美团点评

Meituan Dianping

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

Stock Code: 3690

2018

Annual Report

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wang Xing (王興) *(Chairman of the Board)*
Mr. Mu Rongjun (穆榮均)
Mr. Wang Huiwen (王慧文)

Non-executive Directors

Mr. Lau Chi Ping Martin (劉熾平)
Mr. Neil Nanpeng Shen (沈南鵬)

Independent Non-executive Directors

Mr. Orr Gordon Robert Halyburton
Mr. Leng Xuesong (冷雪松)
Dr. Shum Heung Yeung Harry (沈向洋)

AUDIT COMMITTEE

Mr. Orr Gordon Robert Halyburton *(Chairman)*
Mr. Leng Xuesong (冷雪松)
Dr. Shum Heung Yeung Harry (沈向洋)

REMUNERATION COMMITTEE

Mr. Leng Xuesong (冷雪松) *(Chairman)*
Dr. Shum Heung Yeung Harry (沈向洋)
Mr. Mu Rongjun (穆榮均)

NOMINATION COMMITTEE

Mr. Leng Xuesong (冷雪松) *(Chairman)*
Dr. Shum Heung Yeung Harry (沈向洋)
Mr. Wang Huiwen (王慧文)

CORPORATE GOVERNANCE COMMITTEE

Mr. Leng Xuesong (冷雪松) *(Chairman)*
Mr. Orr Gordon Robert Halyburton
Dr. Shum Heung Yeung Harry (沈向洋)

JOINT COMPANY SECRETARIES

Mr. Wang Yixiang (王翼翔)
Ms. Lau Yee Wa (劉綺華)

AUTHORIZED REPRESENTATIVES

Mr. Wang Xing (王興)
Mr. Wang Huiwen (王慧文)

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
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Central
Hong Kong

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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China

STOCK CODE

3690

COMPANY'S WEBSITE

about.meituan.com

CORPORATE INFORMATION

WEIGHTED VOTING RIGHTS

The Company is controlled through weighted voting rights. Each Class A Share has 10 votes per share and each Class B Share has one vote per share except with respect to resolutions regarding a limited number of Reserved Matters, where each Share has one vote. The Company's WVR structure enables the WVR Beneficiaries to exercise voting control over the Company notwithstanding the WVR Beneficiaries do not hold a majority economic interest in the share capital of the Company. This allows the Company to benefit from the continuing vision and leadership of the WVR Beneficiaries who control the Company with a view to its long-term prospects and strategy.

Shareholders and prospective investors are advised to be aware of the potential risks of investing in companies with WVR structures, in particular that interests of the WVR Beneficiaries may not necessarily always be aligned with those of the Shareholders as a whole, and that the WVR Beneficiaries will be in a position to exert significant influence over the affairs of the Company and the outcome of Shareholders' resolutions, irrespective of how other Shareholders vote. Shareholders and prospective investors should make the decision to invest in the Company only after due and careful consideration.

As at the date of this annual report, the WVR Beneficiaries are Wang Xing, Mu Rongjun and Wang Huiwen. Wang Xing beneficially owned 573,188,783 Class A Shares, representing approximately 46.68% of the voting rights in the Company with respect to Shareholders' resolutions relating to matters other than the Reserved Matters. The Class A Shares beneficially owned by Wang Xing are held by (i) Crown Holdings, a company indirectly wholly owned by a trust established by Wang Xing (as settlor) for the benefit of Wang Xing and his family; and (ii) Shared Patience, a company directly wholly owned by Wang Xing. Mu Rongjun beneficially owned 125,980,000 Class A Shares, representing approximately 10.26% of the voting rights in the Company with respect to Shareholders' resolutions relating to matters other than the Reserved Matters. The Class A Shares beneficially owned by Mu Rongjun are held by (i) Charmway Enterprises, a company indirectly wholly owned by a trust established by Mu Rongjun (as settlor) for the benefit of Mu Rongjun and his family; and (ii) Shared Vision, a company directly wholly owned by Mu Rongjun. Wang Huiwen beneficially owned 36,400,000 Class A Shares, representing approximately 2.96% of the voting rights in the Company with respect to Class A Shareholders' resolutions relating to matters other than the Reserved Matters. The Class A Shares beneficially owned by Wang Huiwen are held by Kevin Sunny, a company indirectly wholly owned by a trust established by Wang Huiwen (as settlor) for the benefit of Wang Huiwen and his family.

Class A Shares may be converted into Class B Shares on a one to one ratio. As at the date of this annual report, upon the conversion of all the issued and outstanding Class A Shares into Class B Shares, the Company will issue 735,568,783 Class B Shares, representing approximately 14.94% the total number of issued Class B Shares as at the date of this annual report.

The weighted voting rights attached to our Class A Shares will cease when none of the WVR Beneficiaries have beneficial ownership of any of our Class A Shares, in accordance with Listing Rule 8A.22. This may occur:

(i) upon the occurrence of any of the circumstances set out in Listing Rule 8A.17, in particular where a WVR Beneficiary is: (1) deceased; (2) no longer a member of the Board; (3) deemed by the Stock Exchange to be incapacitated for the purpose of performing his duties as a director; or (4) deemed by the Stock Exchange to no longer meet the requirements of a director set out in the Listing Rules;

(ii) when the Class A Shareholders have transferred to another person the beneficial ownership of, or economic interest in, all of the Class A Shares or the control over the voting rights attached to them, other than in the circumstances permitted by Listing Rule 8A.18;

(iii) where a vehicle holding Class A Shares on behalf of a WVR Beneficiary no longer complies with Listing Rule 8A.18(2); or

(iv) when all of the Class A Shares have been converted to Class B Shares.

FINANCIAL SUMMARY AND OPERATION HIGHLIGHTS

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Year ended December 31,			
	2015	2016	2017	2018
	(RMB in thousands)			
Revenues	4,018,959	12,988,077	33,927,987	**65,227,278**
Gross profit	2,779,455	5,941,236	12,219,504	**15,104,958**
Loss before income tax	(9,242,729)	(10,631,096)	(18,933,663)	**(115,490,807)**
Loss for the year	(10,519,338)	(5,794,998)	(18,987,881)	**(115,492,695)**
Loss for the year attributable to equity holders of the Company	(10,519,338)	(5,789,900)	(18,916,617)	**(115,477,171)**
Total comprehensive loss for the year	(11,774,342)	(8,642,934)	(15,558,395)	**(123,296,397)**
Total comprehensive loss for the year attributable to equity holders of the Company	(11,774,342)	(8,637,836)	(15,487,131)	**(123,281,091)**

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As of December 31,			
	2015	2016	2017	2018
	(RMB in thousands)			
ASSETS				
Non-current assets	21,015,464	28,082,028	29,196,028	**47,512,119**
Current assets	21,874,383	23,634,532	54,438,135	**73,149,392**
Total assets	42,889,847	51,716,560	83,634,163	**120,661,511**
EQUITY				
Equity attributable to equity holders of the Company	(17,669,672)	(25,622,386)	(40,559,116)	**86,504,334**
Non-controlling interests	—	47,035	57,734	**5,438**
Total Equity	(17,669,672)	(25,575,351)	(40,501,382)	**86,509,772**
LIABILITIES				
Non-current liabilities	50,316,796	64,815,964	103,618,175	**2,326,683**
Current liabilities	10,242,723	12,475,947	20,517,370	**31,825,056**
Total liabilities	60,559,519	77,291,911	124,135,545	**34,151,739**
Total equity and liabilities	42,889,847	51,716,560	83,634,163	**120,661,511**

FINANCIAL INFORMATION BY SEGMENT

	Unaudited Three Months Ended					
	December 31, 2018			December 31, 2017		
	Food delivery	In-store, hotel & travel	New initiatives and others	Food delivery	In-store, hotel & travel	New initiatives and others
	(RMB in thousands, except for percentages)					
Revenues	**11,006,277**	**4,594,132**	**4,203,043**	6,624,416	3,103,191	747,771
Gross profit/(loss)	**1,471,721**	**3,988,258**	**(978,985)**	415,989	2,720,830	214,690
Gross margin	**13.4%**	**86.8%**	**(23.3%)**	6.3%	87.7%	28.7%

	Year Ended					
	December 31, 2018			December 31, 2017		
	Food delivery	In-store, hotel & travel	New initiatives and others	Food delivery	In-store, hotel & travel	New initiatives and others
	(RMB in thousands, except for percentages)					
Revenues	**38,143,083**	**15,840,361**	**11,243,834**	21,031,933	10,852,810	2,043,244
Gross profit/(loss)	**5,268,197**	**14,095,355**	**(4,258,594)**	1,699,419	9,579,479	940,606
Gross margin	**13.8%**	**89.0%**	**(37.9%)**	8.1%	88.3%	46.0%

FINANCIAL SUMMARY AND OPERATION HIGHLIGHTS

OPERATING METRICS

	Three Months Ended December 31, 2018	December 31, 2017	Year-over-year change	Year Ended December 31, 2018	December 31, 2017	Year-over-year change
	(RMB in billions)		(in percentages)	(RMB in billions)		(in percentages)
Gross transaction volume:						
Food delivery	**80.2**	57.0	40.6%	**282.8**	171.1	65.3%
In-store, hotel & travel	**44.7**	39.9	11.9%	**176.8**	158.1	11.8%
New Initiatives and others	**13.1**	7.2	82.5%	**56.0**	28.0	99.8%
Total	**138.0**	104.1	32.5%	**515.6**	357.2	44.3%

	Three Months Ended December 31, 2018	December 31, 2017	Year-over-year change	Year Ended December 31, 2018	December 31, 2017	Year-over-year change
	(in millions)		(in percentages)	(in millions)		(in percentages)
Number of food delivery transactions	**1,832.3**	1,354.0	35.3%	**6,393.4**	4,089.7	56.3%
Number of domestic hotel room nights	**74.4**	59.2	25.6%	**283.9**	205.0	38.5%

	Year Ended December 31, 2018	December 31, 2017	Year-over-year change
	(in millions)		(in percentages)
Number of Transacting Users	**400.4**	309.5	29.3%
Number of Active Merchants	**5.8**	4.4	32.1%
	(units)		(in percentages)
Average number of transactions per annual Transacting User	**23.8**	18.8	26.5%

To our Shareholders:

Meituan Dianping has achieved many milestones in 2018: we have opened a new chapter of opportunities and challenges in the capital markets as a public company with our successful initial public offering on the Hong Kong Stock Exchange; we have upgraded our corporate structure and service offerings in accordance with the "Food+Platform" strategy and further solidified our market leadership; we have enhanced monetisation of our entire platform and our two core business segments generated positive operating profits on a combined basis. On behalf of the Board, I am pleased to present the Group's annual results for the year ended December 31, 2018.

FINANCIAL PERFORMANCE HIGHLIGHTS

In the year ended December 31, 2018:

- **Total revenues** increased by 92.3% year-over-year to RMB65.2 billion from RMB33.9 billion in 2017. We achieved strong revenue growth across all major business segments.
- **Total gross profit** increased to RMB15.1 billion year-over-year from RMB12.2 billion in 2017. We continued to make gross margin improvement in our core businesses such as food delivery and in-store, hotel & travel.
- **Selling and marketing expenses** as a percentage of total revenues decreased to 24.3% from 32.2% in 2017, attributable to economies of scale, our stronger brands and healthy operating leverage.
- **Negative adjusted EBITDA** and **adjusted net loss** were RMB4.7 billion and RMB8.5 billion, respectively. While our significant investments in new initiatives in 2018 to some extent tempered our increase in overall profitability, our food delivery segment and in-store, hotel & travel segment on a combined basis generated positive adjusted operating profit[1] in 2018. In addition, our negative adjusted EBITDA and adjusted net loss continued to narrow sequentially on a quarter-over-quarter basis in the fourth quarter of 2018.

OPERATING HIGHLIGHTS

In the year ended December 31, 2018:

- **Total Gross Transaction Volume** (GTV) on our platform grew by 44.3% to RMB515.6 billion in 2018 from RMB357.2 billion in 2017.
- **Annual Transacting Users** on our platform grew by 29.3% to 400.4 million in 2018 from 309.5 million in 2017. On average, the annual number of transactions each Transacting User made on our platform increased to 23.8 transactions in 2018 from 18.8 transactions in 2017.
- **Annual Active Merchants** on our platform grew by 32.1% to 5.8 million in 2018 from 4.4 million in 2017.
- **Overall monetization rate**[2] increased to 12.6% in 2018 from 9.5% in 2017.

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1 Adjusted operating profit equals operating profit excluding the impact of other gains, net, fair value changes on investments measured at fair value through profit or loss, share-based compensation expenses and amortization of intangible assets resulting from acquisitions.

2 Monetization rate equals the revenues for the year/period divided by the Gross Transaction Volume for the year/period.

CHAIRMAN'S STATEMENT

BUSINESS REVIEW AND OUTLOOK

1. Company Business Highlights

Food delivery

In 2018, our food delivery business sustained its strong growth momentum. The daily average number of food delivery transactions increased by 56.3% to 17.5 million in 2018 from 11.2 million in 2017. GTV of our food delivery business increased by 65.3% to RMB282.8 billion in 2018 from RMB171.1 billion in 2017. Revenue from food delivery increased by 81.4% year-over-year to RMB38.1 billion.

As the world's largest food delivery service provider, we further cemented our market-leading position during 2018 with a strategic focus on enhancing user experience, expanding service categories and food delivery consumption scenarios, providing more comprehensive service solutions to merchants, and improving service quality and efficiency of our delivery network.

On the consumer front, we continued to implement innovative tactics to acquire users, particularly those internet users who have not yet used food delivery services from an online platform. We fully utilized our offline operation teams, delivery network and marketing resources as a whole to drive online traffic and attract new users. Meanwhile, we established a reward mechanism to incentivize user referrals through social media networks.

In addition, through creating more diversified service categories, consumption scenarios and upgrading marketing programs, we increased users' transaction frequency and further boosted transaction volume growth. We continued to expand the service categories on our platform to include breakfasts, afternoon tea and midnight snacks. Delivery volume of fast food, snacks, desserts and drinks achieved strong growth during 2018. Since the fourth quarter of 2018, we have leveraged our food delivery membership program and marketing initiatives such as holiday coupon packages to increase purchase frequency of our users.

On the merchant front, we continued to help restaurants reach new target customers, access substantial new consumption demand and enable merchants to improve their operational efficiencies. Our delivery capabilities have been further strengthened to help our merchants increase the delivery radius. In 2018, there was an increase in portion of delivery orders coming from more than 3 kilometers away.

Regarding our delivery service, we have been continuously optimizing the algorithms of our intelligent order dispatching system to further improve delivery efficiency, and enhancing the training and management of our delivery riders to ensure the consistency of our industry-leading service quality while fulfilling the fast-growing number of food delivery orders.

In-store, hotel & travel

Our in-store, hotel & travel businesses continued to solidify its market leadership and further demonstrated strong monetization capability in 2018. While the GTV of in-store, hotel & travel businesses grew by 11.8% to RMB176.8 billion in 2018 from RMB158.1 billion in 2017, the monetization rate increased to 9.0% from 6.9%, which was primarily due to the increasing contribution of online marketing revenue. As a result, revenues from in-store, hotel & travel businesses in 2018 increased by 46.0% to RMB15.8 billion in 2018 from RMB10.9 billion in 2017. Gross profit from in-store, hotel & travel businesses increased to RMB14.1 billion in 2018 from RMB9.6 billion in 2017, and gross margin expanded to 89.0% from 88.3%.

In 2018, we demonstrated the capability of our platform to successfully cross-sell a variety of low-frequency services to users that we have acquired through our high-frequency food services. Our comprehensive offerings cover consumers' daily needs, such as hotel and travel, leisure and entertainment, beauty, parenting, wedding planning, home renovations and vocational training, among others. In addition to the deals that we help merchants promote, we also enhanced our service offerings for merchants by providing them with more diversified marketing solutions, such as CPC and subscription-based marketing solutions. As a result, online marketing services revenue contributed a more significant portion of revenues of our in-store business in 2018, driven by the increasing number of online marketing Active Merchants. In particular, advertising revenues generated from beauty, vocational training, parenting, and leisure and entertainment increased by over 60% year-over-year in 2018.

As an important category of our in-store business, we further solidified the leading position of our hotel booking business in 2018. Domestic room nights consumed increased by 38.5% to 283.9 million in 2018 from 205.0 million in 2017, while average daily rate per room night experienced a steady increase year-over-year. We have also been strengthening the synergy between our hotel booking and other in-store businesses. Through cross-selling dining services, wedding planning services, spa, gyms and others services, we were able to help hotels further substantiate their revenue streams from non-lodging services.

In addition, we launched the Black Pearl Restaurant Guide in January 2018, which further strengthened our Company's brand awareness and helped reinforce Meituan Dianping as the go-to platform of quality dining selections for consumers and authoritative online marketing channel for premium restaurants in China. Black Pearl Restaurant Guide 2019 included a total of 287 restaurants in 22 cities in China and 5 cities abroad.

New initiatives and others

GTV from the new initiatives and others segment increased by 99.8% to RMB56.0 billion in 2018 from RMB28.0 billion in 2017. Revenues from the new initiatives and others segment increased by 450.3% to RMB11.2 billion in 2018 from RMB2.0 billion in 2017. Gross margin of the new initiatives and others segment was negative 37.9% in 2018, compared with positive 46.0% in 2017.

In 2018, we increased our investment in new service categories for both consumers and merchants to satisfy consumers' growing demand for more diversified lifestyle services and improve merchants' operational efficiency.

We stepped up our investment in our Restaurant Management System ("**RMS**") and supply chain solutions, through which we can strengthen relationship with the merchants on our platform, improve their operational efficiency, and explore additional monetization opportunities in the food service value chain. Our RMS is revolutionizing the restaurant software industry with a SaaS model. It enables restaurants to digitize their entire operations and to better connect with online platforms. In December 2018, in addition to further upgrading our RMS standard edition, we also launched our RMS beverage vertical edition. So far, some of the most prominent teashop brands and fastest-growing beverage chain stores in China have adopted our RMS beverage edition, which helped them improve operational efficiency, lower labor costs, and optimize user experiences. Our supply chain solutions are also transforming the food service distribution with mobile commerce. Merchants can see real-time prices and inventory availability of food ingredients on our Kuailv Mall mobile app, and make orders anytime, anywhere. By aggregating orders from a large merchant base, we will be able to consolidate purchase and distribution with stronger operating leverage, and pass on the efficiency gains to merchants.

We launched our pilot car-hailing services in Nanjing and Shanghai to increase high-frequency services on our platform. In April 2018, we completed the acquisition of Mobike to better serve our users' high-frequency short-distance transportation needs, increase the touchpoints of our platform to consumers, collect more location-based service data, and expand cross-selling opportunities with our other service categories. Since the acquisition, we have been leveraging our offline operation experience and capabilities to increase the operational efficiency of Mobike and reduce its operating losses. We also have started to integrate Mobike's operations into our platform. We have implemented organizational realignments and integrated operation to improve management efficiency. In order to better direct offline traffic to our online platform, we have added the portal to unlock the bikes in Meituan app to gradually cultivate the users to use Meituan app as the sole entry point to access our bike sharing services.

2. Company Outlook and Strategies for 2019

In 2019, we will continue executing our "Food + Platform" strategy. While maintaining the market leadership of our food delivery business, we also seek to further improve our platform's monetization capabilities, prudently explore new initiatives, and continually enhance the strategic synergies between our new initiatives and our core businesses.

Overall, we strive to further strengthen our self-reinforcing ecosystem with frequent users and merchant base to achieve stronger economy of scale and network effect. We will focus on further growing the number of both Transacting Users and Active Merchants, increasing our Transacting Users' purchase frequency and stickiness, and enhancing our high-frequency users' loyalty to our platform.

For our food delivery business, we will continue to solidify our leading position and market share while maintaining our competitive advantages in operating efficiency and unit economics. To continue to drive growth amid industry structural changes and macroeconomic headwinds, we will further expand food delivery service categories and consumption scenarios and generate more personalized recommendations and targeted promotions to increase our consumers' transaction frequency. We will further diversify merchant supply on our platform, and assist high-quality restaurants to achieve rapid growth and expansion through accelerating their operational digitization, providing supply chain solutions and enhancing brand exposure. Meanwhile, we will further enhance our delivery fulfillment capabilities, improve delivery efficiencies, and continue to invest in research and development of autonomous delivery technologies and explore new delivery models.

For our in-store business, we plan to further improve monetization capabilities by expanding service categories, deepening merchant penetration and increasing the adoption of diversified marketing solutions. In particular, we plan to further increase the penetration of merchants that adopt CPC and subscription-based marketing solutions.

Finally, we will take a more disciplined approach when allocating capital resources for our new initiatives and be more selective in scaling up new initiatives. We will improve the operational efficiencies and significantly narrow the operating losses of both our car-hailing and bike-sharing businesses, and strengthen their strategic synergies with the overall platform. We will continue the development of our RMS and supply chain solutions, focusing on the quality of the merchants that we serve rather than just the volume growth. We will prudently explore the opportunities in new retail area such as non-food delivery.

APPRECIATION

On behalf of the Board, I would like to express our sincere gratitude to our consumers, merchants and partners for their trust in our platform, our delivery riders for their reliable and efficient services, our entire staff and management team for their outstanding contributions, and our shareholders for their continuous support.

Wang Xing
Chairman

Hong Kong, March 11, 2019

1. FOURTH QUARTER OF 2018 COMPARED TO FOURTH QUARTER OF 2017

The following table sets forth the comparative figures for the fourth quarter of 2018 and 2017:

	Unaudited Three Months Ended	
	December 31, 2018	December 31, 2017
	(RMB in thousands)	
Revenues	**19,803,452**	10,475,378
Cost of revenues	**(15,322,458)**	(7,123,869)
Gross profit	**4,480,994**	3,351,509
Selling and marketing expenses	**(4,535,051)**	(3,362,229)
Research and development expenses	**(1,981,826)**	(1,149,301)
General and administrative expenses	**(2,846,080)**	(914,441)
Fair value changes on investments measured at fair value through profit or loss	**990,653**	241,006
Other gains, net	**156,792**	302,857
Operating loss	**(3,734,518)**	(1,530,599)
Finance income	**116,427**	36,179
Finance costs	**(15,407)**	(13,200)
Fair value changes of convertible redeemable preferred shares	**—**	(663,781)
Share of losses of investments accounted for using equity method	**(56,875)**	(31,263)
Loss before income tax	**(3,690,373)**	(2,202,664)
Income tax credits	**276,121**	21,846
Loss for the period	**(3,414,252)**	(2,180,818)
Non-IFRS measures:		
Adjusted EBITDA	**(854,601)**	(1,358,685)
Adjusted net loss	**(1,861,856)**	(1,385,447)

Revenues

Our revenues increased by 89.0% to RMB19.8 billion in the three months ended December 31, 2018 from RMB10.5 billion in the same period of 2017. The increase was primarily driven by (i) the increase in Gross Transaction Volume on our platform to RMB138.0 billion in the three months ended December 31, 2018 from RMB104.1 billion in the same period of 2017, which was in turn driven by the increase in the number of Transacting Users and their purchase frequency, and (ii) the increase in monetization rate to 14.3% in the three months ended December 31, 2018 from 10.1% in the same period of 2017.

Revenues by Segment

The following table sets forth our revenues by segment in absolute amount and as a percentage of our total revenues in the three months ended December 31, 2018 and 2017:

	Unaudited Three Months Ended			
	December 31, 2018		December 31, 2017	
	Amount	**As a percentage of total revenues**	Amount	As a percentage of total revenues
	(RMB in thousands, except for percentages)			
Revenues:				
Food delivery	**11,006,277**	**55.6%**	6,624,416	63.2%
In-store, hotel & travel	**4,594,132**	**23.2%**	3,103,191	29.6%
New initiatives and others	**4,203,043**	**21.2%**	747,771	7.2%
Total	**19,803,452**	**100.0%**	10,475,378	100.0%

Our revenues from the food delivery segment increased by 66.1% to RMB11.0 billion in the three months ended December 31, 2018 from RMB6.6 billion in the same period of 2017, primarily due to (i) the increase in GTV, which was driven by the increase in the number of food delivery transactions, as a result of the increase in food delivery user base and higher average purchase frequency per user, and (ii) the increase in monetization rate from 11.6% to 13.7%. We saw a revenue decrease of 1.5% compared to three months ended September 30, 2018 due to a slowdown in GTV growth and a dip in monetization rate from 14.0% to 13.7%. Monetization rate dropped slightly quarter-over-quarter due to the increased subsidy ratio in response to the intensified competition and backdrop of macroeconomic headwinds.

Our revenues from the in-store, hotel & travel segment increased by 48.0% to RMB4.6 billion in the three months ended December 31, 2018 from RMB3.1 billion in the same period of 2017, primarily due to (i) the increase in the number of Active Merchants as well as the average revenue per Active Merchant of our in-store, hotel & travel businesses, and (ii) the increase in the number and the average daily rate of domestic room nights consumed on our platform.

Our revenues from the new initiatives and others segment increased by 462.1% to RMB4.2 billion in the three months ended December 31, 2018 from RMB0.7 billion in the same period of 2017, primarily due to the increase in revenues from sale of products and services to merchants, such as RMS and supply chain solutions businesses, and services to consumers, such as non-food delivery service, pilot car-hailing service and bike-sharing service.

Revenues by Type

The following table sets forth our revenues by type in absolute amount and as a percentage of our total revenues in the three months ended December 31, 2018 and 2017:

	Unaudited Three Months Ended			
	December 31, 2018		December 31, 2017	
	Amount	**As a percentage of total revenues**	Amount	As a percentage of total revenues
	(RMB in thousands, except for percentages)			
Revenues:				
Commission	**13,150,122**	**66.4%**	8,548,567	81.6%
Online marketing services	**3,071,073**	**15.5%**	1,488,935	14.2%
Other services and sales	**3,582,257**	**18.1%**	437,876	4.2%
Total	**19,803,452**	**100.0%**	10,475,378	100.0%

Our commission revenue increased by 53.8% to RMB13.2 billion in the three months ended December 31, 2018 from RMB8.5 billion in the same period of 2017, primarily due to the substantial growth of our Gross Transaction Volume, especially from our food delivery business.

Our online marketing services revenue increased by 106.3% to RMB3.1 billion in the three months ended December 31, 2018 from RMB1.5 billion in the same period of 2017, primarily due to the increase in the number of online marketing Active Merchants, as well as the increase in the average revenue per online marketing Active Merchant from our in-store, hotel & travel and food delivery businesses.

Our other services and sales revenue increased by 718.1% to RMB3.6 billion in the three months ended December 31, 2018 from RMB0.4 billion in the same period of 2017, primarily due to the expansion of our products and services offerings to both merchants and consumers during the period.

Cost of Revenues

Our cost of revenues increased by 115.1% to RMB15.3 billion in the three months ended December 31, 2018 from RMB7.1 billion in the same period of 2017. The increase was caused by our revenue growth in the three months ended December 31, 2018, especially the strong growth of our food delivery segment, as well as our new initiatives and others segment.

The following table sets forth our cost of revenues by segment in the three months ended December 31, 2018 and 2017:

	Unaudited Three Months Ended			
	December 31, 2018		December 31, 2017	
	Amount	**As a percentage of total cost of revenues**	Amount	As a percentage of total cost of revenues
	(RMB in thousands, except for percentages)			
Cost of revenues:				
Food delivery	**9,534,556**	**62.2%**	6,208,427	87.1%
In-store, hotel & travel	**605,874**	**4.0%**	382,361	5.4%
New initiatives and others	**5,182,028**	**33.8%**	533,081	7.5%
Total	**15,322,458**	**100.0%**	7,123,869	100.0%

Cost of revenues for our food delivery business increased by 53.6% to RMB9.5 billion in the three months ended December 31, 2018 from RMB6.2 billion in the same period of 2017, primarily attributable to the increase in food delivery rider costs as a result of the increase in the number of food deliveries completed.

Cost of revenues for our in-store, hotel & travel business increased by 58.5% to RMB605.9 million in the three months ended December 31, 2018 from RMB382.4 million in the same period of 2017. The increase was primarily attributable to the increase in payment processing costs and bandwidth and server custody fees, which was generally in line with our revenue growth, and the increase in depreciation of property, plant and equipment.

Cost of revenues for the new initiatives and others business increased to RMB5.2 billion in the three months ended December 31, 2018 from RMB0.5 billion in the same period of 2017, mainly attributable to the increase in cost of goods sold as we expanded our supply chain solutions business, the increase in depreciation of property, plant and equipment as a result of our acquisition of Mobike, the increase in car-hailing driver related costs, and the increase in other outsourcing labor costs due to the expansion of our non-food delivery service.

Gross Profit and Gross Margin

The following table sets forth our gross profit both in absolute amount and as a percentage of revenues, or gross margin, by segment for the periods indicated:

	Unaudited Three Months Ended			
	December 31, 2018		December 31, 2017	
	Amount	**As a percentage of total revenues**	Amount	As a percentage of total revenues
	(RMB in thousands, except for percentages)			
Gross profit/(loss):				
Food delivery	**1,471,721**	**13.4%**	415,989	6.3%
In-store, hotel & travel	**3,988,258**	**86.8%**	2,720,830	87.7%
New initiatives and others	**(978,985)**	**(23.3%)**	214,690	28.7%
Total	**4,480,994**	**22.6%**	3,351,509	32.0%

As a result of the foregoing, our gross profit in the three months ended December 31, 2018 and 2017 was RMB4.5 billion and RMB3.4 billion, respectively. The gross profit margin of food delivery business improved by 7.1% on a year-over-year basis, but decreased by 3.2% compared to the three months ended September 30, 2018, due to incentives provided to some riders in certain regions under tough weather conditions to ensure our food delivery capacity and service quality in the winter season. The gross profit margin of in-store, hotel & travel business decreased by 0.9% on a year-over-year basis and decreased by 3.8% on a quarter-over-quarter basis, mainly due to macroeconomic headwinds' unfavorable impacts on the hotel and travel businesses, which have lowered the gross margin for the segment as whole. The gross margin of our new initiatives and others business turned from positive in three months ended December 31, 2017 to negative in the same period of 2018, while we achieved an improvement of 14.1% in gross margin on a quarter-over-quarter basis, mainly as a result of limited subsidies in the car-hailing business.

Selling and Marketing Expenses

Our selling and marketing expenses increased to RMB4.5 billion in the three months ended December 31, 2018 from RMB3.4 billion in the same period of 2017, and decreased to 22.9% from 32.1% as a percentage of revenues. The increase in selling and marketing expenses was primarily due to the increase in employee benefits expenses, Transaction User incentives, amortization of intangible assets and rental, facility and utilities. Employee benefits expenses increased to RMB1.4 billion in the three months ended December 31, 2018 from RMB1.0 billion in the same period of 2017 due to expansion of the selling and marketing teams to support the growth of our food delivery business and new initiatives and other services. Transacting User incentives increased to RMB1.5 billion in the three months ended December 31, 2018 from RMB1.3 billion in the same period of 2017, as we continued to drive the growth of the food delivery segment and to expand our service offerings to consumers in the new initiatives and others segment.

Research and Development Expenses

Our research and development expenses increased to RMB2.0 billion in the three months ended December 31, 2018 from RMB1.1 billion in the same period of 2017, and decreased to 10.0% from 11.0% as a percentage of revenues. The increase in research and development expenses was primarily due to the increase in employee benefits expenses, including share-based payments, to RMB1.8 billion in the three months ended December 31, 2018 from RMB1.1 billion in the same period of 2017, which resulted from the increase in both headcount and average salaries and benefits of our research and development personnel to support our business growth.

General and Administrative Expenses

Our general and administrative expenses increased to RMB2.8 billion, or 14.4% of revenues in the three months ended December 31, 2018 from RMB0.9 billion, or 8.7% of revenues in the same period of 2017. Excluding the effect of RMB1.3 billion impairment provision of intangible assets resulting from the change in our branding strategy for the bike-sharing services, and RMB132.0 million of the total RMB358.8 million impairment provision for Mobike's overseas restructuring, our general and administrative expenses as a percentage of revenues would have decreased to 6.9% in the three months ended December 31, 2018. Besides the impairment provision, the increase in general and administrative expenses was mainly attributable to (i) the increase in employee benefits expenses to RMB787.9 million in the three months ended December 31, 2018 from RMB594.1 million in the same period of 2017, as a result of the increase in headcount and the average salaries and benefits, including share-based payments, of our administrative personnel, (ii) the increase in provision of doubtful accounts due to the adoption of IFRS 9, and (iii) the increase in rental, facilities and utilities to support the expansion in employee headcount and business operations.

Fair Value Changes on Investments Measured at Fair Value Through Profit or Loss

Our fair value changes on investments measured at fair value through profit or loss in the three months ended December 31, 2018 increased by RMB749.6 million compared to the same period of 2017, primarily due to fair value gain from our investee companies.

Other Gains, Net

Our other gains, net were a gain of RMB156.8 million in the three months ended December 31, 2018 compared to a gain of RMB302.9 million in the same period of 2017. The decrease in other gains, net was primarily due to higher interest income from short-term investments, partially offset by foreign exchange loss in the three months ended December 31, 2018, and a gain of RMB125.6 million recognized for the disposal of certain investments in other gains, net in the three months ended December 31, 2017.

Operating Loss

As a result of the foregoing, our operating loss in the three months ended December 31, 2018 was RMB3.7 billion, compared to an operating loss of RMB1.5 billion in the same period of 2017.

Fair Value Changes of Convertible Redeemable Preferred Shares

Fair value changes of convertible redeemable preferred shares was nil in the three months ended December 31, 2018 as a result of the completion of our initial public offering in September 2018, compared to a loss of RMB663.8 million in the same period of 2017.

Loss Before Income Tax

Primarily as a result of the foregoing, our loss before income tax in the three months ended December 31, 2018 was RMB3.7 billion, compared to a loss of RMB2.2 billion in the same period of 2017.

Income Tax Credits

We had income tax credits of RMB276.1 million in the three months ended December 31, 2018, compared to income tax credits of RMB21.8 million in the same period of 2017, primarily due to the increase in the recognition of deferred tax assets as we expected certain subsidiaries to make profit and therefore utilize the accumulated losses carried forward.

Loss For the Period

As a result of the foregoing, we had losses of RMB3.4 billion and RMB2.2 billion in the three months ended December 31, 2018 and 2017, respectively.

2. YEAR ENDED DECEMBER 31, 2018 COMPARED TO YEAR ENDED DECEMBER 31, 2017

The following table sets forth the comparative figures for the years ended December 31, 2018 and 2017:

	Year Ended	
	December 31, 2018	December 31, 2017
	(RMB in thousands)	
Revenues	**65,227,278**	33,927,987
Cost of revenues	**(50,122,320)**	(21,708,483)
Gross profit	**15,104,958**	12,219,504
Selling and marketing expenses	**(15,871,901)**	(10,908,688)
Research and development expenses	**(7,071,900)**	(3,646,634)
General and administrative expenses	**(5,831,692)**	(2,171,408)
Fair value changes on investments measured at fair value through profit or loss	**1,836,382**	472,874
Other gains, net	**748,356**	208,260
Operating loss	**(11,085,797)**	(3,826,092)
Finance income	**294,047**	60,885
Finance costs	**(44,732)**	(19,214)
Fair value changes of convertible redeemable preferred shares	**(104,606,058)**	(15,138,824)
Share of losses of investments accounted for using equity method	**(48,267)**	(10,418)
Loss before income tax	**(115,490,807)**	(18,933,663)
Income tax expenses	**(1,888)**	(54,218)
Loss for the year	**(115,492,695)**	(18,987,881)
Non-IFRS measures:		
Adjusted EBITDA	**(4,733,831)**	(2,691,811)
Adjusted net loss	**(8,517,188)**	(2,852,716)

Revenues

Our revenues increased by 92.3% to RMB65.2 billion in 2018 from RMB33.9 billion in 2017. The increase was primarily driven by (i) the increase in Gross Transaction Volume on our platform to RMB515.6 billion in 2018 from RMB357.2 billion in 2017, which was in turn driven by the increase in the number of Transacting Users and their purchase frequency, and (ii) the increase in monetization rate to 12.6% in 2018 from 9.5% in 2017.

Revenues by Segment

The following table sets forth our revenues by segment in absolute amount and as a percentage of our total revenues in 2018 and 2017:

	Year Ended			
	December 31, 2018		December 31, 2017	
	Amount	As a percentage of total revenues	Amount	As a percentage of total revenues
	(RMB in thousands, except for percentages)			
Revenues:				
Food delivery	**38,143,083**	**58.5%**	21,031,933	62.0%
In-store, hotel & travel	**15,840,361**	**24.3%**	10,852,810	32.0%
New initiatives and others	**11,243,834**	**17.2%**	2,043,244	6.0%
Total	**65,227,278**	**100.0%**	33,927,987	100.0%

Our revenues from the food delivery segment increased by 81.4% to RMB38.1 billion in 2018 from RMB21.0 billion in 2017, primarily due to (i) the increase in GTV, which was driven by the increase in the number of food delivery transactions, as a result of the increase in food delivery user base and higher average purchase frequency per user, and (ii) the increase in monetization rate from 12.3% to 13.5%.

Our revenues from the in-store, hotel & travel segment increased by 46.0% to RMB15.8 billion in 2018 from RMB10.9 billion in 2017, primarily due to (i) the increase in the number of Active Merchants as well as the average revenue per Active Merchant of our in-store, hotel & travel businesses, and (ii) the increase in the number and the average daily rate of domestic room nights consumed on our platform.

Our revenues from the new initiatives and others segment increased by 450.3% to RMB11.2 billion in 2018 from RMB2.0 billion in 2017, primarily due to the increase in revenues from sales of products and services to merchants, such as RMS and supply chain solutions businesses, and services to consumers, such as non-food delivery service, pilot car-hailing service and bike-sharing service.

Revenues by Type

The following table sets forth our revenues by type in absolute amount and as a percentage of our total revenues in 2018 and 2017:

	Year Ended			
	December 31, 2018		December 31, 2017	
	Amount	**As a percentage of total revenues**	Amount	As a percentage of total revenues
	(RMB in thousands, except for percentages)			
Revenues:				
Commission	**47,012,249**	**72.1%**	28,009,130	82.6%
Online marketing services	**9,391,406**	**14.4%**	4,701,675	13.9%
Other services and sales	**8,823,623**	**13.5%**	1,217,182	3.5%
Total	**65,227,278**	**100.0%**	33,927,987	100.0%

Our commission revenue increased by 67.8% to RMB47.0 billion in 2018 from RMB28.0 billion in 2017, primarily due to the substantial growth of our Gross Transaction Volume, especially from our food delivery business.

Our online marketing revenue increased by 99.7% to RMB9.4 billion in 2018 from RMB4.7 billion in 2017, primarily due to the increase in the number of online marketing Active Merchants, as well as the increase in the average revenue per online marketing Active Merchant from our in-store, hotel & travel and food delivery businesses.

Our other services and sales revenue increased by 624.9% to RMB8.8 billion in 2018 from RMB1.2 billion in 2017, primarily due to the expansion of our products and services offerings to both merchants and consumers during the year.

Cost of Revenues

Our cost of revenues increased by 130.9% to RMB50.1 billion in 2018 from RMB21.7 billion in 2017. The increase was caused by our revenue growth in 2018, especially the strong growth of our food delivery segment, as well as our new initiatives and others segment.

The following table sets forth our cost of revenues by segment in 2018 and 2017:

	Year Ended			
	December 31, 2018		December 31, 2017	
	Amount	**As a percentage of total cost of revenues**	Amount	As a percentage of total cost of revenues
	(RMB in thousands, except for percentages)			
Cost of revenues:				
Food delivery	**32,874,886**	**65.6%**	19,332,514	89.1%
In-store, hotel & travel	**1,745,006**	**3.5%**	1,273,331	5.9%
New initiatives and others	**15,502,428**	**30.9%**	1,102,638	5.0%
Total	**50,122,320**	**100.0%**	21,708,483	100.0%

Cost of revenues for our food delivery business increased by 70.0% to RMB32.9 billion in 2018 from RMB19.3 billion in 2017, primarily attributable to the increase in food delivery rider costs as a result of the increase in the number of food deliveries completed.

Cost of revenues for our in-store, hotel & travel business increased by 37.0% to RMB1.7 billion in 2018 from RMB1.3 billion in 2017. The increase was primarily attributable to the increase in payment processing costs and bandwidth and server custody fees, which was generally in line with our revenue growth, and the increase in depreciation of property, plant and equipment and other outsourcing labor costs.

Cost of revenues for the new initiatives and others business increased to RMB15.5 billion in 2018 from RMB1.1 billion in 2017, mainly attributable to the increase in car-hailing driver related costs, depreciation of property, plant and equipment primarily as a result of our acquisition of Mobike, cost of goods sold as we expanded our supply chain solutions business, and other outsourcing labor costs due to expansion of our non-food delivery service.

Gross Profit and Gross Margin

The following table sets forth our gross profit both in absolute amount and as a percentage of revenues, or gross margin, by segment in 2018 and 2017:

	Year Ended			
	December 31, 2018		December 31, 2017	
	Amount	As a percentage of total revenues	Amount	As a percentage of total revenues
	(RMB in thousands, except for percentages)			
Gross profit/(loss):				
Food delivery	**5,268,197**	**13.8%**	1,699,419	8.1%
In-store, hotel & travel	**14,095,355**	**89.0%**	9,579,479	88.3%
New initiatives and others	**(4,258,594)**	**(37.9%)**	940,606	46.0%
Total	**15,104,958**	**23.2%**	12,219,504	36.0%

As a result of the foregoing, our gross profit in 2018 and 2017 was RMB15.1 billion and RMB12.2 billion, respectively.

Selling and Marketing Expenses

Our selling and marketing expenses increased to RMB15.9 billion in 2018 from RMB10.9 billion in 2017, and decreased to 24.3% from 32.2% as a percentage of revenues. The increase in selling and marketing expenses was primarily due to the increase in employee benefits expenses, Transaction User incentives, promotion and advertising expenses and amortization of intangible assets. Employee benefits expenses increased to RMB5.1 billion in 2018 from RMB3.5 billion in 2017 due to our expansion of the selling and marketing teams to support the expansion of our food delivery business and new initiatives and other services. Transacting User incentives increased to RMB5.4 billion in 2018 from RMB4.2 billion in 2017, as we continued to drive the rapid growth of the food delivery segment and to expand our service offerings to consumers in the new initiatives and others segment. Promotion and advertising expenses increased to RMB3.3 billion in 2018 from RMB2.3 billion in 2017, primarily due to our increased spending in marketing and branding campaigns to drive growth in active users.

Research and Development Expenses

Our research and development expenses increased to RMB7.1 billion, or 10.8% of revenues in 2018 from RMB3.6 billion, or 10.7% of revenues in 2017, primarily due to the increase in employee benefits expenses, including share-based payments, to RMB6.6 billion in 2018 from RMB3.4 billion in 2017, which resulted from the increase in both headcount and average salaries and benefits of our research and development personnel to support our business growth.

General and Administrative Expenses

Our general and administrative expenses increased to RMB5.8 billion, or 8.9% of revenues in 2018 from RMB2.2 billion, or 6.4% of revenues in 2017. Excluding the effect of RMB1.3 billion impairment provision of intangible assets resulting from the change in our branding strategy for the bike-sharing services, and RMB132.0 million of the total RMB358.8 million impairment provision for Mobike's overseas restructuring, our general and administrative expenses as a percentage of revenues increased to 6.7% in 2018. Besides the impairment provision, the increase in general and administrative expenses was mainly attributable to (i) the increase in employee benefits expenses to RMB2.5 billion in 2018 from RMB1.3 billion in 2017, as a result of the increase in headcount and the average salaries and benefits, including share-based payments, of our administrative personnel, (ii) the increase in provision of doubtful accounts due to the adoption of IFRS 9 and expansion of our micro loan business, and (iii) the increase in rental, facilities and utilities to support the expansion in employee headcount and business operations.

Fair Value Changes on Investments Measured at Fair Value Through Profit or Loss

Our fair value changes on investments measured at fair value through profit or loss in 2018 increased by RMB1.4 billion compared to 2017, primarily due to fair value gain from our investee companies.

Other Gains, Net

Our other gains, net were a gain of RMB748.4 million in 2018 compared to a gain of RMB208.3 million in 2017, primarily due to the increase in interest income from short-term investments as well as government subsidies. In 2017, a loss of RMB366.7 million was recognized for the disposal of certain investments in other gains, net.

Operating Loss

As a result of the foregoing, our operating loss in 2018 was RMB11.1 billion, compared to an operating loss of RMB3.8 billion in 2017.

Fair Value Changes of Convertible Redeemable Preferred Shares

Fair value changes of convertible redeemable preferred shares increased to a loss of RMB104.6 billion in 2018 from a loss of RMB15.1 billion in 2017, resulting from significant increase in the valuation of our Company, which was determined by the offering price of the Company's Shares in our initial public offering in September 2018.

Loss Before Income Tax

Primarily as a result of the foregoing, our loss before income tax in 2018 was RMB115.5 billion, compared to a loss of RMB18.9 billion in 2017.

Income Tax Expenses

We had income tax expenses of RMB1.9 million in 2018, compared to income tax expenses of RMB54.2 million in 2017, primarily due to the increase in the recognition of deferred tax assets as we expected certain subsidiaries to make profit and therefore utilize the accumulated losses carried forward.

Loss For the Year

As a result of the foregoing, we had losses of RMB115.5 billion and RMB19.0 billion in 2018 and 2017, respectively.

Important Events after Reporting Date

There were no important events affecting the Company and its subsidiaries which occurred after December 31, 2018 and up to the date of this annual report.

3. RECONCILIATION OF NON-IFRS MEASURES TO THE NEAREST IFRS MEASURES

To supplement our consolidated results which are prepared and presented in accordance with IFRS, we also use adjusted EBITDA and adjusted net loss 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 one 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 tables set forth the reconciliations of our non-IFRS financial measures for the three months ended December 31, 2018 and 2017, and the years ended December 31, 2018 and 2017, to the nearest measures prepared in accordance with IFRS.

	Unaudited Three Months Ended	
	December 31, 2018	December 31, 2017
	(RMB in thousands)	
Operating Loss	**(3,734,518)**	(1,530,599)
Add:		
Fair value changes on investments measured at fair value through profit or loss	**(990,653)**	(241,006)
Other gains, net	**(156,792)**	(302,857)
Depreciation of property, plant and equipment	**1,361,812**	104,320
Amortization of intangible assets	**317,537**	151,460
Share-based compensation expenses	**643,223**	459,997
Impairment and expense provision for Mobike restructuring plan	**358,790**	—
Impairment of intangible assets *	**1,346,000**	—
Adjusted EBITDA	**(854,601)**	(1,358,685)
Loss for the period	**(3,414,252)**	(2,180,818)
Add:		
Fair value changes of convertible redeemable preferred shares	—	663,781
Share-based compensation expenses	**643,223**	459,997
Fair value gains on investments **	**(984,359)**	(285,684)
Gains on disposal of investments and subsidiaries ***	—	(124,384)
Amortization of intangible assets resulting from acquisitions	**188,742**	81,661
Impairment and expense provision for Mobike restructuring plan	**358,790**	—
Impairment of intangible assets *	**1,346,000**	—
Adjusted net loss	**(1,861,856)**	(1,385,447)

* Represents impairment provision of intangible assets resulting from the change in the branding strategy for our bike-sharing services.

** Represents gains or losses from fair value change on investments, including (i) fair value changes on investments measured at fair value through profit or loss; (ii) dilution gain; (iii) change in fair value from contingent consideration; and (iv) change in fair value from put and call option for Maoyan.

*** Represents gains or losses from disposal of investments and subsidiaries.

	Year Ended December 31, 2018	December 31, 2017
	(RMB in thousands)	
Operating Loss	**(11,085,797)**	(3,826,092)
Add:		
Fair value changes on investments measured at fair value through profit or loss	**(1,836,382)**	(472,874)
Other gains, net	**(748,356)**	(208,260)
Depreciation of property, plant and equipment	**4,252,292**	327,696
Amortization of intangible assets	**1,114,509**	516,619
Share-based compensation expenses	**1,865,113**	971,100
Impairment and expense provision for Mobike restructuring plan	**358,790**	—
Impairment of intangible assets *	**1,346,000**	—
Adjusted EBITDA	**(4,733,831)**	(2,691,811)
Loss for the year	**(115,492,695)**	(18,987,881)
Add:		
Fair value changes of convertible redeemable preferred shares	**104,606,058**	15,138,824
Share-based compensation expenses	**1,865,113**	971,100
Fair value gains on investments **	**(1,834,296)**	(541,731)
(Gains)/losses on disposal of investments and subsidiaries ***	**(29,426)**	241,097
Amortization of intangible assets resulting from acquisitions	**663,268**	325,875
Impairment and expense provision for Mobike restructuring plan	**358,790**	—
Impairment of intangible assets *	**1,346,000**	—
Adjusted net loss	**(8,517,188)**	(2,852,716)

* Represents impairment provision of intangible assets resulting from the change in the branding strategy for our bike-sharing services.

** Represents gains or losses from fair value change on investments, including (i) fair value changes on investments measured at fair value through profit or loss; (ii) dilution gain; (iii) change in fair value from contingent consideration; and (iv) change in fair value from put and call option for Maoyan.

*** Represents gains or losses from disposal of investments and subsidiaries.

4. LIQUIDITY AND CAPITAL RESOURCES

We had historically funded our cash requirements principally from capital contribution from shareholders and financing through issuance and sale of equity securities. We had cash and cash equivalents of RMB17.0 billion and short-term investments of RMB41.8 billion as of December 31, 2018, compared to the balance of RMB19.4 billion and RMB25.8 billion as of December 31, 2017.

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

	Year Ended	
	December 31, 2018	December 31, 2017
	(RMB in thousands)	
Net cash used in operating activities	**(9,179,818)**	(310,200)
Net cash used in investing activities	**(23,438,686)**	(15,157,090)
Net cash generated from financing activities	**29,295,294**	25,507,781
Net (decrease)/increase in cash and cash equivalents	**(3,323,210)**	10,040,491
Cash and cash equivalents at the beginning of the year	**19,408,839**	9,376,575
Exchange gain/(loss) on cash and cash equivalents	**1,009,587**	(8,227)
Cash and cash equivalents included in the assets classified as held for sale	**(51,524)**	—
Cash and cash equivalents at the end of the year	**17,043,692**	19,408,839

Net Cash Used in Operating Activities

Net cash used in operating activities primarily consists of our loss for the year and non-cash items, such as depreciation and amortization, fair value changes of convertible redeemable preferred shares, and adjusted by changes in working capital.

For the year ended December 31, 2018, net cash used in operating activities was RMB9.2 billion, which was primarily attributable to our loss before income tax of RMB115.5 billion, as adjusted by (i) non-cash items, which primarily comprised fair value changes of convertible redeemable preferred shares of RMB104.6 billion and depreciation and amortization of RMB5.4 billion, and (ii) changes in working capital, which primarily comprised a decrease in deposit from transacting users of RMB4.8 billion, an increase in prepayments, deposits and other assets of RMB3.7 billion, an increase in trade payables of RMB2.1 billion, a decrease in payables to merchants of RMB1.8 billion, and a decrease in restricted cash of RMB0.6 billion.

Net Cash Used in Investing Activities

For the year ended December 31, 2018, net cash used in investing activities was RMB23.4 billion, which was mainly attributable to purchase of short-term investments of RMB91.2 billion and payments for business combinations, net of cash acquired of RMB7.3 billion, purchase of property, plant and equipment of RMB2.2 billion, and purchase of investments measured at fair value through profit or loss of RMB1.6 billion, partially offset by proceeds from disposal of short-term investments of RMB75.2 billion, and proceeds from disposal of investments measured at fair value through profit or loss of RMB2.6 billion.

Net Cash Generated from Financing Activities

For the year ended December 31, 2018, net cash generated from financing activities was RMB29.3 billion, which was mainly attributable to proceeds from issuance of ordinary shares.

Capital Structure

The Group continued to maintain a healthy and sound financial position. Our total assets grew from RMB83.6 billion as of December 31, 2017 to RMB120.7 billion as of December 31, 2018, whilst our total liabilities changed from RMB124.1 billion as of December 31, 2017 to RMB34.2 billion as of December 31, 2018.

Gearing ratio

As of December 31, 2018, our total borrowings were RMB2.3 billion, which included (1) bank borrowings of RMB1.8 billion due in 2019 with annual average interest rate of 5.597%; and (2) RMB470.1 million asset-backed securities due in 2020 with interest rate at 5.4%-6.2% per annum.

As of December 31, 2018, our gearing ratio, calculated as total borrowings divided by total equity attributable to equity holders of the Company was approximately 2.6%.

Contingent Liabilities

The Group did not have any material contingent liabilities as of December 31, 2018, except for the financial guarantee in the total amount of RMB791.4 million as disclosed in Note 3.1(c) to the consolidated financial statements.

Significant Investment and Material Acquisition

On April 4, 2018, the Company, Tollan Holdings Limited, being a then wholly owned subsidiary of the Company, and Mobike entered into a merger agreement pursuant to which Tollan Holdings Limited merged with and into Mobike, with Mobike being the surviving company and becoming a wholly owned subsidiary of the Company. Pursuant to the merger agreement, all issued and outstanding ordinary and preferred shares of Mobike were cancelled in consideration for a combination of cash paid by the Company and an issuance of the newly created Series A-12 Preferred Shares of the Company to the former shareholders of Mobike.

Particulars of the aforementioned acquisition are set out in Note 36 to the consolidated financial statements and further details of the merger agreement are set out in the section headed "History, Reorganization and Corporate Structure" of the Prospectus.

Foreign Exchange Risk

The Group operates mainly in the PRC with most of the transactions settled in RMB. The Group's 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.

Employees

As of December 31, 2018, we had a total of approximately 58,390 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.

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 other incentives. We have adopted a training program, pursuant to which employees regularly receive trainings from management, technology, regulatory and other internal speakers or external consultants.

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.

The biographical details of the Directors and senior management of the Company are set out as follows:

DIRECTORS

Executive Directors

Wang Xing (王興), aged 40, is a Co-founder, an executive Director, the Chief Executive Officer and Chairman of the Board. Wang Xing is responsible for the overall strategic planning, business direction and management of the 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 the Company.

Wang Xing has over 10 years of managerial and operational experience in the internet industry. Prior to co-founding the 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 39, is a Co-founder, an executive Director and a Senior Vice President of the Company. He is responsible for the financial services and corporate affairs of the Company.

Mu Rongjun has over 10 years of managerial and operational experience in the internet industry. Prior to co-founding the 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 40, is a Co-founder, an executive Director and a Senior Vice President of the Company. He is responsible for the on-demand delivery and certain new initiatives of the Company.

Wang Huiwen has over 10 years of managerial and operational experience in the internet industry. Prior to co-founding the 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 (淘房網) and worked there from June 2008 to October 2010.

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 46, is a non-executive Director. He was appointed as Director in October 2017 and 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 (HKEx Stock Code: 700) in February 2005 as the Chief Strategy and Investment Officer. In February 2006, Lau Chi Ping Martin was promoted as the president of Tencent to manage the day-to-day operation of Tencent. In March 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). In March 2014, Lau Chi Ping Martin was appointed 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 51, is a non-executive Director. He was appointed as Director in October 2015 and 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 Ctrip (NASDAQ Ticker: CTRP) since October 2008, a non-executive director of Noah Holdings Limited (NYSE Ticker: NOAH) since January 2016, a non-executive director of BTG Hotels Group Co., Ltd. (SHSE Stock Code: 600258) since January 2017, a non-executive director of 360 Security Technology Inc. (SHSE Stock Code: 601360) since February 2018, an independent non-executive director of Pinduoduo Inc. (NASDAQ Ticker: PDD) since April 2018 and a non-executive director of China Renaissance Holdings Limited (HKEx Stock Code: 1911) since June 2018.

Neil Nanpeng Shen was the non-executive director of Homeinns Group from 2006 to 2017 and non-executive director of PPDAI Group Inc. (NYSE Ticker: PPDF) from 2017 to August 2018 and the independent non-executive director of Momo Inc. (NASDAQ Ticker: MOMO) from May 2014 to December 2018.

Independent Non-executive Directors

Orr Gordon Robert Halyburton, aged 56, is an independent non-executive Director. He was appointed as Director in September 2018 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 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. Orr Gordon Robert Halyburton has 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 50, is an independent non-executive Director. He was appointed as Director in September 2018 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 September 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.

Shum Heung Yeung Harry (沈向洋), aged 52, is an independent non-executive Director. He was appointed as Director in September 2018 and 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. He has been the executive vice president of Microsoft Corporation since November 2013.

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

Wang Xing (王興), aged 40, is a Co-founder, an executive Director, the Chief Executive Officer and Chairman of the Board. For further details, please see the section headed "Directors and Senior Management — Executive Directors" above.

Mu Rongjun (穆榮均), aged 39, is a Co-founder, an executive Director and a Senior Vice President of the Company. For further details, please see the section headed "Directors and Senior Management — Executive Directors" above.

Wang Huiwen (王慧文), aged 40, is a Co-founder, an executive Director and a Senior Vice President of the Company. For further details, please see the section headed "Directors and Senior Management — Executive Directors" above.

Chen Shaohui (陳少暉), aged 37, is the Chief Financial Officer and a Senior Vice President of the Company. He is responsible for overseeing the Company's 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 July 2018, Chen Shaohui was appointed as a director of Beijing Enlight Media Co., Ltd. (SZSE Stock Code: 300251) and 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.

DIRECTORS AND SENIOR MANAGEMENT

Chen Liang (陳亮), aged 38, is a Senior Vice President and was responsible for overseeing the Company's hotel and travel businesses during the Reporting Period.

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 42, is a Senior Vice President and is responsible for overseeing the Company's 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.

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the Reporting Period.

GLOBAL OFFERING

The Company was incorporated in the Cayman Islands on September 25, 2015 as an exempted company with limited liability under the laws of the Cayman Islands. The Company's Class B Shares were listed on the Main Board of the Stock Exchange on the Listing Date.

PRINCIPAL ACTIVITIES

The Company is China's leading e-commerce platform for services. It provides a platform using technology to connect consumers and merchants and offering diversified daily services, including food delivery, in-store dining, hotel and travel booking and other services. The activities of the principal subsidiaries are set out in Note 11 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended December 31, 2018 are set out in the consolidated statement of comprehensive loss contained in this annual report.

DIVIDEND POLICY AND FINAL DIVIDENDS

The Company is a holding company incorporated under the laws of the Cayman Islands. As a result, the payment and amount of any future dividend will also depend on the availability of dividends received from its subsidiaries. PRC laws require that dividends be paid only out of the profit for the year calculated according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including the IFRS. PRC laws also require foreign-invested enterprises to set aside at least 10% of its after-tax profits as the statutory common reserve fund until the cumulative amount of the statutory common reserve fund reaches 50% or more of such enterprises' registered capital, if any, to fund its statutory common reserves, which are not available for distribution as cash dividends. Dividend distribution to Shareholders is recognized as a liability in the period in which the dividends are approved by Shareholders or Directors, where appropriate. Under Cayman law, dividends may be distributed from (a) profits (current period or retained) or (b) share premium. We do not currently have an expected dividend payout ratio. The determination to pay dividends will be made at the discretion of the Board and will be based upon our earnings, cash flow, financial condition, capital requirements, statutory fund reserve requirements and any other conditions that our Directors deem relevant.

The Board did not recommend the payment of a final dividend for the year ended December 31, 2018.

BUSINESS REVIEW

The business review and performance analysis of the Group for the Reporting Period are set out in the sections headed "Chairman's Statement", "Management Discussion and Analysis", "Corporate Governance Report" and "Environmental, Social and Governance Report" of this annual report.

USE OF NET PROCEEDS FROM LISTING

The net proceeds from the IPO were approximately RMB28,516.2 million, after deducting the underwriting fees, commissions and related total expenses paid and payable by us in connection thereto ("**IPO Proceeds**"). From the Listing Date up to December 31, 2018, we have not utilized any IPO Proceeds. We will gradually utilize the IPO Proceeds for the following purposes consistent with those set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus:

- approximately 35% to upgrade our technology and enhance our research and development capabilities;
- approximately 35% to development new services and products;
- approximately 20% to selectively pursue acquisitions or investments in assets and businesses which are complementary to our business and are in line with our strategies; and
- approximately 10% for working capital and general corporate purpose.

Since we are an offshore holding company, we will need to make capital contributions and loans to our PRC subsidiaries or through loans to our Consolidated Affiliated Entities such that the IPO Proceeds can be used in the manner described above. Such capital contributions and loans are subject to a number of limitations and approval processes under PRC laws and regulations. There are no costs associated with registering loans or capital contributions with relevant PRC authorities, other than nominal processing charges. Under PRC laws and regulations, the PRC governmental authorities are required to process such approvals or registrations or deny our application within a prescribed period, which are usually less than 90 days. The actual time taken, however, may be longer due to administrative delay. We cannot assure you that we can obtain the approvals from the relevant governmental authorities, or complete the registration and filing procedures required to use our the IPO Proceeds as described above, in each case on a timely basis, or at all. This is because PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the IPO Proceeds to make loans or additional capital contributions to our PRC subsidiaries or Consolidated Affiliated Entities, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

For the year ended December 31, 2018, the Group's five largest customers accounted for less than 30% of the Group's total revenue.

Major Suppliers

For the year ended December 31, 2018, the Group's five largest suppliers accounted for less than 30% of the Group's total purchases.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the Reporting Period are set out in Note 15 to the consolidated financial statements.

SHARE CAPITAL

App 16 para 28(e)

Details of movements in the share capital of the Company during the Reporting Period are set out in Note 25 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the Reporting Period are set out on page 127 in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As of December 31, 2018, the Company's reserves available for distribution, amounted to approximately RMB258.3 billion.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as of December 31, 2018 are set out in Note 32 to the consolidated financial statements.

DIRECTORS

The Directors during the Relevant Period and up to date of this annual report are:

Executive Directors

Mr. Wang Xing (王興) *(Chairman of the Board)*
Mr. Mu Rongjun (穆榮均)
Mr. Wang Huiwen (王慧文)

Non-executive Directors

Mr. Lau Chi Ping Martin (劉熾平)
Mr. Neil Nanpeng Shen (沈南鵬)

Independent Non-executive Directors

Mr. Orr Gordon Robert Halyburton
Mr. Leng Xuesong (冷雪松)
Dr. Shum Heung Yeung Harry (沈向洋)

In accordance with Article 17.18 of the Articles of Association, Wang Xing, Mu Rongjun and Wang Huiwen shall retire by rotation, and being eligible, have offered themselves for re-election at the AGM.

Details of the Directors to be re-elected at the AGM are set out in the circular to the Shareholders to be dispatched before the AGM.

REPORT OF DIRECTORS

DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out in the section headed "Directors and Senior Management" of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors, and the Company considers such Directors to be independent during the Relevant Period.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of the executive Directors has entered into a service contract with the Company. Pursuant to this contract, they agreed to act as executive Directors for an initial term of three years with effect from the date the appointment is approved by the Board until the third annual general meeting of the Company after the Listing Date (whichever is earlier). Either party has the right to give not less than three months' written notice to terminate the contract. No annual director's fees are payable to the executive Directors under the current arrangement.

Each of the non-executive Directors has entered into an appointment letter with the Company. Their appointment as a Director shall continue for three years after or until the third annual general meeting of the Company after the Listing Date, whichever is earlier, (subject to retirement as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than one month's prior notice in writing. Under these appointment letters, the non-executive Directors are not entitled to receive annual salaries in their capacity as non-executive Directors. The non-executive Directors have not received any remuneration for the year ended December 31, 2018.

Each of the independent non-executive Directors has entered into an appointment letter with the Company. The initial term of their appointment shall be three years from the date of the Prospectus or until the third annual general meeting of the Company after the Listing Date, whichever is earlier, (subject to retirement as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing. Under these appointment letters, each of the independent non-executive Directors will receive an annual director's fee of HK$500,000 per annum.

None of the Directors has entered into a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Details of the emoluments of the Directors during the Reporting Period are set out in Note 8 to the consolidated financial statements.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

App 16 para 15

No Director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries or fellow subsidiaries was a party during the Relevant Period.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Relevant Period.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, at no time during the Relevant Period was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 was granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

EMOLUMENT POLICY

A remuneration committee was set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance of the Directors and senior management and comparable market practices. As for the independent non-executive Directors, their remuneration is determined by the Board upon recommendation from the Remuneration Committee.

The Directors and the senior management personnel are eligible participants of the Pre-IPO ESOP, Post-IPO Share Option Scheme and Post-IPO Share Award Scheme.

Details of the emoluments of the Directors, and five highest paid individuals during the Reporting Period are set out in Note 8 to the consolidated financial statements.

RETIREMENT AND EMPLOYEE BENEFITS SCHEME

Details of the retirement and employee benefits scheme of the Company are set out in Note 8 to the consolidated financial statements.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As of December 31, 2018, the interests and short positions of the Directors and the chief executives of the Company in the 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:

Interests of Directors and Chief Executives in the Company

Name of Director or chief executive	Nature of interest[1]	Relevant company	Number and class of securities	Approximate percentage of interest in each class of Shares
WANG Xing[2]	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%
MU Rongjun[3]	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%
	Beneficial interest (L)	—	6,000,000 Class B Shares	0.13%
WANG Huiwen[4]	Beneficiary and founder of a Trust (L)	Trust	36,400,000 Class A Shares	4.95%
	Interest in controlled corporation (L)	Aim Mars Investment Limited	36,400,000 Class A Shares	4.95%
	Interest in controlled corporation (L)	Kevin Sunny	36,400,000 Class A Shares	4.95%
	Beneficial interest (L)	—	23,278,600 Class B Shares	0.49%

Name of Director or chief executive	Nature of interest[1]	Relevant company	Number and class of securities	Approximate percentage of interest in each class of Shares
SHEN Nanpeng Neil[5]	Interest in controlled corporations (L)	Sequoia Capital China Funds and Sequoia Capital Global Growth Funds	573,097,093 Class B Shares	12.05%
ORR Gordon Robert Halyburton[6]	Beneficial interest (L)	—	60,000 Class B Shares	0.00%
LENG Xuesong[6]	Beneficial interest (L)	—	60,000 Class B Shares	0.00%
SHUM Heung Yeung Harry[6]	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 is 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.

(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. Wang Huiwen is 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.

(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., SCC Growth IV 2017-E, L.P. and SCC Growth IV 2017-D, L.P. (which hold approximately 1.22%, 0.14%, 0.19%, 3.71%, 0.09%, 0.62%, 0.95%, 0.01%, 0.05%, 0.01%, 1.12%, 0.47%, 0.02%, 0.25% and 0.42%, 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 0.50%, 0.01% and 0.65%, 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 vote rights of the Shares. Accordingly, the Sequoia Capital China Funds and the Sequoia Capital Global Growth Funds together control a 10.44% interest in the share capital of the Company (or 12.05% of the total issued Class B Shares) and as a result, each of the Sequoia Capital China Funds and each of the Sequoia Capital Global Growth Funds is deemed to be interested in such 10.44% interest in the share capital of the Company (or 12.05% of the total issued Class B 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. 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 and SCCGF 2010 Management, collectively, the "**General Partners**"). The general partner of each of SCC Growth IV 2017-E, L.P. and SCC Growth IV 2017-D, L.P. is SCCGF IV Management. 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. Therefore, Neil Nanpeng Shen is deemed to be interested in the 10.44% interest in the share capital of the Company (or 12.05% 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.

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, 2018.

Save as disclosed above, as of December 31, 2018, none of the Directors or the chief executives of the Company had or was deemed to have any interest or short position in the 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As of December 31, 2018, to the best knowledge of the Directors, the following persons had interests or short positions in the 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
Class A Shares – Wang Xing			
Crown Holdings[(1)]	Beneficial interest	489,600,000 Class A Shares	66.56%
Share Patience[(1)]	Beneficial interest	83,588,783 Class A Shares	11.36%
Songtao Limited[(1)]	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[(1)]	489,600,000 Class A Shares	66.56%
	Founder of a trust[(1)]	489,600,000 Class A Shares	66.56%
	Interest in controlled corporation[(1)]	83,588,783 Class A Shares	11.36%
Class A Shares – Mu Rongjun			
Charmway Enterprises[(2)]	Beneficial interest	118,650,000 Class A Shares	16.13%
Shared Vision[(2)]	Beneficial interest	7,330,000 Class A Shares	1.00%
Day One Holdings Limited[(2)]	Interest in a 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[(2)]	118,650,000 Class A Shares	16.13%
	Founder of a trust[(2)]	118,650,000 Class A Shares	16.13%
	Interest in controlled corporation[(2)]	7,330,000 Class A Shares	1.00%
Class B Shares – Tencent			
Huai River Investment Limited[(3)]	Beneficial interest	623,420,905 Class B Shares	13.10%
Tencent Mobility Limited[(3)]	Beneficial interest	389,413,655 Class B Shares	8.19%
Morespark Limited[(3)]	Beneficial interest	8,850,245 Class B Shares	0.19%
Great Summer Limited[(3)]	Beneficial interest	25,000,000 Class B Shares	0.53%
TPP Follow-on I Holding B Limited[(3)]	Beneficial interest	3,150,931 Class B Shares	0.07%
TPP Follow-on I Holding C Limited[(3)]	Beneficial interest	4,473,024 Class B Shares	0.09%
Class B Shares – Sequoia			
Sequoia Capital China Funds and Sequoia Capital Global Growth Funds[(4)]	Beneficial interest	573,097,093 Class B Shares	12.05%

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 and Great Summer Limited, a company incorporated under the laws of the British Virgin Islands, are direct wholly owned subsidiaries of Tencent. TPP Follow-on I Holding B Limited and TPP Follow-on I Holding C Limited, companies incorporated under the laws of the Cayman Islands, are beneficially owned by Tencent.

(4) Includes Shares held by: (a) 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., SCC Growth IV 2017-E, L.P. and SCC Growth IV 2017-D, L.P. (collectively referred to as the "**Sequoia Capital China Funds**"), which hold approximately 1.22%, 0.14%, 0.19%, 3.71%, 0.09%, 0.62%, 0.95%, 0.01%, 0.05%, 0.01%, 1.12%, 0.47%, 0.02%, 0.25% and 0.42%, respectively, of the outstanding Shares; and (b) Sequoia Capital Global Growth Fund, L.P., Sequoia Capital Global Growth Principals Fund, L.P. and SC GGFII Holdco, Ltd. (collectively referred to as the "**Sequoia Capital Global Growth Funds**"), which hold approximately 0.50%, 0.01% and 0.65%, 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. Accordingly, the Sequoia Capital China Funds and the Sequoia Capital Global Growth Funds together control a 10.44% interest in the share capital of the Company (or 12.05% of the total issued Class B Shares) and as a result, each of the Sequoia Capital China Funds and each of the Sequoia Capital Global Growth Funds is deemed to be interested in such 10.44% interest in the share capital of the Company (or 12.05% of the total issued Class B 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**"). The sole shareholder of SCC Growth IV Holdco A, Ltd. is Sequoia Capital China Growth Fund IV, L.P. ("**China Growth Fund IV**"), 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 and SCCGF 2010 Management, collectively, the "**General Partners**"). The general partner of each of SCC Growth IV 2017-E, L.P. and SCC Growth IV 2017-D, L.P. is SCCGF IV

Management. 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. In addition, China Growth Fund IV is interested in more than 33.3% limited partnership interest in SCC Growth IV 2017- D, L.P., Neil Nanpeng Shen is interested in more than 33.3% limited partnership interest in Sequoia Capital China Partners Fund I, L.P., and Joy Halo Limited is interested in more than 33.3% limited partnership interest in SCC Growth IV 2017- E, L.P. Each of Gopher Global Secondary Opportunities Fund II LP (which is controlled by its general partner, Gopher Global Secondary Opportunities Fund II GP Limited) and Gopher China Special Opportunity Fund V LP (which is controlled by its general partner, Gopher China Special Opportunity Fund V GP Limited) is interested in more than 33.3% of Joy Halo Limited. Each of Gopher Global Secondary Opportunities Fund II GP Limited and Gopher China Special Opportunity Fund V GP Limited is wholly owned by Gopher GP Holdings Limited, which is wholly owned by Gopher Fund Holdings Limited, which is in turn wholly owned by Noah Holdings Limited (a company incorporated in Cayman Islands whose shares are listed on the New York Stock Exchange). Therefore, each of China Venture 2010 Fund, China Venture Fund V, China Venture Fund VI, China Growth Fund I, China Growth Fund 2010, China Growth Fund IV, the General Partners, SC China Holding Limited, SNP China Enterprises Limited, Neil Nanpeng Shen, Joy Halo Limited, Gopher Global Secondary Opportunities Fund II LP, Gopher Global Secondary Opportunities Fund II GP Limited, Gopher China Special Opportunity Fund V LP, Gopher China Special Opportunity Fund V GP Limited, Gopher GP Holdings Limited, Gopher Fund Holdings Limited and Noah Holdings Limited is deemed to be interested in the 9.27% interest in the share capital of the Company (or 10.70% 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 0.52% interest in the share capital of the Company (or 0.60% 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 0.65% interest in the share capital of the Company (or 0.75% of the total issued Class B Shares).

PRE-IPO ESOP

The Pre-IPO ESOP of the Company was approved and adopted pursuant to the written resolutions of all shareholders of the Company dated October 6, 2015 as amended from time to time. The Pre-IPO ESOP commenced on October 6, 2015 and will expire on the tenth anniversary of the commencement date. The following is a summary of certain principal terms of the Pre-IPO ESOP.

Purpose

The purpose of the Pre-IPO ESOP is to promote the success and enhance the value of the Company by linking the personal interests of the Directors, employees and consultants to those of the shareholders of the Company and by providing such individuals with an incentive for outstanding performance to generate superior returns to the shareholders of the Company. The Pre-IPO ESOP is further intended to provide flexibility to the Company in its ability to motivate, attract and retain the services of Directors, employees and consultants upon whose judgment, interest, contribution and special effort the successful conduct of the Company’s operation is largely dependent.

Eligible Participants

Those eligible to participate in the Pre-IPO ESOP include employees, consultants and Directors, as determined by a committee authorized by the Board (the "**Committee**"). Subject to the provisions of the Pre-IPO ESOP, the Committee may, from time to time, select from among all eligible individuals (the "**Participants**") to whom awards in the form of options ("**Options**"), restricted share awards ("**Restricted Shares**") and restricted share units ("**RSU**") (collectively "**Awards**") shall be granted and shall determine the nature and amount of each option. No individual shall have any right to be granted an Award pursuant to the Pre-IPO ESOP.

Maximum Number of Shares

The maximum aggregate number of Shares which may be issued is 683,038,063, subject to any adjustments for other dilutive issuances. No share options or RSUs may be granted under the Pre-IPO ESOP after the Listing.

Administration

The Pre-IPO ESOP is administered by the Board or the Committee to whom the Board shall delegate the authority to grant or amend Awards to Participants other than any of the Committee members, independent Directors and executive officers of the Company. Reference to the Committee shall refer to the Board in absence of the Committee. Notwithstanding the foregoing, the full Board, acting by majority of its members in office, shall conduct the general administration of the Pre-IPO ESOP if required by applicable laws, and with respect to Awards granted to the Committee members, independent Directors and executive officers of the Company and for purposes of such Awards the term "Committee" as used in the Pre-IPO ESOP shall be deemed to refer to the Board.

Grant of Awards

The Committee is authorized to grant Awards to Participants in accordance with the terms of the Pre-IPO ESOP. Awards granted will be evidenced by an agreement ("**Award Agreement**") between the Company and the Participant. The Award Agreement includes additional provisions specified by the Committee. The Committee can determine the terms and conditions of the Award, including the grant or purchase price of Awards.

Options

i. Exercise price

The Committee shall determine the exercise price per Share subject to an Option, which may be either a fixed price or a variable price related to the fair market value of the Shares. The exercise price per Share shall be set forth in the Award Agreement. The exercise price per Share subject to an Option may be adjusted in the absolute discretion of the Committee, the determination of which shall be final, binding and conclusive. For the avoidance of doubt, to the extent not prohibited by applicable laws, a re-pricing of Options mentioned in the preceding sentence shall be effective without the approval of the Shareholders or the approval of the relevant Participants. Notwithstanding the foregoing, the exercise price per Share subject to an Option under an Award Agreement shall not be increased without the approval of the relevant Participants.

ii. Time and conditions of exercise

The Committee shall determine the time or times at which an Option may be exercised in whole or in part, including exercise prior to vesting; provided, however, that the term of any Option granted under the Pre-IPO ESOP shall not exceed ten years, except as amended, modified or terminated by the Board or the Committee. The Committee shall also determine any conditions, if any, that must be satisfied before all or part of an Option may be exercised. The Option may not be exercised until vested.

iii. Payment

The Committee shall determine the methods by which the exercise price of an Option may be paid and the methods by which Shares will be delivered or deemed to be delivered to the Participants. Forms of payment may include, without limitation, (i) cash or check denominated in U.S. Dollars, (ii) to the extent permissible under the applicable laws, cash or check in Renminbi, (iii) cash or check denominated in any other local currency as approved by the Committee, (iv) Shares held for such period of time as may be required by the Committee in order to avoid adverse financial accounting consequences and having a fair market value on the date of delivery equal to the aggregate exercise price of the Option or exercised portion thereof, (v) the delivery of a notice that the Participant has placed a market sell order with a broker with respect to Shares then issuable upon exercise of the Option and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company in satisfaction of the Option exercise price; provided, however, that payment of such proceeds is then made to the Company upon settlement of such sale, (vi) other property acceptable to the Committee with a fair market value equal to the exercise price or (vii) any combination of the foregoing.

RSUs

i. Performance objectives and other terms

The Committee, in its discretion, may set performance objectives or other vesting criteria which, depending on the extent to which they are met, will determine the number or value of RSUs that will be paid out to the Participants.

ii. Form and timing of payment of RSUs

At the time of grant, the Committee shall specify the date or dates on which the RSUs shall become fully vested and non-forfeitable. Upon vesting, the Committee, in its sole discretion, may pay RSUs in the form of cash, Shares or a combination thereof.

Outstanding Share Options Granted under the Pre-IPO ESOP

Up to the Listing Date, the Company has granted share options under the Pre-IPO ESOP to 4,584 grantees (including Directors, senior management, other connected persons of the Company and other employees of the Company) to subscribe for an aggregate of 259,325,919 Shares and a portion of which corresponding to 139,991,339 Shares has been exercised before the Listing Date. The Company has not granted further share options under the Pre-IPO ESOP after the Listing. The exercise price of the share options under the Pre-IPO ESOP is between nil to US$5.18.

The table below shows the details of share options granted to the Directors and other employees under the Pre-IPO ESOP.

Name	Date of Grant	Vesting Period[1]	Exercise Price	Number of Shares underlying options outstanding as of the Listing Date[2]	Number of options exercised before the Listing Date and the exercise price[3]	Number of options exercised from the Listing Date to December 31, 2018 and the exercise price	Number of options lapsed during the period from the Listing Date to December 31, 2018	Number of options cancelled during the period from the Listing Date to December 31, 2018 and the exercise price	Number of Shares underlying options outstanding as of December 31, 2018[4]
Directors									
Mu Rongjun	July 1, 2017 to July 1, 2018	6 years	US$3.86-US$5.18	5,000,000	0	0	0	0	5,000,000
Wang Huiwen	February 1, 2015 to July 1, 2018	4-6 years	US$1.005-US$5.18	7,578,600	2,522,660 (US$1.005-US$3.86)	0	0	0	7,578,600
Other Employees	May 31, 2006 to August 1, 2018	0.5 to 6 years	US$0.000017-US$5.18	246,747,319	137,468,679 (US$0.000017-US$3.86)	0	0	3,012,917 (US$0.0708-US$3.86)	243,734,402
Total				259,325,919	139,991,339[3]	0	0	3,012,917	256,313,002

Notes:

(1) The exercise period of the share options granted under the Pre-IPO ESOP shall be any time after the end of the vesting period and before the 10th anniversary of the grant date, subject to the terms of the Pre-IPO ESOP and the share option award agreements signed by the grantees.

(2) Including Shares that have not been issued pursuant to options that had been exercised as of the Listing Date.

(3) The Shares underlying the exercised options were issued to the grantees in March 2019.

(4) Including the options which have been exercised but the Shares have not been issued as of December 31, 2018.

Outstanding RSUs Granted under the Pre-IPO ESOP

Up to the Listing Date, the Company has granted RSUs under the Pre-IPO ESOP representing an aggregate of 252,774,461 Shares and a portion of which corresponding to 89,316,913 Shares has vested before the Listing Date. The Company has not granted further RSUs under the Pre-IPO ESOP after the Listing.

The table below shows the details of RSUs granted to the Directors and other employees under the Pre-IPO ESOP.

Name	Date of Grant	Vesting Period	Number of Shares underlying RSUs outstanding as of the Listing Date[(1)]	RSUs vested before the Listing Date[(2)]	RSUs vested from the Listing Date to December 31, 2018[(2)]	RSUs cancelled during the period from the Listing Date to December 31, 2018	RSUs lapsed during the period from the Listing Date to December 31, 2018	Number of Shares underlying RSUs outstanding as of December 31, 2018[(3)]
Directors								
Mu Rongjun	July 1, 2017	6 years	1,000,000	166,667	0	0	0	1,000,000
Wang Huiwen	January 1, 2016 to July 1, 2018	4 to 6 years	15,700,000	2,441,667	387,500	0	0	15,700,000
Other Employees	December 29, 2010 to August 2, 2018	0 to 6 years	236,074,461	86,708,579	5,754,569	3,367,084	0	231,247,680
Total			252,774,461	89,316,913	6,142,069	3,367,084	0	247,947,680

Notes:

(1) Including Shares that have not been issued pursuant to RSUs that had been vested as of the Listing Date.

(2) The Shares underlying the vested RSUs were issued to the grantees in March 2019.

(3) Including the RSUs which have vested but the Shares have not been issued as of December 31, 2018.

POST-IPO SHARE OPTION SCHEME

The Post-IPO Share Option Scheme was conditionally adopted by the then Shareholders at the Shareholders' meeting on August 30, 2018. The Post-IPO Share Option Scheme shall be valid and effective for a period of ten (10) years commencing on the Listing Date. The following is a summary of certain principal terms of the Post-IPO Share Option Scheme:

Purpose

The purpose of the Post-IPO Share Option Scheme is to provide selected participants with the opportunity to acquire proprietary interests in the Company and to encourage selected participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and Shareholders as a whole. The Post-IPO Share Option Scheme will provide the Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to selected participants.

Qualifying Participants

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 the Group or any affiliate who the Board or its delegate(s) considers, in their sole discretion, to have contributed or will contribute to the Group is entitled to be offered and granted options. However, for any individual who is resident in a place where the grant, acceptance or exercise of options pursuant to the Post-IPO Share Option Scheme is not permitted under the laws and regulations of such place or where, in the view of the Board or its delegate(s), compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, such individual is not eligible to be offered or granted options.

Maximum Number of Class B Shares

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 "**Option Scheme Mandate Limit**"), representing 8.40% of the issued share capital of the Company (on a one share one vote basis) as of the date of this annual report. Options which have lapsed in accordance with the terms of the rules of the Post-IPO Share Option Scheme (or any other share option schemes of the Company) shall not be counted for the purpose of calculating the Option Scheme Mandate Limit.

The overall limit on the number of Class B Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other share option schemes of the Company at any time (and to which the provisions of Chapter 17 of the Listing Rules are applicable) must not exceed 30% of the Class B Shares in issue from time to time (the "**Option Scheme Limit**"). No options may be granted under any schemes of the Company (or its subsidiaries) if this will result in the Option Scheme Limit being exceeded.

The Option Scheme Mandate Limit may be refreshed at any time by obtaining prior approval of our Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time. However, the refreshed Option Scheme Mandate Limit cannot exceed 10% of the Class B Shares in issue as at the date of such approval. Options previously granted under the Post-IPO Share Option Scheme and any other share option schemes of the Company (and to which provisions of Chapter 17 of the Listing Rules are applicable) (including those outstanding, cancelled or lapsed in accordance with its terms or exercised), shall not be counted for the purpose of calculating the refreshed Option Scheme Mandate Limit.

The Company may also grant options in excess of the Option Scheme Mandate Limit, provided such grant is to specifically identified selected participant and is first approved by Shareholders in a general meeting.

As of December 31, 2018, no option had been granted pursuant to the Post-IPO Share Option Scheme.

Maximum Entitlement of a Participant

Unless approved by our Shareholders, the total number of Class B Shares issued and to be issued upon exercise of the options granted and to be granted under the Post-IPO Share Option Scheme and any other share option scheme(s) of the Company to each selected participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of Class B Shares in issue (the "**Individual Limit**"). Any further grant of options to a selected participant which would result in the aggregate number of Class B Shares issued and to be issued upon exercise of all options granted and to be granted to such selected participant (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant exceeding the Individual Limit shall be subject to separate approval of our Shareholders (with such selected participant and his associates abstaining from voting).

Exercise Price

The amount payable for each Class B Share to be subscribed for under an option in the event of the option being exercised shall be determined by the Board, provided that it shall be at least the highest of:

(i) the closing price of a Class B Share as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant;

(ii) the average closing price of the Class B Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a Class B Share on the date of grant.

Grant Offer Letter and Notification of Grant of Options

An offer shall be made to selected participants by a letter in duplicate which specifies the terms on which the option is to be granted and an offer shall be deemed to have been accepted and the option to which the offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the offer letter comprising acceptance of the offer duly signed by the grantee with the number of Class B Shares in respect of which the offer is accepted clearly stated therein, together with a remittance in favor of the Company of HK$1.00 by way of consideration for the grant thereof, which must be received by the Company within 20 business days from the date on which the offer letter is delivered to the grantee.

Time of Exercise of an Option

An option may, subject to the terms and conditions upon which such option is granted, be exercised in whole or in part by the grantee giving notice in writing to the Company in such form as the Board may from time to time determine stating that the option is thereby exercised and the number of Class B Shares in respect of which is exercised. The expiry of the period within which an option may be exercised is to be determined and notified by the Board to each grantee at the time of making an offer, and shall not expire later than ten years from the date of grant.

Duration

The Post-IPO Share Option Scheme shall be valid and effective for a period of ten years commencing on the Listing Date, but in all other respects the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the rules of the Post-IPO Share Option Scheme.

POST-IPO SHARE AWARD SCHEME

The Post-IPO Share Award Scheme was conditionally adopted by the then Shareholders at the Shareholders' meeting on August 30, 2018. The Company may appoint a trustee to administer the Post-IPO Share Award Scheme with respect to the grant of any award ("**Award**") by the Board which may vest in the form of Class B Shares ("**Award Shares**") or the actual selling price of the Award Shares in cash in accordance with the Post-IPO Share Award Scheme. The following is a summary of certain principal terms of the Post-IPO Share Award Scheme.

Purpose

The purpose of the Post-IPO Share Award Scheme is to align the interests of eligible persons with those of the Group through ownership of Class B Shares, dividends and other distributions paid on Shares and/or the increase in value of the Shares, and to encourage and retain eligible persons to make contributions to the long-term growth and profits of the Group.

Eligible Participants

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 the Group 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 Group is eligible to receive an Award, subject to the applicable laws and regulations.

Awards

An Award gives a selected participant a conditional right, when the Award Shares vest, to obtain the Award Shares or, if in the absolute discretion of the Board or its delegate(s), it is not practicable for the selected participant to receive the Award in Shares, the cash equivalent from the sale of the Award Shares.

An Award includes all cash income from dividends in respect of those Shares from the date the Award is granted (the "**Grant Date**") to the date the Award vests (the "**Vesting Date**"). For the avoidance of doubt, the Board at its discretion may from time to time determine that any dividends declared and paid by the Company in relation to the Award Shares be paid to the selected participant even though the Award Shares have not yet vested.

Grant of Award

The Board or the committee of the Board or person(s) to which the Board has delegated its authority may, from time to time, at their absolute discretion, grant an Award to a selected participant (in the case of the Board's delegate(s), to any selected participant other than a Director or an officer of the Company) by way of an award letter ("**Award Letter**"). The Award Letter will specify the Grant Date, the number of Award Shares underlying the Award, the vesting criteria and conditions, the Vesting Date and such other details as the Board or its delegate(s) may consider necessary.

Each grant of an Award to any Director or the chairman of the Company shall be subject to the prior approval of the independent non-executive Directors (excluding any independent non-executive Director who is a proposed recipient of an Award). The Company will comply with the relevant requirements under Chapter 14A of the Listing Rules for any grant of Shares to connected persons of the Company.

Maximum Number of Shares to Be Granted

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, representing 4.81% of the issued share capital of the Company (on a one share one vote basis) as of the date of this annual report, without Shareholders' approval subject to an annual limit of 3% of the total number of issued Shares at the relevant time.

As at December 31, 2018, 13,546,784 RSUs had been granted under the Post-IPO Share Award Scheme and therefore the total number of Shares available for grant under the Post-IPO Share Award Scheme was 258,789,444 Shares, representing 4.57% of the issued share capital of the Company (on a one share one vote basis) as of the date of this annual report.

Termination

The Post-IPO Share Award Scheme shall terminate on the earlier of:

(i) the end of the period of ten years commencing on the Listing Date except in respect of any non-vested Award Shares granted hereunder prior to the expiration of the Post-IPO Share Award Scheme, for the purpose of giving effect to the vesting of such Award Shares or otherwise as may be required in accordance with the provisions of the Post-IPO Share Award Scheme; and

(ii) such date of early termination as determined by the Board, provided that such termination shall not affect any subsisting rights of any selected participant under the rules of the Post-IPO Share Award Scheme, provided further that for the avoidance of doubt, the change in the subsisting rights of a selected participant in this paragraph refers solely to any change in the rights in respect of the Award Shares already granted to a selected participant.

The table below shows the details of RSUs granted to the Directors and other employees under the Post-IPO Share Award Scheme:

Name	Date of Grant	Vesting Period	Number of Shares underlying RSUs granted during the year ended December 31, 2018	RSUs vested during the year ended December 31, 2018[1]	RSUs cancelled during the year ended December 31, 2018	RSUs lapsed during the year ended December 31, 2018	Number of Shares underlying RSUs outstanding as of December 31, 2018[2]
Directors							
Orr Gordon Robert Halyburton	November 23, 2018	6.25% to vest in each quarter commencing from December 20, 2018 until September 20, 2022	60,000	3,750	0	0	60,000
Leng Xuesong	November 23, 2018	6.25% to vest in each quarter commencing from December 20, 2018 until September 20, 2022	60,000	3,750	0	0	60,000
Shum Heung Yeung Harry	November 23, 2018	6.25% to vest in each quarter commencing from December 20, 2018 until September 20, 2022	60,000	3,750	0	0	60,000
Other Employees	October 4, 2018 to November 23, 2018	4 years	13,366,784	0	2,620,121	0	10,746,663
Total			13,546,784	11,250	2,620,121	0	10,926,663

Notes:

(1) The Shares underlying the vested RSUs were issued to the grantees in March 2019.

(2) Including the RSUs which have vested but the Shares have not been issued as of December 31, 2018.

EQUITY-LINKED AGREEMENTS

On April 4, 2018, the Company, Tollan Holdings Limited, being a then wholly owned subsidiary of the Company, and Mobike entered into a merger agreement pursuant to which Tollan Holdings Limited merged with and into Mobike, with Mobike being the surviving company and becoming a wholly owned subsidiary of the Company. Pursuant to the merger agreement, all issued and outstanding ordinary and preferred shares of Mobike were cancelled in consideration for a combination of cash paid by the Company and an issuance of the newly created Series A-12 Preferred Shares of the Company to the former shareholders of Mobike. Particulars of the aforementioned acquisition are set out in Note 36 to the consolidated financial statements and further details of the merger agreement are set out in the section headed "History, Reorganization and Corporate Structure" of the Prospectus.

Save as otherwise disclosed, other than the Pre-IPO ESOP, Post-IPO Share Option Scheme and Post-IPO Share Award Scheme, no equity-linked agreements that will or may result in the Company issuing shares, or that require the Company to enter into any agreements that will or may result in the Company issuing shares, were entered into by the Company during 2018 or subsisted at the end of 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Relevant Period, neither the Company nor any of its subsidiaries or Consolidated Affiliated Entities has purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands that would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Neil Nanpeng Shen, our non-executive Director, is a non-executive director of Ctrip.com International, Ltd. (NASDAQ Ticker: CTRP), a travel service provider in China. The Company is of the view that such competing interest will not result in any material conflict of interest because, in his capacity as our non-executive Director, Neil Nanpeng Shen does not participate in the day-to-day management of Ctrip.

Save as otherwise disclosed, as at the date of this annual report, none of the Directors and their respective associate(s) was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group during the Relevant Period.

PARTIALLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

As disclosed in the Prospectus, the Group has entered into the following partially-exempt continuing connected transactions during the year ended December 31, 2018. For further details, please refer to the section headed "Connected Transactions – Partially Exempt Continuing Connected Transactions" in the Prospectus.

Marketing and Promotion Services Framework Agreement

On September 1, 2018, Meituan Dianping (for itself and on behalf of other members of the Group) 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 promotional services for the Company (including but not limited to advertisement solicitation services on Tencent's social media network, provision of links to the Company's platform, technical support to enable the Company to give virtual "red packets" to its users via its platform and mobile apps, and grant of access to Tencent's platform to provide its services to Tencent's clients). In return for these marketing and promotional services, the Company would pay certain promotional service fees in one or more of the following manners including cost-per-time, cost-per-click, cost-per-mille, cost-per-sale and cost-per-download. The term of the Marketing and Promotion Services Framework Agreement commenced on the Listing Date and expires on December 31, 2020.

Shenzhen Tencent Computer is a subsidiary of Tencent, which is a substantial shareholder of the Company, and therefore a connected person of the Company.

The annual cap for the year ended December 31, 2018 is RMB450 million, while the actual transaction amount for the year ended December 31, 2018 is approximately RMB368.4 million.

Cloud Services and Technical Services Framework Agreement

On September 1, 2018, Meituan Dianping (for itself and on behalf of other members of the Group) 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 the Group for service fees. 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 service fees will be determined after arm's length negotiation between the parties with reference to the market rates. The term of the Cloud Services and Technical Services Framework Agreement commenced on the Listing Date and expires on December 31, 2020.

The annual cap for the year ended December 31, 2018 is RMB200 million, while the actual transaction amount for the year ended December 31, 2018 is approximately RMB107.4 million.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

As disclosed in the Prospectus, the Group has entered into the following non-exempt continuing connected transactions during the year ended December 31, 2018. For further details, please refer to the section headed "Connected Transactions - Non-exempt Continuing Connected Transactions" in the Prospectus.

Payment Services Framework Agreement

On September 1, 2018, Meituan Dianping (for itself and on behalf of other members of the Group) 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 the Company with payment services in order to enable its consumers to make online payments for the Company's service offerings through Tencent payment channels on both mobile devices and personal computers or directly on the Tencent payment interface embedded on its mobile apps and website. The Company 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 Payment Services Framework Agreement commenced on the Listing Date and expires on December 31, 2020.

The annual cap for the year ended December 31, 2018 is RMB1.1 billion, while the actual transaction amount for the year ended December 31, 2018 is approximately RMB488.2 million.

We have followed the pricing policies as disclosed in the Prospectus in respect of the above continuing connected transactions. Before entering into any service agreement pursuant to the above framework agreements, we assessed our business needs and compared the service fees proposed by Tencent with the fees offered by at least one other comparable service providers. We only entered into a service agreement with Tencent if (i) the fees rates and quality of service provided by Tencent were no less favorable than those from other independent third party service provider; and (ii) it was in the best interest of the Company and the Shareholders as a whole.

NON-EXEMPT CONNECTED TRANSACTIONS

Issue of Class B Shares to Connected Grantees of Restricted Share Units

Reference is made to the disclosure in the section headed "Statutory and General Information — D. Pre-IPO ESOP — Outstanding share options and RSUs granted" in Appendix IV to the Prospectus, in which it was disclosed that 1,000,000, 15,700,000 and 5,072,250 RSUs have been granted to Mu Rongjun, Wang Huiwen and Chen Liang, respectively, under the Pre-IPO ESOP.

Reference is also made to the announcement of the Company dated November 23, 2018, in which the Company announced, among other things, that on November 23, 2018, the Company granted an aggregate of 180,000 award shares in the form of RSUs to the three independent non-executive Directors, namely, Orr Gordon Robert Halyburton, Leng Xuesong and Shum Heung Yeung Harry under the Post-IPO Share Award Scheme subject to the terms and conditions of the Post-IPO Share Award Scheme.

On January 18, 2019, the Board resolved to issue an aggregate of 21,952,250 Class B Shares to the above grantees upon vesting of the above RSUs. There will not be any actual cash outflow by the Group upon the proposed issue of Class B Shares to the above grantees. Assuming the grantees become fully entitled to all RSUs after the vesting period, the total number of Class B Shares to be issued would be limited to 21,952,250, or approximately 0.39% of the total issued share capital of the Company (on a one share one vote basis) as of the date of this annual report. For further details, please refer to the announcements and circular of the Company dated January 18, 2019, January 25, 2019 and February 20, 2019, respectively.

Mu Rongjun, Wang Huiwen, Orr Gordon Robert Halyburton, Leng Xuesong and Shum Heung Yeung Harry are Directors of the Company and Chen Liang is a director of certain significant subsidiaries of the Company. Therefore, they are connected persons of the Company. The proposed issue of Class B Shares to each of the connected grantees constitutes a non-exempt connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to reporting, announcement and the Independent Shareholders' approval requirements. The proposed issue of Class B Shares was approved by independent Shareholders in the extraordinary general meeting held on February 20, 2019.

Annual Review by the Independent Non-executive Directors and the Auditor

The independent non-executive Directors have reviewed the continuing connected transactions outlined above, and confirmed that such continuing connected transactions had been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms or better; and

(c) in accordance with the relevant agreements governing them on terms that were fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Auditor has performed the relevant procedures regarding the continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by Hong Kong Institute of Certified Public Accountants. The Auditor has issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed in Note 8(b) (Five highest paid individuals), Note 8(c) (Director's and chief executive's emoluments), Note 33 (Share-based payments) and Note 38 (Related party transactions) to the consolidated financial statements of this annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the Auditor's letter has been provided by the Company to the Stock Exchange.

The Auditor has performed agreed upon procedures regarding the continuing connected transactions entered into by the Group during the year ended December 31, 2018 as set out above and states that:

(a) nothing has come to its attention that causes it to believe that the disclosed continuing connected transactions have not been approved by the Board;

(b) for transactions involving the provision of goods or services by the Group, nothing has come to its attention that causes it to believe that the continuing connected transactions were not, in all material respects, in accordance with the pricing policies of the Group;

(c) nothing has come to its attention that causes it to believe that the transactions were not entered into, in all material aspects, in accordance with the relevant agreements governing such transactions; and

(d) nothing has come to its attention that causes it to believe that such continuing connected transactions have exceeded the annual caps as set by the Company.

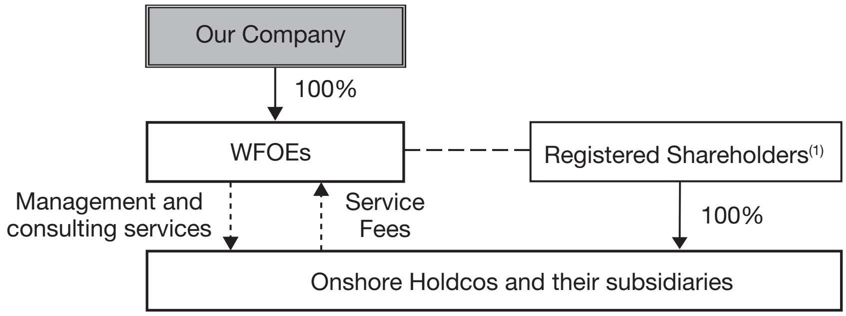
Certain related party transactions as disclosed in Note 38 to the consolidated financial statements constituted as connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules and are in compliance with the disclosure requirements under Chapter 14A of the Listing Rules and disclosed in this annual report.

Save as disclosed in this annual report, during the Relevant Period, the Company had no connected transactions or continuing connected transactions which are required to be disclosed in accordance with the provisions under Chapter 14A of the Listing Rules in relation to the disclosure of connected transactions and continuing connected transactions.

CONTRACTUAL ARRANGEMENTS

The Company has entered into a series of Contractual Arrangements with the WFOEs and the Onshore Holdcos, pursuant to which the Company obtained effective control over, and received all the economic benefits generated by, the businesses operated by the Consolidated Affiliated Entities. Accordingly, through the Contractual Arrangements, the Company's Consolidated Affiliated Entities' results of operations, assets and liabilities, and cash flows are consolidated into the Company's financial statements.

The following simplified diagram illustrates the flow of economic benefits from the Consolidated Affiliated Entities to the Group stipulated under the Contractual Arrangements:



Notes:

(1) Registered Shareholders refer to the registered shareholders of the Onshore Holdcos, namely, (i) Tianjin Antechu Technology; (ii) Shanghai Lutuan; (iii) Beijing Kuxun Interaction; (iv) Shanghai Sankuai Technology; (v) Meituan Finance; (vi) Beijing Sankuai Cloud Computing; (vii) Beijing Xinmeida; (viii) Chengdu Meigengmei; (ix) Beijing Mobike; (x) Beijing Sankuai Technology; and (xi) Shanghai Hantao.

(i) Tianjin Antechu Technology is owned by Wang Xing as to 95% and Mu Rongjun as to 5%;

(ii) Shanghai Lutuan is owned by Wang Xing as to 95% and Mu Rongjun as to 5%;

(iii) Beijing Kuxun Interaction is owned by Wang Xing as to 95% and Mu Rongjun as to 5%;

(iv) Shanghai Sankuai Technology is owned by Wang Xing as to 95% and Mu Rongjun as to 5%;

(v) Meituan Finance is owned by Wang Xing as to 95% and Mu Rongjun as to 5%;

(vi) Beijing Sankuai Cloud Computing is owned by Wang Xing as to 95% and Mu Rongjun as to 5%;

(vii) Beijing Xinmeida is owned by Wang Xing as to 95% and Mu Rongjun as to 5%;

(viii) Chengdu Meigengmei is owned as to 50% and 50% by Li Huijuan (李慧娟) and Fu Dongping (付楝平), respectively, both of whom are current employees of the Company. The arrangement was the result of a commercial decision as agreed between Chengdu Meigengmei and its investee companies when Chengdu Meigengmei commenced operations;

(ix) Beijing Mobike is owned by Wang Xing as to 95% and Mu Rongjun as to 5%;

(x) Beijing Sankuai Technology is owned by Wang Xing as to 95% and Mu Rongjun as to 5%; and

(xi) the Registered Shareholders of Shanghai Hantao were changed from Zhang Tao, Li Jing, Long Wei, Ye Shuhong, Zhang Bo and Shenzhen Litong Industrial Investment Fund Co., Ltd to Wang Xing and Mu Rongjun in November 2018. For further details, please refer to the announcement of the Company dated November 13, 2018.

(2) "—>" denotes a direct legal and beneficial ownership in the equity interest.

(3) "--->" denotes a contractual relationship.

(4) "----" denotes the control by WFOEs over the Registered Shareholders and the Onshore Holdcos through (a) powers of attorney to exercise all shareholders' rights in the Onshore Holdcos, (b) exclusive options to acquire all or part of the equity interests in the Onshore Holdcos and (c) equity pledges over the equity interests in the Onshore Holdcos.

(5) These include certain companies which do not currently carry out any business operations but are intended to carry out businesses which are subject to foreign investment restrictions in accordance with the Guidance Catalog of Industries for Foreign Investment. For further details of the subsidiaries of the Onshore Holdcos, see the section headed "History, Reorganization and Corporate Structure — Corporate Structure"of the Prospectus.

A brief description of the specific agreements that comprise the Contractual Arrangements entered into by each of the WFOEs and the Onshore Holdcos is set out as follows:

Exclusive Business Cooperation Agreements

Each of the Onshore Holdcos entered into the Exclusive Business Cooperation Agreements with each of the WFOEs on August 21, 2018, pursuant to which, in exchange for a monthly service fee, the Onshore Holdcos agreed to engage the WFOEs as each of their exclusive provider of technical support, consultation and other services, including the use of any relevant software legally owned by the WFOEs; development, maintenance and updating of software in respect of the Onshore Holdcos' business; design, installation, daily management, maintenance and updating of network systems, hardware and database design; providing technical support and staff training services to relevant employers of the Onshore Holdcos; providing assistance in consultancy, collection and research of technology and market information (excluding market research business that wholly foreign-owned enterprises are prohibited from conducting under the PRC laws); providing business management consultation; providing marketing and promotional services; providing customer order management and customer services; transfer, leasing and disposal of equipment or properties; and other relevant services requested by the Onshore Holdcos from time to time to the extent permitted under the PRC laws.

Under the Exclusive Business Cooperation Agreements, the service fee shall consist of 100% of the total consolidated profit of the Onshore Holdcos, after the deduction of any accumulated deficit of the Consolidated Affiliated Entities in respect of the preceding financial year(s), operating costs, expenses, taxes and other statutory contributions and subject to any necessary adjustment by the WFOEs of the scope and amount of service fees according to the PRC tax law and tax practices.

Exclusive Option Agreements

Under the Exclusive Option Agreements entered into among the Onshore Holdcos, the WFOEs and the Registered Shareholders on August 21, 2018, the WFOEs have the rights to require the Registered Shareholders to transfer any or all their equity interests in the Onshore Holdcos to the WFOEs and/or a third party designated by it, in whole or in part at any time and from time to time, for considerations equivalent to the respectively outstanding loans owed to the Registered Shareholders (or part of the loan amounts in proportion to the equity interests being transferred) or, if applicable, for a nominal price, unless the relevant government authorities or the PRC laws request that another amount be used as the purchase price, in which case the purchase price shall be the lowest amount under such request. The Exclusive Option Agreements shall remain effective unless terminated in the event that the entire equity interests held by the Registered Shareholders in the Onshore Holdcos have been transferred to the WFOEs or their appointee(s).

Equity Pledge Agreements

Under the Equity Pledge Agreements entered into between the WFOEs, the Registered Shareholders and the Onshore Holdcos on August 21, 2018, the Registered Shareholders agreed to pledge all their respective equity interests in the Onshore Holdcos that they own, including any interest or dividend paid for the shares, 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 Onshore Holdcos takes effect upon the completion of registration with the relevant administration for industry and commerce and shall remain valid until after all the contractual obligations of the Registered Shareholders and the Onshore Holdcos under the relevant Contractual Arrangements have been fully performed and all the outstanding debts of the Registered Shareholders and the Onshore Holdcos under the relevant Contractual Arrangements have been fully paid.

Powers of Attorney

The Registered Shareholders executed Powers of Attorney on August 21, 2018, pursuant to which the Registered Shareholders irrevocably appointed the WFOEs and their designated persons (including but not limited to Directors and their successors and liquidators replacing the Directors but excluding those who are non-independent or may give rise to conflicts of interest) 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 Onshore Holdcos. The Powers of Attorney shall remain effective for so long as each Registered Shareholder holds equity interest in the Onshore Holdcos.

Loan Agreements

Other than in the case of Beijing Mobike, Shanghai Hantao and Chengdu Meigengmei, the relevant WFOEs and their Registered Shareholders entered into Loan Agreements on August 21, 2018, pursuant to which the WFOEs agreed to provide loans to the Registered Shareholders, to be used exclusively as investment in the relevant Onshore Holdcos. The loans must not be used for any other purposes without the relevant lender's prior written consent. The term of each loan commences from the date of the agreement and ends on the date the lender exercises its exclusive call option under the relevant Exclusive Option Agreement, or when certain defined termination events occur, such as if the lender sends a written notice demanding repayment to the borrower, or upon the default of the borrower, whichever is earlier.

New VIE Structure in Relation to Shanghai Hantao

In order to enhance the internal control and management system of the Group and for administration efficiency purpose, on November 13, 2018, the relevant parties as detailed below entered into the following agreements to change the registered shareholders of Shanghai Hantao from the original registered holders, namely Zhang Tao, Li Jing, Long Wei, Ye Shuhong, Zhang Bo and Shenzhen Litong Industrial Investment Fund Co., Ltd (collectively, the "**Original Registered Holders**") to the executive Directors, Wang Xing and Mu Rongjun (collectively, the "**New Registered Holders**"):

(1) the Termination Agreement, pursuant to which the Original Registered Holders, Shanghai Hantao and WFOE agreed that the series of contractual arrangements between Shanghai Hantao, the Original Registered Holders and the WFOE that are designed to allow the Company to exercise control over the operations of Shanghai Hantao and enjoy the economic benefits generated by Shanghai Hantao ("**Original VIE Structure**") shall be terminated;

(2) the Equity Transfer Agreement, pursuant to which the Original Registered Holders agreed to transfer 95% and 5% of the equity interests in Shanghai Hantao to Wang Xing and Mu Rongjun, respectively, at a total consideration of RMB18 million; and

(3) a new set of VIE agreements, including the Exclusive Business Cooperation Agreement, the Powers of Attorney, the Exclusive Option Agreement, the Equity Pledge Agreement, the Loan Agreements, the Confirmations from the New Registered Holders and the spouse Undertakings (collectively known as the "**New VIE Agreements**"), pursuant to which the Group established the new structure through the entering into of the New VIE Agreements (the "**New VIE Structure**").

The contractual arrangements under the New VIE Structure are on substantially the same terms as those in place under the Original VIE Structure, save as to the identity of the registered shareholders of Shanghai Hantao and the Loan Agreements entered into for the purpose of providing to the New Registered Holders the consideration under the Equity Transfer Agreement.

Although the Original VIE Structure does not include a loan agreement, a majority of the remaining contractual arrangements of the Company contain loan agreements and the Loan Agreements under the New VIE Structure are reproduced from and structured in substantially the same terms as the other existing loan agreements. The inclusion of the new Loan Agreements into the New VIE Structure is in line with the approach adopted for the remaining Onshore Holdcos which the Company controls through a series of contractual arrangement (except for Chengdu Meigengmei and Beijing Mobike). Hence, the New VIE Agreements constitute a reproduction of the existing contractual arrangements with loan agreements.

In relation to the contractual arrangements under the New VIE Structure, the Company will fulfill and comply with the same conditions as those imposed on the contractual arrangements under the Existing VIE Structure as disclosed on pages 359 to 361 of the Prospectus, mutatis mutandis.

For further details in relation to the New VIE Structure, please refer to the announcement of the Company dated November 13, 2018.

The Foreign Investment Law

On March 15, 2019, the National People's Congress promulgated the Foreign Investment Law (外商投資法) (the "**FIL**"), which will take effect on January 1, 2020. The FIL will replace the existing laws regulating foreign investment in PRC, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law. The FIL embodies an expected regulatory trend in PRC 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.

The FIL does not explicitly stipulate the contractual arrangements as a form of foreign investment. The FIL does not mention concepts including "de facto control" and "controlling through contractual arrangements" nor does it specify the regulation on controlling through contractual arrangements. Furthermore, the FIL does not specifically stipulate rules on the Relevant Businesses. Instead, the FIL stipulates that "foreign investors invest in PRC through any other methods under laws, administrative regulations, or provisions prescribed by the State Council". In addition, the FIL does not specify what actions shall be taken with respect to the existing companies with a VIE structure, whether or not these companies are controlled by PRC entities and/or citizens. Therefore, as advised by the PRC Legal Advisor, currently our Contractual Arrangements are not affected under the FIL.

Nevertheless, there are possibilities that the implementing rules of the FIL (if any), future laws, administrative regulations or provisions of the State Council may stipulate contractual arrangements as a way of foreign investment, and then whether our Contractual Arrangements will be recognized as foreign investment, whether our Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how our Contractual Arrangements will be handled are uncertain.

Save as disclosed above, there were no other new contractual arrangements entered into, renewed and/or reproduced between the Group and the Onshore Holdcos and/or Consolidated Affiliated Entities during the Relevant Period. There was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted during the Relevant Period.

Save for the reproduction of the contractual arrangements in the case of Shanghai Hantao as disclosed above, for the Relevant Period, none of the Contractual Arrangements had been unwound on the basis that none of the restrictions that led to the adoption of the Contractual Arrangements had been removed. As of December 31, 2018, the Company had not encountered interference or encumbrance from any PRC governing bodies in operating its businesses through its Consolidated Affiliated Entities under the Contractual Arrangements.

The revenue of the Onshore Holdcos and their respective subsidiaries amounted to RMB5.6 billion for the year ended December 31, 2018, representing approximately 8.5% of the total revenue for the year of the Group. The total assets of the Onshore Holdcos and their respective subsidiaries amounted to RMB27.7 billion as of December 31, 2018, representing approximately 23.0% of the total assets of the Group.

Reasons for Adopting the Contractual Arrangements

Our Consolidated Affiliated Entities conduct e-commerce and information platform services, cloud storage service, other value-added telecommunications service businesses, online culture business and radio and television program services, which are subject to foreign investment restrictions in accordance with the Special Administrative Measure for Entity of Foreign Investment (Negative List) (2018). In addition, our Consolidated Affiliated Entities also conduct outbound tourism and departure businesses, which are subject to qualification requirements that we do not satisfy. After consultation with the Company's PRC Legal Advisor, Han Kun Law Offices, the Company determined that it was not viable for it to hold its Consolidated Affiliated Entities directly through equity ownership. Instead, we decided that, in line with common practice in industries in the PRC subject to foreign investment restrictions, we would gain effective control over, and receive all the economic benefits generated by the businesses currently operated by our Consolidated Affiliated Entities through the Contractual Arrangements between the WFOEs, on the one hand, and our Consolidated Affiliated Entities and the Registered Shareholders, on the other hand. For further details in relation to the foreign investment restrictions relating to the Contractual Arrangements, please refer to the sections headed "Contractual Arrangements—Qualification Requirements under the FITE Regulations" of the Prospectus.

The Directors (including independent non-executive Directors) are of the view that the continuing connected transactions set out above have been entered into in the Company's ordinary and usual course of business on normal commercial terms or better which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, the Directors consider that it would be unduly burdensome and impracticable and would add unnecessary administrative costs to the Company, for all the transactions contemplated under the Contractual Arrangements to be subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among other things, the announcement and approval of independent Shareholders.

Risks Relating to the Contractual Arrangements

These are the certain risks that are associated with the Contractual Arrangements, including:

- If the PRC government finds that the agreements that establish the structure for operating the Company's business do not comply with PRC laws and regulations, or if these regulations or their interpretations change in the future, the Company could be subject to severe penalties or be forced to relinquish its interests in those operations.
- Since the FIL remains relatively new, uncertainties exist with respect to the interpretation and implementation of the FIL and how it may impact the viability of the Company's current corporate structure, corporate governance and business operations.
- The Company's contractual arrangements may not be as effective in providing operational control as direct ownership, and its VIE shareholders may fail to perform their obligations under its contractual arrangements.

- The Company may lose the ability to use, or otherwise benefit from, the licenses, approvals and assets held by its VIEs, which could render it unable to conduct some or all of its business operations and constrain its growth.

- The Contractual Arrangements with the Company's 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 its consolidated profit and the value of your investment.

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

- The Company conducts its business operations in China through its VIEs by way of Contractual Arrangements, but certain of the terms of the Contractual Arrangements may not be enforceable under PRC laws.

- If the Company exercises the option to acquire equity ownership of its VIEs, the ownership transfer may subject us to certain limitations and substantial costs.

For further details, please refer to the section headed "Risk Factors—Risks Relating to Our Contractual Arrangements" of the Prospectus.

The Group has adopted measures to ensure the effective operation of the Group's businesses with the implementation of the Contractual Arrangements and its compliance with the Contractual Arrangements, including:

(i) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to the Board, if necessary, for review and discussion on an occurrence basis;

(ii) the Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;

(iii) the Company will disclose the overall performance and compliance with the Contractual Arrangements in its annual reports; and

(iv) the Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of WFOE and its Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

Listing Rules Implications and Waivers from the Stock Exchange

For the purposes of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", the Consolidated Affiliated Entities will be treated as the Company's wholly owned subsidiaries, and their directors, chief executives or substantial shareholders (as defined in the Listing Rules) and their respective associates will be treated as the Company's "connected persons" as applicable under the Listing Rules (excluding for this purpose, the Consolidated Affiliated Entities), and transactions between these connected persons and our Group (including for this purpose, the Consolidated Affiliated Entities), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules.

The transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of the Company.

In relation to the Contractual Arrangements, the Stock Exchange has granted a waiver from strict compliance with (i) the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as the Shares are listed on the Stock Exchange subject however to the following conditions:

(a) no change without independent non-executive Directors' approval;

(b) no change without independent Shareholders' approval;

(c) the Contractual Arrangements shall continue to enable the Group to receive the economic benefits derived by the Consolidated Affiliated Entities;

(d) the Contractual Arrangements may be renewed and/or reproduce (i) upon expiry or (ii) in relation to any existing, newly established or acquired wholly foreign-owned enterprise or operating company (including a branch company), engaging in the same business as that of our Group, without obtaining Shareholders' approval, on substantially the same terms and conditions as the Contractual Arrangements; and

(e) the Group will disclose details relating to the Contractual Arrangements on an ongoing basis.

Annual Review by the Independent Non-executive Directors and the Auditor

The independent non-executive Directors have reviewed the Contractual Arrangements outlined above, and confirmed that:

(a) the transactions carried out during the Relevant Period had been entered into in accordance with the relevant provisions of the Contractual Arrangements;

(b) no dividends or other distributions had been made by the Company's Consolidated Affiliated Entities to the holders of its equity interests which were not otherwise subsequently assigned or transferred to the Group; and

(c) any new contracts entered into, renewed and/or reproduced between the Group and the Consolidated Affiliated Entities during the Relevant Period are fair and reasonable, or advantageous to the Shareholders, so far as the Group is concerned and in the interest of the Shareholders as a whole.

The Auditor has carried out review procedures in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants annually on the transactions carried out pursuant to the Contractual Arrangements. The Auditor has confirmed in a letter to the Board that the transactions carried out pursuant to the Contractual Arrangements during the year ended December 31, 2018 had received the approval of the Board, had been entered into in accordance with the relevant provisions of the Contractual Arrangements and that no dividends or other distributions had been made by the Company's Consolidated Affiliated Entities to the holders of its equity interests which were not otherwise subsequently assigned or transferred to the Group.

DONATIONS

During the Reporting Period, the charitable and other donations made by the Group amounted to approximately RMB12 million.

LEGAL PROCEEDINGS AND COMPLIANCE

From time to time the Company may become involved in legal proceedings or be subject to claims arising in the ordinary course of its business.

The Company is not presently a party to any legal proceedings that, if determined adversely to the Company, would individually or taken together have a material adverse effect on its 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.

As far as the Board is aware, the Group has complied with the relevant laws and regulations that have a significant impact on the Group in all material respects.

PERMITTED INDEMNITY PROVISION

Under the Articles of Association, every Director or other officers of the Company acting in relation to any of the affairs of the Company shall be entitled to be indemnified against all actions, costs, charges, losses, damages and expenses which he may incur or sustain in or about the execution of his duties in his office. The Company has arranged appropriate insurance coverage in respect of legal action against its directors and officers.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

There were no important events affecting the Company and its subsidiaries which occurred after December 31, 2018 and up to the date of this annual report.

AUDIT COMMITTEE

The Audit Committee, together with the Auditor, reviewed the accounting principles and policies adopted by the Group and the consolidated financial statements during the Reporting Period.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and to the best knowledge of the Directors, at least 25% of the Company's total issued shares, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules, was held by the public at all times during the Relevant Period and as of the date of this annual report.

CLOSURE OF THE REGISTER OF MEMBERS

The Company will hold the AGM on May 17, 2019. The register of members of the Company will be closed from May 14, 2019 to May 17, 2019, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the AGM, during which period no share transfers will be registered. To be eligible to attend the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited (for both holders of Class A Shares and holders of Class B Shares), at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on May 10, 2019.

PROFESSIONAL TAX ADVICE RECOMMENDED

If the shareholders are unsure about the taxation implications of purchasing, holdings, disposing of, dealing in, or the exercise of any rights in relation to, the Shares, they are advised to consult an expert.

AUDITOR

PricewaterhouseCoopers was appointed as the Auditor during the Reporting Period. The accompanying financial statements prepared in accordance with IFRSs have been audited by PricewaterhouseCoopers.

PricewaterhouseCoopers shall retire at the forthcoming AGM and, being eligible, will offer itself for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as Auditor will be proposed at the AGM.

On behalf of the Board

Wang Xing
Chairman

Hong Kong, March 11, 2019

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report of the Company for the Relevant Period.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to ensuring the Company adhere to a high standard of corporate governance.

The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted and applied the principles as set out in the CG Code. The Board is of the view that during the Relevant Period, the Company has complied with all the applicable code provisions as set out in the CG Code, except for code provision A.2.1 described in the paragraph headed "Board of Directors – Chairman and Chief Executive Officer".

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries of all Directors, each of the Directors has confirmed that he has complied with the required standards as set out in the Model Code for the Relevant Period.

The Company has also adopted its own code of conduct regarding employees' securities transactions on terms no less exacting than the standard set out in the Model Code for the compliance by its relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the Company's securities.

BOARD OF DIRECTORS

Responsibilities

The Board is responsible for leading and controlling the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board make decisions objectively in the interests of the Company.

The Board directly, and indirectly through its committees, leads and provides direction to the management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the joint company secretaries and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expense for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company.

The Board reserves its discretion on all major matters including policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company.

Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the senior management of the Group. The senior management administers, interprets, enforces, supervises compliance with the internal policies and operational procedures and conducts regular reviews on such policies and procedures across different levels of the Group. The senior management communicates with the Board on a regular basis.

Continuous Professional Development of Directors

App 14 I.(i)

The Company believes education and training are important for maintaining an effective Board. Every Director has received formal and comprehensive training to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

The Company arranges continuous professional development training to Directors such as internally facilitated briefings and provision of reading material on relevant topics to ensure Directors keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant. Directors also regularly meet with the senior management team to understand the Group's businesses, governance policies and regulatory environment. All Directors are also encouraged to attend relevant training courses.

The Directors pursued continuous professional development and relevant details are summarized as follows:

Name of Director	Participated in continuous professional development[1]
Executive Directors	
Wang Xing	√
Mu Rongjun	√
Wang Huiwen	√
Non-executive Directors	
Lau Chi Ping Martin	√
Neil Nanpeng Shen	√
Independent Non-executive Directors	
Orr Gordon Robert Halyburton	√
Leng Xuesong	√
Shum Heung Yeung Harry	√

Note: (1) Attended training/seminar/conference arranged by the Company or other external parties or read relevant materials.

Chairman and Chief Executive Officer

Pursuant to code provision A.2.1 of the CG Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. The Company does not have a separate chairman and chief executive officer and Wang Xing currently performs these two roles. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and the chief executive officer of the Company at a time when it is appropriate by taking into account the circumstances of the Group as a whole.

Composition

As at the date of this annual report, the Board is comprised of eight Directors, with three executive Directors, two non-executive Directors and three independent non-executive Directors. During the Relevant Period and up to the date of this annual report, there has been no change to the composition of the Board.

A list of Directors and their respective biographies are set out in the section headed "Directors and Senior Management" of this annual report.

The Board's composition is in compliance with the requirement under Rule 3.10A of the Listing Rules that the number of independent non-executive directors must represent at least one-third of the Board. The Board believes that the balance between the executive Directors and the non-executive Directors is reasonable and adequate to provide sufficient checks and balances that safeguard the interests of the Shareholders and the Group.

The Board values the importance of professional judgment and advice provided by non-executive Directors to safeguard the interests of the Shareholders. The non-executive Directors contribute diversified qualifications and experience to the Group by expressing their views in a professional, constructive and informed manner, and actively participate in Board and committee meetings and to bring professional judgment and advice on issues relating to the Group's strategies, policies, performance, accountability, resources, key appointments, standards of conduct, conflicts of interests and management process, with the Shareholders' interests being the utmost important factor. The non-executive Directors also exercise their professional judgment and utilize their expertise to scrutinize the Company's performance in achieving agreed corporate goals, and monitor performance reporting.

Further, in compliance with Rule 3.10 of the Listing Rules, one of the Company's independent non-executive Directors has the appropriate professional qualifications of accounting or related financial management expertise, and provides valuable advice from time to time to the Board. The Company has also received from each independent non-executive Director an annual confirmation of his independence and the Nomination Committee has conducted an annual review and considers that all independent non-executive Directors are independent, taking into account of the independence guidelines set out in Rule 3.13 of the Listing Rules in the context of the length of service of each independent non-executive Director.

As part of the Company's corporate governance practice to provide transparency to the investor community and in compliance with the Listing Rules and the CG Code, the independent non-executive Directors are clearly identified in all corporate communications containing the names of the Directors. In addition, an up-to-date list of Directors identifying the independent non-executive Directors and the roles and functions of the Directors is maintained on the Company's website and the Stock Exchange's website.

Appointments and Re-election of Directors

Each of the executive Directors has entered into a service contract with the Company. Pursuant to this agreement, they agree to act as executive Directors for an initial term of three years with effect from the date the appointment is approved by the Board until the third annual general meeting of the Company after the Listing Date (whichever is earlier). Either party has the right to give not less than three months' written notice to terminate the agreement.

Each of the non-executive Directors has entered into an appointment letter with the Company. The appointment as a Director shall continue for three years after or until the third annual general meeting of the Company after the Listing Date, whichever is earlier (subject to retirement as and when required under the Articles of Association), until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than one month's prior notice in writing.

Each of the independent non-executive Directors has entered into an appointment letter with the Company. The initial term of the appointment shall be three years from the date of this document or until the third annual general meeting of the Company after the Listing Date, whichever is earlier (subject to retirement as and when required under the Articles of Association), until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing.

None of the Directors has entered into a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

In accordance with the Articles of Association, all Directors are subject to retirement by rotation at least once every three years and any new Director appointed to fill a casual vacancy shall submit himself for re-election by the Shareholders at the first general meeting of the Company after appointment and new Directors appointed as an addition to the Board shall submit himself for re-election by the Shareholders at the next following general meeting of the Company after appointment.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition and making recommendations to the Board on the appointment or re-election of Directors and succession planning for Directors.

Board Activity

As the Shares of the Company have only been listed since September 20, 2018, the Board has met only twice in the Relevant Period. The attendance of each Director at Board and committee meetings of the Company, whether in person or by means of electronic communication, is detailed in the table below:

	Attendance/No. of Meetings held during the Relevant Period				
Name of Director	Board	Audit Committee	Remuneration Committee[1]	Nomination Committee[2]	Corporate Governance Committee[3]
Executive Directors					
Wang Xing	2/2	–	–	–	–
Mu Rongjun	2/2	–	–	–	–
Wang Huiwen	2/2	–	–	–	–
Non-executive Directors					
Lau Chi Ping Martin	2/2	–	–	–	–
Neil Nanpeng Shen	2/2	–	–	–	–
Independent Non-executive Directors					
Orr Gordon Robert Halyburton	2/2	2/2	–	–	–
Leng Xuesong	2/2	2/2	–	–	–
Shum Heung Yeung Harry	1/2	2/2	–	–	–

Notes:

(1) No meeting of the Remuneration Committee was held during the Relevant Period. The Remuneration Committee held a meeting on January 18, 2019 and all members of the Remuneration Committee attended the meeting.

(2) No meeting of the Nomination Committee was held during the Relevant Period. The Nomination Committee held a meeting on March 11, 2019 and all members of the Nomination Committee attended the meeting.

(3) No meeting of the Corporate Governance Committee was held during the Relevant Period. The Corporate Governance Committee held meetings on January 18, 2019 and March 8, 2019 and all members of the Corporate Governance Committee attended the meeting.

At the two Board meetings held during the Relevant Period, the Board discussed a wide range of matters, including the Company's financial and operational performances, approved interim and quarterly results of the Company, amendments to the terms of reference of the Audit Committee, grant of RSUs under the Post-IPO Share Award Scheme, business prospects and other significant matters.

As the Shares of the Company have only been listed since September 20, 2018, no meeting of the Chairman with the non-executive Directors (including independent non-executive Directors) without the presence of executive Directors was held during the Relevant Period. A meeting between the Chairman and the non-executive directors was held on March 11, 2019.

No annual general meeting was held during the Relevant Period. The Company held an extraordinary general meeting on February 20, 2019 to approve the re-appointment of the Auditor and issuance of new Shares to certain connected persons.

BOARD COMMITTEES

App 14 L.(a), (b)

The Board has established four committees, namely, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Corporate Governance Committee are available on the Company's website and the Stock Exchange's website.

Audit Committee

The Company has established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee include the followings:

(a) making recommendations to the Board on the appointment, re-appointment and removal of the external auditor;

(b) reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

(c) developing and implementing policies on engaging an external auditor to supply non-audit services;

(d) monitoring the integrity of the Company's financial statements, annual reports, accounts and half-yearly reports; and

(e) reviewing financial information and oversight of the Company's financial reporting, financial controls, risk management and internal control systems.

The Audit Committee consists of three independent non-executive Directors, namely Orr Gordon Robert Halyburton, Leng Xuesong and Shum Heung Yeung Harry. Orr Gordon Robert Halyburton has been appointed as the chairman of the Audit Committee and is the independent non-executive Director with the appropriate professional qualifications.

During the Relevant Period, the Audit Committee met twice. Individual attendance of each Audit Committee member is set out on page 80. The Audit Committee also met the external auditors twice without the presence of the executive Directors.

The Audit Committee's major work during the Relevant Period includes:

(a) reviewing the 2018 interim report;

(b) reviewing the Company's quarterly results announcement for the third quarter ended September 30, 2018;

(c) reviewing compliance with CG Code, Listing Rules and relevant laws;

(d) reviewing the Company's cybersecurity structure and the effectiveness of the Company's cybersecurity management and technology framework; and

(e) reviewing the terms of engagement, independence and remuneration of the external auditor.

The Audit Committee annually reviews the relationship of the Company with the Auditor and recognizes that the Auditor's independence is a fundamental governance principle. The Auditor provides quarterly updates to the Audit Committee if any independence issue is identified and is required to give an annual confirmation on their independence. Having also reviewed the effectiveness of the external audit process as well as the independence and objectivity of the Auditor, the Audit Committee is satisfied with this relationship. As such, the Audit Committee has recommended their re-appointment at the AGM.

Remuneration Committee

The Company has established a remuneration committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the Remuneration Committee include the following:

(a) making recommendations to the Board on the remuneration packages and the Company's policy and structure for remuneration for all Directors and senior management;

(b) reviewing and approving the management's remuneration proposals with reference to the corporate goals and objectives resolved by the Board from time to time;

(c) establishing formal and transparent procedures for developing remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration; and

(d) advising shareholders of the Company on how to vote in respect of any service contracts of Directors that require shareholders' approval in accordance with the Listing Rules.

The Remuneration Committee consists of three members, namely Leng Xuesong and Shum Heung Yeung Harry, the independent non-executive Dirrectors and Mu Rongjun, the executive Director. Leng Xuesong has been appointed as the chairman of the Remuneration Committee.

As the Shares of the Company have only been listed since September 20, 2018, no meeting of the Remuneration Committee was held during the Relevant Period. On January 18, 2019, the Remuneration Committee held a meeting and considered the overall remuneration principles, the structure of the Company and the remuneration packages for the Directors and senior management.

For details in relation to the Company's Pre-IPO ESOP, Post-IPO Share Option Scheme and Post-IPO Share Award Scheme, please refer to the section headed "Report of Directors" of this annual report.

Nomination Committee

The Company has established a nomination committee with written terms of reference in compliance with the CG Code and Corporate Governance Report in Appendix 14 to the Listing Rules. The primary duties of the Nomination Committee include the following:

(a) reviewing the Board composition;

(b) developing the criteria for identifying candidates for nomination and appointment of Directors;

(c) assessing the independence of independent non-executive Directors;

(d) making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors; and

(e) developing a policy concerning diversity of Board members, and disclosing the policy or a summary of the policy in the corporate governance report.

The Nomination Committee consists of three members, namely Leng Xuesong and Shum Heung Yeung Harry, the independent non-executive Directors and Wang Huiwen, the executive Director. Leng Xuesong has been appointed as the chairman of the Nomination Committee.

The Nomination Committee reviews at least annually the structure, size and composition (including the skills, knowledge and experience) of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy.

The Company regards increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. The Company has implemented a board diversity policy. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The Company aims to maintain an appropriate balance of diversity perspectives of the Board that are relevant to the Company's business growth.

As the Shares of the Company have only been listed since September 20, 2018, no meeting of the Nomination Committee was held during the Relevant Period. On March 11, 2019, the Nomination Committee held a meeting, considered and approved the Nomination Policy which sets out the nomination principles and procedures of the Board and reviewed the following matters :

(a) the Board Diversity Policy;

(b) the structure, size and composition of the Board;

(c) the re-election of Directors and its schedule; and

(d) the independence of the independent non-executive Directors.

Corporate Governance Committee

The Company has established a corporate governance committee in compliance with Chapter 8A of the Listing Rules. The primary duties of the Corporate Governance Committee are to ensure that the Company is operated and managed for the benefit of all Shareholders and to ensure the Company's compliance with the Listing Rules and safeguards relating to the WVR Structure of the Company.

The Corporate Governance Committee comprises three independent non-executive Directors, namely Leng Xuesong, Orr Gordon Robert Halyburton and Shum Heung Yeung Harry. Leng Xuesong is the chairman of the Corporate Governance Committee.

In accordance with Rule 8A.30 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 of the Listing Rules, the duties of the Corporate Governance Committee as set out in its terms of reference include:

(a) developing and reviewing the Company's policies and practices on corporate governance and make recommendations to the Board;

(b) reviewing and monitoring the training and continuous professional development of Directors and senior management;

(c) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;

(d) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors;

(e) reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report;

(f) reviewing and monitoring whether the Company is operated and managed for the benefit of all of its shareholders;

(g) confirming, on an annual basis, that the WVR Beneficiaries have been members of the Board throughout the year and that no matters under Rule 8A.17 of the Listing Rules have occurred during the relevant financial year;

(h) confirming, on an annual basis, whether or not the WVR Beneficiaries have complied with Rules 8A.14, 8A.15, 8A.18 and 8A.24 of the Listing Rules throughout the year;

(i) reviewing and monitoring the management of conflicts of interests and making a recommendation to the Board on any matter where there is a potential conflict of interest between the Company, its subsidiary or consolidated affiliated entity and/or shareholder on one hand and any WVR Beneficiary on the other;

(j) reviewing and monitoring all risks related to the Company's WVR structure, including connected transactions between the Company and/or its subsidiary or consolidated affiliated entity on one hand and any WVR Beneficiary on the other and making a recommendation to the Board on any such transaction;

(k) making a recommendation to the Board as to the appointment or removal of the compliance adviser;

(l) seeking to ensure effective and on-going communication between the Company and its shareholders, particularly with regards to the requirements of Rule 8A.35 of the Listing Rules;

(m) reporting on the work of the Corporate Governance Committee on at least a half-yearly and annual basis covering all areas of its terms of reference; and

(n) disclosing, on a comply or explain basis, its recommendations to the Board in respect of the matters in sub-paragraphs (i) to (k) above in the report referred to in sub-paragraph (m) above.

As the Shares of the Company have only been listed since September 20, 2018, no meeting of the Corporate Governance Committee was held in the Relevant Period. On January 18, 2019, the Corporate Governance Committee held a meeting, considered and approved the Policy for the Disclosure of Significant Information and reviewed the following matters:

(a) the training and continuous professional development of Directors and senior management;

(b) the code of conduct applicable to employees and Directors;

(c) the re-appointment of the Company's compliance advisor;

(d) the disclosure in the Corporate Governance Report and the Company's compliance with the CG Code;

(e) the Conflict of Interest Declaration Policy of the Company and any potential conflict of interest between the Company and the WVR beneficiaries;

(f) all risks related to the Company's WVR Structure, including connected transactions between the Company and its subsidiary or Consolidated Affiliated Entity on the one hand and any WVR Beneficiary on the other;

(g) the written confirmation provided by the WVR Beneficiaries that they have complied with Rules 8A.14, 8A.15, 8A.18 and 8A.24 of the Listing Rules throughout the Relevant Period; and

(h) the Company's various policies and practices on corporate governance.

The Corporate Governance Committee has confirmed that (i) the WVR beneficiaries have been members of the Board throughout the Relevant Period; (ii) no matter under Rule 8A.17 has occurred during the Relevant Period; and (iii) the WVR Beneficiaries have complied with Rules 8A.14, 8A.15, 8A.18 and 8A.24 of the Listing Rules during the Relevant Period. In respect of the issue of Class B Shares to connected grantees of RSUs including, amongst others, Mu Rongjun and Wang Huiwen, both being WVR Beneficiaries, the members of the independent board committee, who are also members of the Corporate Governance Committee, having taken into account the advice of the independent financial adviser, considered that the terms of the proposed issue of Class B Shares are fair and reasonable and in the interests of the Company and the Shareholders as a whole and recommended the independent Shareholders to vote in favor of the resolutions. For further details, please refer to the announcements and circular of the Company dated January 18, 2019, January 25, 2019 and February 20, 2019, respectively. The Corporate Governance Committee has also reviewed the remuneration and terms of engagement of the Company's compliance advisor and recommended to re-appoint Guotai Junan Capital Limited as the compliance advisor of the Company.

On March 8, 2019, the Corporate Governance Committee held a meeting, reviewed and approved the 2018 Corporate Governance Report and reviewed the Policy for the Disclosure of Significant Information and Policy of Conflict of Interests.

RISK MANAGEMENT AND INTERNAL CONTROL

Adequate and effective risk management and internal control systems are key to safeguarding the achievement of the Company's business strategies. The risk management and internal control systems shall also ensure the achievement of the Company's objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with applicable laws, regulations and policies.

The Board acknowledges that it is the Board's responsibility to ensure that the Company has established and maintained adequate and effective risk management and internal control systems. The Board delegates its responsibility to the Audit Committee to review the practices of management with respect to risk management and internal control, including the design, implementation and supervision of the risk management and internal control systems. This review formally takes place four times a year at quarterly intervals, one of which includes an annual review on the effectiveness of the risk management and internal control systems. The Board is responsible for overseeing the risk appetite of the Company including determining the risk level the Company expects and is able to take, and proactively considering, analyzing and formulating strategies to manage the key risks that the Company is exposed to.

The Company is devoted to establishing and maintaining risk management and internal control systems consisting of policies and procedures that it considers to be appropriate for its business operations, and it is dedicated to continuously improving these systems.

Risk Management

The Company is committed to continuously improving the risk management system, including structure, process and culture, through the enhancement of risk management ability, to ensure long-term growth and sustainable development of the Company's business.

The Company has established a risk management system which sets out the roles and responsibilities of each relevant party as well as the relevant risk management policies and processes. Each business group of the Company, on a regular basis, identifies and assesses risk factors that may negatively impact the achievement of its objectives, and formulates appropriate response measures. The Company's staff also attends training in relation to risk management and internal controls on a regular basis.

To ensure that the risk management and internal control systems are effective, the Company, under the supervision and guidance of the Board and factoring the actual needs of the Company, has adopted the "Three Lines of Defence" internal monitoring model as an official organizational structure for risk management and internal control.

The First Line of Defence – Operation and Management

App 14 C.2.4(b)

The First Line of Defence is mainly formed by the business and functional departments of each business group of the Company who are responsible for the daily operation and management. It is responsible for designing and implementing controls to address the risks.

The Second Line of Defence – Risk Management

The Second Line of Defence mainly consists of the internal control department, cybersecurity center, legal department, finance department, food safety team and safety affairs department of the Company. This line of defence is responsible for formulating policies related to management of litigation, finance, cybersecurity, food safety and health-and-safety risks and the internal control of the Company and for planning and implementing the establishment of integrated risk control systems. For ensuring effective implementation of such systems, this line of defence also assists and supervises the first line of defence in the establishment and improvement of risk management and internal control systems.

The Third Line of Defence – Independent Assurance

The Third Line of Defence mainly consists of the functions of internal audit and anti-fraud investigation of the Company, which holds a high degree of independence and is responsible for providing an independent evaluation on the effectiveness of the Company's risk management and internal control systems, and monitoring management's continuous improvement over the risk management and internal control areas. The anti-fraud investigation function is responsible for receiving whistleblower reports through various channels and for following up and investigating alleged fraudulent activities.

These systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

As an internet company with diverse business areas, the Company's business is characteristic of its variety and fast adaptations. Therefore, catering to these characteristics, the risk management of the Company has established a dynamic risk management process.

The business and functional departments of each business group identify, assess and respond to the risk issues in their operations. The internal control department reports significant risks at the Company level through collecting, consolidating and analyzing such risk issues, and ensures that appropriate response strategies and control measures have been taken, which are reviewed by the senior management teams. The internal control department reviews and evaluates the actions made in response to the significant risks from time to time.

Below is a summary of the significant risks of the Company along with the applicable response strategies. With the growth of business scale, scope, complexity and the changing external environment, the Company's risk profile may change and the list below is not intended to be exhaustive.

Compliance Risk

Although the internet and technology industry is still evolving, regulatory authorities in numerous jurisdictions have been, in an attempt to keep up with such evolution, developing more comprehensive and stringent regulations to regulate the industry, including obtaining and maintaining necessary licenses, approvals and permits relevant to applicable business. As the Company is continuously expanding its businesses in the PRC and overseas, it is required to comply with the new applicable laws and regulations in different jurisdictions that are specifically relevant to the Company's businesses, such as laws relating to data protection, internet information security, IP, etc. Any changes in governance policies and regulations could have a negative impact on the business, financial condition and operating results of the Company.

The Company has several professional departments and teams that work closely with management of business groups to monitor and identify changes in any relevant laws and regulations, so as to take appropriate actions or measures to ensure the Company is in compliance with applicable laws and regulations.

Market Competition Risk

The Company faces competition in every aspect of its business, and particularly from other companies in the on-demand delivery businesses, instore services businesses and the hotel & travel services. To obtain and maintain competitive advantage in these business segments would require us to divert significant managerial, financial and human resources. In addition, each of the Company's 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 its 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 it does, or may enter into business alliances that strengthen their competitive positions. Increased competition may reduce the Company's market share and profitability and require it to increase its marketing and promotional efforts and capital commitment in the future.

Although the Company has been successful in capturing the market opportunities created by the mobile internet boom, to remain competitive, it needs to stay abreast of the constantly evolving industry trends and to enhance and improve the responsiveness, functionality and features of its mobile apps, websites and systems. As a result, in order to attract and retain users and compete against its competitors, the Company has to continue investing significant resources in research and development to enhance its information technology and improve its existing services.

Information System Risk

Protection of user data and other related information is critical to the Company's business. Any loss or leakage of sensitive user information could have a significant negative impact on affected users and the Company's reputation, and even lead to potential legal action against the Company.

The Company has implemented various controls to ensure that user data is protected and risks of leakage and loss of such data is mitigated. We collect personal information and data from users with their prior consent, and implement company-wide policies on data collection, usage, disclosure, transfer and storage. We also encrypt user data in network transmission. For data storage, we use encryption technologies at software and hardware levels to protect sensitive user data.

User data is handled strictly in accordance with our defined policies. It has obtained the ISO 27001 and National Information System Security Level Protection Level 3 Certification. It has established a coordination mechanism with third-party agencies to handle information security threats in a timely manner.

At the enterprise level, the Company established a systematic and universal user account authorization and management mechanism based on which it periodically reviews the status of user accounts and the related authorization information. Security configuration assessments on its databases and servers are regularly performed with implementation of procedures for system log management.

The Company has put in place a series of backup management procedures. For its AI and cloud platforms, the Company deploys different backup mechanisms, including local backups and offsite backups, depending on the needs of its business, to minimize the risk of user data loss. For its Site Reliability Engineering department, it establishes protocols for the design, implementation and monitoring of offsite backups.

We provide information security training to employees and conduct ongoing trainings. The Company also has an emergency response mechanism to evaluate critical risks, formulate disaster response plans and perform emergency drills on a regular basis.

The Audit Committee also reviews cybersecurity updates of the Company every six months to advise and provide recommendations for the improvement of the Group's information security system operating normally under persistent and sophisticated cyber-attacks, enabling the Company to strengthen customer trust and enhance its user experience. The Audit Committee last reviewed cybersecurity updates during an Audit Committee meeting in November 2018.

Human Resources Risk

The internet industry is highly dependent on the basic qualities of employees; therefore, enhancing, training and management of qualities of a growing population of employees is highly important for the business development of the Company.

The Company provides regular and specialized training tailored to (i) the needs of its employees in different departments and (ii) its anti-bribery & corruption policy. The Company has a training center which regularly organizes internal training sessions conducted by senior employees or outside consultants. The training center schedules regular online and classroom trainings, reviews the content of the trainings, and follows up with employees to evaluate the impact of such training. Through these trainings, the Company ensures that the skill sets and knowledge level of its anti-bribery & corruption policy of its staff remain up-to-date, enabling them to better discover and meet consumers' and merchants' needs.

The Company has in place an employee handbook and a code of conduct approved by its management and has distributed them to all its employees. The handbook contains internal rules and guidelines regarding work ethics, fraud prevention mechanisms, negligence and corruption. The Company provides employees with regular training, as well as resources to explain the guidelines contained in the employee handbook.

The Company has in place an anti-bribery and corruption policy to safeguard against corruption within the organization. The policy explains potential bribery and corruption conduct and the Company's anti-bribery and corruption measures. The Company makes its internal reporting channel open and available for its staff to report any bribery and corruption acts, and its staff can also make reports to the anti-fraud department. The anti-fraud department is responsible for investigating the reported incidents and taking appropriate measures.

Crisis Management and Reputation Risk

The Company processes an extremely large number of transactions on a daily basis on its platform. With continuous expansion of its overall business scope, heightened public concerns over consumer protection and consumer safety issues, the Company may be subject to additional legal and social responsibilities and increased scrutiny and negative publicity over these issues. If the Company does not pay sufficient attention to public opinion or if any incident arises but is not dealt with in a timely manner, its reputation, brand and image will be affected.

The Company always upholds the principle of being "customer-centric" to satisfy our clients and safeguard their interests when rendering services. Therefore, an effective risk management mechanism has been established to continuously minimize risks in our ongoing business procedures or information system through a series of evaluations and analysis with an aim to optimize our management system, upgrade our risk management and continuously reduce our exposure to any crisis. In addition, the Company's public relations department maintains close connections and interactions with other operation departments and related functional units, so that they can make timely and appropriate responses to any crisis that arises in accordance with established policies and working procedures.

Internal Control

The Audit Committee is delegated to monitor the implementation of the risk management policies across the Company on an ongoing basis to ensure that the internal control system is effective in identifying, managing and mitigating risks involved in its business operations.

The Company also maintains an internal audit department which is responsible for reviewing the effectiveness of internal controls and reporting to the Audit Committee and senior management on any issues identified. Its internal audit department members hold regular meetings with management to discuss any internal control issues it faces and the corresponding measures to implement toward resolving such issues. The internal audit department reports to the Audit Committee to ensure that any major issues identified are channeled to the committee on a timely basis. The Audit Committee then discusses the issues and reports to the Board, if necessary.

The Company has designed and adopted strict internal procedures to ensure the compliance of its business operations with the relevant rules and regulations. Its internal control team works closely with its business units to (i) perform risk assessments and give advice on risk management strategies, (ii) improve business process efficiency and monitor internal control effectiveness and (iii) promote risk awareness throughout the Company.

In accordance with its internal procedures, the Company's in-house legal department performs the basic function of reviewing and updating the form of contracts it enters into with its consumers, merchants and relevant third-parties. Its legal department examines the contract terms and reviews relevant documents for its business operations and the necessary underlying due diligence materials, before it enters into any contract or business arrangements. In addition, the Company's quality control teams under each business group are also responsible for reviewing the licenses and permits of the relevant counterparties and proposed commercial terms before it enters into any contract or business arrangements.

The Company's in-house legal department reviews its services for regulatory compliance before they are made available to the general public. Its in-house legal department and administrative department are responsible for obtaining any requisite governmental pre-approvals or consents, including preparing and submitting all necessary documents for filing with relevant government authorities within the prescribed regulatory timelines.

The Company also has certain compliance teams for its internet finance business, which are responsible for the formulation and implementation of internet finance-related policies and analysis of the regulatory environment with respect to services it provides. The Company continually reviews the implementation of its risk management policies and measures to ensure its policies and implementation are effective and sufficient.

Effectiveness of Risk Management and Internal Control

The Audit Committee, on behalf of the Board, continuously reviews the risk management and internal control systems. The review process comprises, among other things, meetings with management of business groups the internal audit team, legal, personnel and the external auditors, reviewing the relevant work reports and information of key performance indicators, and discussing the major risks with the senior management of the Company. The Board is of the view that during the Relevant Period, the risk management and internal control systems of the Company are effective and adequate.

In addition, the Board believes that the Company's accounting and financial reporting functions have been performed by staff of the appropriate qualifications and experience and that such staff receives appropriate and sufficient training and development. Based on the audit report of the Audit Committee, the Board also believes that sufficient resources have been obtained for the Company's internal audit function and that its staff qualifications and experience, training programs and budgets are sufficient.

SHAREHOLDERS

The Company strives to provide ready, fair, regular and timely disclosure of information that is material to the investor community. Therefore, the Company works to maintain effective and on-going communication with shareholders so that they, along with prospective investors, can exercise their rights in an informed manner based on a good understanding of the Group's operations, businesses and financial information. The Company also encourages Shareholders' active participation in annual general meetings and other general meetings or other proper means. To safeguard Shareholders' interests and rights, a separate resolution will be proposed for each issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

In addition, the Company has developed and maintains the shareholders communication policy, which is available on the Company's website.

A summary of the disclosure of interests of the substantial shareholders of the Company is set out in the section headed "Report of Directors" of this annual report.

Convening of Extraordinary General Meeting and Putting Forward Proposals

App 14 O.(a)

Shareholders may put forward proposals for consideration at a general meeting of the Company according to the Articles of Association. Any one or more members holding as of date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition, to require an extraordinary general meeting of the Company to be called by the Board for the transaction of any business specified in such requisition. A written requisition shall be deposited at the Company's principal place of business in Hong Kong. If within 21 days of such deposit the Board fails to proceed to convene such meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

As regards proposing a person for election as a Director, the procedures are available on the website of the Company.

Enquiries to the Board

Shareholders who intend to put forward their enquiries about the Company to the Board can send their enquiries to the headquarters of the Company at Block B&C, Hengjiweiye Building, No.4 Wang Jing East Road, Chaoyang District, Beijing, People's Republic of China to the attention of the Joint Company Secretaries or send an email to yixiang.wang@dianping.com.

JOINT COMPANY SECRETARIES

Wang Yixiang ("**Mr. Wang**"), a joint company secretary of the Company, is responsible for advising the Board on corporate governance matters and ensuring that the Board policies and procedures, as well as the applicable laws, rules and regulations are followed.

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company also engages Lau Yee Wa ("**Ms. Lau**"), a senior manager of corporate services division of Tricor Services Limited, as the other joint company secretary to assist Mr. Wang to discharge his duties as a company secretary of the Company. Ms. Lau's primary contact person at the Company is Mr. Wang.

For the year ended December 31, 2018, Mr. Wang and Ms. Lau undertook not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

DIRECTORS AND OFFICERS LIABILITY INSURANCE

The Company has arranged appropriate directors and officers' liability insurance in respect of legal action against the Directors and officers.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Please refer to Note 8 to the consolidated financial statements for details of remuneration of Directors for the year ended December 31, 2018.

Details of the remuneration by band of Directors and senior management of the Company, whose biographies are set out in the section headed "Directors and Senior Management" of this annual report, for the year ended December 31, 2018 are set out below:

Remuneration band (RMB)	Number of individual
0	2
1 - 5,000,000	4
>5,000,000	5

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENT

The Directors acknowledge their responsibility for preparing the financial statement of the Company for the year ended December 31, 2018, and are aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the Auditors about their reporting responsibilities on the financial statements is set out in the section headed "Independent Auditor's Report".

AUDITOR'S REMUNERATION

The remuneration for the audit and non-audit services provided by the Auditor to the Group during the year ended December 31, 2018 was approximately as follows:

Type of Services	Amount (RMB'000)
Audit and audit related services	48,770
Non-audit services	3,899
Total	52,669

CHANGE IN CONSTITUTIONAL DOCUMENTS

The Memorandum and Articles of Association of the Company has been amended and restated with effect from September 20, 2018.

POLICY ON THE DISCLOSURE OF INSIDE INFORMATION

The Company has put in place an internal policy for the handling and disclosure of inside information in compliance with the SFO. The internal policy sets out the procedures and internal controls for the handling and dissemination of inside information in a timely manner and provides the Directors, senior management and relevant employees a general guide in monitoring information disclosure and responding to enquiries.

Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

1. PROFILE

This report aims to reflect the performance of the Company on Environmental, Social and Governance ("**ESG**") for 2018 on an objective and fair basis. It is recommended to read the part on governance in conjunction with the "Corporate Governance Report" section contained in this annual report.

2. ESG STRATEGY

(i) ESG Concept and Management

With the mission of "We help people eat better, live better", the Company adheres to the values of "Customer-centric, integrity, win-win cooperation, and striving for excellence".

In order to better put the ESG concept into practice, we have built an ESG management system. The Board is responsible for guiding and reviewing the Company's ESG performance. The Company's relevant functions and business units are responsible for the specific management of issues on environment, employee, operation and community. We also have a Corporate Social Responsibility Department to carry out work related to corporate social responsibility.

(ii) Stakeholder Engagement

We actively listen to and respond to the demands of stakeholders. Based on the characteristics of actual businesses and management operations, we identified key stakeholders and learned their main concerns through various communication channels.

The key stakeholders, concerns and communication channels we identified are listed in the table below.

Main stakeholders	Main ESG concerns	Main communication channels
Government and regulators	Employment, Supply Chain Management, Product Responsibility, Anti-corruption, and Community Investment	Policy consultation, incident reporting, information disclosure and participation in governmental meetings
Shareholders and Investors	Employment, Product Responsibility and Anti-corruption	Shareholders' meeting, regular announcement and official website
Employees	Employment, Health and Safety, Development and Training, and Labour Standards	Communication meetings, social media and face-to-face communication
Users	Product Responsibility	Customer service hotline, social media and information disclosure
Platform merchants	Product Responsibility and Anti-corruption	Customer service hotline, meetings and merchant assessment
Suppliers	Supply Chain Management and Anti-Corruption	Supplier assessment and supplier conference
Media and non-governmental organisations	Emissions, Use of Resources, The Environment and Natural Resources, Employment, Supply Chain Management and Product Responsibility	Social media, official website, press conference, exchange meeting and dedicated customer service
Community	Emissions, Use of Resources, The Environment and Natural Resources, and Community Investment	Community interaction, public welfare activities, social media and poverty alleviation projects

(iii) Materiality Assessment

In 2018, based on continuous communication with key stakeholders and the Company's operational characteristics, we conducted a materiality assessment of the 11 aspects of ESG concerns listed in the *ESG Reporting Guide* as a reference for our actions and reports.

Material aspects we identified include "Product Responsibility", "Employment", "Supply Chain Management" and "Anti-corruption"; and relevant aspects include "Emissions", "Use of Resources", "The Environment and Natural Resources", "Community Investment", "Health and Safety", "Development and Training" and "Labour Standards". We will discuss these aspects respectively in this report.

3. ENVIRONMENT

The Company understands the environmental risks it faces in its operations, and recognizes the importance of seeking harmony with the environment. In our operation and development, we abide by relevant laws and regulations such as the *Environmental Protection Law of the People's Republic of China* and the *Energy Conservation Law of the People's Republic of China*, and advocate environmentally friendly values and behaviors. We implement green operation management as described below to reduce the impact of our operations on the environment.

(i) Measures for Green Operation

1. *Green office*

Electricity and water are the main resources we consume in the Company's operations.

For reasonable use of electricity, we use LED energy-saving lights in office areas. We arrange personnel to conduct regular inspections in the office areas to avoid lights that are never turned off in unmanned office areas. We cultivate staff's energy-saving habits in every aspect, for example, posting tips such as "turn off the lights in time" in an eye-catching area of the office.

In order to save water resources, we install inductive water-saving sanitary ware in some office areas, post "saving water" tips on the sink and arrange regular inspections to avoid the phenomenon of "keeping the tap running all the time".

At the same time, we conduct a monthly statistical analysis of water and electricity use in the office areas, check abnormal conditions and take improvement measures to further enhance the efficiency of resource use.

We also adopt other measures to reduce resource use, such as: (i) setting all printer devices to print on both sides by default and posting an eye-catching tip next to the printing devices to encourage employees to prioritise two-sided printing to save paper; and (ii) installing direct drinking water systems to replace bottled water, so as to reduce the use of plastics.

2. *Green Data Centres*

We take into account the environmental impact and resource consumption arising from the deployment and operation of the data centers.

In June 2018, the first green data center we rented in Zhongwei City of Ningxia Hui Autonomous Region (hereinafter referred to as "**Ningxia Zhongwei**") was put into use. In the future, we plan to gradually migrate the servers required for big data offline business to the Zhongwei data center.

Our data center in Ningxia Zhongwei boasts the following environmentally advantages: (i) Ningxia Zhongwei has a mild climate and large temperature differences between day and night, which is conducive to natural wind cooling and reduction of air conditioning usage and power consumption; and (ii) the clean energy used by Ningxia Zhongwei accounts for more than 50%, and most of the energy required for data center operation is clean energy, which can indirectly reduce carbon dioxide emissions and reduce environmental impact.

As a large, natural cooling data center that has been put into large-scale application, Ningxia Zhongwei data center uses high-efficiency direct natural cooling and indirect evaporative cooling technology (Free Cooling technology), and adopts a wind wall system to form a cold air channel and a hot air channel in the machine room, thereby improving the cooling effect. Ningxia Zhongwei data center has achieved a high level of technology in terms of machine room structure, server layout, temperature control, heat recovery, etc. Compared with traditional large data centers' refrigeration solutions, it has a clear advantage in energy saving.

We actively work with other industry peers to promote the development of technology related to a green data center. In order to improve the performance of big data servers and reduce power consumption, we work with partners to carry out research on general chips for domestic ARM architecture servers, and test and optimize software compatibility as well as operation and maintenance compatibility.

(ii) Promote Environmental Protection in the Industry

With a focus on the environmental impact of the food delivery services, we analyze the environmental risks of the food delivery industry, implement measures relevant to environmental protection and seek solutions to environmental problems caused by the food delivery industry.

In 2017, the Company cooperated with the China Environmental Protection Foundation, the China Cuisine Association and hundreds of food and beverage brands to establish a "Green Food Delivery Alliance" and launched the "Lush Mountain Plan", which advocates the environmental protection concept, research on environmentally friendly paths and exploration on a scientific closed-loop to promote the environmental protection process of the food delivery industry.

We have taken various measures to promote the use of environmentally friendly packaging and reuse of resources: (i) cooperation with professional institutions, governmental authorities and experts and scholars to develop environmentally friendly food delivery packaging; (ii) promotion of paper packaging and reusable food delivery packaging, as well as scientific recycling of food delivery tableware; and (iii) popularization of scientific waste sorting and recycling methods for merchants and users to enhance their environmental awareness.

In order to meet the needs of merchants to purchase environmentally friendly materials, we have uniformly screened the information of various suppliers for environmentally friendly materials for merchants' reference, and the platforms merchants can voluntarily choose according to their own circumstances. We also collect merchants' surveys and provide merchants with a lower-cost centralized procurement for environmentally friendly packaging materials.

In 2018, we cooperated with the regulatory authorities to participate in the development of group standards for food delivery meal boxes so as to promote green development in the industry. After the implementation of the group standard, the food delivery industry will replace the plastic meal box with a more mature film-coated paper meal boxes, which can, in addition to ensuring the quality and safety of the meal boxes, reduce plastic waste therefrom by more than 75% or so.

(iii) Environmental Key Performance Indicators

The environmental key performance indicators are shown below. Unless otherwise stated, these data only cover the data of the headquarters of the Company; the Company does not have a self-built data center at present. The emissions, resources and energy consumption of the rented data center are managed by the operators, as such data are not included in the disclosure of the Company.

Emissions

Total direct greenhouse gas (GHG) emissions (tonnes)	9,448.67
Total GHG emissions per employee in office (tonnes per employee)	0.44
Total GHG emissions per floor area of the office (tonnes per square meter)	0.07
Total hazardous waste (tonnes)	0.03
Hazardous waste per capita (tonnes per employee)	0,000001
Total non-hazardous waste (tonnes)	1,840.39
Non-hazardous waste per capita (tonnes per employee)	0.08

Notes:

- Due to its business nature, the significant emissions of the Company are GHG emissions, arising mainly from the use of electricity derived from fossil fuels.
- GHG emissions include carbon dioxide, methane and nitrous oxide. GHG emissions data is presented in carbon dioxide equivalent and calculated by us based on the 2015 *Baseline Emission Factors for Regional Power Grids in China* issued by National Development and Reform Commission and the 2006 *IPCC Guidelines for National Greenhouse Gas Inventories* issued by the Intergovernmental Panel on Climate Change.
- The Company's hazardous wastes mainly include waste fluorescent tubes, which are disposed of by qualified institutions.
- The Company's non-hazardous wastes mainly include domestic wastes and waste electronic equipment. Domestic wastes mainly include office wastes, which are handled by the property management companies, and we calculate such wastes according to the Handbook on Domestic Discharge Efficiencies for Towns in the First Nationwide Census on Contaminant Discharge published by the State Council. Waste electrical equipment is recycled and disposed of by recyclable waste collectors.

Energy and resources consumption

Total energy consumption (MWh)	12,762.02
Total energy consumption per capita (MWh per employee)	0.59
Total energy consumption per floor area (MWh per square meter)	0.09
Running water consumption (tonnes)	164,846.40
Running water consumption per capita (in tonnes per employee)	7.82

Notes:

- Total energy consumption is calculated based on the total power consumption and the conversion factors in the National Standards of People's Republic of China *General Principles for Calculation of the Comprehensive Energy Consumption* (GB/T 2589-2008). As the power fees of the two offices in Chengdu are included in the property fee, their electricity consumption cannot be separately calculated and is not included in total energy consumption.

- The water resources used by the Company come from the municipal water supply. As the water fees of two offices in Chengdu, one office in Shanghai and one office in Xiamen are included in the property fee, their water consumption cannot be separately calculated and it is not included in total running water consumption.

- The packaging data does not apply to the Company.

4. WORKPLACE

Employees are the most important asset of the Company. We strive to create a comfortable and harmonious workplace, protect employee rights, focus on employee health and safety, conduct employee training and promote employee development.

In 2018, we received a number of honors related to human resources management, such as "2018 Hotspot Work Different Employer" by liepin.com, "China Employer Brand Festival for 2018 - Top 100 Extraordinary Employers" and "Best Employers of College Students - Top 15 Employers in Internet Industry" by 58 Group, "Annual Evaluation of China's Social Recruitment - Ideal Employer of the Year" by maimai.cn, "Lagou Annual TOP Employer for 2018" from lagou.com and the "Professional Cooperation Breakthrough Award" by Tsinghua University School of Economics and Management.

(i) Employment and Labor Standards

We abide by relevant laws and regulations including the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China*, the *Social Insurance Law of the People's Republic of China*, the *Law of the People's Republic of China on the Protection of Rights and the Interests of Women* and *Labor Protection Regulations for Women Workers*, so as to protect employees' legitimate rights and prohibit child labor and forced labor. We have established a number of internal systems and standardized management for employee recruitment, resignation, compensation, benefits, performance and promotion in accordance with the measures described below.

1. *Recruitment and Dismissal*

   We are committed to creating a diverse and equal working environment that treats everyone equally, regardless of race, gender, age or religious beliefs. We have established *Specifications for External Recruitment Positions*, which regulates the recruitment process, and prohibits the use of discriminatory expressions when posting job descriptions, or other expressions that violate the principle of equal opportunity.

   We strictly abide by relevant laws and regulations to deal with employee dismissal, and detail the instructions for termination of employment in the labor contract and employee handbook.

2. *Compensation and Benefits*

   We provide competitive compensation and benefits to attract and retain talent. We provide supplementary medical insurance and various types of subsidies for our employees. In addition, we also enhance employee happiness by holding theme activities during festivals, such as the Mid-Autumn Festival.

3. *Promotion and Development*

   We have established a series of systems including *Performance Management System, Management Rank Specification* and *Professional Promotion Evaluation Program* to improve the performance management process, standardize the rank management system and set up promotion channels.

   We objectively and fairly evaluate our employees' performances and help them improve their ability through performance management.

   Based on performance contribution, leadership and professional competence, the promotion of employees is reviewed by the Internal Review Committee. Prior to the review, employees can participate in the training to understand the promotion criteria and processes. After the review, employees can provide feedback on promotion through an open promotion appeal channel.

4. *Work-life Balance*

   We have established *Attendance Management System* and *Holiday Management System* and other systems to manage the working hours of employees and provide employees with leaves such as annual leave and full-pay sick leave. Employees are free to join clubs of various types and participate in employee activities to relieve work stress and enrich their spare time.

5. *Communication*

   We have established a variety of internal communication channels, such as social platforms and communication sessions, so that employees' requests, suggestions or opinions can be heard and attended to in a timely manner.

(ii) Occupational health and safety

We care about the health and safety of our employees and provide a safe working environment for them.

We abide by the *Labor Law of the People's Republic of China*, the *Production Safety Law of the People's Republic of China* and the *Fire Prevention Law of the People's Republic of China* and other laws and regulations concerning occupational health and safety and fire prevention in workplace, and have established internal systems including *Administrative Measures for Access Control of Office Areas, Fire Safety Management System of Meituan Dianping* and *No-smoking Management System in Office Area*, so as to improve safety management. Our measures to protect workplace safety include: (i) setting up access control to manage the entry and exit of personnel from the office areas; (ii) regularly conducting fire safety inspections on office premises and rectifying the identified hazards thereof; and (iii) conducting fire safety propaganda and drills to enhance employees' awareness of fire-fighting.

We have set up gymnasiums in some offices, providing free fitness equipment, and promoting regular exercise and taking a rest after work. Employees can get health consultation services and basic medicines at health stations set up in some offices. We provide employees with physical examinations and medical report interpretations every year, and hold health lectures from time to time to improve employees' health awareness.

(iii) Training and development of employees

We are committed to providing our employees with training anytime, anywhere and as they need. In 2016, we established the talent training platform "Internet + University" and developed a training system to satisfy employees' need for learning.

We have developed a "panoramic learning map" to build and improve the training system that covers different positions, ranks and development stages. For new employees, we prepare a variety of trainings to help them quickly adapt to their jobs; we provide targeted vocational training for on-the-job employees to enhance professionalism and professional competence; and we train the management to further enhance their leadership. In addition, we help employees broaden their vision and enhance their innovation capabilities through varieties of topic-sharing.

As of December 31, 2018, we held 628 classroom training courses and 710 on-line training courses. In 2018, the proportion of employees that received training was 99%.

5. SUPPLY CHAIN MANAGEMENT

Our main suppliers are delivery partners, and a variety of providers for materials and services. We understand the importance of supply chain compliance management and the establishment of stable business partnerships for the Company's sustainable operations, and urge supply chain partners to improve environmental and social risk management.

(i) Transparent Procurement

We attach importance to the ethics risk management involved in various activities during the procurement period, and establish a clear procurement process with systems such as *Procurement Management Process, Supplier Management Process for Procurement Management Department*, *Sourcing Management Process, Procurement and Acceptance Management Process*, and *Procurement Compliance and Code of Conduct*, aiming at conducting standard management for the activities of the procurement processes of the Company.

In order to cultivate the integrity awareness of relevant employees in the procurement process and avoid commercial bribery and fraud, we conduct training on anti-commercial bribery and clean procurement for employees in charge of requirement and procurement processes. At the same time, we require suppliers to sign the *Anti-Commercial Bribery Commitment* and abide by the terms contained therein before engaging in business cooperation or providing the Company with products and services.

The Company's procurement department conducts self-assessment of procurement activities on a regular basis. Procurement activities are also subject to supervision and inspection by the Company's supervisory department and internal audit department, so as to reduce the ethics risk in the procurement process.

We pay attention to the environmental and social risks of our suppliers. In the admittance process of suppliers, we require suppliers to provide relevant product or service qualifications and certifications about compliance with laws and regulations, and conduct on-site inspections and reviews on important suppliers. We have maintained a database of qualified suppliers, and the suppliers therein have passed the admittance review for suppliers. In the event that the current supplier ceases to operate due to environmental and social risks and problems, we will resort to the alternate supplier to ensure that the product or service is delivered on time.

(ii) Rider Protection

Our food delivery services require a large number of delivery personnel (whom we refer to as "**delivery riders**") to assist in the services.

The delivery riders are full-time employees or contract workers of our delivery partners. We license the use of our trade name to our delivery partners, who shall comply with the operating and delivery standards set forth in the contract. As we have not entered into an employment agreement with delivery riders, they are not our employees. However, the safety of delivery riders is of great importance to us. We have implemented various measures to oversee our delivery partners to enhance the safety of delivery riders.

We require delivery partners to set strict recruitment standards for the riders and conduct the supervision thereof according to our standards. In order to provide more protection for the riders, we also require delivery partners to buy personal accident insurance as well as third-party injury and property damage insurance for each delivery rider.

We require delivery partners to establish a compliant fire and traffic safety management system and provide regular training to delivery riders. Some partners also spontaneously cooperated with the traffic police to organise riders to participate in safety promotion meetings and safety seminar training activities.

In addition, the Company has implemented a number of measures to help mitigate the safety risks of the riders when delivering food. These measures include: (i) developing intelligent dispatch systems using advanced big data and artificial intelligence (AI) technology, which optimizes the orders for the riders based on their real-time locations, and rationalizes the riders' delivery routes; (ii) developing a voice-controlled smart headset, which allows delivery riders to accept orders hands-free; (iii) enhancing the comfort and safety of the helmets and other devices by upgrading the models and adding reflective strips thereto; (iv) popularizing fire safety, electricity safety and public safety knowledge and cultivating the self-protection awareness for the riders through a streaming media information publishing platform; (v) cooperating with the Tsinghua University Psychological Counselling Centre to provide free psychological counselling for the riders.

6. PRODUCT RESPONSIBILITY

We are committed to becoming China's leading e-commerce platform for services. Our platform uses technology to connect consumers and merchants and provide consumers with a variety of daily-life services, including food and beverage delivery services, in-store services, hotel and travel services and other services. We abide by the *Law of the People's Republic of China on the Protection of Consumers Rights and Interests* to protect the legitimate rights and interests of consumers and pay attention to the quality of products and services of platform merchants.

In accordance with the relevant requirements of the *E-Commerce Law of the People's Republic of China* and the *Measures for the Supervision and Administration of Food Safety in Online Catering Services*, we have reviewed the qualifications of platform merchants, adopted various on-line and off-line measures to verify the information of platform merchants and reviewed the accuracy of service descriptions thereof. We have built a rich UGC (user-generated content, which refers to information or content provided by users) database providing consumers with detailed, authentic and reliable on-line POIs (points of interest, i.e., the places considered interesting or helpful by the users), enabling them to make informed consumption decisions.

In addition, as described below, we manage the main product responsibilities on the platform, protect user privacy, maintain intellectual property rights, review advertisements, and handle customer complaints in a timely manner.

(i) Safety of Delivered Food And Beverage

We attach great importance to food safety. In accordance with the *State Food Safety Law*, the *Administrative Measures for Food Distribution Licensing* and the *Regulations for the Investigation and Treatment of Illegal Acts in On-line Food Trading* and other laws and rules, we are responsible for the supervision and review of the merchants on the take-out food platform. We have established internal systems such as *Measures for Meituan Dianping Catering Management, Standards for Online Management of Meituan Food Delivery Merchants* and *Manual for Rider Services* for the management of food safety of take-out food and beverage. We regularly organise merchants to learn food safety-related policies and cooperate with industry associations to enhance supervision. We also use information technology and big data to support the management of platform merchants and services so that we can continuously improve service levels.

We set up a dedicated food safety supervision team to track and manage the activity of platform merchants. We established a food safety management system for the food and beverage delivery process, controlling key nodes such as the temperature of the food in delivery, delivery speed and health conditions of the riders to enhance food safety during delivery. At the same time, we conducted semantic analysis of consumers' review data, to quantify and categorize content related to food safety, providing a reference for carrying out off-line supervision.

In response to food safety emergencies, we have established an emergency handling system to regulate the handling process and measures. Merchants with food safety incidents are given penalties based on food safety laws and regulations and internal rules. Where a merchant is committing a serious crime against the law, the merchant is left to the administrative organ or the judiciary to investigate for its administrative or criminal responsibility.

In 2018, we participated in the formulation and release of group standards to promote improvement of overall food safety management in the industry. These standards include *Guidelines for Quality Food and Beverage Demonstration of the Catering Industry, Norms for Dining Area and Kitchen Environmental Health of the Catering Industry*, *Guidelines for Guest Bathroom's Cleaning and Hygiene Demonstration of the Catering Industry, Guidelines for Civilized Service of Catering Industry, Specification for Delivery Service of the Catering Industry, Guide to Microbial Risk Control during the Operation Process of the Catering Industry, Guidelines for Food Labels in Central Kitchen of the Catering Industry* and *Regulations on the Administration of Production, Distribution and Consumption of Cold-chain and Fresh Food from Vending Machines*, etc.

(ii) Quality of In-Store Dining, Hotel and Travel Services

We have various regulations, such as *Regulations on the Administration of Merchants' Information Release* and *Measures for Merchants' Integrity Convention and Management*, to manage in-store dining merchants on the platform and to punish merchants with violations. We clean up unreal merchants' POI from time to time. In 2018, we carried out the "Listening Project" to strengthen supervision of food and beverage merchants' violations and promote improvement of service quality of in-store dining merchants.

In accordance with relevant laws and regulations, such as the *Tourism Law of the People's Republic of China* and *Regulation on Travel Agencies*, we conduct management for merchants of hotels and travel service platforms. We set up the *Integrity Merchant Management System* and other internal systems to manage the business and services of merchants from the hospitality industry on the platform. We take positive measures for merchants' violations including adjustment of their search engine rankings, suspension of operations or business offline. We lead platform merchants to provide customers with green, healthy and reassuring travel products and services. In 2018, we gradually promoted the "Jingfangxin" program, which informs a hotel guest about the replacement and washing conditions of hotel textiles in his/her room, such as bedclothes, by scanning the smart chip "Jingfangxin" using a mobile phone.

(iii) Safety of Online Car-hailing

We offer pilot car-hailing services in Nanjing and Shanghai, China. Abiding by *Interim Measures for the Management of Online Taxi Booking Service*, we have obtained a license for online taxi booking service in the above areas.

In order to regulate car-hailing operating service and ensure passenger safety, vehicles and drivers engaged in the service are registered and reviewed in accordance with China's regulatory provisions. We demand that vehicles participating in the car-hailing service comply with security standard operating procedures. Drivers shall satisfy the requirement of driving experience and have no record of serious traffic violation, criminal offence or violent crime.

We also monitored, conducted spot checks and promoted the service quality and safety in the operation stage of car-hailing. The measures we adopted include: (i) conducting facial recognition for drivers before daily operation; (ii) establishing patrol measures and irregularly send patrol tasks to check information of drivers and vehicles; (iii) actively undertaking safety training on drivers through online and offline methods; (iv) strengthen cooperation with public security organs, establishing "safe house", an offline service network, and providing safety training, psychological counselling, offline taxi validation and other integrated services for drivers.

(iv) Data Security and User Privacy

Sufficient maintenance, storage and protection of user data and other related information is critical to our business. Pursuant to *Cybersecurity Law of the People's Republic of China, Provisions on the Administration of Mobile Internet Applications Information Services*, *Provisions on the Technical Measures for the Protection of the Security of the Internet* and other relevant regulations, we have implemented various internal procedures and controls to protect user data and reduce the risk of data leakage.

We establish and implement internal policies to protect user data security and privacy. We have a dedicated team to enforce our privacy practices and set up coordination mechanisms with third parties to deal with various information security threats in a timely manner. We comply with the industry standard for information security and personal identity protection, and the main operating system has obtained ISO27001 and National Information System Security Level 3 Certification.

We encrypt user data in network transmissions. For data storage, we use encryption techniques at software and hardware levels to protect sensitive user data.

At the enterprise level, we established a systematic and universal user account authorization and management mechanism based on which we periodically review the status of user accounts and the related authorization information. We regularly perform a security configuration assessment on our databases and servers.

We have put in place a series of back-up management procedures. For our AI and cloud platforms, we deploy different back-up mechanisms, including local backup and offsite backup, depending on the needs of our business, to minimize the risk of loss of user data.

We sign confidentiality agreements with our employees and provide ongoing information security training. We also have an emergency response mechanism to evaluate critical risks, formulate disaster response plans and perform emergency drills on a regular basis.

As a member of the information security committee of Internet Society of China ("**ISC**") and National Information Security Standardization Technical Committee ("**NISST**"), we participate in the discussion and formulation of national standards for data management and user privacy management, and actively promote the improvement of industry data management and user privacy management.

(v) Intellectual Property Rights

We stress the importance of respect for and protection of intellectual property rights ("**IPR**") and focus on the application and layout of IPR. We protect our intellectual property rights in accordance with *Copyright Law of the People's Republic of China*, *Trademark Law of the People's Republic of China, Patent Law of the People's Republic of China*, *Measures for the Administration of Internet Domain Names of China, Measures for the Registration of Computer Software Copyright* and relevant laws and regulations of intellectual property in China and other jurisdictions.

Through training and publicity, we have raised risk awareness of intellectual property in business departments, established effective mechanisms to control intellectual property risks in various business links and strengthened our intellectual property accumulation to cope with external challenges. Respecting and encouraging originality, we have an internal system to encourage employees to be dedicated to innovation and creation, and to protect innovation achievements.

We also respect the intellectual property rights of other parties, and protect legitimate rights and interests of IPR owners through user agreements, platform IPR protection mechanisms and other measures. We promote relevant right protection activities and work with IPR holders to crack down on infringements. In 2018, we assisted many IPR owners in removing infringing products from the platform.

We take an active part in the exchange and research on the protection and application of intellectual property rights on the Internet. As a vice-president unit of the Patent Protection Association of China ("**PPAC**"), we have also been awarded such titles as "Patent Pilot Unit in Beijing" and "Examiners' Practice Base of National Intellectual Property Administration".

(vi) Advertising Compliance

Pursuant to *Advertising Law of the People's Republic of China, Regulations on Control of Advertisement, Interim Measures for the Administration of Internet Advertising* and relevant laws and regulations, we carry out strict control over the Company's related marketing promotion and advertising strategies through multiple review methods such as machine identification and manual review, so as to ensure that the published content conforms to relevant laws and regulations.

In order to maintain the order of the advertising market and protect the rights and interests of consumers, we focus on supervision of advertisements in special industries that are related to people's health and safety, such as medical treatment, medicine, health food, cosmetics and beauty services. For implementation of supervision, we set up an advertising business acceptance, review and file management system, implemented advertising review specifications, and developed a sensitive thesaurus filtering system to screen and investigate illegal words in advertisements released.

In addition, we are actively involved in the promotion of industry regulations for Internet advertising. In 2018, we participated in the revision of advertising regulations of Jiangsu Province.

(vii) Customer Service

We continuously strive to improve customers' level of satisfaction by offering high-quality customer services. We set up operation centers for customer service, equipped with professional customer service teams in Beijing, Shanghai, Shijiazhuang and Yangzhou. We timely check and respond to customers' feedback and demands in different ways, including online customer service, telephone, WeChat, email and public opinion monitoring.

We have a standardized process to solve customers' problems. For example, we classify food quality problems in detail, normalize compensation methods and establish a quick claim mechanism so that customer service staff can deal with complaints in a timely and reasonable manner.

We also provide our customer service staff with the necessary authority and flexibility to adapt to different situations and provide better services and experiences to our customers. For instance, if our customer service staff receives a complaint about a merchant's refusal to serve the customer, the staff has the right to suspend the merchant's online operation on our platform once such complaint is confirmed.

Our management team regularly evaluates customer feedback, analyses and determines the reasons for consumers' dissatisfaction with the service and the links that need to be improved, thereby continuously improving our service.

In 2018 we were recognized as the final champion and the best customer center in China and were awarded the "Golden Headset" by CCM World Group.

7. ANTI-CORRUPTION

(i) Anti-fraud

We pay attention to anti-fraud work, strictly follow the relevant national laws and regulations against corruption, bribery and anti-unfair competition, strengthen anti-fraud management, promote integrity, nip risks in the bud, and foster integrity culture to ensure the healthy development of enterprises.

1. *Risk management and internal control policy*

We have established Three Lines of Defence to reduce the risk of fraud. The First Line of Defence is mainly composed of business and functional departments of each business group in the Company that are responsible for the daily operation and management, and responsible for designing and implementing relevant controls to deal with risks. The Second Line of Defence is made up of the Internal Control Department and other relevant departments that are responsible for the formulation of internal control policies and implementation of a comprehensive control system. The Third Line of Defence consists of the Company's Internal Audit Department and anti-fraud investigation team. The Internal Audit Department is highly independent and responsible for providing independent evaluation on the effectiveness of the Company's risk management and internal control system and overseeing management's continuous improvement in risk management and internal controls. The anti-fraud investigation team is responsible for receiving reports through multiple channels and investigating suspected fraud incidents in a timely manner. Duties and tasks of anti-fraud risk management are clearly assigned through the Three Lines of Defence. We continually optimize the Three Lines of Defence according to our business development, strengthen the risk identification, and improve the effectiveness of anti-fraud risk management.

2. *Code of Conduct for "Sunny Workplace"*

Our *Code of Conduct for "Sunny Workplace"* is applicable to all employees. It advocates all employees to practice justice and protect legitimate interests of the Company, and all employees are required to consciously abide by national laws and regulations and internal rules and regulations, such as *Code of Conducts for Employees*.

In order to make all employees understand and follow the *Code of Conduct for* "*Sunny Workplace*", we employ online and offline training on integrity and policies for all employees, and all of them need to pass the test after training. In 2018, the coverage rate of online integrity training was 100%.

3. *Sunshine Committee*

We have set up the Sunshine Committee to deal with corruption and uphold the value of integrity. The chairman of Sunshine Committee is Mu Rongjun, an executive Director. The Department of Supervision and other departments of the Company are members of the committee. The committee reports to the CEO on its own.

The committee's main responsibilities include: (i) to formulate and amend the professional conduct system; (ii) to build the Company's integrity culture system and constantly develop the construction of the Company's integrity culture; (iii) to formulate and implement integrity strategies to identify and prevent integrity risks comprehensively; (iv) to be responsible for and take a leading role in the investigation and punishment of disciplinary offences; and (v) to accept and make a decision on appeals on disciplinary treatment from employees. The committee adopts a three-in-one mode, consisting of prevention, publicity and investigation, to promote the stable operation of the anti-fraud system.

4. *Construction of integrity culture*

Employee Manual and Code of Conduct has been developed and distributed to all employees. The manual contains internal rules and guidelines on professional ethics, anti-fraud mechanisms, management negligence of duty, and corruption. We set April 28 in each year as Values Day to promote the value of integrity across the company.

Since 2017, we have taken the employees' integrity index survey, which includes research on employees' perception of integrity and attitude to integrity, integrity systems and integrity behavior. According to the survey results, we have adjusted the direction and content of the integrity training to better meet the needs of the Company.

5. *Whistle-blowing and inspection mechanism*

The Company has set up an internal complaint and a whistle-blowing mechanism to encourage employees to report violations of laws and disciplines. With a protection system for whistleblowers, we have taken a number of measures to ensure the anonymity of whistleblowers and protect their legitimate rights and interests from infringement. The Department of Supervision accepts reports on fraud in a timely manner and forms an anti-fraud investigation team for investigation. We have a complaint and clarification mechanism to ensure fairness and accuracy of the investigation. Employees found guilty of fraud will be dismissed. The Company will report to the judicial authorities for matters that violate national laws.

Jointly with several enterprises, we launched "Sunshine Integrity Alliance" to carry out anti-corruption action through an inter-enterprise information sharing mechanism. In December 2018, we took the initiative to disclose our achievements of ecological anti-corruption work from February 2018, and cooperated with all relevant parties to supervise corporate compliance operations.

(ii) Anti-money laundering

Pursuant to *Anti-Money Laundering Law of the People's Republic of China, Provisions on Anti-money Laundering through Financial Institutions, Measures for the Administration of Financial Institutions' Reporting of High-Value Transactions and Suspicious Transactions, Measures on the Administration of Client Identity Identification and Materials and Transaction Recording of Financial Institutions, Administrative Measures for Financial Institutions' Report of Transactions Suspected of Financing for Terrorist Purposes, Measures for the Administration of Combating Money Laundering and Financing of Terrorism by Internet Financial Institutions (for Trial Implementation)* and other laws and regulations, the Company takes precautions against the risk of money laundering in related businesses and actively cooperates with regulatory agencies and relevant state departments to conduct anti-money laundering inspections and investigations.

With our internal systems, such as *Management System of Anti-money Laundering and Anti-terrorism Financing Activities, Organizational Structure and Job Responsibility System of Anti-money Laundering, Management System of Customer Identification, Management System of Customer Risk Rating and Classification* and *Management System of Reporting of Large Transactions and Suspicious Transactions*, we detect and prevent money laundering and terrorist financing risks involved in the business. We have established a leading group on anti-money laundering to clarify competent departments of anti-money laundering and their respective responsibilities. Each branch is also equipped with an anti-money laundering working group and a competent department to guarantee uniform implementation and centralized management of anti-money laundering and anti-terrorism financing measures.

Through the combination of systematic and manual analysis, we have established suspicious transaction monitoring and an analysis screening mechanism, and reported confirmed suspicious transaction behavior to relevant authorities. We continue to optimize and improve suspicious transaction standard setting and analysis screening to improve the accuracy and effectiveness of monitoring and screening money laundering activities. We also collect and update information on suspected money laundering and terrorist financing and established a blacklist database.

8. COMMUNITY INVESTMENT

While seeking our own development, we actively communicate with communities to understand their needs, carry out public welfare and charity activities with the idea of "Internet +" and contribute to poverty alleviation work. In 2018, the Company was awarded "Outstanding Enterprise" at the Eleventh China Corporate Social Responsibility Forum held by Xinhuanet.com.

(i) Public welfare platform

In June 2018, we officially launched gongyi.meituan.com, an information platform in the second batch of internet fund-raising information platforms designated by the Ministry of Civil Affairs. As a service platform of "Internet + Public Welfare", gongyi.meituan.com gives full play to its resource advantages to provide online fund-raising information distribution channels for charitable organizations, and serves as a resource support for local charitable organizations and fund-raising activities so as to facilitate the development of local charity causes. In addition, through providing multi-scenario access to daily-life services, we integrate public welfare charity into users' daily consumption behavior, so that users can safely and conveniently participate in public welfare undertakings in the simplest way.

Gongyi.meituan.com also cooperates with charitable organizations in China to explore a "Local Public Welfare Model", launching fund-raising activities with local attributes or to address local social needs, and calling on users to pay attention to the public welfare needs around them. Projects in this platform involve areas such as care for left-behind children, disease relief, education, poverty alleviation and environmental protection.

(ii) Public welfare projects

Starting from our own business and making use of our own advantages, we carry out public welfare projects in order to realize common development of the enterprise and society.

1. *Nutritious lunch program for preschool children*

   In January 2018, together with the World Food Programme (WFP) and charity restaurants, we launched a nutritious lunch program for preschool children. The program is an innovative collaboration to provide nutritious lunches for preschoolers aged 3-5 years. Through four modules of nutrition (subsidy collection, nutrition subsidy for one year, healthy diet class and income generation for poor farmers), it helps poor preschoolers eat better. As of December 31, 2018, the program has benefited 25 kindergartens in west Hunan Province.

2. *Urban New Youth Program*

In March 2018, we launched the "Urban New Youth" program jointly with Tsinghua University to provide support and a platform of learning and development for daily-life services workers represented by food delivery riders. The first batch of projects of the "Urban New Youth" plan include: (i) Delivery riders' psychology hotline, with professional support provided by the Psychological Counselling Centre of Tsinghua University, offering psychological counselling for delivery riders; and (ii) Delivery riders' self-improvement school, "XuetangX.com", founded by Tsinghua University, providing online courses for riders, helping them fit into urban life more quickly and developing their reemployment skills in the new environment.

In May 2018, making use of the technical advantage of our "Internet + daily-life services" and business accumulation, as well as China Development Research Foundation's academic research achievements and educational innovation experience on vocational education in China, we launched the "Urban New Youth - Win the Future" charity event jointly with China Development Research Foundation, exploring new vocational education patterns and cultivating skilful talents for China's rapidly developing daily-life services.

(iii) Poverty alleviation

We actively responded to the *Action Plan for Online Poverty Alleviation*, and mobilized more social forces to help targeted poverty alleviation through such forms as "Internet + ecology", "Internet + travel" and "Internet + food consumption".

1. *Internet + ecology*

In September 2017, the Company participated in the setup of "Lush Mountain Fund" with China Environmental Protection Foundation, with a focus on environmentally friendly and ecological poverty alleviation, advocacy of public awareness and research on environmental issues in the take-out industry.

In March 2018, relying on "Lush Mountain Public Welfare Action" initiated by the Lush Mountain Fund, a number of merchants on the platform volunteered to become "Merchants of Lush Mountain Public Welfare". Merchants of Lush Mountain Public Welfare donate a certain amount of money from each delivery order for environmental protection and public welfare. "Lush Mountain Public Welfare Action" makes specific plans for low-income areas with harsh ecological conditions, introduces scientific and standardized management and funds to improve modes of production, reduce pollution and soil erosion and increase output, so as to protect the environment and alleviate poverty.

2. *Internet + travel*

With an organic integration of characteristics of local tourism and the Company's netflow and channel advantages, we developed a practical poverty alleviation model through travel promotion for local people. Through sales of special agricultural products, Internet marketing and brand promotion for poverty-stricken areas, a two-way interaction has been formed between "going out" of local specialities and "bringing in" of tourists to achieve effective poverty alleviation.

3. *Internet + food consumption*

In July 2018, we initiated a poverty alleviation project "Helping Tibetan Area and Xinjiang" through food consumption to build a consumption ecology with a focus on "eating", to connect origins of agricultural products, restaurant merchants and food consumers by "eating", thus to construct an ecological poverty alleviation system through food. We encourage merchants to purchase high-quality food from low-income areas to increase added value of agricultural products. We also encourage people to go to the above restaurants, so as to provide indirect assistance and form a good ecological chain of multi-directional and multi-subject assistance for poverty alleviation.

9. PREPARATION INSTRUCTIONS

Scope of report

Unless otherwise specified, the disclosure of this report covers domestic business of the Company, excluding the Meituan Bike (formerly Mobike) business.

Period of report

For the period from January 1 to December 31, 2018.

Basis of report

This report is prepared in accordance with the *ESG Reporting Guide* set out in Appendix 27 to the *Listing Rules* by the Stock Exchange.

Source of information

The material and data in this report are mainly from the Company's statistical reports and related documents. The Company has committed that the report is free from false records and misleading statements, and assumes responsibilities for the authenticity, accuracy and completeness of the content.

Approval

The report was approved by the Board on March 11, 2019.

Response to the report

We value opinions from our stakeholders and welcome readers to contact us through the following methods. Your comments will help us further improve this report and enhance our ESG performance.

Email: legal.compliance@meituan.com

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 (together, the "**Group**") set out on pages 123 to 252, which comprise:

- the consolidated statement of financial position as at December 31, 2018;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive 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, 2018, 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 2.27, 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. 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, 2018, 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.

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 11, 2019

	Note	Year ended December 31, 2018 RMB'000	2017 RMB'000
Revenues	6	**65,227,278**	33,927,987
Cost of revenues	7	**(50,122,320)**	(21,708,483)
Gross profit		**15,104,958**	12,219,504
Selling and marketing expenses	7	**(15,871,901)**	(10,908,688)
Research and development expenses	7	**(7,071,900)**	(3,646,634)
General and administrative expenses	7	**(5,831,692)**	(2,171,408)
Fair value changes on investments measured at fair value through profit or loss	19	**1,836,382**	472,874
Other gains, net	9	**748,356**	208,260
Operating loss		**(11,085,797)**	(3,826,092)
Finance income	10	**294,047**	60,885
Finance costs	10	**(44,732)**	(19,214)
Fair value changes of convertible redeemable preferred shares	28	**(104,606,058)**	(15,138,824)
Share of losses of investments accounted for using equity method	12	**(48,267)**	(10,418)
Loss before income tax		**(115,490,807)**	(18,933,663)
Income tax expenses	13	**(1,888)**	(54,218)
Loss for the year		**(115,492,695)**	(18,987,881)
Loss for the year attributable to:			
Equity holders of the Company		**(115,477,171)**	(18,916,617)
Non-controlling interests		**(15,524)**	(71,264)
		(115,492,695)	(18,987,881)
Loss per share for loss for the year attributable to the equity holders of the Company			
Basic and diluted loss per share (RMB)	14	**(42.40)**	(12.37)

The notes on pages 131 to 252 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

	Note	Year ended December 31, 2018 RMB'000	2017 RMB'000
Other comprehensive (loss)/income:			
Items that may not be reclassified to profit or loss			
Currency translation differences	26	**(7,617,689)**	3,429,486
Preferred shares fair value change due to own credit risk	28	**(186,013)**	—
Other comprehensive (loss)/income for the year, net of tax		**(7,803,702)**	3,429,486
Total comprehensive loss for the year		**(123,296,397)**	(15,558,395)
Total comprehensive loss for the year attributable to:			
Equity holders of the Company		**(123,281,091)**	(15,487,131)
Non-controlling interests		**(15,306)**	(71,264)
		(123,296,397)	(15,558,395)

The notes on pages 131 to 252 are an integral part of these consolidated financial statements.

	Note	As of December 31, 2018 RMB'000	2017 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	3,978,815	915,682
Intangible assets	16	33,876,004	19,852,974
Deferred tax assets	18	445,041	243,263
Investments accounted for using the equity method	12	2,103,403	1,952,175
Financial assets at fair value through profit or loss	19	6,241,972	5,919,594
Prepayments, deposits and other assets	21	866,884	312,340
		47,512,119	29,196,028
Current assets			
Inventories	22	400,244	88,374
Trade receivables	23	466,340	432,494
Financial assets at fair value through profit or loss	19	—	25,099
Prepayments, deposits and other assets	21	9,064,945	4,186,391
Short-term investments	20	41,829,964	25,838,177
Restricted cash	24	4,256,120	4,458,761
Cash and cash equivalents	24	17,043,692	19,408,839
Assets classified as held for sale	31	88,087	—
		73,149,392	54,438,135
Total assets		120,661,511	83,634,163
EQUITY			
Share capital	25	384	98
Share premium	25	258,284,687	9,338,529
Other reserves	26	(5,741,347)	466,103
Accumulated losses		(166,039,390)	(50,363,846)
Equity attributable to equity holders of the Company		86,504,334	(40,559,116)
Non-controlling interests		5,438	57,734
Total equity		86,509,772	(40,501,382)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As of December 31, 2018 RMB'000	2017 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	18	**1,195,869**	1,050,119
Deferred revenues	27	**624,999**	833,500
Convertible redeemable preferred shares	28	—	101,418,292
Other non-current liabilities		**35,759**	316,264
Borrowings	32	**470,056**	—
		2,326,683	103,618,175
Current liabilities			
Trade payables	29	**5,340,963**	2,666,799
Payables to merchants		**7,596,388**	9,363,873
Advance from transacting users		**3,226,407**	2,290,160
Other payables and accruals	30	**7,361,630**	3,920,323
Borrowings	32	**1,800,000**	162,000
Deferred revenues	27	**3,102,882**	2,114,215
Deposit from transacting users	2.14	**3,341,276**	—
Liabilities directly associated with assets classified as held for sale	31	**55,510**	—
		31,825,056	20,517,370
Total liabilities		**34,151,739**	124,135,545
Total equity and liabilities		**120,661,511**	83,634,163

The notes on pages 131 to 252 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 123 to 252 were approved by the Board on March 11, 2019 and were signed on its behalf:

Wang Xing
Director

Mu Rongjun
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
		Attributable to equity holders of the Company						
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	2.1.1	—	—	(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								
Items that may not be classified to profit or 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								
Issue of shares		283	248,944,408	609,744	(609,744)	248,944,691	—	248,944,691
Business combinations	36	—	—	231,736	—	231,736	—	231,736
Repurchase of ordinary shares	25	(2)	(811,142)	—	—	(811,144)	—	(811,144)
Share-based compensation expenses	33	—	—	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 CHANGES IN EQUITY

	Note	Attributable to equity holders of the Company						
		Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
As of January 1, 2017		93	8,567,622	(2,742,872)	(31,447,229)	(25,622,386)	47,035	(25,575,351)
Comprehensive loss								
Loss for the year		—	—	—	(18,916,617)	(18,916,617)	(71,264)	(18,987,881)
Other comprehensive loss								
Items that may not be classified to profit or loss								
Currency translation differences		—	—	3,429,486	—	3,429,486	—	3,429,486
Total comprehensive loss		—	—	3,429,486	(18,916,617)	(15,487,131)	(71,264)	(15,558,395)
Transaction with owners in their capacity as owners								
Business combinations		—	—	—	—	—	12,948	12,948
Repurchase of ordinary shares	25	(1)	(526,738)	—	—	(526,739)	—	(526,739)
Share-based compensation expenses	33	—	—	746,465	—	746,465	—	746,465
Exercise of option and RSU vesting		6	1,297,645	(1,070,615)	—	227,036	—	227,036
Share of equity movement in an associate		—	—	82,829	—	82,829	—	82,829
Disposal of a subsidiary		—	—	—	—	—	1,363	1,363
Transaction with non-controlling interests		—	—	20,810	—	20,810	67,652	88,462
Total transaction with owners in their capacity as owners		5	770,907	(220,511)	—	550,401	81,963	632,364
As of December 31, 2017		98	9,338,529	466,103	(50,363,846)	(40,559,116)	57,734	(40,501,382)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended December 31, 2018 RMB'000	2017 RMB'000
Cash flows from operating activities			
Cash used in operations	37	**(8,981,189)**	(291,640)
Income tax paid		**(198,629)**	(18,560)
Net cash flows used in operating activities		**(9,179,818)**	(310,200)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(2,210,249)**	(737,680)
Proceeds from disposals of property, plant and equipment		**24,698**	3,731
Purchase of intangible assets		**(69,712)**	(8,251)
Proceeds from disposals of intangible assets		**3,897**	173
Payments for business combinations, net of cash acquired		**(7,260,087)**	(320,801)
Purchase of short-term investments		**(91,205,155)**	(65,566,920)
Proceeds from disposals of short-term investments		**75,235,650**	51,407,015
Acquisition of investments accounted for using the equity method		**(163,675)**	(785,568)
Proceeds from disposal of investments accounted for using the equity method		**887,906**	887,885
Acquisition of investments measured at fair value		**(1,599,549)**	(379,577)
Proceeds from disposal of investments measured at fair value		**2,566,010**	13,185
Cash inflow/(outflow) arising from disposal of subsidiaries, net of cash disposed	11	**231**	(26,362)
Interest income received		**533,068**	346,375
Dividends received		**65,954**	11,989
Increase in prepayments for investments		**(247,673)**	(2,284)
Net cash flows used in investing activities		**(23,438,686)**	(15,157,090)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended December 31, 2018 RMB'000	2017 RMB'000
Cash flows from financing activities			
Proceeds from borrowings, excluding asset-backed securities ("**ABS**")		2,305,000	312,000
Repayments of borrowings, excluding ABS		(1,057,000)	(151,000)
Proceeds from ABS, net		470,000	—
Finance costs paid		(62,043)	(9,783)
Proceeds from issuance of ordinary shares, net		28,516,174	—
Proceeds from issuance of convertible redeemable preferred shares		—	25,802,523
Exercise of option and RSU vesting		158,054	170,251
Repurchase of ordinary shares		(854,630)	(651,300)
Proceeds from disposals of non-controlling interests		—	60,000
Payment for acquisitions of non-controlling interests		(176,261)	(24,910)
Dividends paid		(4,000)	—
Net cash flows generated from financing activities		29,295,294	25,507,781
Net (decrease)/increase in cash and cash equivalents		(3,323,210)	10,040,491
Cash and cash equivalents at the beginning of the year		19,408,839	9,376,575
Exchange gain/(loss) on cash and cash equivalents		1,009,587	(8,227)
Cash and cash equivalents included in the assets classified as held for sale		(51,524)	—
Cash and cash equivalents at the end of the year	24	17,043,692	19,408,839

1 GENERAL INFORMATION, REORGANIZATION AND BASIS OF PRESENTATION

1.1 General information

Meituan Dianping (formerly known as China Internet Plus Holdings Ltd. and then 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 Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KYI-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 shares have been listed on the Main Board of the 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 principal accounting policies applied in the preparation of the consolidated financial statements which are in accordance with the International Financial Reporting Standards ("**IFRS**"), issued by International Accounting Standards Board ("**IASB**") are set out below. 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 IFRS 9 Financial Instruments for the first time commencing January 1, 2018.

IFRS 9 replaces the provisions of IAS 39 Financial Instruments ("**IAS39**") that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; and impairment of financial assets and hedge accounting. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 Financial Instruments — Disclosures. The accounting policies were changed to comply with IFRS 9.

In accordance with the transitional provision in IFRS 9, comparative figures have not been restated. Any adjustments to carrying amounts of financial assets or liabilities are recognized at the beginning of the current reporting period, with the difference recognized in opening retained earnings and other reserves.

(i) Classification and measurement of financial instruments

The total impact on the Group's accumulated losses due to classification and measurement of financial instruments as of January 1, 2018 is as follows:

	Note	RMB'000
Opening accumulated losses — IAS 39		50,363,846
Increase in provision for loan receivables, net of tax	(ii)	12,360
Increase in provision for trade receivables, net of tax	(ii)	—
Increase in provision for prepayments, deposits and other assets (excluding tax prepayments and loan receivables), net of tax	(ii)	—
Reclassify preferred shares fair value change due to own credit risk from accumulated losses to other comprehensive income		(423,731)
Opening accumulated losses — IFRS 9		49,952,475

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) Classification and measurement of financial instruments (Continued)

Management has assessed the business models and the contractual terms of the cash flows applying to the financial assets held by the Group at the date of initial application of IFRS 9 (January 1, 2018) and has classified its financial instruments into the appropriate IFRS 9 categories. There is no changes to the classification of the Group's financial assets measured at fair value through profit or loss ("FVPL") or amortized cost under IFRS 9.

(ii) Impairment of financial assets

The Group has three types of financial assets at amortized cost subject to IFRS 9's new expected credit loss model:

- loan receivables
- trade receivables
- prepayments, deposits and other assets (excluding tax prepayments and loan receivables)

The Group revised its impairment methodology under IFRS 9 for each of these classes of assets. Although cash and cash equivalents, restricted cash and short-term investments measured at amortized costs are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

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)*

(ii) Impairment of financial assets (Continued)

(a) Loan receivables

For loan receivables outstanding at January 1, 2018, adjustments of RMB12.4 million of provisions for loan receivables were recognized in the opening accumulated losses. Impairment methodology applied has been described in Note 3.1(b).

(b) Trade receivables

For trade receivables, the Group applies the simplified approach to measure expected credit losses ('ECL') prescribed by IFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables. The impact is not material applying the ECL model for those trade receivables as of January 1, 2018.

(c) Prepayments, deposits and other assets (excluding tax prepayments and loan receivables)

For prepayments, deposits and other assets (excluding tax prepayments and loan receivables) already in place at January 1, 2018, the Group applies a three stage approach to measure ECL prescribed by IFRS 9. The impact is not material applying the ECL model for those other receivables as of January 1, 2018.

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, 2018, and have not been early adopted by the Group's management. These new standards and amendments are set out below:

	Effective for financial year beginning on or after
IAS19 - Employee benefits on plan amendment, curtailment or settlement	January 1, 2019
IFRS 16 - Leases	January 1, 2019
IFRIC 23 - Uncertainty over income tax treatments	January 1, 2019
Amendments to IAS 28 - 'Investments in associates', on long term interests in associates and joint ventures IFRS 17 - Insurance contracts Annual Improvements to IFRS Standards 2015-2017 Cycle	January 1, 2019
Amendment to IFRS 9 - Financial instruments on prepayment features with negative compensation	January 1, 2019
Amendments to IFRS 10 and IAS 28 - Sale or contribution of assets between an investor and its associate or joint venture	To be determined

Except as disclosed below, the Group is in the process of assessing potential impact of the above other new standards and amendments to standards that is relevant to the Group upon initial application. According to the preliminary assessment made by the Directors, 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)*

2.1 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 (Continued)

(i) IFRS 16

IFRS 16, "Leases" addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on statement of financial position for lessees. The Group is a lessee of various properties which are currently classified as operating leases. The Group's current accounting policy for such leases is set out in Note 2.30. IFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to recognize certain leases outside of the balance sheet. Instead, almost all leases must be recognized in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Thus each lease will be mapped in the Group's consolidated statements of financial position. Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation.

The Group has set up a project team which has reviewed all leasing arrangements over the last year in light of the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the Group's operating leases.

As of December 31,2018, the Group has non-cancellable operating lease commitments of RMB2.1 billion, see note 35.

The Group expects to recognize right-of-use assets of approximately RMB2.0 billion on January 1, 2019, lease liabilities of RMB1.8 billion (after adjustments for prepayments and accrued lease payments recognized as of December 31, 2018).

Operating cash flows will increase and financing cash flows will decrease by approximately RMB611.7 million as repayment of the lease liabilities will be classified as cash flows from financing activities.

The Group's activities as a lessor are not material and hence the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required in 2019.

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 loss, statement of changes in equity and consolidated statement of financial position respectively.

2.2.1 Subsidiaries controlled through Contractual Arrangements

In order to comply with the People's Republic of China (the "**PRC**") laws and regulations which prohibit or restrict foreign control of companies involved in provision of internet content and other restricted businesses, the Group operates its website and other restricted businesses in the PRC through certain PRC operating entities, whose equity interests are held by certain management members of the Group ("**Nominee Shareholders**"). Historically, the Group obtained control over these PRC operating entities via a series of the Contractual Arrangements signed ("**Old Contractual Arrangements**") between certain indirectly held subsidiaries of the Company in the PRC, PRC operating entities operating restricted business and their respective Nominee Shareholders (collectively, "**VIE parties**"). In preparation for listing in Hong Kong, on August 21, 2018, the VIE parties entered into a series of Contractual Arrangements (the "**Revised Contractual Arrangements**") which replaced the Old Contractual Arrangements. The Revised Contractual Arrangements, includes exclusive business cooperation agreements, exclusive option agreements, equity pledge agreements, loan agreements and powers of attorney, which enables those indirectly held subsidiaries of the Company in the PRC, and the Group to:

- govern the financial and operating policies of the PRC operating entities,
- exercise equity holder's voting rights of the PRC operating entities,
- receive substantially all of the economic interest returns generated by the PRC entities in consideration of the exclusive business cooperation agreements,

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Subsidiaries *(Continued)*

2.2.1 Subsidiaries controlled through Contractual Arrangements (Continued)

- obtain an irrevocable and exclusive right to purchase part or all of the equity interests in the PRC operating entities at any time and from time to time, for considerations equivalents to the respectively outstanding loans to each Nominee Shareholders, and
- obtain a pledge over all of its equity interests from its respective Nominee Shareholders as collaterals for all of the PRC entities' payments due to the Group to secure performance of entities' obligation under the Old Contractual Arrangements and the Revised Contractual Arrangements.

As a result of the Old Contractual Arrangements and Revised Contractual Arrangements, the Group has rights to exercise power over these PRC operating entities, receive variable returns from its involvement with these entities, has the ability to affect those returns through its power over the entities and is considered to control the entities. Consequently, the Company regarded these PRC operating entities and their subsidiaries as controlled structured entities and the financial position and results of operations of these entities have been consolidated by the Company.

Nevertheless, there are still uncertainties regarding the interpretation and application of current and future PRC laws and regulations. The Directors of the Group, based on the advice of its legal counsel, consider that the use of both the Old Contractual Arrangements and New Contractual Arrangements does not constitute a breach of the relevant laws and regulations.

2.2.2 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Subsidiaries *(Continued)*

2.2.2 Business combinations (Continued)

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 recognizes 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.

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 recognized 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 recognized in profit or loss.

2.2.3 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 recognized in a separate reserve within equity attributable to owners of the Company.

2.2.4 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 recognized 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 recognized 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 recognized 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 recognized at cost and adjusted thereafter to recognize 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 recognized 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 recognize 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 recognizes 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 recognized 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. 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Joint arrangements *(Continued)*

Under the equity method of accounting, interests in joint ventures are initially recognized at cost and adjusted thereafter to recognize 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 recognize 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 Historical Financial Information 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 it 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 recognized 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 recognized 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 recognized in other comprehensive income.

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 recognized 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 recognized 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 derecognized 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	lesser of the term of the lease or 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.

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 recognized in "Other gains, net" in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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 recognized 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 determing 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Intangible assets *(Continued)*

2.9.3 Research and development

Research expenditures are recognized 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, 2018 and 2017.

2.10 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they 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 recognized 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 recognized 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 recognized less, where appropriate, the cumulative amount of income recognized 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)*

2.12 Financial assets

2.12.1 Accounting policies applied from January 1, 2018

(i) Classification

From January 1, 2018, 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.

(ii) Recognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the group commits to purchase or sell the asset.

(iii) Derecognition

The Group derecognizes 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)*

2.12.1Accounting policies applied from January 1, 2018 (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 recognized 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 recognized 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 recognize the asset to the extent of its continuing involvement and recognizes 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 derecognized in their entirety and a new financial asset or liabilities is recognized 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 derecognized, 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 recognized between the derecognized portion and the retained portion based on their respective relative fair values, and the difference between the book value of the derecognized portion and the total consideration paid for the derecognized 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, 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)*

2.12 Financial assets *(Continued)*

2.12.1 Accounting policies applied from January 1, 2018 (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 recognized 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 recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized 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 recognized 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)*

2.12.1Accounting policies applied from January 1, 2018 (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 recognized 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 recognized 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.

(v) Impairment

From January 1, 2018, 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
- prepayments, deposits and other assets (excluding tax prepayment and loan receivables)

While cash and cash equivalents, restricted cash and short-term investments measured at amortized costs are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.12 Financial assets *(Continued)*

2.12.2 Accounting policies applied before January 1, 2018

(i) Classification

The Group classifies its financial assets into the following categories:

- financial assets at fair value through profit or loss
- loans and receivables

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition.

(a) Financial assets at fair value through profit or loss

The Group classifies financial assets at fair value through profit or loss if they are acquired principally for the purpose of selling in the short term, i.e., are held for trading. The Group has investments in certain ordinary shares with preferential rights or convertible redeemable preferred shares issued by investee companies, which are hybrid instruments with embedded derivatives not closely related to the host contract. The Group designated the whole instruments as financial assets at fair value through profit or loss instead of bifurcating the embedded derivatives from the host contract.

The Group also has interests in certain investees in the form of ordinary shares without significant influence. The Group managed and evaluated their performance on a fair value basis. The Group designated these instruments as financial assets at fair value through profit or loss.

Derivative financial instruments are recognized initially at fair value. At the end of each reporting period the fair value is remeasured. Assets in this category are presented as current assets if they are expected to be sold within 12 months after the end of the reporting period; otherwise they are presented as non-current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If the loans and receivables are expected to be collected within 1 year, they are classified as current assets. If not, they are presented as non-current assets. The Group's loans and receivables comprise of trade receivables, prepayments, deposits and other assets, cash and cash equivalents, restricted cash and short-term investments measured at amortized cost.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.12 Financial assets *(Continued)*

2.12.2 Accounting policies applied before January 1, 2018 (Continued)

(ii) Recognition and derecognition

Regular purchases and sales of financial assets are recognized on trade date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred, and the Group has transferred substantially all the risks and rewards of ownership.

(iii) 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, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognized in the consolidated income statement within "Fair value changes on investments measured at fair value through profit or loss".

Dividends on financial assets at fair value through profit or loss are recognized in "Other gains, net" in the consolidated income statement, when the Group's right to receive payments is established.

(iv) Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.12 Financial assets *(Continued)*

2.12.2 Accounting policies applied before January 1, 2018 (Continued)

(iv) ***Impairment*** *(Continued)*

As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in profit or loss.

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 recognized 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 Deposit from transacting users

Deposit 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 and other receivables are recognized 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 statement of financial position, and is not included in the total cash and cash equivalents in the consolidated statement 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 recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

2.20 Borrowings

Borrowings are initially recognized 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 recognized 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Convertible redeemable preferred shares ("Preferred Shares") *(Continued)*

The Group designated the Preferred Shares as financial liabilities at fair value through profit or loss. They are initially recognized at fair value. Any directly attributable transaction costs are recognized as finance costs in profit or loss. Before January 1, 2018, all fair value changes is recognized 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 recognized 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 realised. Fair value changes relating to market risk are recognized 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 Redemption liability

Redemption liability arises from put options granted by the Group, where the counterparties have the right to request the Group to purchase the equity instrument held by the counterparty for cash or other financial assets when certain conditions are met. As the Group does not have the unconditional right to avoid delivering cash or another financial assets under the put options, the Group recognized a financial liability at the present value of the estimated future cash outflows of the redemption obligation. Subsequently, if the Group revises its estimates of payments, the Group will adjust the carrying amount of the financial liability to reflect the present value of revised estimated future cash outflows at the financial instrument's original effective interest rate, and the adjustments will be recognized as "Other gains, net" in the consolidated income statement. If the put option expires without delivery, the carrying amount of the liability is reclassified to equity. The redemption liabilities are classified as current liabilities unless the put options can only be exercised 12 months after the end of the reporting period.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.23 Current and deferred income tax *(Continued)*

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 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.

2.23.2 Deferred income tax

(a) Inside basis differences

Deferred income tax is recognized, 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 recognized 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 recognized 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 recognized.

Deferred income tax assets are recognized 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 recognized 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 recognized 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 the defined contribution plans are expensed as incurred and not reduced by contributions forfeited by those employees who leave the plan prior to vesting fully in the contributions. 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 recognized 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 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 recognized 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 option-pricing 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 recognized 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 recognizes 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 period 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 recognized 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 recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period.

2.26 Provisions

Provisions for service warranties and make good obligations are recognized 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 recognized 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 recognized 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 recognized as interest expense.

2.27 Revenue recognition

Revenue is recognized when or as the control of the goods or services is transferred to a customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time. Control of the goods and services is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.27 Revenue recognition *(Continued)*

If control of the goods and services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods and services.

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. Assumptions and estimations have been made in estimating the relative selling price of each distinct performance obligation, and changes in judgements on these assumptions and estimates may impact the revenue recognition.

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.

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 were mainly resulted from the business cooperation agreement with Tianjin Maoyan Culture Media Co., Ltd. (the "**Maoyan**"), and online marketing services, which is recorded as deferred revenue.

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

(a) Commissions

The Group provides an e-commerce platform that enables merchants to sell their services or products to transacting users through the platform. The Group generates revenue from commission fees, generally charged as a percentage of the value of transactions placed by transacting users on the Group's platform. They are detailed as follows.

On-demand delivery services (including food and non-food delivery)

The on-demand delivery services offer food and non-food ordering and delivery service through the Group's platform. Merchants pay commissions based on a percentage of the value of transactions placed by transacting users through the Group's platform. Transacting users pay the price for food or other goods, and also the delivery service fee. Merchants can choose to either provide delivery service on their own or engage the Group to provide delivery service.

In instances where the Group is not responsible for delivery, it identifies only the merchant as the customer for platform service. The Group only earns commission revenue from merchants for the provision of the platform service and recognizes platform commission revenue when the orders are placed online and payments are received from transacting users.

When the Group is responsible for delivery, merchants pay an aggregated fee both for platform and delivery services. Transacting users also pay a delivery fee. In this instance, the Group identifies both merchants and transacting users as its customers for the platform service and delivery service. The Group performs two obligations: (a) platform service to display the food or other goods information to transacting users; and (b) delivery service. As the two performance obligations are satisfied at the same time, the Group determined it is not necessary to allocate the transaction price to each performance obligation, and therefore, the Group recognizes both aggregated commission from the merchant and delivery fee charged to transacting users as revenues once a transaction is completed.

Upon the completion of a transaction, the amounts to be remitted to third-party merchants are recorded as payable to merchants, after netting the amount attributable to revenue from the cash payments received from transacting users.

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) Commissions (Continued)

In-store, hotel & travel services

The Group's in-store, hotel & travel services provides merchants platform to sell vouchers and make reservations for services or hotel accommodations. Transacting users purchase the vouchers or make reservations via the Group's platform, and redeem the vouchers or reservations for underlying goods or services at the merchants' sites. The Group identifies merchants as the customer for such services.

The Group recognizes commission revenues when the vouchers and reservations are redeemed by transacting users to enjoy the goods or services. For hotel reservations, commission revenues are recognized upon room check-in. Commission revenues from sale of packaged tours are recognized on the departure date of the tour.

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 recognized 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 generates online marketing revenue through all the aforementioned services primarily by delivering marketing services on its platform.

The Group identifies merchants or marketers as the customers for online marketing services. Some of the customers pay the Group for performance-based marketing, which means that a marketer pays the Group 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. For these customers, the Group recognizes revenue each time a user clicks on the marketer's link or when the customers' information is viewed by pre-determined amount 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. Customers pay the Group based on the period their advertisements are displayed on the Group's websites and/or mobile applications. For these customers, revenue is recognized on a pro-rata basis over the contractual service period, starting on the date when the advertisement is first displayed on the Group's websites and/or mobile applications.

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)

(b) Online marketing services (Continued)

For a number of merchants, the Group provides marketing services under an annual plan, and charges an annual fee for the plan. The Group recognizes revenue as the marketing services are provided over the plan period.

For arrangements where consideration is paid in advance of the marketing service period, the Group records a contract liability (deferred revenue) when the payment is received.

(c) Other services and sales

Other services and sales comprise primarily revenue generated from Restaurant Management System ("RMS"), supply chain solutions to merchants, integrated payment systems, micro loan business, local transportation services and other products or services. The Group recognizes revenues when the respective services are rendered, or when the control of the products are transferred to the customers.

Through the Group's platform, the Group assists with offering loans to merchants or individuals who utilize its online platform. In certain cases, the Group facilitates loans funded by certain financing partners to these merchants or individuals. In such instances, the Group does not record financing receivables arising from these loans nor loans payable to the financing partners. For these transactions, the Group earns loan facilitation fees from the customers. In other cases, the Group directly funds loans to its customers without involving a third-party financing partner, and accordingly records these as on-balance sheet loans. The Group generates interest income from these on-balance sheet loans.

The Group's local transportation services mainly provide car-hailing and bike-sharing services to its transacting users. Currently, for car-hailing service related to private cars and bike-sharing services, the Group recognizes revenues for the fees collected from transacting users. 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 recognize no revenue. Please refer to the below section for further details on the principal versus agent consideration in these transactions.

The Group also generate other revenue from a long-term business cooperation agreement with Maoyan, which provides that Maoyan shall be our exclusive business partner for the movie ticketing business. Through this cooperation agreement, we provide Maoyan with user traffic and other sources over the cooperation period. Please refer to Note 27 for further details.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.27 Revenue recognition *(Continued)*

2.27.2 Principal versus agent considerations

In accordance with the principal versus agent considerations prescribed by IFRS 15, the Group determines whether it acts as the principal or agent in each of its revenue streams. The principal is the entity that has promised to provide goods or services to its customers. An agent arranges for goods or services to be provided by the principal to its end customer. An agent normally receives a commission or fee for these activities.

As noted above, the Group earns commissions by providing an online platform that enables third-party merchants to sell their services or products to transacting users. The Group generally does not promise to provide the underlying goods or services to the transacting users; instead, the Group performs its role as an agent to connect third-party merchants with transacting users.

For the food delivery services and in-store, hotel and travel services, the Group enters into arrangements with certain business partners ("**Business Partners**") for certain regions within the PRC. In these arrangements, the Business Partners are held responsible for operating the Group's online platform and provide delivery service, as applicable within these designated regions. The Business Partners are also responsible for the business development and customer relationship with merchants in these regions. Having considered the relevant facts and circumstances, related revenue is presented net the amount retained by the Business Partners.

For car-hailing services related to private cars and bike-sharing services, the Group is primarily responsible for fulfilling the services and has discretion in establishing prices. Accordingly, the Group acts as a principal, and the related service revenue is presented on a gross basis.

2.27.3 Incentives

The Group provides various types of incentives to transacting users and delivery riders, including coupons and direct payment discounts. The major accounting policy for incentives is described as follows:

(a) On-demand delivery services (including food and non-food delivery)

Since the Group identifies transacting users as one of its customers for on-demand delivery services when the Group is responsible for the delivery service, the incentives offered to transacting users are considered as payment to customers and recorded as reduction of revenue on a transaction by transaction basis, to the extent of the delivery fees collected from the transacting users. The amount in excess of the revenue earned from the transacting users is recorded as selling and marketing expenses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.27 Revenue recognition *(Continued)*

2.27.3 Incentives (Continued)

(a) On-demand delivery services (including food and non-food delivery) (Continued)

When incentives are provided to transacting users where the Group is not responsible for delivery, the transacting users are not considered as customers of the Group, and such incentives are recorded as selling and marketing expenses.

The Group offers a crowdsourcing delivery system, which connects merchants with crowdsourced delivery riders. The Group currently does not charge merchants a separate fee for the use of the system. The system is also used by the Group to crowdsource delivery riders to fulfil delivery services for which the Group is responsible. The Group provides incentives to these delivery riders. In situations where the Group is not responsible for the delivery service, the incentive is recognized as a reduction of revenue because the merchant is the Group's customer and the delivery rider is the merchant's vendor, and accordingly the incentive represents a payment on behalf of a customer. In situations where the Group is responsible for the delivery service, the incentive is recognized as cost of revenue as it is part of the Group's fulfilment costs for completion of the delivery performance obligation.

(b) In-store, hotel & travel services

For this revenue stream, transacting users are not the Group's customer, and therefore the incentives offered to Transacting Users are not considered as payment to customer but as selling and marketing expenses instead.

(c) New initiatives and others

In connection with local transportation services, the Group provides incentives to both drivers and transacting users of the car-hailing service related to private cars and bike-sharing services. For this type of service, as transacting users are considered as the Group's customer, incentives to them are considered as a payment to customer and therefore recorded as a reduction of revenue. Drivers are the Group's vendor, and accordingly, incentives paid to drivers are recorded as cost of revenue.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.27 Revenue recognition *(Continued)*

2.27.3Incentives (Continued)

(c) New initiatives and others *(Continued)*

The accounting treatment for incentives to transacting users occurs when the incentives are applied to purchases.

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 Group generally expenses contract acquisition cost when incurred because the amortization period would have been 1 year or less. The only contract terms that are greater than 1 year come from the Group's micro loan business, which do not have any significant customer acquisition costs. Accordingly, the Group does not capitalize any incremental costs to obtain a contract.

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 revenue (Note 27).

2.28 Interest income

2.28.1Accounting policies applied since January 1, 2018

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. Any other interest income is included in "Other gains, net".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.28 Interest income *(Continued)*

2.28.2 Accounting policies applied before January 1, 2018

Interest income is recognized using the effective interest method. When the loan receivables are impaired, the Group reduces the carrying amount to their recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognized using the original effective interest rate.

2.29 Dividend income

Dividends are recognized when the right to receive payment is established.

2.30 Lease

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are 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 recognized as income on a straight-line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature.

2.31 Dividends distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Shareholders or Directors, where appropriate.

2.32 Government subsides

Subsidies from the government are recognized 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 recognized 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 recognized 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 32. 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, 2018, 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, 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, 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. In view of the sound collection history of receivables due from them, to measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. 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.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

For prepayments, deposits and other assets (excluding loan receivables, tax prepayments), 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.

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.

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	There is a significant increase in credit risk is presumed if repayment are 30 days past due	The Group terminate its corporation with merchants	Lifetime expected losses
Non-performing	Repayments are 90 days past due	The Group terminate 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 terminate its corporation with merchants for more than 180 days and there is no reasonable expectation of recovery	Asset is write-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 monitor 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, 2018 was RMB791 million, the majority of which were not credit-impaired on initial recognition and not significant increase in credit risk subsequently. The Group has recognized 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.

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 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 incorporate 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 recognized 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 recognized, as well as releases for loan receivables derecognized in the period;
- Loan receivables derecognized and write-offs of allowances related to assets that were written off during the period.

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 December 31, 2017	1,726,744	38,764	10,171	1,775,679
Transfers:				
Transfer from Stage 1 to Stage 2	(90,490)	90,490	—	—
Transfer from Stage 1 to Stage 3	(117,430)	—	117,430	—
Transfer from Stage 2 to Stage 1	532	(532)	—	—
Transfer from Stage 2 to Stage 3	—	(28,645)	28,645	—
Transfer from Stage 3 to Stage 1	—	—	—	—
Transfer from Stage 3 to Stage 2	—	—	—	—
Loan receivables derecognized during the period other than write-off	(6,839,372)	(18,419)	(6,240)	(6,864,031)
New loan receivables originated/purchased	9,190,832	—	—	9,190,832
Write-off	—	—	(114,410)	(114,410)
Gross carrying amount as of December 31, 2018	3,870,816	81,658	35,596	3,988,070

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 December 31, 2017	(19,230)	(27,673)	(10,171)	(57,074)
Transfers:				
Transfer from Stage 1 to Stage 2	1,091	(65,500)	—	(64,409)
Transfer from Stage 1 to Stage 3	1,401	—	(117,430)	(116,029)
Transfer from Stage 2 to Stage 1	(6)	406	—	400
Transfer from Stage 2 to Stage 3	—	21,993	(28,645)	(6,652)
Transfer from Stage 3 to Stage 1	—	—	—	—
Transfer from Stage 3 to Stage 2	—	—	—	—
Loan receivables derecognized during the period other than write-off	81,430	14,055	6,240	101,725
New loan receivables originated/purchased	(109,426)	—	—	(109,426)
Write-off	—	—	114,410	114,410
Accrual and reversal	(4,324)	(9,611)	—	(13,935)
Loss allowance as of December 31, 2018	(49,064)	(66,330)	(35,596)	(150,990)

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 year RMB'000	Between 2 and 5 year 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
Advance from transacting users	3,226,407	—	—	3,226,407
Deposit from transacting users	3,341,276	—	—	3,341,276
Other payables and accruals (excluding salaries and benefits payable, and 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
	26,094,145	495,556	32,760	26,622,461

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 year RMB'000	Between 2 and 5 year RMB'000	Total RMB'000
As of December 31, 2017				
Trade payables	2,666,799	—	—	2,666,799
Payables to merchants	9,363,873	—	—	9,363,873
Advance from transacting users	2,290,160	—	—	2,290,160
Other payables and accruals (excluding salaries and benefits payable, and tax payable)	1,400,989	—	—	1,400,989
Borrowings	162,000	—	—	162,000
Redemption liabilities	—	—	399,275	399,275
Financial guarantee contracts (Note 2.11)	1,235,097	88,804	—	1,323,901
	17,118,918	88,804	399,275	17,606,997

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, 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 recognized 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 analyses the Group's financial instruments carried at fair value as of December 31, 2018 and 2017 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 and liabilities 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
	1,337,725*	—	19,972,207	21,309,932

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, 2017.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As of December 31, 2017				
Financial assets				
Short-term investments at fair value through profit or loss (Note 20)	—	—	17,030,574	17,030,574
Financial assets at fair value through profit or loss (Note 19)	1,839,373*	—	4,105,320	5,944,693
	1,839,373*	—	21,135,894	22,975,267
Financial liabilities				
Convertible redeemable preferred shares (Note 28)	—	—	101,418,292	101,418,292

* This presents an investment of listed company with observable quoted price.

The Group's policy is to recognize 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.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

3.3.2 Valuation techniques used to determine fair values (Continued)

There were no change to valuation techniques during the year ended December 31, 2018.

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.

3.3.3 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, put and call option for Maoyan and contingent consideration for the year ended December 31, 2018 and 2017.

	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 and transfers/Settlements	(63,714,108)	(3,204,736)	(29,307)	(66,948,151)
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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

3.3.3 Fair value measurements using significant unobservable inputs (level 3) (Continued)

	Short-term investments at fair value through profit or loss	Financial assets at fair value through profit or loss			
		Investments in unlisted companies	Put and call option for Maoyan	Contingent consideration	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As of January 1, 2017	12,607,872	3,227,965	624,000	—	16,459,837
Acquisitions	56,382,550	647,921	—	—	57,030,471
Business combinations	7,000	—	—	—	7,000
Disposals and transfers/Settlements	(51,651,590)	(14,500)	(563,000)	—	(52,229,090)
Change in fair value	329,348	351,422	(61,000)	25,099	644,869
Currency translation differences	(644,606)	(132,587)	—	—	(777,193)
As of December 31, 2017	17,030,574	4,080,221	—	25,099	21,135,894
Net unrealized gains for the year	83,241	351,422	—	25,099	459,762

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 (Note 28), contingent consideration (Note 19), 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.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

3.3.4 Valuation process, inputs and relationships to fair value (Continued)

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, 2018 RMB'000	Fair value at December 31, 2017 RMB'000	Unobservable inputs	Range of inputs at December 31, 2018	Range of inputs at December 31, 2017	Relationship of unobservable inputs to fair value
Investment in unlisted companies	**4,904,247**	4,080,221	Expected volatility	**35%-50%**	40%-48%	The higher the expected volatility, the lower the fair value
			Discount for lack of marketability ("**DLOM**")	**10%-28%**	10%-20%	The higher the DLOM, the lower the fair value
			Risk-free rate	**2.01%-8.10%**	2.01%-3.86%	The higher the risk-free rate, the higher the fair value
Short-term investments at fair value through profit or loss	**15,067,960**	17,030,574	Expected rate of return	**2.1%-6.6%**	1.62%-4.9%	The higher the expected rate of return, the higher the fair value
Contingent consideration	—	25,099	Discount rate	**N/A**	28%	The higher the discount rate, the lower the fair value
			Risk-free rate	**N/A**	2.5%	The higher the risk-free rate, the lower the fair value
			DLOM	**N/A**	13%	The higher the DLOM, the lower the fair value
			Expected Volatility	**N/A**	40%	The higher the expected volatility, the lower 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 loss before income tax for the years ended December 31, 2018 and 2017 would have been approximately RMB624 million lower/higher and RMB594 million lower/higher, respectively.

Fair value of Preferred Shares is affected by changes in the Company's equity value. If the Company's equity value had increased/decreased by 10% with all other variables held constant, the loss before income tax for the year ended December 31, 2017 would have been approximately RMB10.1 billion higher/lower.

There were no transfers between level 1, 2 and 3 of fair value hierarchy classifications during the years ended December 31, 2018 and 2017.

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, deposit from transacting users, advance from transacting users, other payables and accruals, redemption 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 are determined by the Black-Sholes option-pricing model at the grant date, and is expected to be expensed over the respective vesting period. Significant estimate 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 reclassify 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 (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.

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 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 and trademark of Mobike have suffered any impairment, in accordance with the accounting policy stated in Note 2.9 and Note 2.10. 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.

4.5 Incentives

As disclosed in Note 2.27, the Group provides incentives to its transacting users in various forms including coupons and direct payment discounts. 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 payments 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 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

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.

4.8 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 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

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 tax losses are recognized when management considers that it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. As of December 31, 2018, the Group did not recognize deferred income tax asset of RMB5,108 million in respect of cumulative tax losses. The outcome of their actual utilisation 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, 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, has been identified as the executive Directors 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.

5 SEGMENT REPORTING *(Continued)*

5.1 Segment reporting *(Continued)*

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) 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 our platform; (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 segments are primarily derived from (a) RMS; (b) supply chain solutions to merchants; (c) integrated payment services; (d) micro loan business; (e) local transportation services; (f) non-food delivery services; (g) other products and services.

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.

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) employee benefits expenses; (d) online traffic costs; (e) bandwidth and server custody fees.

The Group's cost of revenues for the new initiatives and others segment primarily consists of (a) car-hailing driver related costs; (b) depreciation of property, plant and equipment; (c) cost of goods sold; (d) other outsourcing labor costs; (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.

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, 2018 and 2017 is as follows:

	Year ended December 31, 2018			
	Food delivery RMB'000	In-store, hotel & travel RMB'000	New initiatives and others RMB'000	Total 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	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%

	Year ended December 31, 2017			
	Food delivery RMB'000	In-store, hotel & travel RMB'000	New initiatives and others RMB'000	Total RMB'000
Commission	20,283,964	7,135,970	589,196	28,009,130
Online marketing services	710,203	3,649,996	341,476	4,701,675
Other services and sales	37,766	66,844	1,112,572	1,217,182
Revenues in total	21,031,933	10,852,810	2,043,244	33,927,987
Cost of revenues	(19,332,514)	(1,273,331)	(1,102,638)	(21,708,483)
Gross profit	1,699,419	9,579,479	940,606	12,219,504
Gross margin	8.1%	88.3%	46.0%	36.0%

5 SEGMENT REPORTING *(Continued)*

5.1 Segment reporting *(Continued)*

The reconciliation of gross profit to loss 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, 2018 and 2017.

5.2 Segment assets

As of December 31, 2018 and 2017, substantially all of the non-current assets of the Group were located in the PRC.

6 REVENUES BY TYPE

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Commission	**47,012,249**	28,009,130
Online marketing services	**9,391,406**	4,701,675
Other services and sales	**8,823,623**	1,217,182
	65,227,278	33,927,987

Further disaggregation of revenues are included in Note 5.

7 EXPENSES BY NATURE

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Food delivery rider costs	**30,516,055**	18,324,065
Employee benefits expenses (Note 8)	**15,226,535**	8,650,917
Transacting user incentives	**5,400,781**	4,208,921
Car-hailing driver related costs	**4,463,320**	293,306
Depreciation of property, plant and equipment	**4,252,292**	327,696
Promotion and advertising	**3,272,934**	2,277,969
Cost of goods sold	**3,133,770**	301,010
Other outsourcing labor costs	**2,087,398**	126,434
Payment processing costs	**1,524,853**	1,023,889
Impairment provision on Mobike tradename (Note i)	**1,346,000**	—
Amortization of intangible assets	**1,114,509**	516,619
Rental, facility and utilities	**970,058**	410,997
Bandwidth and server custody fees	**484,494**	265,177
Impairment provision and restructuring expense for Mobike restructuring plan (Note ii)	**358,790**	—
Professional fees	**340,714**	174,368
Provision for doubtful accounts	**285,655**	64,371
Online traffic costs	**215,215**	189,680
Tax surcharge expenses	**215,178**	216,208
Auditor's remuneration		
– Audit and audit-related services	**48,770**	25,718
– Non-audit services	**3,899**	—
Others (Note iii)	**3,636,593**	1,037,868
Total cost of revenues, selling and marketing expenses, research and development expenses and general and administrative expenses	**78,897,813**	38,435,213

(i) Impairment loss on Mobike tradename has been recognized based on management's further business plan change. The remaining carrying value amounted to RMB134 million of Mobike tradename would be amortized in the period of 3 years from 2019.

(ii) Impairment provision and restructuring expense has been recognized due to Mobike oversea entities restructuring plan. The plan includes the sale or abandonment of the selected entities in 2019. Thereof, the assets and liabilities of certain entities to be sold out, have been reclassified as assets classified as held for sale and liabilities directly associated with assets classified as held for sale.

(iii) Others mainly comprise travelling and entertainment expenses, message and verification fees, bike reallocation fees and bike maintenance fees.

8 EMPLOYEE BENEFITS EXPENSES

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Wages, salaries and bonuses	**10,695,178**	6,163,000
Other employee benefits	**1,602,448**	899,364
Pension costs - defined contribution plans (Note i)	**1,063,796**	617,453
Share-based compensation expenses (Note 33)	**1,865,113**	971,100
	15,226,535	8,650,917

(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,	
	2018	2017
	RMB'000	RMB'000
Cost of revenues	**48,474**	13,531
Selling and marketing expenses	**184,628**	105,567
Research and development expenses	**664,068**	333,438
General and administrative expenses	**967,943**	518,564
	1,865,113	971,100

8 EMPLOYEE BENEFITS EXPENSES *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include one and two Directors whose emoluments are reflected in the analysis shown in Note 8(c) for the years ended December 31, 2018 and 2017 respectively. 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, 2018 and 2017. The emoluments payable to the remaining individuals for the years ended December 31, 2018 and 2017 are as follows:

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Wages, salaries and bonuses	**18,141**	5,810
Pension costs and other employee benefits	**617**	251
Share-based compensation expenses	**283,524**	174,871
	302,282	180,932

The emoluments fell within the following bands:

	Number of individuals Year ended 31 December,	
	2018	2017
Emolument bands (in HK dollar)		
HK$50,000,001 - HK$60,000,000	—	1
HK$60,000,001 - HK$70,000,000	**1**	—
HK$70,000,001 - HK$80,000,000	**1**	1
HK$80,000,001 - HK$90,000,000	—	1
HK$100,000,001 - HK$110,000,000	**1**	—
HK$110,000,001 - HK$120,000,000	**1**	—
	4	3

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, 2018:

Name	Fees	Wages, salaries and bonuses	Pension costs and other employee benefits	Share-based compensation expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Wang Xing	—	4,525	168	—	4,693
Zhang Tao	—	1,800	117	—	1,917
Mu Rongjun	—	4,072	154	35,261	39,487
Wang Huiwen	—	3,695	154	139,510	143,359
Ye Shuhong	—	4,072	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	18,164	726	176,574	195,887

For the year ended December 31, 2017:

Name	Wages, salaries and bonuses	Pension costs and other employee benefits	Share-based compensation expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Zhang Tao	1,800	104	—	1,904
Wang Huiwen	2,715	130	50,292	53,137
Ye Shuhong	2,305	104	45,924	48,333
Wang Xing	2,056	130	—	2,186
Total	8,876	468	96,216	105,560

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, 2018 and 2017.

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, 2018 and 2017.

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 38, 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, 2018 and 2017.

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 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, 2018 and 2017.

v) Waiver of Director's emoluments

The non-executive Directors have not received any remuneration for the year ended December 31, 2018. None of the other directors waived or has agreed to waive any emoluments during the year ended December 31, 2018 and 2017.

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, 2018 and 2017.

9 OTHER GAINS, NET

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Fair value changes of short-term investments measured at fair value through profit or loss (Note 3.3)	306,954	329,348
Interest income from short-term investments measured at amortized cost	226,114	17,027
Gains/(losses) from the disposal of investments	29,426	(144,482)
Gains from the disposal of subsidiaries (Note 11)	—	125,649
Dilution (loss)/gain (Note i) (Note 12)	(6,294)	104,758
Change in fair value from contingent consideration (Note 3.3)	4,208	25,099
Foreign exchange loss, net	(1,485)	(7,819)
Government subsidies	198,762	45,585
Losses from the cancellation of put and call option for Maoyan	—	(222,264)
Change in fair value from put and call option for Maoyan (Note 3.3.3)	—	(61,000)
Others	(9,329)	(3,641)
	748,356	208,260

(i) In August 2017, the Group and Shanghai Enlight Investment Holdings Co., Ltd. entered into an amended Sale and Purchase Agreement, where the Group agreed to sell 19.7% equity interests in Maoyan for a total consideration of RMB1.8 billion in cash. The carrying value of the 19.7% disposed was RMB1.4 billion. At the same time, Maoyan received new financing from other investors which further diluted the Group's retained interest in Maoyan to 8.3%, resulting in a dilution gain of RMB103 million.

10 FINANCE INCOME/(COSTS)

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Finance income		
Interest income from bank deposits	294,047	60,885
Finance costs		
Bank charges and others	(20,131)	(17,290)
Interest expense	(24,601)	(1,924)
Total	(44,732)	(19,214)

11 SUBSIDIARIES

The Company's major subsidiaries (including controlled and structured entities) during the year ended December 31, 2018 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	Date of incorporation/ establishment	Particulars of issued/paid-in capital	Effective interest held (b) As of December 31, 2018	2017	Principal activities and place of operation
Subsidiaries						
Directly held:						
Meituan Corporation	Cayman	July 29, 2010	USD50,000	100%	100%	Investment holding in Cayman
DianPing Holdings Limited ("**DianPing**")	Cayman	December 20, 2005	USD50,000	100%	100%	Investment holding in Cayman
Internet Plus (HongKong) Limited	Hong Kong	November 27, 2015	HKD1	100%	100%	Investment holding in Hong Kong
Kangaroo Technology Corporation	Cayman	April 1, 2016	USD50,000	100%	100%	Investment holding in Cayman
mobike Ltd ("**Mobike**")	Cayman	April 2, 2015	USD50,000	100%	NA	Investment holding in Cayman
Indirectly held:						
Beijing SanKuai On-line Technology Co., Ltd.	Beijing, the PRC	May 6, 2011	USD1,176,260,000	100%	100%	E-commerce service platform in the PRC
Beijing Kuxun Technology Co., Ltd.	Beijing, the PRC	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	March 16, 2006	USD195,000,000	100%	100%	Multimedia information technology services in the PRC
Tianjin Sankuai Technology Co., Ltd	Tianjin, the PRC	July 12, 2013	RMB1,090,000,000	100%	100%	E-commerce service platform in the PRC
Xiamen Sankuai On-line Technology Co., Ltd.	Xiamen, the PRC	March 25, 2014	USD549,049,120	100%	100%	E-commerce service platform in the PRC
Hucheng Information Technology (Shanghai) Co., Ltd.	Shanghai, the PRC	January 11, 2016	USD200,000,000	100%	100%	Multimedia information technology services in the PRC
Mobike (Beijing) Information Technology Co., Ltd.	Beijing, the PRC	January 12, 2016	USD99,000,000	100%	NA	Bike-sharing services in the PRC
Shanghai Sankuai Zhisong Technology Co., Ltd.	Shanghai, the PRC	November 27, 2018	USD320,000,000	100%	NA	Delivery services in the PRC

11 SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ establishment	Date of incorporation/ establishment	Particulars of issued/paid-in capital	Effective interest held (b) As of December 31, 2018	2017	Principal activities and place of operation
Structured entities(a):						
Beijing SanKuai Technology Co., Ltd.	Beijing, the PRC	April 10, 2007	RMB1,090,000,000	**100%**	100%	E-commerce service platform in the PRC
Shanghai SanKuai Technology Co., Ltd.	Shanghai, the PRC	September 19, 2012	RMB5,000,000	**100%**	100%	Online retail platform in the PRC
Beijing Sankuai Cloud Computing Technology Co., Ltd.	Beijing, the PRC	June 17, 2015	RMB10,000,000	**100%**	100%	RMS system and cloud computing in the PRC
Beijing Kuxun Interation Technology Co., Ltd.	Beijing, the PRC	March 29, 2006	RMB2,000,000	**100%**	100%	Multimedia information technology services in the PRC
Shanghai Hantao Information Consulting Co., Ltd.	Shanghai, the PRC	September 23, 2003	RMB10,000,000	**100%**	100%	Merchant information advisory services in the PRC
Beijing Qiandaibao Payment Technology Co., Ltd.	Beijing, the PRC	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, 2018 until the report date.

11 SUBSIDIARIES *(Continued)*

Disposal of subsidiaries

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Total consideration received or receivable		
– Cash consideration received	**3,055**	—
– Equity interests received	—	268,344
Total disposal consideration	**3,055**	268,344
Total net assets disposed	**3,055**	142,695
– Cash and cash equivalents	**2,824**	26,362
– Trade receivables	—	9,895
– Prepayments, deposits and other assets - current	**239**	24,019
– Inventories	—	514
– Property, plant and equipment	—	2,034
– Intangible assets		
– Trade name	—	1,715
– Technology	—	1,715
– Other	—	1,273
– Trade payables	**(8)**	—
– Other payables and accruals	—	(56,234)
– Deferred tax liabilities	—	(858)
– Goodwill	—	130,897
– Non-controlling interests disposed	—	1,363
Gain on disposal before income tax	—	125,649
Income tax expense on gain	—	—
Gain on disposal after income tax (Note 9)	—	125,649

During 2018, the Group disposed three subsidiaries.

In November 2017, the Group transferred all of its equity interests in its subsidiary Beijing Puzhao Tianxing Technology Co., Ltd. ("**Tianzixing**") to one of its associates, Aoqiwei Information Technology (Beijing) Co., Ltd. ("**Canxingjian**") in exchange of additional equity interest in Canxingjian at a fair value of RMB268 million. After the transaction, Tianzixing became a subsidiary of Canxingjian and the Group ultimately held 40% of equity interest of Canxingjian in form of preferred shares. Consequently, the Group derecognized the assets, including goodwill, and liabilities of Tianzixing and respective non-controlling interests at their carrying amount at the date of transfer, and recognized the additional equity interests in Canxingjian at fair value on the date of transfer.

12 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	As of December 31,	
	2018	2017
	RMB'000	RMB'000
Associates	2,089,677	1,939,107
Joint ventures	13,726	13,068
	2,103,403	1,952,175

a) Investments in associates using the equity method

	As of December 31,	
	2018	2017
	RMB'000	RMB'000
At the beginning of the year	1,939,107	2,384,674
Additions	163,675	772,500
Transfers (Note i)	50,000	—
Dilution (loss)/gain (Note ii)	(6,294)	104,758
Dividends from an associate	(14,675)	(11,989)
Disposals	(563)	(1,386,918)
Other reserves (Note iii)	—	82,829
Share of losses of investments accounted for using equity method	(48,267)	(6,747)
Currency translation differences	6,694	—
At the end of the year	2,089,677	1,939,107

(i): Certain contractual rights attached to an investment previously classified as financial assets at fair value through profit or loss have been changed, thus resulting in re-designation of such investment to an associate of the Group accounted for using the equity method. The management of the Group considered that the impact to the Group is not material had this investment been classified as an investment in an associate accounted for using the equity method since January 1, 2018.

(ii): Dilution gain in 2017 was mainly from Maoyan (Note 9).

(iii): Other reserves in 2017 arose from the equity pick up of the shareholder's contribution to Maoyan.

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,	
	2018	2017
	RMB'000	RMB'000
Aggregate carrying amount of individually immaterial associates	**2,089,677**	1,939,107
Aggregate amounts of the Group's share of:		
– Loss from operations	**(48,267)**	(6,747)
– Share-based payment reserve	—	(3,671)
Share of losses of investments accounted for using equity method	**(48,267)**	(10,418)

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.

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, 2018 and 2017.

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% for the years ended December 31, 2018 and 2017.

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, 2018 and 2017. In addition, certain PRC subsidiaries have registered as a software enterprise and are entitled to a two-year enterprise income tax exemption and a three-year preferential enterprise income tax rate of 12.5%. 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 year ended December 31, 2018 and 2017, the Group has incurred net accumulated operating losses and does not have any profit distribution plan.

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Current income tax	**(251,390)**	(18,560)
Deferred income tax (Note18)	**249,502**	(35,658)
Total income tax expenses - Net	**(1,888)**	(54,218)

The tax on the Group's loss before income tax differs from the theoretical amount that would arise using the tax rate of 25% for the years ended December 31, 2018 and 2017, being the tax rate of the major subsidiaries of the Group.

13 TAXATION *(Continued)*

b) Income tax *(Continued)*

The difference is analyzed as follows:

	Year ended December 31, 2018 RMB'000	Year ended December 31, 2017 RMB'000
Loss before tax	**(115,490,807)**	(18,933,663)
Tax calculated at statutory income tax rate of 25% in mainland China	**28,872,702**	4,733,416
Tax effects of:		
– Different tax rates available to different jurisdictions	**(26,036,837)**	(3,866,256)
– Preferential income tax rates applicable to subsidiaries	**17,289**	(20,456)
– Expenses not deductible for income tax purposes	**(18,409)**	(7,634)
– Super deduction for research and development expenses	**97,397**	37,471
– Utilization of previously unrecognized tax losses	**213,025**	144,808
– Tax losses for which no deferred income tax assets were recognized	**(2,728,131)**	(839,040)
– Temporary differences utilized/(for which no deferred income tax assets was recognized), net	**(248,345)**	(201,900)
– Withholding tax	**(170,579)**	(34,627)
Total income tax expenses	**(1,888)**	(54,218)

14 LOSS PER SHARE

(a) Basic loss per share for the years ended December 31, 2018 and 2017 were calculated by dividing the 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,	
	2018	2017
Loss attributable to equity holders of the Company (RMB'000)	**(115,477,171)**	(18,916,617)
Weighted average number of shares in issue (thousand)	**2,723,795**	1,528,826
Loss per share	**(42.40)**	(12.37)

(b) Diluted 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, share options and RSUs. As the Group incurred losses for the years ended December 31, 2018 and 2017, 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 and 2017 were the same as basic loss per share of the respective years.

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	Total RMB'000
Cost						
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 (Note 36)	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	3,198,019	100,342	5,152,325	182,058	194,512	8,827,256
Accumulated depreciation						
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	(1,231,642)	(47,329)	(3,420,977)	(77,979)	—	(4,777,927)
Impairment						
At 1 January 2018	—	—	—	—	—	—
Addition	—	—	(212,464)	—	—	(212,464)
Assets classified as held for sale	—	—	141,950	—	—	141,950
At 31 December 2018	—	—	(70,514)	—	—	(70,514)
Net carrying amount						
At January 1, 2018	827,381	3,349	—	71,774	13,178	915,682
At December 31, 2018	1,966,377	53,013	1,660,834	104,079	194,512	3,978,815

15 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Computer equipment RMB'000	Furniture and appliances RMB'000	Leasehold improvements RMB'000	Assets under construction RMB'000	Total RMB'000
Cost					
At January 1, 2017	732,839	19,730	119,196	4,158	875,923
Additions	714,568	1,349	8,585	13,178	737,680
Business combinations (Note 36)	53	5	175	—	233
Disposal	(18,012)	(505)	(394)	—	(18,911)
Transfers	—	—	4,158	(4,158)	—
At December 31, 2017	1,429,448	20,579	131,720	13,178	1,594,925
Accumulated depreciation					
At January 1, 2017	(312,265)	(16,004)	(36,424)	—	(364,693)
Depreciation	(302,780)	(1,394)	(23,522)	—	(327,696)
Disposal	12,978	168	—	—	13,146
At December 31, 2017	(602,067)	(17,230)	(59,946)	—	(679,243)
Net carrying amount					
At January 1, 2017	420,574	3,726	82,772	4,158	511,230
At December 31, 2017	827,381	3,349	71,774	13,178	915,682

Depreciation expenses have been charged to the consolidated income statement as follows:

	Year ended December 31,	
	2018 RMB'000	2017 RMB'000
Cost of revenues	**4,158,424**	267,806
Selling and marketing expenses	**19,475**	7,065
Research and development expenses	**39,361**	29,556
General and administrative expenses	**35,032**	23,269
	4,252,292	327,696

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
Cost									
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 (Note 36)	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	5,006,300	490,000	1,865,688	390,000	849,830	907,000	28,700	27,861,023	37,398,541
Accumulated amortization									
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	(565,565)	(318,500)	(652,138)	(62,833)	(240,174)	(169,616)	(7,453)	–	(2,016,279)
Impairment									
At January 1, 2018	(1,510)	–	–	–	(3,238)	–	(88)	(155,422)	(160,258)
Additions (Note 7 (i))	(1,346,000)	–	–	–	–	–	–	–	(1,346,000)
At December 31, 2018	(1,347,510)	–	–	–	(3,238)	–	(88)	(155,422)	(1,506,258)
Net carrying amount									
At January 1, 2018	3,095,645	269,500	1,120,726	353,167	82,310	36,850	25,179	14,869,597	19,852,974
At December 31, 2018	3,093,225	171,500	1,213,550	327,167	606,418	737,384	21,159	27,705,601	33,876,004

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
Cost									
At January 1, 2017	3,408,400	490,000	34,244	390,000	188,460	67,000	7,300	15,096,924	19,682,328
Additions	—	—	1,289,400	—	—	—	—	—	1,289,400
Business combinations	—	—	—	—	—	—	21,400	58,992	80,392
Disposal	(2,100)	—	(1,807)	—	(2,100)	—	—	(130,897)	(136,904)
At December 31, 2017	3,406,300	490,000	1,321,837	390,000	186,360	67,000	28,700	15,025,019	20,915,216
Accumulated amortization									
At January 1, 2017	(172,640)	(122,500)	(10,728)	(10,833)	(52,443)	(16,750)	(602)	—	(386,496)
Amortization	(136,890)	(98,000)	(190,744)	(26,000)	(48,754)	(13,400)	(2,831)	—	(516,619)
Disposal	385	—	361	—	385	—	—	—	1,131
At December 31, 2017	(309,145)	(220,500)	(201,111)	(36,833)	(100,812)	(30,150)	(3,433)	—	(901,984)
Impairment									
At January 1, 2017	(1,050)	—	—	—	(2,433)	—	(88)	(143,421)	(146,992)
Additions	(460)	—	—	—	(805)	—	—	(12,001)	(13,266)
At December 31, 2017	(1,510)	—	—	—	(3,238)	—	(88)	(155,422)	(160,258)
Net carrying amount									
At January 1, 2017	3,234,710	367,500	23,516	379,167	133,584	50,250	6,610	14,953,503	19,148,840
At December 31, 2017	3,095,645	269,500	1,120,726	353,167	82,310	36,850	25,179	14,869,597	19,852,974

16 INTANGIBLE ASSETS *(Continued)*

Amortization expenses have been charged to the consolidated income statement as follows:

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Selling and marketing expenses	**656,729**	281,389
General and administrative expenses	**288,860**	157,544
Cost of revenues	**167,093**	75,962
Research and development expenses	**1,827**	1,724
	1,114,509	516,619

The addition of the goodwill arose from the business combinations in each year. Majority of the Group's goodwill are related to the strategic transaction of Mobike in 2018 (Note 36). 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.

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, 2018	Opening RMB'000	Addition RMB'000	Reallocation 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 (Note a)	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
	14,869,597	12,836,004	—	—	—	27,705,601

Year ended December 31, 2017	Opening RMB'000	Addition RMB'000	Impairment RMB'000	Disposal RMB'000	Closing RMB'000
Food delivery	3,116,702	—	—	—	3,116,702
In-store, hotel & travel	11,438,285	—	—	—	11,438,285
New initiatives and others	398,516	58,992	(12,001)	(130,897)	314,610
	14,953,503	58,992	(12,001)	(130,897)	14,869,597

Note (a): In 2018, the Group decided to reallocate goodwill of one management system relating to hotel & travel business 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, 2018 and 2017, 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.

The key assumptions used in the significant CGU value-in-use calculations are as follows:

16 INTANGIBLE ASSETS *(Continued)*

Impairment of goodwill ***(Continued)***

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%**

As of December 31, 2017

	Food delivery	In-store, hotel & travel
Annual revenue growth rate for the 5-year period (%)	10%-90%	15%-50%
Gross profit rate	15%-25%	85%-90%
Terminal revenue growth rate (%)	2.5%	2.5%
Pre-tax discount rate (%)	33%	33%

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 supply chain solutions to merchants and micro loan business. The discount rate used in the impairment testing for the CGUs in new initiatives and others segments is from 29% to 31%, while the terminal revenue growth rate is 2.5% for the years ended December 31, 2018 and 2017.

Impairment losses of RMB12 million has been charged in “General and administrative expenses” for the year ended December 31, 2017.

17 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

	Note	As of December 31, 2018 RMB'000	2017 RMB'000
Assets as per consolidated statement of financial position			
Financial assets at fair value through profit or loss:			
– Financial assets at fair value through profit or loss	19	**6,241,972**	5,944,693
– Short-term investments at fair value through profit or loss	20	**15,067,960**	17,030,574
		21,309,932	22,975,267
Financial assets at amortized costs:			
– Trade receivables	23	**466,340**	432,494
– Prepayments, deposits and other assets (excluding tax prepayments)	21	**6,895,162**	3,669,072
– Short-term investments measured at amortized cost	20	**26,762,004**	8,807,603
– Restricted cash	24	**4,256,120**	4,458,761
– Cash and cash equivalents	24	**17,043,692**	19,408,839
– Assets classified as held for sale		**88,087**	—
		55,511,405	36,776,769
Liabilities as per consolidated statement of financial position			
Financial liabilities at fair value through profit or loss:			
– Convertible redeemable preferred shares	28	—	101,418,292
		—	101,418,292
Financial liabilities at amortized costs:			
– Trade payables	29	**5,340,963**	2,666,799
– Payables to merchants		**7,596,388**	9,363,873
– Advance from transacting users		**3,226,407**	2,290,160
– Deposit from transacting users		**3,341,276**	—
– Other payables (excluding salaries and benefits payable and other tax payable)	30	**4,019,499**	1,400,989
– Redemption liabilities		—	316,264
– Other non-current liabilities		**35,759**	—
– Borrowings	32	**2,270,056**	162,000
– Liabilities directly associated with assets classified as held for sale		**55,510**	—
		25,885,858	16,200,085

18 DEFERRED INCOME TAXES

The following amounts, determined after appropriate offsetting, are shown in the consolidated statement of financial position:

(a) Deferred tax assets

	As of December 31,	
	2018	2017
	RMB'000	RMB'000
The balance comprises temporary differences attributable to:		
– Tax losses	**1,373,351**	768,674
– Others	**142,294**	10,723
Total gross deferred tax assets	**1,515,645**	779,397
Set-off of deferred tax assets pursuant to set-off provisions	**(1,070,604)**	(536,134)
Net deferred tax assets	**445,041**	243,263

	As of December 31,	
	2018	2017
	RMB'000	RMB'000
Deferred tax assets:		
– to be recovered after 12 months	**208,424**	—
– to be recovered within 12 months	**236,617**	243,263
	445,041	243,263

18 DEFERRED INCOME TAXES *(Continued)*

(b) Deferred tax liabilities

	As of December 31, 2018 RMB'000	As of December 31, 2017 RMB'000
The balance comprises temporary differences attributable to:		
– Intangible assets arising from business combinations	**(886,398)**	(582,895)
– Investments using the equity method or at fair value	**(416,830)**	(418,791)
– Deferred revenue	**(862,290)**	(584,567)
– Others	**(100,955)**	—
Total gross deferred tax liabilities	**(2,266,473)**	(1,586,253)
Set-off of deferred tax liabilities pursuant to set-off provisions	**1,070,604**	536,134
Net deferred tax liabilities	**(1,195,869)**	(1,050,119)

	As of December 31, 2018 RMB'000	As of December 31, 2017 RMB'000
Deferred tax liabilities:		
– to be recovered after 12 months	**(839,227)**	(1,050,119)
– to be recovered within 12 months	**(356,642)**	—
	(1,195,869)	(1,050,119)

The movement on the gross deferred income tax assets is as follows:

	Tax losses RMB'000	Others RMB'000	Total RMB'000
As of January 1, 2018	**768,674**	**10,723**	**779,397**
Business combinations	**599,743**	—	**599,743**
Credited to consolidated income statement	**4,934**	**131,571**	**136,505**
As of December 31,2018	**1,373,351**	**142,294**	**1,515,645**
As of January 1, 2017	904,349	2,973	907,322
(Charged)/credited to the consolidated income statement	(135,675)	7,750	(127,925)
As of December 31, 2017	768,674	10,723	779,397

18 DEFERRED INCOME TAXES *(Continued)*

The gross movement on the deferred income tax liabilities is as follows:

	Intangible assets RMB'000	Investments using the equity method or at fair value RMB'000	Deferred revenue RMB'000	Others RMB'000	Total RMB'000
As of 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)**
As of December 31,2018	**(886,398)**	**(416,830)**	**(862,290)**	**(100,955)**	**(2,266,473)**
As of January 1, 2017	(628,247)	(836,975)	(216,703)	—	(1,681,925)
Business combinations	(5,350)	—	—	—	(5,350)
Disposal of a subsidiary	858	—	—	—	858
Credited/(charged) to consolidated income statement	49,844	410,287	(367,864)	—	92,267
Credited to other comprehensive loss	—	7,897	—	—	7,897
As of December 31, 2017	(582,895)	(418,791)	(584,567)	—	(1,586,253)

The Group only recognizes 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, 2018 and 2017, the Group did not recognize deferred income tax assets of RMB5.1 billion and RMB2.9 billion in respect of cumulative tax losses amounting to RMB22.8 billion and RMB11.8 billion. These tax losses will expire from 2019 to 2023.

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As of December 31,	
	2018	2017
	RMB'000	RMB'000
Non-current		
Investments at fair value through profit or loss (Note a)	**6,241,972**	5,919,594
Current		
Contingent consideration	—	25,099
	6,241,972	5,944,693

a) Investments at fair value through profit or loss

	Year ended of December 31,	
	2018	2017
	RMB'000	RMB'000
At the beginning of the year	**5,919,594**	4,945,886
Additions	**1,616,220**	647,921
Business combinations (Note 36)	**12,880**	—
Change in fair value	**1,836,382**	472,874
Disposals and transfers (Note (i))	**(3,204,736)**	(14,500)
Currency translation differences	**61,632**	(132,587)
At the end of the year	**6,241,972**	5,919,594

(i): During the year ended 31 December 2018, the Group disposed several investments at fair value through profit or loss with the aggregate amount of RMB3.2 billion. At the same time, the Group re-designated one investment at fair value through profit or loss to investments accounted for using the equity method amounted to RMB50 million as a result of change in contractual rights of the investment (Note 12(i)).

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,	
	2018	2017
	RMB'000	RMB'000
Investments in associates at fair value through profit or loss (Note i)	**2,015,957**	1,608,298
Other investments at fair value through profit or loss (Note ii)	**4,226,015**	4,311,296
	6,241,972	5,919,594

(i) Investments in associates at fair value through profit or loss

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
At the beginning of the year	**1,608,298**	1,016,755
Additions	**634,551**	582,344
Business combinations	**7,580**	—
Change in fair value	**(14,746)**	22,455
Disposals and transfers	**(227,982)**	(6,250)
Currency translation differences	**8,256**	(7,006)
At the end of the year	**2,015,957**	1,608,298

For the years ended December 31, 2018 and 2017, 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.

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, 2018 RMB'000	2017 RMB'000
At the beginning of the year	**4,311,296**	3,929,131
Additions	**981,669**	65,577
Business combinations	**5,300**	—
Change in fair value	**1,851,128**	450,419
Disposals and transfers	**(2,976,754)**	(8,250)
Currency translation differences	**53,376**	(125,581)
At the end of the year	**4,226,015**	4,311,296

The Group also has interests in certain investee companies in the form of ordinary shares without significant influence, which are managed and their performance are evaluated on a fair value basis. The Group designated these instruments as financial assets at fair value through profit or loss.

20 SHORT-TERM INVESTMENTS

	As of December 31,	
	2018	2017
	RMB'000	RMB'000
Short-term investments measured at		
–Amortized cost	**26,762,004**	8,807,603
–Fair value through profit or loss	**15,067,960**	17,030,574
	41,829,964	25,838,177

a) Short-term investments measured at amortized cost

Short-term investments measured at amortized cost are USD zero coupon certificate of deposit and term deposit above 3 months and within 1 year. They were neither past due nor impaired as of December 31, 2018 and 2017.

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 recognized in "Other gains, net" in the consolidated income statement.

c) Short-term investments are denominated in the following currencies:

	As of December 31,	
	2018	2017
	RMB'000	RMB'000
USD	**34,050,792**	22,132,640
RMB	**7,340,865**	3,705,537
HKD	**438,307**	—
	41,829,964	25,838,177

21 PREPAYMENTS, DEPOSITS AND OTHER ASSETS

	As of December 31,	
	2018	2017
	RMB'000	RMB'000
Non-current		
Receivables from investment disposal	**282,919**	—
Prepayments for investments	**249,957**	2,284
Rental deposits	**147,678**	85,785
Prepayments for fixed assets	**97,920**	—
Loan receivables (Note i)	**74,625**	137,968
Long term receivables	**12,215**	83,778
Others	**1,570**	2,525
	866,884	312,340
Current		
Loan receivables (Note i)	**3,762,455**	1,592,997
Tax prepayments	**3,036,667**	829,659
Prepayments for channel marketing fee	**346,834**	93,864
Prepayments to merchants (Note ii)	**220,454**	107,808
Amounts due from related parties (Note 38)	**195,202**	89,216
Deposits	**155,826**	83,285
Prepayments for rental	**153,427**	163,951
Receivables from third-party payment service providers	**131,568**	45,705
Receivables from investment disposal (Note iii)	**130,362**	887,885
Contract assets	**105,630**	47,078
Others	**826,520**	244,943
	9,064,945	4,186,391

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 generally range from 3 months to 18 months. Breakdown for loan receivables included both current and non-current portion as follows:

	As of December 31,	
	2018	2017
	RMB'000	RMB'000
Unsecured loan receivables	**3,988,070**	1,775,679
Less: allowance for impairment	**(150,990)**	(44,714)
	3,837,080	1,730,965

Movements on the Group's allowance for impairment of loan receivables are as follows:

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
At the beginning of the year	**(57,074)**	(3,314)
Provision	**(208,326)**	(55,014)
Receivables written off during the year as uncollectable	**114,410**	13,614
At the end of the year	**(150,990)**	(44,714)

For loan receivables outstanding at January 1, 2018, adjustments of RMB12.4 million of provisions for loan receivables was recognized in the opening accumulated losses (Note 2.1.1(a)).

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 recognizes 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 advance from transacting users.

	As of December 31,	
	2018	2017
	RMB'000	RMB'000
Prepayments to merchants	**298,128**	385,390
Less: allowance for impairment(a)	**(77,674)**	(277,582)
	220,454	107,808

(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,	
	2018	2017
	RMB'000	RMB'000
At the beginning of the year	**(277,582)**	(317,329)
Reversal	**19,251**	39,689
Receivables written off during the year as uncollectable	**180,657**	58
At the end of the year	**(77,674)**	(277,582)

(iii) The total consideration receivable from the disposal of Maoyan in 2017 was RMB1.8 billion with RMB888 million received in 2017 and the rest RMB888 million was fully collected in 2018.

The remaining balances of prepayments, deposits and other assets which are subject to ECL model are all within performing stage with credit losses are limited to 12 months expected loss, which are not material (Note 3.1(b)).

As of December 31, 2018 and 2017, the carrying value of prepayments, deposits and other assets was primarily denominated in RMB.

22 INVENTORIES

	As of December 31,	
	2018	2017
	RMB'000	RMB'000
Spare parts	**51,814**	—
Merchandise	**348,430**	88,374
	400,244	88,374

23 TRADE RECEIVABLES

	As of December 31,	
	2018	2017
	RMB'000	RMB'000
Trade receivables	**590,409**	461,955
Less: allowance for impairment	**(124,069)**	(29,461)
	466,340	432,494

As of December 31, 2017, individually significant receivables have been separately assessed for impairment. Allowance was set up against impaired receivables arising from credit default of several customers who are in financial difficulties.

Beginning from January 1, 2018, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized 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 every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

23 TRADE RECEIVABLES *(Continued)*

Movements on the Group's allowance for impairment of trade receivables are as follows:

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
At the beginning of the year	**(29,461)**	(47,693)
Provision	**(131,472)**	(23,173)
Assets classified as held for sale	**14,600**	—
Reversal	**8,011**	8,433
Receivables written off during the year as uncollectable	**14,253**	32,972
At the end of the year	**(124,069)**	(29,461)

The directors of the Group considered that the carrying amounts of the trade receivables balances approximated their fair value as of December 31, 2018 and 2017.

The Group allows a credit period of 90 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,	
	2018	2017
	RMB'000	RMB'000
Trade receivables		
Up to 3 months	**281,353**	283,649
3 to 6 months	**126,376**	84,428
6 months to 1 year	**56,574**	56,958
Over 1 year	**2,037**	7,459
	466,340	432,494

The majority of the Group's trade receivables were denominated in RMB.

The maximum exposure to credit risk as of December 31, 2018 and 2017 was the carrying value of the trade receivables. The Group did not hold any collateral as security.

24 CASH AND BALANCES WITH BANK AND FINANCIAL INSTITUTIONS

(a) Cash and cash equivalents

	As of December 31,	
	2018	2017
	RMB'000	RMB'000
Cash in hand and cash in bank	**9,629,534**	14,780,345
Term deposit with initial terms within three months	**5,576,350**	3,279,367
Cash held by financial institutions (Note i)	**1,837,808**	1,349,127
	17,043,692	19,408,839

Cash and cash equivalents are denominated in the following currencies:

	As of December 31,	
	2018	2017
	RMB'000	RMB'000
USD	**11,247,166**	13,776,847
RMB	**5,629,279**	5,624,311
JPY	**88,196**	1,759
Others	**79,051**	5,922
	17,043,692	19,408,839

(i) : The Group considers all highly liquid investments with an original maturity of three months or less, when purchased, to be cash equivalents. Cash and cash equivalents of the Group primarily represent bank deposits and fixed deposits with maturities less than three months. As of December 31, 2018 and 2017, 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 RMB1.8 billion and RMB1.3 billion, respectively, which have been classified as cash and cash equivalents on the consolidated statement of financial position.

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,	
	2018	2017
	RMB'000	RMB'000
RMB	**3,628,619**	4,451,442
USD	**625,935**	7,319
Others	**1,566**	—
	4,256,120	4,458,761

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 (Note 32).

As of December 31, 2017, RMB143.4 million and USD1.1 million (equivalent to approximately RMB7.3 million) restricted deposits were held by bank as letter of guarantee.

25 SHARE CAPITAL AND SHARE PREMIUM

As of December 31, 2018 and 2017, the authorised 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, 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	**5,727,447**	**57**	**384**	**258,284,687**	**258,285,071**
At January 1, 2017	1,483,996	14	93	8,567,622	8,567,715
Exercise of option and RSU vesting	86,664	1	6	1,297,645	1,297,651
Repurchase of ordinary shares	(21,996)	—	(1)	(526,738)	(526,739)
At December 31, 2017	1,548,664	15	98	9,338,529	9,338,627

Share Repurchases

During the year ended December 31, 2018 and 2017, the Group executed share repurchases from certain employees and shareholders of the Company. All repurchased shares were retired upon repurchase. The fair value of the repurchased shares are reflected as a reduction to share capital and share premium in the Company's consolidated balance sheet. Any incremental amount paid, i.e., the difference between the repurchase price and per share fair value of the underlying ordinary shares, is recorded as compensation expenses in the Group's consolidated income statement.

A tranch of 3,580,459 shares were repurchased between January 2017 and April 2017 at a per share price of USD3.86, while another tranch of 18,416,209 shares were repurchased in December 2017 at a weighted average per share fair value of USD5.47. The incremental amount paid of RMB223 million was recorded in compensation expenses for the year ended December 31, 2017.

A tranch of 24,667,064 shares were repurchased between January 2018 and April 2018 at a weighted average per share fair value of USD5.47. The incremental amount paid of RMB49 million was recorded in compensation expenses for the year ended December 31, 2018.

As of December 31, 2018, a total number of 234,731,722 shares which have been vested and exercised, are in the process of registration.

26 OTHER RESERVES

	Capital reserve RMB'000	Share-based compensation reserve RMB'000	Currency translation reserve RMB'000	Others RMB'000	Total RMB'000
As of December 31, 2017	20	1,232,234	(500,154)	(265,997)	466,103
Adjustment on adoption of IFRS9 (net of tax)	—	—	—	(423,731)	(423,731)
As of January 1, 2018	20	1,232,234	(500,154)	(689,728)	42,372
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)
As of December 31, 2018	20	2,594,722	(8,118,061)	(218,028)	(5,741,347)
As of January 1, 2017	20	1,556,384	(3,929,640)	(369,636)	(2,742,872)
Share-based compensation expenses	—	746,465	—	—	746,465
Exercise of option and RSU vesting	—	(1,070,615)	—	—	(1,070,615)
Transaction with non-controlling interests	—	—	—	20,810	20,810
Share of equity movement in an associate (Note 12(a))	—	—	—	82,829	82,829
Currency translation differences	—	—	3,429,486	—	3,429,486
As of December 31, 2017	20	1,232,234	(500,154)	(265,997)	466,103

27 DEFERRED REVENUE

	As of December 31,	
	2018	2017
	RMB'000	RMB'000
Non-Current		
Business cooperation agreement with Maoyan	**611,233**	833,500
Others	**13,766**	—
	624,999	833,500
Current		
Online marketing services	**2,856,343**	1,891,948
Business cooperation agreement with Maoyan	**222,267**	222,267
Mobike monthly pass	**24,221**	—
Others	**51**	—
	3,102,882	2,114,215
	3,727,881	2,947,715

Movements on the Group's deferred revenues are as follows:

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
At the beginning of the year	2,947,715	2,072,548
Add:		
Business cooperation agreement with Maoyan (Note i)	—	191,334
Receipt from online marketing customers	**10,586,871**	5,798,999
Receipt from Mobike monthly pass	**515,620**	—
Receipt from others	**22,651**	—
Less:		
Business cooperation agreement with Maoyan amortization	**(222,267)**	(235,567)
Online marketing revenue recognition	**(9,627,170)**	(4,879,599)
Mobike monthly pass revenue recognition	**(491,398)**	—
Other revenue recognition	**(4,077)**	—
Liabilities directly associated with assets classified as held for sale	**(64)**	—
At the end of the year	**3,727,881**	2,947,715

(i) In July 2016, as part of the Group's disposal of Maoyan, the Group entered into a 5-year business cooperation agreement with Maoyan. Subsequently in September 2017, the agreement was extended for another 14 months. The Group recognizes the revenue over the contract period.

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 (Note 36).

Upon issuance of Series A-12 Preferred shares, a total of 2,121,921,600 shares were issued from Series A-1 through A-12 ("**Series A Preferred Shares**").

Upon the Listing on September 20, 2018, all 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 the period ended September 20, 2018 are as follows:

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.

28 CONVERTIBLE REDEEMABLE PREFERRED SHARES *(Continued)*

Conversion *(Continued)*

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 recognized 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.

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.

28 CONVERTIBLE REDEEMABLE PREFERRED SHARES *(Continued)*

Dividends

Non-cumulative dividends of 8% per annum when and if declared by 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
As of January 1, 2018	**101,418,292**
Issuance of Series A-12 preferred shares	**5,888,472**
Change in fair value	**104,792,071**
Includes: change in fair value due to own credit risk	**186,013**
Currency translation differences	**8,336,605**
Transfer to ordinary shares	**(220,435,440)**
As of December 31, 2018	**—**
As of January 1, 2017	63,687,007
Issuance of Series C Preferred Shares	27,109,363
Change in fair value	15,138,824
Currency translation differences	(4,516,902)
As of December 31, 2017	101,418,292

28 CONVERTIBLE REDEEMABLE PREFERRED SHARES *(Continued)*

Voting rights *(Continued)*

The Group applied the discount 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 are set as below:

	As of September 20, 2018	As of December 31, 2017
Discount rate	**23%**	28%
Risk-free interest rate	**3%**	2.5%
DLOM	**4%**	13%
Volatility	**40%**	40%

Discount rate was estimated by weighted average cost of capital as of each appraisal date. The Group estimated the risk-free interest rate based on the yield of US Treasury Strips with a maturity life equal to period from the respective appraisal dates to expected liquidation date. Volatility was estimated at the dates of appraisal based on average of historical volatilities of the comparable companies in the same industry for a period from the respective appraisal dates to expected liquidation date. In addition to the assumptions adopted above, the Company's projections of future performance were also factored into the determination of the fair value of Series A, B, and C on each appraisal date.

29 TRADE PAYABLES

	As of December 31,	
	2018	2017
	RMB'000	RMB'000
Trade payables	**5,340,963**	2,666,799

29 TRADE PAYABLES *(Continued)*

As of December 31, 2018 and 2017, the aging analysis of the trade payables based on invoice date were as follows:

	As of December 31,	
	2018	2017
	RMB'000	RMB'000
Trade payables		
Up to 3 months	**5,067,050**	1,995,402
3 to 6 months	**168,162**	662,168
6 months to 1 year	**102,764**	2,523
Over 1 year	**2,987**	6,706
	5,340,963	2,666,799

The majority of the Group's trade payables were denominated in RMB.

30 OTHER PAYABLES AND ACCRUALS

	As of December 31,	
	2018	2017
	RMB'000	RMB'000
Salaries and benefits payable	**2,598,340**	1,691,320
Payables for acquisition	**1,443,877**	37,305
Deposits	**1,183,676**	665,013
Tax payable	**743,791**	828,014
Amounts due to related parties (Note 38)	**407,248**	212,984
Accrued expenses	**347,315**	239,217
Others	**637,383**	246,470
	7,361,630	3,920,323

Except for RMB1.4 billion payables for acquisition of Mobike, which is denominated in USD, the majority of other balances are denominated in RMB.

31 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

In December 2018, the directors of the Group decided to sell certain overseas Mobike entities. The sale is expected to be completed in 2019. The associated assets and liabilities were consequently presented as held for sale.

The following assets and liabilities were reclassified as held for sale as at December 31, 2018:

	As of December 31, 2018 RMB'000
Assets classified as held for sale	
Cash and cash equivalents	51,524
Restricted cash	271
Trade receivables	122
Prepayments, deposits and other assets	19,013
Property, plant and equipment	15,594
Intangible assets	15
Inventories	1,548
Total assets classified as held for sale	88,087
Liabilities directly associated with assets classified as held for sale	
Trade payables	(24,127)
Advance from transacting users	(1,238)
Other payables and accruals	(12,257)
Deposit from transacting users	(17,824)
Deferred revenue	(64)
Total liabilities directly associated with assets classified as held for sale	(55,510)

32 BORROWINGS

	As of December 31,	
	2018	2017
	RMB'000	RMB'000
Bank loan - unsecured	**1,200,000**	—
Bank loan - secured	**600,000**	162,000
Asset-backed securities	**470,056**	—
	2,270,056	162,000

(a) Bank borrowings of RMB1.8 billion will be repayable in 2019 and bear annual average interest rate of 5.597% (2017: 4.785%).

(i) The amount of RMB300 million are borrowed from China Merchants Bank Co., Ltd. and secured by domestic loan under overseas guarantee.

(ii) The amount of RMB300 million are borrowed from China Everbright Bank Co., Ltd, guaranteed by Beijing Sankuai Online Technology Co., Ltd. and secured by the unexpired receivables of Chongqing Sankuai Micro-credit Co., Ltd.

For the year ended December 31, 2018, the weighted average effective interest rate was 5.980% (2017: 7.324%).

(b) The Group has securitized certain loan receivables and issued RMB500 million asset-backed securities ("**ABS**") in 2018. During the year ended December 31, 2018, the Group issued ABS of RMB500 million, of which RMB471 million represented senior tranche and RMB29 million represented subordinate tranches, which were fully acquired by the Group. These ABS bore interest at 5.4%-6.2% per annum in 2018.

33 SHARE-BASED PAYMENTS

On October 6, 2015, the Board 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. 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 (Note 36), 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 analysed 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 recognized 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 recognized for the services received over the remainder of the vesting period, and is recognized 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 would 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.

33 SHARE-BASED PAYMENTS *(Continued)*

As of August 30, 2018, the Group has authorised 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.

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 2017 and 2018, 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.

33 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 (USD)
Outstanding as of December 31, 2017	**121,961,415**	**1.94**
Granted during the year	**24,081,670**	**4.71**
Mobike option replacement	**21,290,122**	**1.34**
Forfeited during the year	**(9,581,909)**	**1.71**
Exercised during the year	**(41,429,635)**	**0.60**
Outstanding as of December 31, 2018	**116,321,663**	**2.90**
Vested and exercisable as of December 31, 2018	**44,792,530**	**1.51**
Outstanding as of December 31, 2016	159,405,915	1.14
Granted during the year	31,381,500	3.86
Forfeited during the year	(6,876,245)	2.96
Exercised during the year	(61,949,755)	0.72
Outstanding as of December 31, 2017	121,961,415	1.94
Vested and exercisable as of December 31, 2017	62,477,476	0.65

The weighted average remaining contractual life of outstanding share options was 7 years and 7 years as of December 31, 2018 and 2017.

33 SHARE-BASED PAYMENTS *(Continued)*

Fair value of share options

Before the Listing on September 20, 2018, 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,	
	2018	2017
Risk-free interest rates	**3.2% - 3.8%**	2.2%-3.1%
Expected term - years	**2.8-6.8**	5.9-6.4
Expected volatility	**45.0% - 50.0%**	40.0%-55.0%
Fair value of ordinary shares (USD)	**5.18-6.21**	2.87-3.85
Exercise price (USD)	**0-5.18**	3.86
Dividend yield	**—**	—

The weighted average fair value of granted options was USD3.69 and USD1.94 per share, for the years ended December 31, 2018 and 2017, respectively.

33 SHARE-BASED PAYMENTS *(Continued)*

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.

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 (USD)
Outstanding as of December 31, 2017	**114,505,992**	**3.34**
Granted during the year	**87,668,245**	**5.76**
Vested during the year	**(26,219,723)**	**2.95**
Forfeited during the year	**(11,820,544)**	**4.77**
Outstanding as of December 31, 2018	**164,133,960**	**4.59**
Outstanding as of December 31, 2016	71,260,265	2.39
Granted during the year	80,815,301	3.71
Vested during the year	(24,714,694)	2.27
Forfeited during the year	(12,854,880)	2.45
Outstanding as of December 31, 2017	114,505,992	3.34

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.

33 SHARE-BASED PAYMENTS *(Continued)*

RSUs *(Continued)*

The total share-based compensation expenses recognized in the consolidated income statement are RMB1.9 billion and RMB971.1 million for the years ended December 31, 2018 and 2017, respectively. The following table sets forth a breakdown of the share-based compensation expenses by nature:

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Share options	**373,874**	141,055
RSUs	**1,442,579**	605,410
Incremental fair value for repurchase of ordinary shares (Note 25)	**48,660**	223,154
Others	—	1,481
	1,865,113	971,100

34 DIVIDENDS

No dividends have been paid or declared by the Company during each of the years ended December 31, 2018 and 2017.

35 COMMITMENTS

a) Capital commitments

	As of December 31,	
	2018	2017
	RMB'000	RMB'000
Within 1 year	**37,426**	24,368
1 – 2 years	**3,628**	2,535
	41,054	26,903

35 COMMITMENTS *(Continued)*

a) Capital commitments *(Continued)*

	As of December 31,	
	2018	2017
	RMB'000	RMB'000
Purchase of other property, plant and equipment	**41,054**	26,903

b) Operating lease commitments

The Group leases office under non-cancelable operating lease agreements. Future minimum lease payments under non-cancelable operating lease agreements with initial terms of 1 year or more consist of the following:

	As of December 31,	
	2018	2017
	RMB'000	RMB'000
Within 1 year	**605,723**	268,529
1 – 5 years	**1,281,789**	529,647
Over 5 years	**223,965**	299,185
	2,111,477	1,097,361

36 BUSINESS COMBINATIONS

Acquisition of Mobike

On April 4, 2018, the Company and Tollan Holdings Limited ("**Tollan Holdings**"), a wholly owned subsidiary of the Company, completed a transaction to acquire 100% of the equity interests of mobike Ltd. ("**Mobike**"), an unlisted entity mainly operates in the PRC and connects users to dockless bikes via a mobile application.

36 BUSINESS COMBINATIONS *(Continued)*

Acquisition of Mobike *(Continued)*

The goodwill of approximately RMB12.8 billion arising from the acquisition is attributable to business cooperation expected to be derived from combining with the operations of the Group. None of the goodwill recognized is expected to be deductible for income tax purposes. The following table summarizes the consideration paid for the acquisition of Mobike, the fair value of identifiable assets acquired and liabilities assumed.

	April 4, 2018 RMB' 000
Cash Consideration	9,443,771
Issuance of preferred shares (167.7 million shares) (Note 28) (i)	5,888,472
Option replacement (ii)	231,736
Total consideration paid by the Group	15,563,979
Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	834,532
Restricted cash	392,374
Short-term investments	380,000
Inventories	159,115
Trade receivables	21,550
Financial assets at fair value through profit or loss	12,880
Intangible assets	
– Trade name	1,600,000
– User list	840,000
– Technology	660,000
– Others	478,265
Property, plant and equipment	5,349,198
Prepayments, deposits and other assets	1,918,191
Deferred tax assets	599,743
Trade payables	(414,715)
Borrowings	(390,000)
Advance from transacting users	(497,907)
Other payables and accruals	(246,945)
Other non-current liabilities	(8,080)
Deferred revenue	(35,176)
Deposit from transacting users	(8,125,057)
Deferred tax liabilities	(785,467)
Total identifiable net assets	2,742,501
Goodwill	12,821,478
	15,563,979

36 BUSINESS COMBINATIONS *(Continued)*

Acquisition of Mobike *(Continued)*

Note i) The share consideration paid by the Group for the acquisition of Mobike was comprised of the Company's Series A-12 preferred shares. The fair value of the share consideration was determined using the per share fair value of Series A-12 preferred share as of the acquisition date, using the option-pricing method and equity allocation model.

Note ii) Pursuant to the share purchase agreement for the acquisition of Mobike, all outstanding awards, vested or unvested, that were awarded under the Mobike's current incentive plan were assumed by the Group under the 2015 Share Incentive Plan. This represents the portion of the awards related to precombination services and were therefore allocated to consideration paid by the Company.

The revenue included in the consolidated income statement since April 4, 2018 contributed by Mobike was RMB1.5 billion. Mobike also contributed a loss of RMB4.6 billion over the same period. The acquisition-related costs were not significant and had been charged to general and administrative expenses in the consolidated income statement for the year ended December 31, 2018.

Had Mobike been consolidated from January 1, 2018, the Group's consolidated income statement for the year ended December 31, 2018 would show pro-forma revenue of RMB65.5 billion and a loss of RMB117.1 billion.

37 NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

a) Cash used in operations

		Year ended December 31,	
	Note	2018 RMB'000	2017 RMB'000
Loss before income tax		(115,490,807)	(18,933,663)
Adjustments for			
Depreciation and amortization	15,16	5,366,801	844,315
Provision for doubtful accounts	7	285,655	64,371
Non-cash employee benefits expense			
- share-based payments	8	1,865,113	971,100
Gain from business and investments disposals	9	(23,132)	(85,925)
Fair value changes of convertible redeemable preferred shares	28	104,606,058	15,138,824
Impairment provision and restructuring expense for Mobike restructuring plan		358,790	—
Impairment provision for Mobike tradename		1,346,000	—
Impairment provision for other intangible assets		—	13,266
Share of losses of investments accounted for using equity method	12	48,267	10,418
Change in fair value from investments measured at fair value through profit or loss	9,19	(1,836,382)	(497,973)
Dividend income and interest classified as investing cash flows		(584,347)	(346,375)
Finance costs		62,099	9,783
Net exchange differences		1,485	7,819
Change in working capital			
Decrease/(increase) in restricted cash		594,744	(4,133,474)
Increase in trade receivables		(135,879)	(182,024)
Increase in prepayments, deposits and other assets		(3,722,048)	(2,538,454)
Increase in inventories		(168,664)	(38,179)
Increase in trade payables		2,100,697	1,353,493
(Decrease)/increase in payables to merchants		(1,767,485)	5,058,537
Increase in advance from transacting users		439,578	246,409
Increase in deferred revenue		745,054	875,167
Increase in other payables and accruals		1,676,265	1,870,925
Increase in other non-current liabilities		16,906	—
Decrease in deposit from transacting users		(4,765,957)	—
Cash used in operations		(8,981,189)	(291,640)

37 NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

a) Cash used in operations *(Continued)*

Non-cash transaction is about the acquisition of subsidiaries and investments through the issuance of shares. Please refer to Note 12, 19, 30 and 36. Excluding this, there were no other material non-cash investing and financing activities for the years ended December 31, 2018 and 2017.

Reconciliation of liabilities generated from financing activities

	Liabilities from financing activities			
	Borrowings due within 1 year RMB'000	Borrowings due after 1 year RMB'000	Convertible redeemable preferred shares RMB'000	Total 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
Recognization 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

37 NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

a) Cash used in operations *(Continued)*

	Liabilities from financing activities		
	Borrowings RMB'000	Convertible redeemable preferred shares RMB'000	Total RMB'000
Liabilities from financing activities as of January 1, 2017	1,000	63,687,007	63,688,007
Cash flow	161,000	25,802,523	25,963,523
Issuance of Preferred Shares without cash settled (Note i)	—	1,306,840	1,306,840
Fair value changes of convertible redeemable preferred shares	—	15,138,824	15,138,824
Currency translation differences	—	(4,516,902)	(4,516,902)
Liabilities from financing activities as of December 31, 2017	162,000	101,418,292	101,580,292

(i) The Company entered into a USD200 million contribution-in-kind for 5-year cooperation agreement with one platform. A call option was granted to the platform to exercise at the next round of financing. If the platform does not exercise, after a certain time period, the Company would be required to pay the amount plus interest. In October 2017, the call option was exercised in full with Series C Preferred Shares issued and no cash settlement.

38 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, 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.

38 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 ended December 31, 2018 and 2017.

Name of related parties	**Relationship**
Tencent Group	One of the Company's shareholders
Tianjing Maoyan and its subsidiaries	Associate of the Group
Changsha Xiangjiang Longzhu Private Equity Investment Fund Enterprise (Limited Partnership)	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
Shanghai Shang Mi Technology Co., Ltd.	Associate of the Group
Wang Xing	Core connected person
Mu Rongjun	Core connected person

b) Significant transactions with related parties

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
(i) Sales of service		
Associate of the Group	**414,204**	384,149
One of the Company's shareholders	**3**	—
	414,207	384,149
(ii) Purchase of goods and service		
One of the Company's shareholders	**963,941**	413,285
Associate of the Group	**532,984**	—
	1,496,925	413,285
(iii) Sales of investments		
Associate of the group	**38,776**	—

38 RELATED PARTY TRANSACTIONS *(Continued)*

c) Balances with related parties

		As of December 31,	
		2018	2017
		RMB'000	RMB'000
(i)	Other receivables from related parties		
	Associate of the Group	**19,654**	31,240
	One of the Company's shareholders	**175,548**	47,976
	Core connected person	**—**	10,000
		195,202	89,216
(ii)	Other payables to related parties		
	Associate of the Group	**378,972**	194,194
	One of the Company's shareholders	**28,276**	18,790
		407,248	212,984

d) Key management compensation

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Wages, salaries and bonuses	**14,461**	9,281
Pension costs and other employee benefits	**375**	457
Share-based compensation expenses	**233,504**	120,443
Others	**88**	54
	248,428	130,235

39 CONTINGENCIES

The Group did not have any material contingent liabilities as of December 31, 2018 and 2017, except for the financial guarantee amount, disclosed in Note 3.1(c).

40 FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Financial position of the Company

	Note	As of December 31, 2018 RMB'000	2017 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries		63,064,966	45,684,536
Prepayments, deposits and other assets		27,281,595	21,107,233
		90,346,561	66,791,769
Current assets			
Short-term investments		33,105,050	18,819,750
Prepayments, deposits and other assets		20,104	124,422
Cash and cash equivalents		3,960,689	2,992,032
		37,085,843	21,936,204
Total assets		127,432,404	88,727,973
EQUITY			
Share capital	25	384	98
Share premium	25	258,284,687	9,338,529
Other reserves	40(b)	(4,712,673)	1,034,659
Accumulated losses		(127,527,156)	(23,077,808)
Equity attributable to equity holders of the Company		126,045,242	(12,704,522)
LIABILITIES			
Non-current liabilities			
Convertible redeemable preferred shares	28	—	101,418,292
Current liabilities			
Other payables and accruals		1,387,162	14,203
Total liabilities		1,387,162	101,432,495
Total equity and liabilities		127,432,404	88,727,973

The statement of financial position of the Company was approved by the Board of Directors on March 11, 2019 and was signed on its behalf.

Wang Xing
Director

Mu Rongjun
Director

40 FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

(b) Reserve movement of the Company

	Other reserve RMB'000	Accumulated losses RMB'000
As of December 31, 2017	**1,034,659**	**(23,077,808)**
Adjustment on adoption of IFRS9, net of tax	**(423,731)**	**423,731**
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)**
As of January 1, 2017	(2,175,504)	(7,841,497)
Comprehensive loss		
Loss for the year	—	(15,236,311)
Other comprehensive loss		
Currency translation differences	3,534,313	—
Total comprehensive loss	1,358,809	(23,077,808)
Transaction with owners in their capacity as owners		
Share-based compensation expenses	746,465	—
Exercise of option and RSU vesting	(1,070,615)	—
Total transaction with owners in their capacity as owners	(324,150)	—
As of December 31, 2017	1,034,659	(23,077,808)

41 SUBSEQUENT EVENTS

There were no material subsequent events during the period from December 31, 2018 to the approval date of these consolidated financial statements by the Board on March 11, 2019.

"AGM"	the forthcoming annual general meeting of the Company to be held on May 17, 2019
"Articles" or "Articles of Association"	the articles of association of the Company adopted on August 30, 2018 with effect from Listing, as amended from time to time
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Company
"Auditor"	the external auditor of the Company
"Beijing Kuxun Interaction"	Beijing Kuxun Interaction Technology Co., Ltd. (北京酷訊互動科技有限公司), a limited liability company incorporated under the laws of the PRC on March 29, 2006 and our Consolidated Affiliated Entity
"Beijing Mobike"	Beijing Mobike Technology Co., Ltd. (北京摩拜科技有限公司), a limited liability company incorporated under the laws of the PRC on January 27, 2015 and our Consolidated Affiliated Entity
"Beijing Sankuai Cloud Computing"	Beijing Sankuai Cloud Computing Co., Ltd. (北京三快雲計算有限公司), a limited liability company incorporated under the laws of the PRC on June 17, 2015 and our Consolidated Affiliated Entity
"Beijing Sankuai Technology"	Beijing Sankuai Technology Co., Ltd. (北京三快科技有限公司), a limited liability company incorporated under the laws of the PRC on April 10, 2007 and our Consolidated Affiliated Entity
"Beijing Xinmeida"	Beijing Xinmeida Technology Co., Ltd. (北京新美大科技有限公司), a limited liability company incorporated under the laws of the PRC on March 17, 2016 and our Consolidated Affiliated Entity
"Board"	the board of Directors
"BVI"	the British Virgin Islands
"CG Code"	the corporate governance code as set out in Appendix 14 to the Listing Rules
"Charmway Enterprises"	Charmway Enterprises Company Limited, a limited liability company incorporated under the laws of the BVI, which is controlled by Mu Rongjun
"Chengdu Meigengmei"	Chengdu Meigengmei Information Technology Co., Ltd. (成都美更美信息技術有限公司), a limited liability company incorporated under the laws of the PRC on July 18, 2014 and our Consolidated Affiliated Entity
"Class A Shares"	class A 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

DEFINITIONS

"Class B Shares"	class B ordinary shares of the share capital of the Company with a par value of US$0.00001 each, conferring a holder of a Class B Share one vote per share on any resolution tabled at the Company's general meeting
"CODM"	the chief operating decision-maker who is responsible for allocating resources and assessing performance of the operating segments
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company", "our Company", "the Company"	Meituan Dianping (美团点评) (formerly known as Internet Plus Holdings Ltd.), an exempted company with limited liability incorporated under the laws of the Cayman Islands on September 25, 2015, or Meituan Dianping (美团点评) and its subsidiaries and Consolidated Affiliated Entities, as the case may be
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Consolidated Affiliated Entities"	the entities we control through the Contractual Arrangements, namely, the Onshore Holdcos and their respective subsidiaries (each a "**Consolidated Affiliated Entity**")
"Contractual Arrangement(s)"	the series of contractual arrangements entered into between WFOEs, Onshore Holdcos and Registered Shareholders (as applicable)
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Wang Xing and the directly and indirectly held companies through which Wang Xing has an interest in the Company
"Crown Holdings"	Crown Holdings Asia Limited, a limited liability company incorporated under the laws of the BVI, which is controlled by Wang Xing
"Director(s)"	the director(s) of the Company
"Group", "our Group" or "the Group", "we", "us", or "our"	the Company and its subsidiaries and Consolidated Affiliated Entities from time to time
"Hong Kong dollars" or "HK dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Securities and Futures Ordinance" or "SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC

"IFRS"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"Independent Third Party(ies)"	person(s) or company(ies) which, to the best of the Directors' knowledge having made all due and careful enquiries, is/are not connected (within the meaning of the Listing Rules) with the Company
"IPO"	initial public offering
"Kevin Sunny"	Kevin Sunny Holding Limited, a limited liability company incorporated under the laws of the BVI on May 22, 2018, which is wholly owned by Wang Huiwen
"Listing"	the listing of the Class B Shares on the Main Board of the Stock Exchange
"Listing Date"	September 20, 2018
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange, which is independent from and operates in parallel with the GEM of the Stock Exchange
"Meituan Finance"	Beijing Meituan Finance Technology Co., Ltd. (北京美團金融科技有限公司), a limited liability company incorporated under the laws of the PRC on August 9, 2017 and our Consolidated Affiliated Entity
"Memorandum" or "Memorandum of Association"	the memorandum of association of the Company adopted on August 30, 2018 as amended from time to time
"Mobike"	mobike Ltd., an exempted company with limited liability incorporated under the laws of the Cayman Islands on April 2, 2015 and our direct wholly owned subsidiary
"Mobike Beijing"	Mobike (Beijing) Information Technology Co., Ltd. (摩拜(北京) 信息技術有限公司), a limited liability company incorporated under the laws of the PRC on January 12, 2016 and our indirect wholly owned subsidiary
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Onshore Holdcos", each an "Onshore Holdco"	Tianjin Antechu Technology, Shanghai Lutuan, Beijing Kuxun Interaction, Shanghai Sankuai Technology, Meituan Finance, Beijing Sankuai Cloud Computing, Beijing Xinmeida, Chengdu Meigengmei, Beijing Mobike, Beijing Sankuai Technology and Shanghai Hantao
"Post-IPO Share Award Scheme"	the post-IPO scheme award scheme adopted by the Company on August 30, 2018

"Post-IPO Share Option Scheme"	the post-IPO share option scheme adopted by the Company on August 30, 2018
"PRC"	the People's Republic of China
"PRC Legal Advisor"	Han Kun Law Offices, legal advisor to the Company as to PRC laws
"Pre-IPO ESOP"	the pre-IPO employee stock incentive scheme adopted by the Company dated October 6, 2015, as amended from time to time
"Prospectus"	prospectus of the Company dated September 7, 2018
"Registered Shareholders"	the registered shareholders of the Onshore Holdcos
"Relevant Period"	the period from the Listing Date to December 31, 2018
"Reporting Period"	the year ended December 31, 2018
"Reserved Matters"	those matters resolutions with respect to which each Share is entitled to one vote at general meetings of the Company pursuant to the Articles of Association, being: (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
"RMB" or "Renminbi"	Renminbi, the lawful currency of China
"RSU(s)"	restricted share unit(s)
"SFC"	the Securities and Futures Commission of Hong Kong
"Shanghai Hantao"	Shanghai Hantao Information Consultancy Co., Ltd. (上海漢濤信息諮詢有限公司), a limited liability company incorporated under the laws of the PRC on September 23, 2003 and our Consolidated Affiliated Entity
"Shanghai Lutuan"	Shanghai Lutuan Technology Co., Ltd. (上海路團科技有限公司), a limited liability company incorporated under the laws of the PRC on January 12, 2017 and our Consolidated Affiliated Entity
"Shanghai Sankuai Technology"	Shanghai Sankuai Technology Co., Ltd. (上海三快科技有限公司), a limited liability company incorporated under the laws of the PRC on September 19, 2012 and our Consolidated Affiliated Entity
"Share(s)"	the Class A Shares and Class B Shares in the share capital of the Company, as the context so requires
"Shareholder(s)"	holder(s) of the Share(s)
"Shared Patience"	Shared Patience Inc., a limited liability company incorporated under the laws of the BVI, which is wholly owned by Wang Xing

"Shared Vision"	Shared Vision Investment Limited, a limited liability company incorporated under the laws of the BVI, which is wholly owned by Mu Rongjun
"Shenzhen Tencent Computer"	Shenzhen Tencent Computer Systems Co., Ltd. (深圳市騰訊計算機系統有限公司), a company established in the PRC on November 11, 1998 and a wholly owned subsidiary of Tencent
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"substantial shareholder"	has the meaning ascribed to it in the Listing Rules
"Tianjin Antechu Technology"	Tianjin Antechu Technology Co., Ltd. (天津安特廚科技有限公司), a limited liability company incorporated under the laws of the PRC on January 17, 2018 and our Consolidated Affiliated Entity
"Tencent"	Tencent Holdings Limited (HKEx Stock Code: 700), or Tencent Holdings Limited and/or its subsidiaries, as the case may be
"United States", "U.S." or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US dollars", "U.S. dollars" or "US$"	United States dollars, the lawful currency of the United States
"VIE(s)"	variable interest entity(ies)
"weighted voting right"	has the meaning ascribed to it in the Listing Rules
"WFOEs", each a "WFOE"	Tianjin Xiaoyi Technology, Shanghai Juzuo, Beijing Kuxun Technology, Tianjin Wanlong, Beijing Sankuai Online, Shenzhen Sankuai Online, Shanghai Hanhai, Sankuai Cloud Online and Mobike Beijing
"WVR Beneficiaries"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Wang Xing, Mu Rongjun and Wang Huiwen, being the holders of the Class A Shares, entitling each to weighted voting rights
"WVR Structure"	has the meaning ascribed to it in the Listing Rules
"%"	per cent

Unless otherwise expressly stated or the context otherwise requires, all data in this document is as of the date of this document.

The English names of the PRC entities, PRC laws or regulations, and the PRC governmental authorities referred to in this document are translations from their Chinese names and are for identification purposes. If there is any inconsistency, the Chinese names shall prevail.

Certain amounts and percentage figures included in this document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

"Active Merchant"	a 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 ERP systems
"Gross Transaction Volume" or "GTV"	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
"monetization rate"	the revenues for the year/period divided by the Gross Transaction Volume for the year/period
"Transacting User"	a user account that paid for transactions of products and services on our platform in a given period, regardless of whether the account is subsequently refunded
"transaction"	the number of transactions 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; (iv) with respect to our bike-sharing business, if a user uses a 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 a monthly pass, then one transaction is recognized for every ride