	Relationship
Tencent Group	One of the Company's shareholders
AsiaSea Co., Ltd.	Associate of the Group
Beijing RTMAP Technology Co., Ltd.	Associate of the Group
Dalian Tongda Enterprise Management Co., Ltd.	Associate of the Group
Fujian PiaoFeutong Information Technology Co., Ltd.	Associate of the Group
Hefei Haizhitun Technology Co., Ltd.	Associate of the Group
Jilin Yillion Bank Co., Ltd.	Associate of the Group
Ningbo Meishan Bonded Port Area Meixing Investment Management Co., Ltd.	Associate of the Group
Shenzhen Meizhu Enterprise Management Co., Ltd.	Associate of the Group
Tianjin Maoyan and its subsidiaries	Associate of the Group

## (b) Significant transactions with related parties

	Year ended December 31,	
	2020 RMB' 000	2019 RMB' 000
(i) Sales of service		
Associate of the Group	679,133	1,069,898
One of the Company's shareholders	3,695	12,656
	<u>682,828</u>	<u>1,082,554</u>
(ii) Purchase of goods and service		
One of the Company's shareholders	1,885,502	1,849,435
Associate of the Group	927,744	538,918
	<u>2,813,246</u>	<u>2,388,353</u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

### 37 RELATED PARTY TRANSACTIONS (Continued)

#### (c) Balances with related parties

		As of December 31,	
		2020	2019
		RMB' 000	RMB' 000
(i) Due from related parties			
Associate of the Group		1,136,433	290,917
One of the Company's shareholders		288,626	33,824
		<u>1,425,059</u>	<u>324,741</u>
(ii) Due to related parties			
Associate of the Group		362,708	271,702
One of the Company's shareholders		33,077	79,547
		<u>395,785</u>	<u>351,249</u>

#### (d) Key management compensation

		Year ended December 31,	
		2020	2019
		RMB' 000	RMB' 000
Fees		1,500	1,500
Basic salaries		12,721	12,721
Bonuses		12,648	13,147
Pension costs and other employee benefits		764	948
Share-based compensation expenses		425,834	488,139
		<u>453,467</u>	<u>516,455</u>

### 38 CONTINGENCIES

The Group did not have any material contingent liabilities as of December 31, 2020 and 2019.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

## 39 FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

### (a) Financial position of the Company

		As of December 31,	
	Note	2020 RMB' 000	2019 RMB' 000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments in subsidiaries		68,519,333	65,246,403
Intangible assets		287	—
Long-term treasury investments		612,967	—
Prepayments, deposits and other assets		41,208,960	32,426,176
		<u>110,341,547</u>	<u>97,672,579</u>
<b>Current assets</b>			
Short-term treasury investments		31,572,008	27,676,401
Prepayments, deposits and other assets		302,553	93,317
Cash and cash equivalents		6,920,635	6,151,379
		<u>38,795,196</u>	<u>33,921,097</u>
<b>Total assets</b>		<u><b>149,136,743</b></u>	<u><b>131,593,676</b></u>
<b>EQUITY</b>			
Share capital	26	395	389
Share premium	26	263,155,201	260,359,929
Shares held for shares award scheme	26	—	—
Other reserves	39(b)	(6,405,555)	(3,095,017)
Accumulated losses		(125,790,405)	(126,520,961)
<b>Equity attributable to equity holders of the Company</b>		<u><b>130,959,636</b></u>	<u><b>130,744,340</b></u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		1,957,470	—
Notes payable		12,966,341	—
		<u>14,923,811</u>	<u>—</u>
<b>Current liabilities</b>			
Other payables and accruals		3,253,296	849,336
		<u>3,253,296</u>	<u>849,336</u>
<b>Total liabilities</b>		<u><b>18,177,107</b></u>	<u><b>849,336</b></u>
<b>Total equity and liabilities</b>		<u><b>149,136,743</b></u>	<u><b>131,593,676</b></u>

The statement of financial position of the Company was approved by the Board of Directors on March 26, 2021 and was signed on its behalf.

Wang Xing  
Director

Mu Rongjun  
Director





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

## 39 FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

### (b) Reserve movement of the Company

	Capital reserve RMB' 000	Share-based compensation reserve RMB' 000	Currency translation reserve RMB' 000	Changes in the fair value of short-term treasury investments at FVOCI RMB' 000	Total RMB' 000
As of January 1, 2020	20	3,161,201	(6,256,238)	—	(3,095,017)
Other Comprehensive loss					
Currency translation differences	—	—	(4,299,457)	—	(4,299,457)
Changes in the fair value of short-term treasury investments at FVOCI	—	—	—	(171)	(171)
Total other comprehensive loss	—	—	(4,299,457)	(171)	(4,299,628)
Transaction with owners in their capacity as owners					
Share-based compensation expenses	—	3,272,930	—	—	3,272,930
Exercise of option and RSU vesting	—	(2,283,840)	—	—	(2,283,840)
Total transaction with owners in their capacity as owners	—	989,090	—	—	989,090
As of December 31, 2020	20	4,150,291	(10,555,695)	(171)	(6,405,555)
As of January 1, 2019	20	2,594,722	(7,307,415)	—	(4,712,673)
Other Comprehensive income					
Currency translation differences	—	—	1,051,177	—	1,051,177
Total other comprehensive income	—	—	1,051,177	—	1,051,177
Transaction with owners in their capacity as owners					
Share-based compensation expenses	—	2,181,436	—	—	2,181,436
Exercise of option and RSU vesting	—	(1,614,957)	—	—	(1,614,957)
Total transaction with owners in their capacity as owners	—	566,479	—	—	566,479
As of December 31, 2019	20	3,161,201	(6,256,238)	—	(3,095,017)

## 40 SUBSEQUENT EVENTS

There were no material subsequent events during the period from December 31, 2020 to the approval date of these consolidated financial statements by the Board on March 26, 2021.

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