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

2019
INTERIM REPORT

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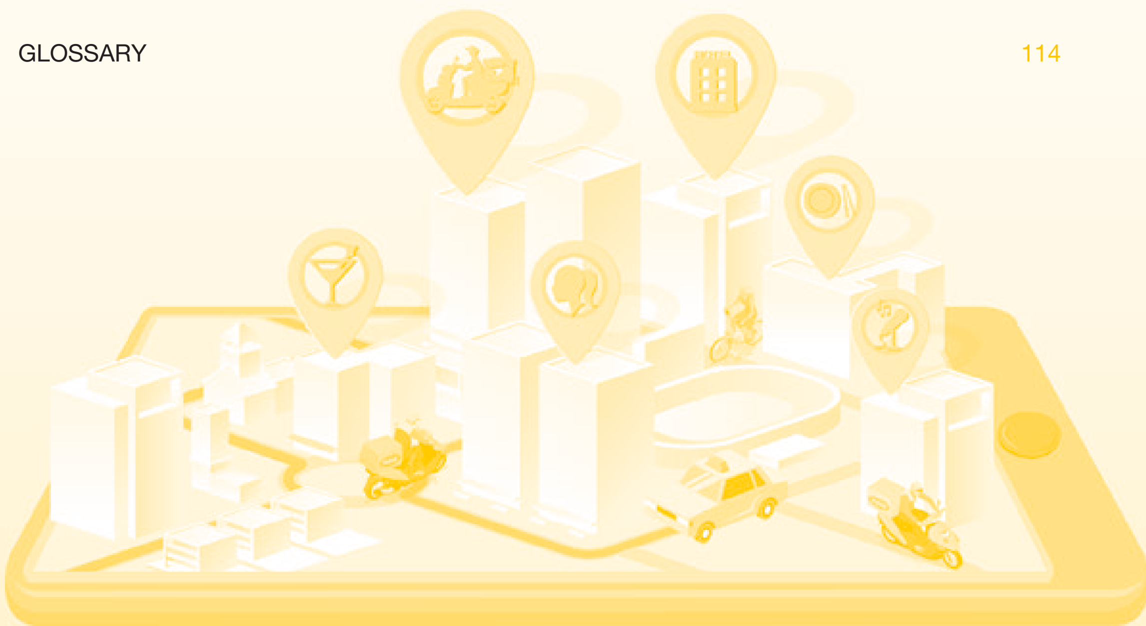

CORPORATE INFORMATION

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)*
Dr. Shum Heung Yeung Harry (沈向洋)
Mr. Orr Gordon Robert Halyburton

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

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STOCK CODE

3690

COMPANY WEBSITE

about.meituan.com

KEY HIGHLIGHTS

FINANCIAL SUMMARY

	Unaudited Three Months Ended				
	June 30, 2019		June 30, 2018		
	Amount	**As a percentage of revenues**	Amount	As a percentage of revenues	Year-over-year change
	(RMB in thousands, except for percentages)				
Revenues	**22,703,137**	**100.0%**	15,072,764	100.0%	50.6%
Gross profit	**7,940,635**	**35.0%**	2,840,750	18.8%	179.5%
Operating profit/(loss)	**1,112,578**	**4.9%**	(2,851,417)	(18.9%)	N/A
Profit/(loss) before income tax	**1,101,852**	**4.9%**	(7,424,447)	(49.3%)	N/A
Profit/(loss) for the period	**875,828**	**3.9%**	(7,716,481)	(51.2%)	N/A
Non-IFRS Measures:					
Adjusted EBITDA	**2,330,809**	**10.3%**	(1,590,839)	(10.6%)	N/A
Adjusted net profit/(loss)	**1,492,146**	**6.6%**	(3,210,589)	(21.3%)	N/A

	Unaudited Six Months Ended				
	June 30, 2019		June 30, 2018		
	Amount	**As a percentage of revenues**	Amount	As a percentage of revenues	Year-over-year change
	(RMB in thousands, except for percentages)				
Revenues	**41,876,649**	**100.0%**	26,347,827	100.0%	58.9%
Gross profit	**13,009,975**	**31.1%**	6,052,723	23.0%	114.9%
Operating loss	**(191,064)**	**(0.5%)**	(3,899,841)	(14.8%)	(95.1%)
Loss before income tax	**(188,159)**	**(0.4%)**	(28,647,756)	(108.7%)	(99.3%)
Loss for the period	**(557,502)**	**(1.3%)**	(28,781,287)	(109.2%)	(98.1%)
Non-IFRS Measures:					
Adjusted EBITDA	**2,789,683**	**6.7%**	(2,707,325)	(10.3%)	N/A
Adjusted net profit/(loss)	**452,764**	**1.1%**	(4,191,375)	(15.9%)	N/A

FINANCIAL INFORMATION BY SEGMENT

	Unaudited Three Months Ended					
	June 30, 2019			June 30, 2018		
	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	12,844,720	5,245,308	4,613,109	8,907,967	3,672,694	2,492,103
Gross profit/(loss)	2,860,276	4,659,267	421,092	1,410,306	3,334,019	(1,903,575)
Gross margin	22.3%	88.8%	9.1%	15.8%	90.8%	(76.4%)

	Unaudited Six Months Ended					
	June 30, 2019			June 30, 2018		
	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	23,550,523	9,737,410	8,588,716	15,964,328	6,810,499	3,573,000
Gross profit/(loss)	4,401,030	8,627,643	(18,698)	1,945,401	6,089,978	(1,982,656)
Gross margin	18.7%	88.6%	(0.2%)	12.2%	89.4%	(55.5%)

KEY HIGHLIGHTS

OPERATING METRICS

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Year-over-year change
	(RMB in billions, except for percentages)		
Gross transaction volume:			
Food delivery	**93.1**	68.2	36.5%
In-store, hotel & travel	**51.3**	42.5	20.7%
New initiatives and others	**14.8**	13.0	14.1%
Total	**159.2**	123.7	28.7%

	Twelve Months Ended June 30, 2019	Twelve Months Ended June 30, 2018	Year-over-year change
	(in millions, except for percentages)		
Number of Transacting Users	**422.6**	356.9	18.4%
Number of Active Merchants	**5.9**	5.1	16.2%

	Twelve Months Ended June 30, 2019	Twelve Months Ended June 30, 2018	Year-over-year change
	(units, except for percentages)		
Average number of transactions per annual Transacting User	**25.5**	21.4	19.2%

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Year-over-year change
	(in millions, except for percentages)		
Number of food delivery transactions	**2,085.1**	1,549.2	34.6%
Number of domestic hotel room nights	**94.0**	72.9	28.9%

To our Shareholders:

In the first half of 2019, Meituan Dianping has continued executing our "Food + Platform" strategy, delivering strong business results, solidifying market leadership in core business segments, enhancing nationwide penetration and brand influence, and achieving new financial milestones. On behalf of the Board, I am pleased to present the Group's interim results for the six months ended June 30, 2019.

FINANCIAL PERFORMANCE HIGHLIGHTS

In the six months ended June 30, 2019:

- **Total revenues** increased by 58.9% year-over-year to RMB41.9 billion from RMB26.3 billion in 2018. Revenues increased across all major business segments.

- **Total gross profit** increased by 114.9% year-over-year to RMB13.0 billion from RMB6.1 billion in 2018, resulting from growth in our business scale, continuous improvement of our gross margin in food delivery, and narrowing losses in our new businesses.

- **Selling and marketing expenses** as a percentage of total revenues decreased to 18.8% from 25.5% in 2018, as we further enhanced operating leverage across all of our business segments and optimized branding and marketing expenses.

- **Adjusted EBITDA** and **adjusted net income** were RMB2.8 billion and RMB452.8 million, respectively. We achieved positive adjusted net profit(1) on a consolidated basis for the first time, attributable to our ongoing efforts to improve the operating margin of our core businesses, narrower operating losses in our new initiatives and seasonality in the food delivery business segment.

OPERATIONAL HIGHLIGHTS

In the six months ended June 30, 2019:

- **Total Gross Transaction Volume (GTV)** on our platform grew by 28.3% to RMB297.6 billion in 2019 from RMB231.9 billion in 2018.

- **Annual Transacting Users** on our platform grew by 18.4% to 422.6 million in 2019 from 356.9 million in 2018. On average, the **annual number of transactions each Transacting User** made on our platform increased to 25.5 transactions in 2019 from 21.4 transactions in 2018.

- **Annual Active Merchants** on our platform grew by 16.2% to 5.9 million in 2019 from 5.1 million in 2018.

- **Overall monetization rate**(2) increased to 14.1% in 2019 from 11.4% in 2018.

1 Adjusted operating profit equals to operating profit eliminated the impacts of items, including share-based compensation expenses, amortization of intangible assets resulting from acquisitions, impairment and expense provision for Mobike restructuring plan, impairment of intangible assets, fair value changes on investments measured at fair value through profit or loss and other gains, net.

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

Food Delivery

In the first six months in 2019, the daily average number of food delivery transactions increased by 35.1% to 20.7 million in 2019 from 15.3 million in 2018. GTV of our food delivery business increased by 37.5% to RMB168.7 billion in 2019 from RMB122.7 billion in 2018. Revenues from the food delivery business increased by 47.5% year-over-year to RMB23.6 billion. During the second quarter of 2019, adjusted operating profit in the food delivery segment turned positive for the first time.

We have a proven track record of solidifying the market leading position amidst challenging market conditions and competitions from the very beginning, thanks to our loyal and growing user base, quality merchant selection, proprietary order dispatching system, and nationwide network effects. Meanwhile, we further improved the unit economics of our food delivery business both year-over-year and quarter-over-quarter, attributable to our enhanced operational efficiency and improved economies of scale.

On the user side, we further enhanced user engagement through our Food Delivery Membership Program. We launched our Food Delivery Membership Pilot Program in the second half of 2018 and are pleased to witness encouraging results thus far. This program has helped to further enhance our platform's user stickiness. Notably, the average purchase frequency of our monthly membership subscribers was more than three times the average purchase frequency of our monthly non-membership subscribers. We plan to build on the initial positive momentum with selective partners in our ecosystem on cooperative opportunities and collaborations to further enrich membership benefits and increase loyalty.

On the merchant side, we continued to leverage our in-depth understanding of the food delivery business to develop innovative online marketing products, enhance food delivery merchants' exposure to potential consumers, and increase food delivery merchants' marketing efficiency. For example, we offer merchants display ads that help them promote their brand awareness, performance-based ads that help them enhance their exposure to consumers' search results, marketing tools that enable them to dispense coupons customized to targeted consumers, and subscription-based services that offer them value-added services, such as the user review management, peer comparison, and online storefront decorations. Our continuous innovations in products and services not only help merchants to improve their marketing efficiency, but also deepen the cooperative relationships between merchants and our platform. We will continue to expand our product and service offerings, create more value-added solutions, and ensure a win-win ecosystem for food delivery merchants going forward.

On the delivery side, a solid growth in order volume and enhanced management and delivery network have kept our delivery cost per order well under control, which has led to a significant improvement in the segment's gross margin. As a result of our continuous investments in our food delivery network and order dispatching system over the past few years, we have not only strengthened our leading position by establishing a competitive advantage on both the user side and the merchant side, but also achieved greater economies of scale and enhanced network effect through improvements in our delivery capabilities. We believe our last-mile delivery network is extremely valuable, as it will enable us to continue growing our food delivery business and expanding our business scope.

In the future, we will continue to invest in our delivery network and order dispatching system while developing other strategic initiatives to drive the long-term growth of both the industry and our business.

In-store, hotel and travel

Our in-store, hotel and travel businesses continued to grow rapidly in the first six months of 2019. GTV of in-store, hotel & travel businesses grew by 18.0% to RMB97.8 billion in 2019 from RMB82.8 billion in 2018, the monetization rate increased to 10.0% from 8.2%, and revenues increased by 43.0% to RMB9.7 billion in 2019 from RMB6.8 billion in 2018. Gross profit from in-store, hotel & travel businesses increased to RMB8.6 billion in 2019 from RMB6.1 billion in 2018.

Our platform has become the preferred destination for consumers to search for local businesses, reviews, and services and products offered by local merchants nationwide. Notably, our increasingly diversified product offerings and promotional campaigns enable merchants to retain consumers and reach new users with greater marketing efficiency, and as a result, we have further improved our presence and influence among merchants.

Our "Must List" series is a good example of this. We launched the "Must-Eat List" for top restaurants in 2017 and it was well received by both merchants and consumers. In the first six months of 2019, we expanded the "Must List" series to include the "Must-Shop List" for top shopping malls, the "Must-Visit List" for top tourist destinations, and the "Must-Stay List" for top hotels and resorts.

Our "Must Lists" were built using authentic consumer feedback and aim to provide consumers with reliable restaurant, travel, and shopping guides. All of our featured selections enjoyed substantial improvements in both consumer traffic and engagement. Our "Must Lists" further enhanced our brand awareness and influence among both consumers and merchants across different service categories.

"Must Lists", which are based on authentic and dynamic consumer reviews, help recommended merchants generate higher sales volumes and enhance their brand influence, as well as guide them to improve their operations and product offerings. The success of our "Must Lists" further demonstrates our leadership as a comprehensive local search platform helping consumers to discover and explore local life in a wide range of categories, including food, travel, leisure, shopping, and entertainment.

In addition, we continued to design and execute promotional campaigns. For example, we launched promotional campaigns on March 8, 2019 and June 18, 2019 to enable local service merchants on our platform to enhance their brand exposure, improve customer targeting, and acquire more online traffic in general. These promotional campaigns have raised brand awareness and generated impressive business results for both the merchants and our platform. Transaction-based commissions continued to grow on a year-over-year basis.

We continued to solidify our leading position as a unique platform that provides a comprehensive suite of transaction services and marketing tools to address merchants' different needs. As the go-to platform for the search and discovery of lifestyle services, more and more merchants have realized the value of marketing on our platform. As a result, online advertising became the key revenue driver for our in-store service categories. Both the number of active online marketing merchants and average revenue per active merchant continued to grow rapidly in the first half of 2019 on a year-over-year basis.

Going forward, we aspire to be more innovative to better serve merchants and consumers through a broader range of creative product offerings.

New initiatives and others

GTV from the new initiatives and others segment increased by 18.3% to RMB31.2 billion in the first six months of 2019 from RMB26.3 billion in 2018. Revenues from the new initiatives and others segment increased by 140.4% to RMB8.6 billion in the first six months of 2019 from RMB3.6 billion in 2018. We narrowed our operating losses for new initiatives on a year-over-year basis.

Specifically, we continued to narrow the operating loss of our bike sharing business and expand our car-hailing business under a new business model. For our bike sharing service, we renamed Mobike to Meituan Bike to enhance brand awareness and promote synergy among other services on Meituan's APP. As a result of the improved domestic pricing matrix, overseas restructurings, and decrease in depreciation expenses as a meaningful number of bikes reached the end of their useful lives, we further narrowed the operating loss of our bike sharing business in the first half of 2019.

For our car-hailing service, we further expanded the business through the new "Aggregated Model", which allows us to serve as an end-to-end marketplace to connect third-party car-hailing service providers with Meituan APP users. Through this new model, we provide our users with a more comprehensive selection of taxi and private car service providers, pricing, car models, reservation services, and other features such as simultaneous hailing of both taxi and private car services. We expect this high-frequency service to further increase users' transaction frequency, enhance user stickiness, and collect more location-based mobility data. We have already expanded our car-hailing business using this new business model in more than 42 cities as of June 30, 2019 and expect the expansion to continue into more cities nationwide for the rest of the year.

While we further narrow the operating losses of our new initiatives, we remain highly alert to opportunities that correspond to our "Food + Platform" strategy, explore new areas with discipline, and make investments based on our return on investment assessment. In grocery retail, especially fresh food retail, there is a large total addressable market with relatively low online penetration. This market presents a great opportunity for expansion in the grocery retail business through both our self-operated and marketplace models.

Our marketplace model, Meituan Instashopping or "Meituan Shangou" in Chinese, experienced strong growth from high-ticket size categories such as flower and OTC medications. During the second quarter of 2019, the GTV of Meituan Instashopping in both flower and OTC medications categories increased by more than 100% year-over-year.

In addition, we started to bring traditional farm markets onto our platform in certain cities by helping them digitizing their products and inventories, as well as providing them with on-demand delivery services to serve more consumers. We launched our self-operated model, known as Meituan Grocery, in January 2019. After making progress with this model in Beijing and Shanghai, we are also currently exploring opportunities in other popular cities. Through our self-operated model, we set up small grocery stores in densely populated community areas, and focus on providing a convenient grocery shopping experience to consumers nearby as well as high-frequency core stock keeping units for home-cooking ingredients and fruits.

In conclusion, we further solidified our leading position as a one-stop e-commerce platform for local services in China in the first half of 2019. We are pleased with the results we have achieved in the first six months of the year, but we are far from satisfied. We will continue to execute our "Food + Platform" strategy and explore new initiatives to drive long-term growth for all stakeholders and enhance our ecosystem.

Moreover, as an enterprise that values social responsibility, we not only strive to offer high-quality services to merchants and consumers, but the Company has also created millions of new jobs. We are very proud of the fact that we have provided employment opportunities to around 2.7 million delivery riders and various career development programs to help youths enter the labor force. We are only at the beginning of the journey, and we remain committed to helping people eat better and live better through technology and innovations.

APPRECIATION

On behalf of the Board, I would like to express our sincere gratitude to our consumers, merchants and partners for their continued faith and support in Meituan Dianping. Together with our entire staff and management, delivery riders, and shareholders, the Company is well prepared to overcome challenges, capture opportunities, deliver results, and be socially responsible in the years to come.

Wang Xing
Chairman
Hong Kong, August 23, 2019

1. SECOND QUARTER OF 2019 COMPARED TO SECOND QUARTER OF 2018

The following table sets forth the comparative figures for the second quarter of 2019 and 2018:

	Unaudited Three Months Ended	
	June 30, 2019	June 30, 2018
	(RMB in thousands)	
Revenues	**22,703,137**	15,072,764
(including interest revenue)	***201,883***	*100,469*
Cost of revenues	**(14,762,502)**	(12,232,014)
Gross profit	**7,940,635**	2,840,750
Selling and marketing expenses	**(4,149,110)**	(3,868,230)
Research and development expenses	**(2,032,330)**	(1,703,837)
General and administrative expenses	**(1,038,298)**	(978,991)
Fair value changes on investments measured at fair value through profit or loss	**(323,651)**	715,216
Net provision for impairment losses on financial assets	**(138,711)**	(17,219)
Other gains, net	**854,043**	160,894
Operating profit/(loss)	**1,112,578**	(2,851,417)
Finance income	**21,541**	61,991
Finance costs	**(50,115)**	(5,427)
Fair value changes of convertible redeemable preferred shares	**–**	(4,637,019)
Share of gains of investments accounted for using equity method	**17,848**	7,425
Profit/(loss) before income tax	**1,101,852**	(7,424,447)
Income tax expenses	**(226,024)**	(292,034)
Profit/(loss) for the period	**875,828**	(7,716,481)
Non-IFRS measures:		
Adjusted EBITDA	**2,330,809**	(1,590,839)
Adjusted net profit/(loss)	**1,492,146**	(3,210,589)

Revenues

Our revenues increased by 50.6% to RMB22.7 billion in the three months ended June 30, 2019 from RMB15.1 billion in the same period of 2018. The increase was primarily driven by (i) the increase in GTV on our platform to RMB159.2 billion in the three months ended June 30, 2019 from RMB123.7 billion in the same period of 2018, which was mainly driven by the increases in the number of Transacting Users and their purchase frequency and average order value, (ii) the increase in monetization rate of our core businesses, and (iii) our exploration of the new initiatives.

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 June 30, 2019 and 2018:

	Unaudited Three Months Ended			
	June 30, 2019		June 30, 2018	
	Amount	As a percentage of total revenues	Amount	As a percentage of total revenues
	(RMB in thousands, except for percentages)			
Revenues:				
Food delivery	**12,844,720**	**56.6%**	8,907,967	59.1%
In-store, hotel & travel	**5,245,308**	**23.1%**	3,672,694	24.4%
New initiatives and others	**4,613,109**	**20.3%**	2,492,103	16.5%
Total	**22,703,137**	**100.0%**	15,072,764	100.0%

Our revenues from the food delivery segment increased by 44.2% to RMB12.8 billion in the three months ended June 30, 2019 from RMB8.9 billion in the same period of 2018, primarily due to (i) the increase in GTV, which was in turn 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 increase in average value per order, and (ii) the increase in monetization rate from 13.1% to 13.8% as we generated more advertising revenue to monetize our traffic.

Our revenues from the in-store, hotel & travel segment increased by 42.8% to RMB5.2 billion in the three months ended June 30, 2019 from RMB3.7 billion in the same period of 2018, primarily due to (i) the increases in the number of Active Merchants and the average revenue per Active Merchant of our in-store and travel businesses, and (ii) the increases 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 85.1% to RMB4.6 billion in the three months ended June 30, 2019 from RMB2.5 billion in the same period of 2018, primarily due to the increases in the revenues from the food distribution business, micro loan, and Meituan Instashopping.

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 June 30, 2019 and 2018:

	Unaudited Three Months Ended			
	June 30, 2019		June 30, 2018	
	Amount	**As a percentage of total revenues**	Amount	As a percentage of total revenues
	(RMB in thousands, except for percentages)			
Revenues:				
Commission	**15,429,574**	**68.0%**	11,082,513	73.5%
Online marketing services	**3,632,236**	**16.0%**	2,099,972	13.9%
Other services and sales	**3,641,327**	**16.0%**	1,890,279	12.6%
Total	**22,703,137**	**100.0%**	15,072,764	100.0%

Our commission revenue increased by 39.2% to RMB15.4 billion in the three months ended June 30, 2019 from RMB11.1 billion in the same period of 2018, primarily attributable to the substantial growth of our GTV and our efforts in improving monetization, especially from our food delivery business.

Our online marketing services revenue increased by 73.0% to RMB3.6 billion in the three months ended June 30, 2019 from RMB2.1 billion in the same period of 2018, primarily due to the increase in the number of online marketing Active Merchants and the increase in the average revenue per online marketing Active Merchant from our in-store, hotel & travel businesses and food delivery business.

Our other services and sales revenue increased by 92.6% to RMB3.6 billion in the three months ended June 30, 2019 from RMB1.9 billion in the same period of 2018, primarily due to the growth of revenue of our food distribution business and micro loan.

Cost of Revenues

Our cost of revenues increased by 20.7% to RMB14.8 billion in the three months ended June 30, 2019 from RMB12.2 billion in the same period of 2018. The increase resulted from our revenue growth in the three months ended June 30, 2019, primarily attributable to the strong growth of our food delivery segment.

The following table sets forth our cost of revenues by segment in the three months ended June 30, 2019 and 2018:

	Unaudited Three Months Ended			
	June 30, 2019		June 30, 2018	
	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	**9,984,444**	**67.6%**	7,497,661	61.3%
In-store, hotel & travel	**586,041**	**4.0%**	338,675	2.8%
New initiatives and others	**4,192,017**	**28.4%**	4,395,678	35.9%
Total	**14,762,502**	**100.0%**	12,232,014	100.0%

Cost of revenues for our food delivery business increased by 33.2% to RMB10.0 billion in the three months ended June 30, 2019 from RMB7.5 billion in the same period of 2018, primarily attributable to the increase in food delivery rider costs as a result of the increase in the number of food deliveries made by us.

Cost of revenues for our in-store, hotel & travel businesses increased by 73.0% to RMB586.0 million in the three months ended June 30, 2019 from RMB338.7 million in the same period of 2018. The increase was primarily attributable to the increases in the depreciation of property, plant and equipment and bandwidth and server custody fees relating to our data storage improvement project, and the increase in online traffic costs, which was in line with the growth of our online marketing revenue.

Cost of revenues for our new initiatives and others business decreased by 4.6% to RMB4.2 billion in the three months ended June 30, 2019 from RMB4.4 billion in the same period of 2018, mainly attributable to the decreases in our car-hailing driver-related costs and depreciation of property, plant and equipment in our bike-sharing business, partially offset by the increase in the cost of goods sold resulting from the growth of food distribution business.

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			
	June 30, 2019		June 30, 2018	
	Amount	**As a percentage of revenues**	Amount	As a percentage of revenues
	(RMB in thousands, except for percentages)			
Gross profit/(loss):				
Food delivery	**2,860,276**	**22.3%**	1,410,306	15.8%
In-store, hotel & travel	**4,659,267**	**88.8%**	3,334,019	90.8%
New initiatives and others	**421,092**	**9.1%**	(1,903,575)	(76.4%)
Total	**7,940,635**	**35.0%**	2,840,750	18.8%

As a result of the foregoing, our gross profit in the three months ended June 30, 2019 and 2018 was RMB7.9 billion and RMB2.8 billion, respectively. The gross margin of our food delivery business improved by 6.5 points on a year-over-year basis as we enhanced our delivery network efficiency through economy of scale and expanded our service offering to merchants, including online marketing services. The gross margin of our in-store, hotel & travel businesses decreased by 2.0 points on a year-over-year basis, primarily attributable to (i) the increases in depreciation of property, plant and equipment and bandwidth and server custody fees, which was relating to our database improvement project, and (ii) the increases in online traffic costs to support the growth of our online marketing revenue. The gross margin of our new initiatives and others business turned to be positive 9.1% in the three months ended June 30, 2019, representing an improvement of 85.5 points on a year-over-year basis, mainly due to (i) the improvement of the gross margin of our car-hailing service as we rolled out the aggregate model and further reduced subsidies paid to drivers, and (ii) the narrowed losses of our bike-sharing service as we increased the riding charge and subscription fees and recorded less depreciation of property, plant and equipment than that in the same period of 2018, since some bikes reached the end of their useful lives during the three months ended June 30, 2019 and will no longer result in any depreciation expenses.

Selling and Marketing Expenses

Our selling and marketing expenses increased to RMB4.1 billion in the three months ended June 30, 2019 from RMB3.9 billion in the same period of 2018 and decreased to 18.3% from 25.7% as a percentage of revenues. The increase in selling and marketing expenses was primarily due to the increase in Transacting User incentives, which was in line with the increase in the number of transactions, and the increase in employee benefit expenses. Transacting User incentives increased to RMB1.7 billion in the three months ended June 30, 2019 from RMB1.4 billion in the same period of 2018, but decreased to 7.6% from 9.3% as a percentage of revenues on a year-over-year basis, as we continued to drive the growth of our core businesses with better marketing efficiency. Employee benefit expenses increased to RMB1.4 billion in the three months ended June 30, 2019 from RMB1.2 billion in the same period of 2018 due to the increase in average salaries and benefits of our selling and marketing personnel. Promotion and advertising expenses decreased to RMB417.1 million in the three months ended June 30, 2019 from RMB783.5 million in the same period of 2018, mainly resulting from our efforts in exploring more effective marketing channels.

Research and Development Expenses

Our research and development expenses increased to RMB2.0 billion in the three months ended June 30, 2019 from RMB1.7 billion in the same period of 2018 and decreased to 9.0% from 11.3% 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 RMB1.9 billion in the three months ended June 30, 2019 from RMB1.6 billion in the same period of 2018, which resulted from the increases in both the headcount and the 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 RMB1.0 billion in the three months ended June 30, 2019 from RMB979.0 million in the same period of 2018 and decreased to 4.6% from 6.5% as a percentage of revenues. The increase in general and administrative expenses was mainly attributable to the increase in employee benefits expenses, including share-based payments, to RMB734.3 million in the three months ended June 30, 2019 from RMB599.3 million in the same period of 2018, as a result of the increase in the average salaries and benefits of our administrative personnel.

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 June 30, 2019 decreased by RMB1.0 billion compared to the same period of 2018, primarily due to the RMB1.1 billion fair value gain of certain investment in the three months ended June 30, 2018.

Net Provision for Impairment Losses on Financial Assets

Our net provision for impairment losses on financial assets increased to RMB138.7 million in the three months ended June 30, 2019 from RMB17.2 million in the same period of 2018 and increased by 0.5 points to 0.6% as a percentage of revenues on a year-over-year basis, primarily due to the increase in loan loss provision as our micro loan business grew.

Other Gains, Net

Our other gains, net was a gain of RMB854.0 million in the three months ended June 30, 2019, compared to a gain of RMB160.9 million in the same period of 2018. The increase in other gains, net was primarily due to (i) the increase in gains from investments for term deposits with initial term over three months and wealth management products to RMB415.5 million in the three months ended June 30, 2019 from RMB81.6 million in the same period of 2018, and (ii) the gains of RMB176.9 million and RMB160.9 million from the remeasurement of investments and the disposal of investments, respectively, in the three months ended June 30, 2019.

Operating Profit/(Loss)

As a result of the foregoing, our operating profit in the three months ended June 30, 2019 was RMB1.1 billion, compared to an operating loss of RMB2.9 billion in the same period of 2018.

Fair Value Changes of Convertible Redeemable Preferred Shares

Fair value changes of convertible redeemable preferred shares was nil in the three months ended June 30, 2019 as a result of the completion of our initial public offering in September 2018, compared to a loss of RMB4.6 billion in the same period of 2018.

Profit/(Loss) before Income Tax

As a result of the foregoing, our profit before income tax in the three months ended June 30, 2019 was RMB1.1 billion, compared to a loss before income tax of RMB7.4 billion in the same period of 2018.

Income Tax Expenses

We had income tax expenses of RMB226.0 million in the three months ended June 30, 2019, decreased by RMB66.0 million from income tax expenses of RMB292.0 million in the same period of 2018, primarily due to the withholding income tax from the disposal of our investee companies in three months ended June 30, 2018, partially offset by the increase in profit before income tax of some of our entities in the three months ended June 30, 2019.

Profit/(Loss) for the Period

As a result of the foregoing, we had a profit of RMB875.8 million in the three months ended June 30, 2019, compared to a loss of RMB7.7 billion in the three months ended June 30, 2018.

2. SECOND QUARTER OF 2019 COMPARED TO FIRST QUARTER OF 2019

The following table sets forth the comparative figures for the second quarter of 2019 and the first quarter of 2019:

	Unaudited Three Months Ended June 30, 2019	Unaudited Three Months Ended March 31, 2019
	(RMB in thousands)	
Revenues	**22,703,137**	19,173,512
(including interest revenue)	***201,883***	*158,590*
Cost of revenues	**(14,762,502)**	(14,104,172)
Gross profit	**7,940,635**	5,069,340
Selling and marketing expenses	**(4,149,110)**	(3,706,112)
Research and development expenses	**(2,032,330)**	(2,036,100)
General and administrative expenses	**(1,038,298)**	(1,012,213)
Fair value changes on investments measured at fair value through profit or loss	**(323,651)**	165,292
Net provision for impairment losses on financial assets	**(138,711)**	(62,980)
Other gains, net	**854,043**	279,131
Operating profit/(loss)	**1,112,578**	(1,303,642)
Finance income	**21,541**	52,922
Finance costs	**(50,115)**	(46,821)
Share of gains of investments accounted for using equity method	**17,848**	7,530
Profit/(loss) before income tax	**1,101,852**	(1,290,011)
Income tax expenses	**(226,024)**	(143,319)
Profit/(loss) for the period	**875,828**	(1,433,330)
Non-IFRS measures:		
Adjusted EBITDA	**2,330,809**	458,874
Adjusted net profit/(loss)	**1,492,146**	(1,039,382)

Revenues

Our revenues increased by 18.4% to RMB22.7 billion in the three months ended June 30, 2019 from RMB19.2 billion in the three months ended March 31, 2019. The increase was primarily driven by (i) the increase in GTV on our platform to RMB159.2 billion in the three months ended June 30, 2019 from RMB138.4 billion in the three months ended March 31, 2019, which was mainly driven by the increases in the number of Transacting Users and their purchase frequency, (ii) the increase in monetization rate of our in-store, hotel & travel businesses, and (iii) our exploration of the new initiatives.

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 June 30, 2019 and the three months ended March 31, 2019:

	Unaudited Three Months Ended			
	June 30, 2019		March 31, 2019	
	Amount	**As a percentage of total revenues**	Amount	As a percentage of total revenues
	(RMB in thousands, except for percentages)			
Revenues:				
Food delivery	**12,844,720**	**56.6%**	10,705,803	55.8%
In-store, hotel & travel	**5,245,308**	**23.1%**	4,492,102	23.4%
New initiatives and others	**4,613,109**	**20.3%**	3,975,607	20.8%
Total	**22,703,137**	**100.0%**	19,173,512	100.0%

Our revenues from the food delivery segment increased by 20.0% to RMB12.8 billion in the three months ended June 30, 2019 from RMB10.7 billion in the three months ended March 31, 2019, primarily due to the increase in GTV, which was in turn 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, as user demand bounced back after the Chinese new year.

Our revenues from the in-store, hotel & travel segment increased by 16.8% to RMB5.2 billion in the three months ended June 30, 2019 from RMB4.5 billion in the three months ended March 31, 2019, primarily due to (i) the increases in the number of Active Merchants and the average revenue per Active Merchant in our in-store and travel businesses, and (ii) the increase in the number of domestic room nights consumed on our platform.

Our revenues from the new initiatives and others segment increased by 16.0% to RMB4.6 billion in the three months ended June 30, 2019 from RMB4.0 billion in the three months ended March 31, 2019. The increase was mainly contributed by our micro loan, food distribution business and Meituan Instashopping.

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 June 30, 2019 and the three months ended March 31, 2019:

	Unaudited Three Months Ended			
	June 30, 2019		March 31, 2019	
	Amount	**As a percentage of total revenues**	Amount	As a percentage of total revenues
	(RMB in thousands, except for percentages)			
Revenues:				
Commission	**15,429,574**	**68.0%**	13,164,718	68.7%
Online marketing services	**3,632,236**	**16.0%**	2,860,801	14.9%
Other services and sales	**3,641,327**	**16.0%**	3,147,993	16.4%
Total	**22,703,137**	**100.0%**	19,173,512	100.0%

Our commission revenue increased by 17.2% to RMB15.4 billion in the three months ended June 30, 2019 from RMB13.2 billion in the three months ended March 31, 2019, primarily due to the substantial growth of our GTV, especially from our food delivery business.

Our online marketing services revenue increased by 27.0% to RMB3.6 billion in the three months ended June 30, 2019 from RMB2.9 billion in the three months ended March 31, 2019, primarily due to the increase in the number of online marketing Active Merchants and the increase in the average revenue per online marketing Active Merchant from our in-store, hotel & travel businesses and our food delivery business.

Our other services and sales revenue increased by 15.7% to RMB3.6 billion in the three months ended June 30, 2019 from RMB3.1 billion in the three months ended March 31, 2019, primarily due to the increased demand by customers for our micro loan, food distribution business and restaurant management system.

Cost of Revenues

Our cost of revenues increased by 4.7% to RMB14.8 billion in the three months ended June 30, 2019 from RMB14.1 billion in the three months ended March 31, 2019. The increase was caused by our revenue growth in the three months ended June 30, 2019, especially the strong growth of our food delivery segment.

The following table sets forth our cost of revenues by segment in the three months ended June 30, 2019 and the three months ended March 31, 2019:

	Unaudited Three Months Ended			
	June 30, 2019		March 31, 2019	
	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	**9,984,444**	**67.6%**	9,165,049	65.0%
In-store, hotel & travel	**586,041**	**4.0%**	523,726	3.7%
New initiatives and others	**4,192,017**	**28.4%**	4,415,397	31.3%
Total	**14,762,502**	**100.0%**	14,104,172	100.0%

Cost of revenues for our food delivery business increased by 8.9% to RMB10.0 billion in the three months ended June 30, 2019 from RMB9.2 billion in the three months ended March 31, 2019, primarily attributable to the increase in food delivery rider costs as a result of the increase in the number of food deliveries made by us.

Cost of revenues for our in-store, hotel & travel businesses increased by 11.9% to RMB586.0 million in the three months ended June 30, 2019 from RMB523.7 million in the three months ended March 31, 2019. The increase primarily resulted from the increases in online traffic costs, payment processing fees, and depreciation of property, plant and equipment.

Cost of revenues for the new initiatives and others business decreased by 5.1% to RMB4.2 billion in the three months ended June 30, 2019 from RMB4.4 billion in the three months ended March 31, 2019, mainly due to the decreases of depreciation of property, plant and equipment in our bike-sharing service, partially offset by the increase in the cost of goods sold resulting from the growth of food distribution business.

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			
	June 30, 2019		March 31, 2019	
	Amount	As a percentage of revenues	Amount	As a percentage of revenues
	(RMB in thousands, except for percentages)			
Gross profit/(loss):				
Food delivery	**2,860,276**	**22.3%**	1,540,754	14.4%
In-store, hotel & travel	**4,659,267**	**88.8%**	3,968,376	88.3%
New initiatives and others	**421,092**	**9.1%**	(439,790)	(11.1%)
Total	**7,940,635**	**35.0%**	5,069,340	26.4%

As a result of the foregoing, our gross profit in the three months ended June 30, 2019 and the three months ended March 31, 2019 was RMB7.9 billion and RMB5.1 billion, respectively. The gross margin of our food delivery business improved by 7.9 points on a quarter-over-quarter basis, attributable to seasonality as we spent less incentives to riders under the sufficient delivery capacity and the good weather conditions, our efforts in enhancing our delivery network efficiency and increasing revenue contribution from online marketing services. The gross margin of our in-store, hotel & travel businesses remained relatively stable on a quarter-over-quarter basis. The gross margin of our new initiatives and others business turned to be positive 9.1% in the three months ended June 30, 2019, representing an improvement by 20.2 points on a quarter-over-quarter basis, mainly due to (i) the increased gross margin of Meituan Instashopping, mainly as a result of improved operating leverage, and (ii) the narrowed losses of our bike-sharing service, as some bikes reached the end of their useful lives during the three months ended June 30, 2019 and will no longer result in any depreciation expenses.

Selling and Marketing Expenses

Our selling and marketing expenses increased to RMB4.1 billion in the three months ended June 30, 2019 from RMB3.7 billion in the three months ended March 31, 2019, mainly in line with the revenue growth, and decreased to 18.3% from 19.3% as a percentage of revenues. The increase in selling and marketing expenses was primarily due to the increase in Transacting User incentives, which was in line with the increase in the number of transactions, and the increase in promotion and advertising expenses. Transacting User incentives increased to RMB1.7 billion in the three months ended June 30, 2019 from RMB1.3 billion in the three months ended March 31, 2019, because (i) the number of transactions ramped up as we entered a high season for the food delivery business, and (ii) subsidies provided to users increased to support the growth of hotel-booking during the holidays. Promotion and advertising expenses increased to RMB417.1 million in the three months ended June 30, 2019 from RMB327.0 million in the three months ended March 31, 2019, which resulted from the increase in channel marketing and branding expenses in the three months ended June 30, 2019.

Research and Development Expenses

Our research and development expenses were RMB2.0 billion in the three months ended June 30, 2019, remaining flat on a quarter-over-quarter basis, and decreased to 9.0% from 10.6% quarter-over-quarter as a percentage of revenues.

General and Administrative Expenses

Our general and administrative expenses increased by RMB26.1 million to RMB1.0 billion and decreased by 0.7 points to 4.6% as a percentage of revenues in the three months ended June 30, 2019 on a quarter-over-quarter basis. The increase in general and administrative expenses was mainly attributable to the increase in employee benefit expenses to RMB734.3 million in the three months ended June 30, 2019 from RMB651.9 million in the three months ended March 31, 2019, as a result of the increases in the headcount and the average salaries and benefits, including share-based payments, of our administrative personnel.

Net Provision for Impairment Losses on Financial Assets

Our net provision for impairment losses on financial assets increased by RMB75.7 million to RMB138.7 million and increased by 0.3 points to 0.6% as a percentage of revenues in the three months ended June 30, 2019 on a quarter-over-quarter basis, primarily due to the increase in loan loss provision as our micro loan business grew.

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 June 30, 2019 decreased by RMB488.9 million compared to the three months ended March 31, 2019, primarily due to the fair value loss relating to an investment made by our company in the three months ended June 30, 2019.

Other Gains, Net

Our other gains, net was a gain of RMB854.0 million in the three months ended June 30, 2019 compared to a gain of RMB279.1 million in the three months ended March 31, 2019. The increase in other gains, net was primarily due to (i) the gains of RMB176.9 million and RMB160.9 million from the remeasurement of investments and the disposal of investments, respectively, in the three months ended June 30, 2019, (ii) the increase in gains from investments for term deposits with initial term over three months and wealth management products to RMB415.5 million in the three months ended June 30, 2019 from RMB322.0 million in the three months ended March 31, 2019, and (iii) the foreign exchange losses of RMB99.0 million in the three months ended March 31, 2019.

Operating Profit/(Loss)

As a result of the foregoing, our operating profit in the three months ended June 30, 2019 was RMB1.1 billion, compared to an operating loss of RMB1.3 billion in the three months ended March 31, 2019.

Profit/(Loss) before Income Tax

Primarily as a result of the foregoing, our profit before income tax in the three months ended June 30, 2019 was RMB1.1 billion, compared to a loss before income tax of RMB1.3 billion in the three months ended March 31, 2019.

Income Tax Expenses

We had income tax expenses of RMB226.0 million in the three months ended June 30, 2019, compared to income tax expense of RMB143.3 million in the three months ended March 31, 2019, primarily due to the increase in profit before income tax of some of our entities.

Profit/(Loss) for the Period

As a result of the foregoing, we had a profit of RMB875.8 million in the three months ended June 30, 2019, compared to a loss of RMB1.4 billion in the three months ended March 31, 2019.

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 profit/(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 June 30, 2019 and 2018, the three months ended March 31, 2019, and the six months ended June 30, 2019 and 2018 to the nearest measures prepared in accordance with IFRS.

	Unaudited Three Months Ended		
	June 30, 2019	June 30, 2018	March 31, 2019
	(RMB in thousands)		
Profit/(loss) for the period	**875,828**	(7,716,481)	(1,433,330)
Adjusted for:			
Fair value changes of convertible redeemable preferred shares	**–**	4,637,019	–
Share-based compensation expenses	**515,501**	387,580	438,068
Fair value losses/(gains) on investments[1]	**278,157**	(715,216)	(211,158)
(Gains)/losses on disposal of investments and subsidiaries[2]	**(160,884)**	–	1,490
(Gains) from the remeasurement of investments[3]	**(176,880)**	–	–
Amortization of intangible assets resulting from acquisitions	**165,548**	196,509	165,548
Impairment and expense provision for Mobike restructuring plan	**(5,124)**	–	–
Adjusted net profit/(loss)	**1,492,146**	(3,210,589)	(1,039,382)
Adjusted for:			
Income tax expenses	**226,024**	292,034	143,319
Share of (gains) of investments accounted for using equity method	**(17,848)**	(7,425)	(7,530)
Finance income	**(21,541)**	(61,991)	(52,922)
Finance costs	**50,115**	5,427	46,821
Other (gains) except for (gains)/losses related to fair value change, disposal and remeasurement of investments and subsidiaries	**(470,785)**	(160,894)	(234,755)
Amortization of software and others	**131,093**	126,390	130,911
Depreciation on property, plant and equipment[4]	**941,605**	1,426,209	1,472,412
Adjusted EBITDA	**2,330,809**	(1,590,839)	458,874

(1) 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; and (ii) dilution gain.

(2) Represents gains or losses from disposal of investments and subsidiaries.

(3) Certain contractual rights attached to an investment previously classified as investment accounted for using equity method have been changed, thus we remeasured the investment with RMB176.9 million gains and re-designated the investment to financial assets at fair value through profit or loss.

(4) The RMB941.6 million depreciation on property, plant and equipment for the three months ended June 30, 2019 included RMB202.5 million depreciation of right-of-use assets as a result of the adoption of IFRS16 Leases. This expense was used to be recognized as rental, facilities and utilities in prior years.

	Unaudited Six Months Ended	
	June 30, 2019	June 30, 2018
	(RMB in thousands)	
(Loss) for the period	**(557,502)**	(28,781,287)
Adjusted for:		
Fair value changes of convertible redeemable preferred shares	**–**	24,850,095
Share-based compensation expenses	**953,569**	682,258
Fair value losses/(gains) on investments[1]	**66,999**	(1,190,490)
(Gains) on disposal of investments and subsidiaries[2]	**(159,394)**	(29,968)
(Gains) from the remeasurement of investments[3]	**(176,880)**	–
Amortization of intangible assets resulting from acquisitions	**331,096**	278,017
Impairment and expense provision for Mobike restructuring plan	**(5,124)**	–
Adjusted net profit/(loss)	**452,764**	(4,191,375)
Adjusted for:		
Income tax expenses	**369,343**	133,531
Share of (gains) of investments accounted for using equity method	**(25,378)**	(6,850)
Finance income	**(74,463)**	(109,169)
Finance costs	**96,936**	13,839
Other (gains) except for (gains)/losses related to fair value change, disposal and remeasurement of investments and subsidiaries	**(705,540)**	(291,629)
Amortization of software and others	**262,004**	197,108
Depreciation on property, plant and equipment[4]	**2,414,017**	1,547,220
Adjusted EBITDA	**2,789,683**	(2,707,325)

(1) 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; and (iii) change in fair value from contingent consideration.

(2) Represents gains or losses from disposal of investments and subsidiaries.

(3) Certain contractual rights attached to an investment previously classified as investment accounted for using equity method have been changed, thus we remeasured the investment with RMB176.9 million gains and re-designated the investment to financial assets at fair value through profit or loss.

(4) The RMB2.4 billion depreciation on property, plant and equipment for the six months ended June 30, 2019 included RMB433.6 million depreciation of right-of-use assets as a result of the adoption of IFRS16 Leases. This expense was used to be recognized as rental, facilities and utilities in prior years.

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 RMB10.2 billion and short-term investments of RMB48.4 billion as of June 30, 2019.

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

	Unaudited Three Months Ended June 30, 2019	Unaudited Six Months Ended June 30, 2019
	(RMB in thousands)	
Net cash generated from/(used in) operating activities	3,131,073	(149,777)
Net cash used in investing activities	(4,993,985)	(7,785,824)
Net cash generated from financing activities	1,253,230	1,299,230
Net decrease in cash and cash equivalents	(609,682)	(6,636,371)
Cash and cash equivalents at the beginning of the period	10,802,498	17,043,692
Cash and cash equivalents reclassified from the assets classified as held for sale	28,377	28,377
Exchange gains/(losses) on cash and cash equivalents	16,057	(198,448)
Cash and cash equivalents at the end of the period	10,237,250	10,237,250

Net Cash Generated from Operating Activities

Net cash generated from operating activities primarily consists of our profit for the period and non-cash items, and adjusted by changes in working capital.

For the three months ended June 30, 2019, net cash generated from operating activities was RMB3.1 billion, which was primarily attributable to our profit before income tax of RMB1.1 billion, as adjusted by (i) non-cash items, which primarily comprised depreciation and amortization of RMB1.2 billion, and (ii) changes in working capital, which primarily comprised an increase in payables to merchants of RMB970.8 million, an increase in other payables and accruals of RMB726.9 million, an increase in deferred revenue of RMB713.8 million, and an increase in trade payables of RMB300.4 million, partially offset by an increase in restricted cash of RMB1.1 billion, an increase in prepayments, deposits and other assets of RMB637.5 million, and a decrease in deposit from transacting users of RMB212.9 million.

Net Cash Used in Investing Activities

For the three months ended June 30, 2019, net cash used in investing activities was RMB5.0 billion, which was mainly due to net increase in investments for term deposits with initial term over three months and wealth management products of RMB4.4 billion, purchase of property, plant and equipment of RMB619.4 million, and payments for business combinations of RMB449.8 million.

Net Cash Generated from Financing Activities

For the three months ended June 30, 2019, net cash generated from financing activities was RMB1.3 billion, which was mainly attributable to borrowings of RMB1.2 billion and asset-backed securities proceeds of RMB467.0 million, partially offset by repayments of borrowings of RMB300.0 million.

Gearing Ratio

As of June 30, 2019, our gearing ratio, calculated as total borrowings divided by total equity attributable to equity holders of the Company was approximately 4.5%.

5. INDEBTEDNESS

As of June 30, 2019, we had total borrowings of RMB3.9 billion. The maturity profile of our borrowings are disclosed in Note 29 to the interim financial information.

6. CONTINGENT LIABILITIES

As of June 30, 2019, we did not have any material contingent liabilities.

7. CAPITAL EXPENDITURE AND LONG-TERM INVESTMENTS

	Unaudited Six Months Ended	
	June 30, 2019	June 30, 2018
	(RMB in thousands)	
Purchase of property, plant and equipment	**1,463,481**	847,162
Purchase of intangible assets	**7,662**	9,045
Payments for business combinations	**449,764**	6,872,126
Acquisition of investments accounted for using the equity method	**1,025**	135,875
Acquisition of investments measured at fair value	**338,893**	1,023,616
Total	**2,260,825**	8,887,824

The decrease of RMB6.6 billion in our total capital expenditures and long-term investments from the first half of 2018 to the first half of 2019 was primarily due to the payment for business combinations of RMB6.8 billion as a result of our acquisition of Mobike in the first half of 2018.

8. OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of June 30, 2019, we had no off-balance sheet commitments other than off-balance sheet financial guarantee contracts of RMB188.0 million.

9. MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the six months ended June 30, 2019, we did not have any other material acquisitions or disposals of subsidiaries and affiliated companies except for the Mobike restructuring plan, which has been disclosed in Note 30 to the interim financial information.

10. EMPLOYEE AND REMUNERATION POLICY

As of June 30, 2019, we had 52,396 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 certain other incentives. The total remuneration expenses, for the first half of 2019 were RMB8.5 billion.

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 as required in accordance with government regulations. 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.

11. FOREIGN EXCHANGE RISK

The functional currency of the Company is US Dollar whereas the functional currency of the subsidiaries operating in the PRC is Renminbi. As of June 30, 2019, our cash and cash equivalent balance was mainly denominated in US Dollar and Renminbi. We manage foreign exchange risk by performing regular reviews of our net foreign exchange exposures and try to minimize these exposures through natural hedges, wherever possible and may enter into forward foreign exchange contracts, when necessary. We operate mainly in the PRC with most of the transactions settled in Renminbi. Management considers that the business is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities denominated in the currencies other than the respective functional currencies of our entities. As of June 30, 2019, we did not have significant foreign currency exposure from our operations.

12. SIGNIFICANT INVESTMENT HELD AND MATERIAL ACQUISITION

As of June 30, 2019, we had no significant investment held and had not identified or pursued any material acquisition target.

13. PLEDGE OF ASSETS

As of June 30, 2019, the Company had securitized certain loan receivables and issued RMB1.0 billion asset-backed securities.

14. INTERIM DIVIDENDS

The Board does not recommend the distribution of an interim dividend for the six months ended June 30, 2019.

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

As of June 30, 2019, 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 and 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:

Interest 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 of the Company[7]
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%
			166,667 Class B Shares	0.00%
	Beneficial interest (L)	—	5,833,333 Class B Shares	0.12%

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 of the Company[7]
WANG Huiwen[4]	Beneficiary and founder of a Trust (L)	Trust	36,400,000 Class A Shares	4.95%
			2,134,660 Class B Shares	0.04%
	Interest in controlled corporation (L)	Aim Mars Investment Limited	36,400,000 Class A Shares	4.95%
			2,134,660 Class B Shares	0.04%
	Interest in controlled corporation (L)	Kevin Sunny	36,400,000 Class A Shares	4.95%
			2,134,660 Class B Shares	0.04%
	Interest in controlled corporation (L)	Galileo Space Limited	3,217,167 Class B Shares	0.64%
			2,134,660 Class B Shares	0.04%
	Beneficial interest (L)	—	17,926,773 Class B Shares	0.36%
Neil Nanpeng SHEN[5]	Interest in controlled corporations (L)	Sequoia Capital China Funds, Sequoia Capital Global Growth Funds and Other Controlled Entities	512,162,345 Class B Shares	10.16%
	Beneficial interest (L)		2,629,894 Class B Shares	0.05%
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 was granted RSUs equivalent to 1,000,000 Shares and options with respect to 5,000,000 Class B Shares under the Pre-IPO ESOP subject to vesting/exercise. As at June 30, 2019, 166,667 Class B Shares were issued to Shared Vision with respect to the vesting of 166,667 RSUs granted to Mu Rongjun under the Pre-IPO ESOP.

(4) Kevin Sunny is wholly-owned by Aim Mars Investment Limited. The entire interest in Aim Mars Investment Limited is held through a trust established by Wang Huiwen (as settlor) for the benefit of Wang Huiwen and his family. Wang Huiwen is deemed to be interested in the 36,400,000 Class A Shares held by Aim Mars Investment Limited under the SFO. Galileo Space Limited is wholly-controlled by Wang Huiwen. Wang Huiwen was granted RSUs equivalent to 15,700,000 Class B Shares, and options with respect to 7,578,600 Class B Shares under the Pre-IPO ESOP. As at June 30, 2019, (i) 972,160 Class B Shares were issued to Kevin Sunny with respect to the exercise of 972,160 share options; and 1,162,500 Class B Shares were issued to Kevin Sunny with respect to the vesting 1,162,500 RSUs under the Pre-IPO ESOP; (ii) 1,550,500 Class B Shares were issued to Galileo Space Limited with respect to the exercise of 1,550,500 share options; and 1,666,667 Class B Shares were issued to Galileo Space Limited with respect to the vesting 1,666,667 RSUs under the Pre-IPO ESOP;

(5) Sequoia Capital China Funds refers to Sequoia Capital China I, L.P., Sequoia Capital China Partners Fund I, L.P., Sequoia Capital China Principals Fund I, L.P., Sequoia Capital China II, L.P., Sequoia Capital China Partners Fund II, L.P., Sequoia Capital China Principals Fund II, L.P., Sequoia Capital 2010 CV Holdco, Ltd., SCC Venture V Holdco I, Ltd., SCC Venture VI Holdco, Ltd., SCC Venture VI Holdco B, Ltd., SCC Growth 2010-Top Holdco, Ltd., Sequoia Capital 2010 CGF Holdco, Ltd., SCC Growth IV Holdco A, Ltd., SCC Growth IV 2017-E, L.P. and SCC Growth IV 2017-D, L.P. (which hold approximately 1.05%, 0.12%, 0.16%, 3.20%, 0.08%, 0.54%, 0.82%, 0.01%, 0.04%, 0.01%, 0.93%, 0.33%, 0.02%, 0.24% and 0.15%, 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 0.48%, 0.01% and 0.62%, 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.

The general partner of each of Sequoia Capital China I, L.P., Sequoia Capital China Partners Fund I, L.P. and Sequoia Capital China Principals Fund I, L.P. is Sequoia Capital China Management I, L.P. ("SCC Management I"). The general partner of each of Sequoia Capital China II, L.P., Sequoia Capital China Partners Fund II, L.P. and Sequoia Capital China Principals Fund II, L.P. is Sequoia Capital China Management II, L.P. ("SCC Management II"). The sole shareholder of Sequoia Capital 2010 CV Holdco, Ltd. is Sequoia Capital China Venture 2010 Fund, L.P., whose general partner is SC China Venture 2010 Management, L.P. ("SCCV 2010 Management"). The sole shareholder of SCC Venture V Holdco I, Ltd. is Sequoia Capital China Venture Fund V, L.P., whose general partner is SC China Venture V Management, L.P. ("SCCV V Management"). The sole shareholder of each of SCC Venture VI Holdco, Ltd. and SCC Venture VI Holdco B, Ltd. is Sequoia Capital China Venture Fund VI, L.P., whose general partner is SC China Venture VI Management, L.P. ("SCCV VI Management"). The controlling shareholder of SCC Growth 2010-Top Holdco, Ltd. and the sole shareholder of Sequoia Capital 2010 CGF Holdco, Ltd. is Sequoia Capital China Growth 2010 Fund, L.P. ("China Growth Fund 2010"), whose general partner is SC China Growth 2010 Management, L.P. ("SCCGF 2010 Management"). In respect of the casting of votes held by China Growth Fund 2010 in SCC Growth 2010-Top Holdco, Ltd., China Growth Fund 2010 is accustomed to act in accordance with the instructions of Sequoia Capital China Growth Fund I, L.P., whose general partner is Sequoia Capital China Growth Fund Management I, L.P. ("SCCGF Management I"). The sole shareholder of SCC Growth IV Holdco A, Ltd. is Sequoia Capital China Growth Fund IV, L.P., whose general partner is SC China Growth IV Management, L.P. ("SCCGF IV Management" and, together with SCC Management I, SCC Management II, SCCV 2010 Management, SCCV V Management, SCCV VI Management, SCCGF 2010 Management and SCCGF Management I, collectively, the "General Partners"). The general partner of each of 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, and has a beneficial interest of 2,629,894 Class B Shares. Other Controlled Entities refers to URM Management Limited, N&J Investment Holdings Limited and Sequoia Capital China UR Holdings Limited (which hold approximately 0.0003%, 0.03% and 0.02%, respectively, of the outstanding Shares) and are controlled by Neil Nanpeng Shen.

In view of the above, the Sequoia Capital China Funds and the Sequoia Capital Global Growth Funds are deemed to be interested in the Shares held by each other and by Neil Nanpeng Shen and Other Controlled Entities and vice versa; and is therefore each deemed to be interested in 8.91% interest in the share capital of the Company (or 10.21% 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. As at June 30, 2019, 11,250 Class B Shares were issued to each of the independent non-executive Directors with respect to the vesting of 11,250 awarded shares under the Post-IPO Share Award Scheme;

(7) The table above is calculated on the basis of 735,568,783 Class A Shares and 5,041,063,248 Class B Shares, being the issued Shares as at June 30, 2019.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As of June 30, 2019, 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 of the Company[5]
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%

Name of Substantial Shareholder	Capacity/Nature of interest	Number and class of shares held	Approximate percentage of interest in each class of shares of the Company[5]
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	12.37%
Tencent Mobility Limited[3]	Beneficial interest	389,413,655 Class B Shares	7.72%
Morespark Limited[3]	Beneficial interest	8,850,245 Class B Shares	0.18%
Great Summer Limited[3]	Beneficial interest	25,000,000 Class B Shares	0.50%
TPP Follow-on I Holding B Limited[3]	Beneficial interest	3,150,931 Class B Shares	0.06%
TPP Follow-on I Holding C Limited[3]	Beneficial interest	4,473,024 Class B Shares	0.09%
THL A Limited[3]	Beneficial interest	149,261 Class B Shares	0.00%
THL A25 Limited[3]	Beneficial interest	1,927 Class B Shares	0.00%
Class B Shares – Sequoia			
Sequoia Capital China Funds, Sequoia Capital Global Growth Funds and Other Controlled Entities[4]	Beneficial interest	512,162,345 Class B Shares	10.16%
	Other	2,629,844 Class B Shares	0.05%

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, THL A Limited, a company incorporated under the laws of the British Virgin Islands and THL A25 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) 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 1.05%, 0.12%, 0.16%, 3.20%, 0.08%, 0.54%, 0.82%, 0.01%, 0.04%, 0.01%, 0.93%, 0.33%, 0.02%, 0.24% and 0.15%, 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 0.48%, 0.01% and 0.62%, 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.

The general partner of each of Sequoia Capital China I, L.P., Sequoia Capital China Partners Fund I, L.P. and Sequoia Capital China Principals Fund I, L.P. is Sequoia Capital China Management I, L.P. ("SCC Management I"). The general partner of each of Sequoia Capital China II, L.P., Sequoia Capital China Partners Fund II, L.P. and Sequoia Capital China Principals Fund II, L.P. is Sequoia Capital China Management II, L.P. ("SCC Management II"). The sole shareholder of Sequoia Capital 2010 CV Holdco, Ltd. is Sequoia Capital China Venture 2010 Fund, L.P. ("China Venture 2010 Fund"), whose general partner is SC China Venture 2010 Management, L.P. ("SCCV 2010 Management"). The sole shareholder of SCC Venture V Holdco I, Ltd. is Sequoia Capital China Venture Fund V, L.P. ("China Venture Fund V"), whose general partner is SC China Venture V Management, L.P. ("SCCV V Management"). The sole shareholder of each of SCC Venture VI Holdco, Ltd. and SCC Venture VI Holdco B, Ltd. is Sequoia Capital China Venture Fund VI, L.P. ("China Venture Fund VI"), whose general partner is SC China Venture VI Management, L.P. ("SCCV VI Management"). The controlling shareholder of SCC Growth 2010-Top Holdco, Ltd. and the sole shareholder of Sequoia Capital 2010 CGF Holdco, Ltd. is Sequoia Capital China Growth 2010 Fund, L.P. ("China Growth Fund 2010"), whose general partner is SC China Growth 2010 Management, L.P. ("SCCGF 2010 Management"). In respect of the casting of votes held by China Growth Fund 2010 in SCC Growth 2010-Top Holdco, Ltd., China Growth Fund 2010 is accustomed to act in accordance with the instructions of Sequoia Capital China Growth Fund I, L.P. ("China Growth Fund I"), whose general partner is Sequoia Capital China Growth Fund Management I, L.P. ("SCCGF Management I"). The sole shareholder of SCC Growth IV Holdco A, Ltd. is Sequoia Capital China Growth Fund IV, L.P. ("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, SCCGF 2010 Management and SCCGF Management I, 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, and has a beneficial interest of 2,629,894 Class B Shares. Other Controlled Entities refers to URM Management Limited, N&J Investment Holdings Limited and Sequoia Capital China UR Holdings Limited (which hold approximately 0.0003%, 0.03% and 0.02%, respectively, of the outstanding Shares) and are controlled by Neil Nanpeng Shen. 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 8.91% interest in the share capital of the Company (or 10.21% 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 0.49% interest in the share capital of the Company (or 0.56% 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 0.62% interest in the share capital of the Company (or 0.71% of the total issued Class B Shares).

(5) The table above is calculated on the basis of 735,568,783 Class A Shares and 5,041,063,248 Class B Shares, being the issued Shares as at June 30, 2019.

PRE-IPO ESOP

The Pre-IPO ESOP 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-ESOP commenced on October 6, 2015 and will expire on the tenth anniversary of the commencement date. 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.

Outstanding Share Options Granted under the Pre-IPO ESOP

The Company has not granted further share options under the Pre-IPO ESOP after the Listing Date. The table below shows the details of movements 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 January 1, 2019	Number of options exercised during the Reporting Period and the exercise price [2]	Weighted average price of Class B Shares immediately before the date of exercise	Number of options lapsed during the Reporting Period	Number of options cancelled during the Reporting Period and the exercise price	Number of Shares underlying options outstanding as of June 30, 2019
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	HKD57.4509	0	0	5,055,940
Other Employees	May 31, 2006 to August 1, 2018	0.5 to 6 years	US$0.000017 – US$5.18	243,734,402	159,517,599 US$0.000017 to US$3.86	HKD57.8576	1,605	6,848,494 US$0.0708 to US$3.86	77,366,704
Total				256,313,002	162,040,259 US$0.000017 to US$3.86	HKD57.8513	1,605	6,848,494 US$0.0708 to US$3.86	87,422,644

Note:

(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 the options which have been exercised before the Reporting Period but the Shares were issued to the grantees during the Reporting Period.

Outstanding RSUs Granted under the Pre-IPO ESOP

The Company has not granted further RSUs under the Pre-IPO ESOP after the Listing Date. The table below shows the details of movements 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 January 1, 2019	RSUs vested during the Reporting Period[1]	RSUs cancelled during the Reporting Period	RSUs lapsed during the Reporting Period	Number of Shares underlying RSUs outstanding as of June 30, 2019
Directors							
Mu Rongjun	July 1, 2017	6 years	1,000,000	166,667	0	0	833,333
Wang Huiwen	January 1, 2016 to July 1, 2018	4 to 6 years	15,700,000	2,829,167	0	0	12,870,833
Other Employees	December 29, 2010 to August 2, 2018	0 to 6 years	231,247,680	118,323,221	11,588,562	0	101,335,897
Total			247,947,680	121,319,055	11,588,562	0	115,040,063

(1) Including the RSUs which have vested before the Reporting Period but the Shares were issued to the grantees during the Reporting Period.

POST-IPO SHARE OPTION SCHEME

A post-IPO employee share option scheme (the "Post-IPO Share Option Scheme") was approved and adopted by all the then shareholders of the Company on August 30, 2018 as amended from time to time. The Post-IPO Share Option Scheme shall be valid and effective for a period of ten years commencing on the Listing Date. The terms of the Post-IPO Share Option Scheme are governed by Chapter 17 of the Listing Rules. 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 our Company and its Shares for the benefit of our Company and Shareholders as a whole. The Post-IPO ESOP will provide our Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to selected participants. As at June 30, 2019, no options had been granted, agreed to be granted, exercised, cancelled or lapsed pursuant to the Post-IPO Share Option Scheme since its adoption.

POST-IPO SHARE AWARD SCHEME

The Company has also adopted a share award scheme (the "Post-IPO Share Award Scheme") pursuant to the written resolutions of the Shareholders passed on August 30, 2018.

The purpose of the Post-IPO Share Award Scheme is to align the interests of 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") 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.

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-IPR 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.

During the Reporting Period, the Company granted 3,497,792 RSUs under the Post-IPO Share Award Scheme. The table below shows the details of movements 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 outstanding as of January 1, 2019	Number of Shares underlying RSUs granted during the Reporting Period	RSUs vested during the Reporting Period	RSUs cancelled during the Reporting Period	RSUs lapsed during the Reporting Period	Number of Shares underlying RSUs outstanding as of June 30, 2019
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	0	11,250	0	0	48,750
Leng Xuesong	November 23, 2018	6.25% to vest in each quarter commencing from December 20, 2018 until September 20, 2022	60,000	0	11,250	0	0	48,750
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	0	11,250	0	0	48,750
Other Employees	October 4, 2018 to April 19, 2019	4 years	10,746,663	3,497,792	524,205	3,810,170	0	9,910,080
Total			10,926,663	3,497,792	557,955	3,810,170	0	10,056,330

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 Interim Report, the WVR Beneficiaries are Wang Xing, Mu Rongjun and Wang Huiwen. Wang Xing beneficially owned 573,188,783 Class A Shares, representing approximately 46.18% 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 10.15% 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 2.93% 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 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 Interim 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 14.54% the total number of issued Class B Shares as at the Date of this Interim Report.

OTHER INFORMATION

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.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining and promoting stringent corporate governance standards. The principle of the Company's corporate governance is to promote effective internal control measures and to enhance the transparency and accountability of the Board to all shareholders.

The Company has adopted the principles and code provisions of the CG Code as set out in Appendix 14 to the Listing Rules as the basis of the Company's corporate governance practices.

Save for code provision A.2.1, the Company has complied with all the code provisions as set out in the CG Code where applicable during the Reporting Period.

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 Mr. 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 segregating the roles of chairman of the Board and the chief executive officer of the Company at an appropriate time when it is appropriate by taking into account the circumstances of the Group as a whole.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the code of conduct regarding the Directors' dealings in the securities of the Company. The provisions under the Listing Rules in relation to compliance with the Model Code by the Directors regarding securities transactions have been applicable to the Company during the Reporting Period.

Having made specific enquiry of all the Directors of the Company, all the Directors confirmed that they have strictly complied with the provision of the Model Code throughout the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange during the first half of 2019.

BIOGRAPHICAL INFORMATION OF THE DIRECTORS

During the Annual General Meeting of the Company held on May 17, 2019, Mr. Wang Xing, Mr. Mu Rongjun and Mr. Wang Huiwen were re-elected as the executive Directors of the Company. For details, please refer the announcements and circular of the Company dated April 12, 2019 and May 17, 2019.

The Company is not aware of any changes in the Directors' information which are required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules for the six months ended June 30, 2019.

Please refer to below biographical details of the 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 electrical 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.

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.

USE OF NET PROCEEDS FROM THE IPO

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"). During the six months ended June 30, 2019, 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, filings 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.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Company has established an audit committee (the "Audit Committee") in compliance with Rule 3.21 of the Listing Rules and the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of the Group, review and approve connected transactions and to advise the Board. The Audit Committee comprises three independent non-executive Directors, namely, Mr. Orr Gordon Robert Halyburton, Mr. Leng Xuesong and Dr. Shum Heung Yeung Harry. Mr. Orr Gordon Robert Halyburton is the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended June 30, 2019. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members and the external auditor of the Company, PricewaterhouseCoopers.

The interim financial report of the Group for the six months ended June 30, 2019 has been reviewed by the Audit Committee of the Company and by the Company's external auditor in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the HKICPA.

OTHER BOARD COMMITTEES

In addition to the Audit Committee, the Company has also established a corporate governance committee, a nomination committee and a remuneration committee.

CORPORATE GOVERNANCE COMMITTEE

The Company has established a corporate governance committee (the "Corporate Governance Committee") in compliance with Rule 8A.30 of the Listing Rules and the CG Code. 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 weighted voting rights structure of the Company.

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

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 period from the Listing Date to December 31, 2018; and

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

OTHER INFORMATION

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.

On August 20, 2019, the Corporate Governance Committee held a meeting, reviewed the policies and practices on Corporate Governance of the Company and its compliance with legal and regulatory requirements.

QUALIFICATION REQUIREMENTS

Updates in Relation to the Qualification Requirements

On December 11, 2001, the State Council promulgated the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (the "FITE Regulations"), which were amended on September 10, 2008 and February 6, 2016. According to the FITE Regulations and the existing Special Administrative Measures for Entry of Foreign Investment (Negative List) (2019 Version), which became effective on July 30, 2019, foreign investors are not allowed to hold more than 50% of the equity interests in a company providing certain categories of value-added telecommunications services, including internet content provision services. In addition, a foreign investor who invests in a value-added telecommunications business in the PRC must possess prior experience in operating value-added telecommunications businesses and a proven track record of business operations overseas (the "Qualification Requirements"). Currently none of the applicable PRC laws, regulations or rules provides clear guidance or interpretation on the Qualification Requirements. According to our consultation with the Ministry of Industry and Information Technology (the "MIIT") in May 2018, it confirms that there is no clear guidance about how a foreign investor could meet the Qualification Requirements, and it applies a relatively strict standard for identifying whether foreign investors meet the Qualification Requirements.

Efforts and Actions Undertaken to Comply with the Qualification Requirements

Despite the lack of clear guidance or interpretation on the Qualification Requirements, we have been gradually building up our track record of overseas telecommunications business operations for the purposes of being qualified, as early as possible, to acquire the entire equity interests in the Onshore Holdcos or any of our Consolidated Affiliated Entities when the relevant PRC laws allow foreign investors to invest and to hold entire equity interests in enterprises which engage in the value-added telecommunications business. For the purposes of meeting the Qualification Requirements, we have established and accumulated overseas operation experience, for example:

(a) Dianping (Hong Kong) Limited, Meituan Limited and Xigua Limited have been incorporated in Hong Kong in August 2010, November 2010 and September 2015, respectively, for the purposes of establishing and expanding the Company's operations overseas.

(b) Xigua Limited has rented an office for the expansion of our business overseas. It has employed local employees in Hong Kong and obtained a travel agents license on November 7, 2018. It has also purchased three domain names outside of the PRC for display and promotion of our services since June 2015.

(c) Dianping (Hong Kong) Limited has employed local employees in Hong Kong.

MATERIAL LITIGATION

During the Reporting Period, the Company was not involved in any material litigation or arbitration. Nor were the Directors aware of any material litigation or claims that were pending or threatened against the Company.

EVENTS AFTER THE END OF REPORTING PERIOD

Save as disclosed in this report, no significant events affecting the Company occurred since the end of the Reporting Period.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Board of Directors of Meituan Dianping
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 57 to 108, which comprises the interim condensed consolidated statement of financial position of Meituan Dianping (the "Company") and its subsidiaries (together, the "Group") as of June 30, 2019 and the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive loss, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, August 23, 2019

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Unaudited Six months ended June 30, 2019 RMB'000	2018 RMB'000
Revenues	8	**41,876,649**	26,347,827
(including interest revenue)		***360,473***	*178,846*
Cost of revenues	9	**(28,866,674)**	(20,295,104)
Gross profit		**13,009,975**	6,052,723
Selling and marketing expenses	9	**(7,855,222)**	(6,714,583)
Research and development expenses	9	**(4,068,430)**	(3,086,577)
General and administrative expenses	9	**(2,050,511)**	(1,582,710)
Fair value changes on investments measured at fair value through profit or loss	18	**(158,359)**	1,186,282
Net provision for impairment losses on financial assets		**(201,691)**	(80,781)
Other gains, net	10	**1,133,174**	325,805
Operating loss		**(191,064)**	(3,899,841)
Finance income	11	**74,463**	109,169
Finance costs	11	**(96,936)**	(13,839)
Fair value changes of convertible redeemable preferred shares	26	**–**	(24,850,095)
Share of gains of investments accounted for using equity method		**25,378**	6,850
Loss before income tax		**(188,159)**	(28,647,756)
Income tax expenses	13	**(369,343)**	(133,531)
Loss for the period		**(557,502)**	(28,781,287)
Loss for the period attributable to:			
Equity holders of the Company		**(554,362)**	(28,756,854)
Non-controlling interests		**(3,140)**	(24,433)
		(557,502)	(28,781,287)
		RMB	RMB
Loss per share for loss for the period attributable to the equity holders for the Company			
Basic and diluted loss per share	14	**(0.10)**	(18.53)

The accompanying notes on pages 65 to 108 form an integral part of this interim financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

	Note	Unaudited Six months ended June 30, 2019 RMB'000	 2018 RMB'000
Other comprehensive income/(loss):			
Items that may not be reclassified to profit or loss			
Currency translation differences		**47,893**	(3,018,348)
Preferred shares fair value change due to own credit risk	26	**–**	(186,013)
Other comprehensive income/(loss) for the period, net of tax		**47,893**	(3,204,361)
Total comprehensive loss for the period		**(509,609)**	(31,985,648)
Total comprehensive loss for the period is attributable to:			
Equity holders of the Company		**(506,395)**	(31,961,215)
Non-controlling interests		**(3,214)**	(24,433)
		(509,609)	(31,985,648)

The accompanying notes on pages 65 to 108 form an integral part of this interim financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Unaudited As of June 30, 2019 RMB'000	Audited As of December 31, 2018 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**4,794,748**	3,978,815
Intangible assets	16	**33,288,628**	33,876,004
Deferred tax assets	17	**566,123**	445,041
Investments accounted for using the equity method	12	**2,046,797**	2,103,403
Financial assets at fair value through profit or loss	18	**6,746,540**	6,241,972
Prepayments, deposits and other assets	20	**770,503**	866,884
		48,213,339	47,512,119
Current assets			
Inventories	21	**286,387**	400,244
Trade receivables	22	**590,787**	466,340
Prepayments, deposits and other assets	20	**10,509,639**	9,064,945
Short-term investments	19	**48,359,889**	41,829,964
Restricted cash		**5,752,754**	4,256,120
Cash and cash equivalents		**10,237,250**	17,043,692
Assets classified as held for sale	30	**47,514**	88,087
		75,784,220	73,149,392
Total assets		**123,997,559**	120,661,511
EQUITY			
Share capital	23	**388**	384
Share premium	23	**259,582,501**	258,284,687
Other reserves	24	**(5,868,018)**	(5,741,347)
Accumulated losses		**(166,593,752)**	(166,039,390)
Equity attributable to equity holders of the Company		**87,121,119**	86,504,334
Non-controlling interests		**2,224**	5,438
Total equity		**87,123,343**	86,509,772

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	Unaudited As of June 30, 2019 RMB'000	Audited As of December 31, 2018 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	17	**1,453,645**	1,195,869
Deferred revenues	25	**511,021**	624,999
Borrowings	29	**936,854**	470,056
Lease liabilities		**1,145,496**	–
Other non-current liabilities		**93,837**	35,759
		4,140,853	2,326,683
Current liabilities			
Trade payables	27	**4,669,865**	5,340,963
Payables to merchants		**7,403,989**	7,596,388
Advances from transacting users		**3,168,055**	3,226,407
Deposits from transacting users		**2,789,904**	3,341,276
Other payables and accruals	28	**7,063,999**	7,361,630
Borrowings	29	**3,000,000**	1,800,000
Deferred revenues	25	**4,154,077**	3,102,882
Lease liabilities		**472,730**	–
Liabilities directly associated with assets classified as held for sale	30	**10,744**	55,510
		32,733,363	31,825,056
Total liabilities		**36,874,216**	34,151,739
Total equity and liabilities		**123,997,559**	120,661,511

The notes on pages 65 to 108 are an integral part of this interim financial information.

On behalf of the Board

Wang Xing
Director

Mu Rongjun
Director

INTERIM CONDENSED 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
		Unaudited						
		Attributable to equity holders of the Company						
As of January 1, 2019		384	258,284,687	(5,741,347)	(166,039,390)	86,504,334	5,438	86,509,772
Comprehensive loss								
Loss for the period		–	–	–	(554,362)	(554,362)	(3,140)	(557,502)
Other comprehensive loss								
Items that may not be classified to profit or loss								
Currency translation differences		–	–	47,967	–	47,967	(74)	47,893
Total comprehensive loss		–	–	47,967	(554,362)	(506,395)	(3,214)	(509,609)
Transaction with owners in their capacity as owners								
Share-based compensation expenses	31	–	–	952,221	–	952,221	–	952,221
Exercise of option and RSU vested		4	1,297,814	(1,126,859)	–	170,959	–	170,959
Total transaction with owners in their capacity as owners		4	1,297,814	(174,638)	–	1,123,180	–	1,123,180
As of June 30, 2019		388	259,582,501	(5,868,018)	(166,593,752)	87,121,119	2,224	87,123,343

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	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
		Unaudited						
		Attributable to equity holders of the Company						
As of December 31, 2017		98	9,338,529	466,103	(50,363,846)	(40,559,116)	57,734	(40,501,382)
Adjustment on adoption of IFRS9, net of tax		–	–	(423,731)	411,371	(12,360)	–	(12,360)
As of January 1, 2018		98	9,338,529	42,372	(49,952,475)	(40,571,476)	57,734	(40,513,742)
Comprehensive loss								
Loss for the period		–	–	–	(28,756,854)	(28,756,854)	(24,433)	(28,781,287)
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		–	–	(3,018,348)	–	(3,018,348)	–	(3,018,348)
Total comprehensive loss		–	–	(3,204,361)	(28,756,854)	(31,961,215)	(24,433)	(31,985,648)
Transaction with owners in their capacity as owners								
Business combination		–	–	231,736	–	231,736	–	231,736
Repurchase of ordinary shares	23	(2)	(811,142)	–	–	(811,144)	–	(811,144)
Share-based compensation expenses	31	–	–	633,598	–	633,598	–	633,598
Exercise of option and RSU vested		4	561,097	(475,680)	–	85,421	–	85,421
Transaction with non-controlling interests		–	–	49,063	–	49,063	26,070	75,133
Cancellation of ordinary shares	23	–	(29,307)	–	–	(29,307)	–	(29,307)
Currency translation differences		–	–	–	–	–	66	66
Total transaction with owners in their capacity as owners		2	(279,352)	438,717	–	159,367	26,136	185,503
As of June 30, 2018		100	9,059,177	(2,723,272)	(78,709,329)	(72,373,324)	59,437	(72,313,887)

The accompanying notes on pages 65 to 108 form an integral part of this interim financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		Unaudited Six months ended June 30,	
		2019	2018
	Note	RMB'000	RMB'000
Cash flows from operating activities			
Cash used in operations		**(22,179)**	(5,472,692)
Income tax paid		**(127,598)**	(40,984)
Net cash flows used in operating activities		**(149,777)**	(5,513,676)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(1,463,481)**	(847,162)
Proceeds from disposals of property, plant and equipment		**13,842**	5,003
Purchase of intangible assets		**(7,662)**	(9,045)
Proceeds from disposals of intangible assets		**1,938**	–
Payments for business combinations, net of cash acquired		**(449,764)**	(6,872,126)
Purchase of investments of term deposits with initial term over three months and wealth management products		**(93,727,052)**	(21,105,794)
Proceeds from disposals of term deposits with initial term over three months and wealth management products		**87,301,456**	38,918,734
Acquisition of investments accounted for using the equity method		**(1,025)**	(135,875)
Proceeds from disposals of equity investments and refund of prepayment for investments		**323,377**	3,453,895
Acquisition of investments measured at fair value	18	**(338,893)**	(1,023,616)
Interest income received		**566,346**	180,133
Dividends received		**9,701**	63,426
Increase in prepayment for investments		**(14,607)**	(550)
Net cash flows (used in)/generated from investing activities		**(7,785,824)**	12,627,023

		Unaudited Six months ended June 30,	
		2019	2018
	Note	**RMB'000**	RMB'000
Cash flows from financing activities			
Proceeds from borrowings, excluding asset-backed securities ("ABS")		**1,800,000**	1,005,000
Repayments of borrowings, excluding ABS		**(600,000)**	(440,000)
Proceeds from ABS, net		**467,000**	–
Finance costs paid		**(100,424)**	(17,524)
Exercise of option and RSU vesting		**131,499**	15,211
Repurchase of ordinary shares		**–**	(853,360)
Payment for acquisition of non-controlling interests		**–**	(176,261)
Lease payments		**(398,845)**	–
Net cash flows generated from/(used in) financing activities		**1,299,230**	(466,934)
Net (decrease)/increase in cash and cash equivalents		**(6,636,371)**	6,646,413
Cash and cash equivalents at the beginning of the period		**17,043,692**	19,408,839
Exchange (loss)/gain on cash and cash equivalents		**(198,448)**	221,594
Cash and cash equivalents reclassified from the assets classified as held for sale		**28,377**	–
Cash and cash equivalents at the end of the period		**10,237,250**	26,276,846

The accompanying notes on pages 65 to 108 form an integral part of this interim financial information.

1 GENERAL INFORMATION

Meituan Dianping (formerly known as Internet Plus Holdings Ltd.) (the "Company") was incorporated in the Cayman Islands on September 25, 2015 as an exempted company with limited liability. The registered office is at PO Box 309, Ugland House, Grand Cayman, 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 offer diversified daily services, including food delivery, in-store dining, hotel and travel booking and other services.

The Company's Class B Shares have been listed on the Main Board of the Stock Exchange since September 20, 2018 (the "Listing").

The interim condensed consolidated financial information comprises the interim condensed consolidated statement of financial position as of June 30, 2019, the interim condensed consolidated income statement and the interim condensed consolidated statement of comprehensive loss, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six months period then ended, and a summary of significant accounting policies and other explanatory notes (the "Interim Financial Information"). The Interim Financial Information is presented in Renminbi ("RMB"), unless otherwise stated.

2 BASIS OF PREPARATION

This condensed consolidated interim financial report for the six months period ended June 30, 2019 has been prepared in accordance with Accounting Standard IAS 34 Interim Financial Reporting.

The Interim Financial Information does not include all the notes of the type normally included in an annual financial statements. Accordingly, it should be read in conjunction with the annual consolidated financial statement of the Group for the year ended December 31, 2018, which have been prepared in accordance with International Financial Reporting Standards, as set out in the 2018 annual report of the Group dated March 11, 2019 (the "2018 Financial Statements").

3 SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the 2018 Financial Statements.

(a) New and amended standards adopted by the Group

The Group has adopted the following new and amended standards which are relevant to the Group's operations and are mandatory for the financial year beginning on or after January 1, 2019:

IFRS 16	Leases
IFRIC 23	Uncertainty over income tax treatments
IFRS 9 (Amendment)	Prepayment features with negative compensation
IAS 28 (Amendment)	Long-term Interests in Associates and Joint Ventures
IAS 19 (Amendment)	Plan amendment, curtailment or settlement

The adoption of the above new and amended standards did not have any significant financial impact on these consolidated financial statements except for IFRS 16.

The impact of the adoption of the leasing standard and the new accounting policies are disclosed in note 4 below.

(b) New and amended standards that have been issued but are not effective

The following new and amended standards have been issued, but are not effective for the Group's financial year beginning on 1 January 2019 and have not been early adopted:

		Effective for annual periods beginning on or after
IAS 28 and IFRS 10 (Amendment)	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	A date to be determined by the IASB
IAS 1 and IAS 8 (Amendment)	Definition of material	January 1, 2020
IFRS 3 (Amendment)	Definition of a business	January 1, 2020
IFRS 17	Insurance Contracts	January 1, 2021
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting	January 1, 2020

The Group will apply the above new and amended standards when they become effective. The rest of the new standards, interpretations and amendments to standards are not expected to have a significant effect on the condensed consolidated financial information of the Group.

4 CHANGES IN ACCOUNTING POLICES

The Group has adopted IFRS 16 retrospectively from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on January 1, 2019.

(a) Adjustments recognised on adoption of IFRS 16

Upon adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 5.7%.

	2019
	RMB'000
Operating lease commitments disclosed as of December 31, 2018	2,111,477
Discounted using the lessee's incremental borrowing rate at the date of initial application	1,846,656
Lease liability recognised as of January 1, 2019	1,846,656
Of which are:	
Current lease liabilities	512,833
Non-current lease liabilities	1,333,823

The right-of-use assets were measured on a simplified transition approach without restating comparative amounts, and were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as of December 31, 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

4 CHANGES IN ACCOUNTING POLICES *(Continued)*

(a) Adjustments recognised on adoption of IFRS 16 *(Continued)*

The recognised right-of-use assets relate to the following types of assets:

	As of June 30, 2019 RMB'000	As of January 1, 2019 RMB'000
Properties	**1,667,196**	2,021,192

The change in accounting policy affected the following items in the balance sheet on January 1, 2019:

- right-of-use assets – increased by RMB2.0 billion
- prepayments – decreased by RMB174.5 million
- lease liabilities – increased by RMB1.8 billion

The net impact on retained earnings as of 1 January 2019 was nil.

Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics

(b) The Group's leasing activities and how these are accounted for

The Group leases various offices, warehouses, retail stores. Rental contracts are typically made for fixed periods of 1 to 14 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the end of 2018, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

4 CHANGES IN ACCOUNTING POLICES *(Continued)*

(b) The Group's leasing activities and how these are accounted for *(Continued)*

From January 1, 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities include the net present value of the fixed payments (including in-substance fixed payments).

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date
- any initial direct costs, and
- restoration costs.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Interim Financial Information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the Interim Financial Information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the 2018 Financial Statements.

6 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.

(a) Financial risk factors

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's financial information as set out in the 2018 Financial Statements.

There have been no changes in the risk management policies during the six months ended June 30, 2019.

(b) Fair value estimation

(i) Fair value hierarchy

The table below analyses the Group's financial instruments carried at fair value as of June 30, 2019 and December 31, 2018 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

6 FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Fair value estimation *(Continued)*

(i) Fair value hierarchy (Continued)

The following table presents the Group's assets and liabilities that are measured at fair value as of June 30, 2019.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As of June 30, 2019				
Financial assets				
Short-term investments at fair value through profit or loss (Note 19)	–	–	19,218,573	19,218,573
Financial assets at fair value through profit or loss (Note 18)	1,196,912*	–	5,549,628	6,746,540
	1,196,912*	–	24,768,201	25,965,113

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

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 19)	–	–	15,067,960	15,067,960
Financial assets at fair value through profit or loss (Note 18)	1,337,725*	–	4,904,247	6,241,972
	1,337,725*	–	19,972,207	21,309,932

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the end of the reporting period.

6 FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Fair value estimation *(Continued)*

(ii) Valuation techniques used to determine fair values

The fair value of the unquoted equity investments has been determined using valuation techniques such as comparable company valuation multiples, recent transaction prices of the same or similar instruments, with appropriate adjustments made where applicable, for example, for lack of liquidity using option pricing models. The valuation requires management to make certain assumptions about unobservable inputs to the model, which mainly include historical volatility and estimated time period prior to the listing of the unquoted equity instruments, etc.

The carrying amount of the Group's financial assets, including cash and cash equivalents, restricted cash, trade receivables, prepayments, deposits and other assets, short-term investments at amortized cost and the Group's financial liabilities, including borrowings, trade payables, payables to merchants, deposits from transacting users, advances from transacting users, other payables and accruals, lease liabilities, and other non-current liabilities, approximate their fair values.

6 FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Fair value estimation *(Continued)*

(iii) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items including short-term investments at fair value through profit or loss, investments in unlisted companies and contingent consideration for the six months ended June 30, 2019 and 2018.

	Short-term investments at fair value through profit or loss RMB'000	Investments in unlisted companies RMB'000	Total RMB'000
As of January 1, 2019	15,067,960	4,904,247	19,972,207
Acquisitions	72,947,026	338,893	73,285,919
Disposal/Settled	(69,088,532)	(219)	(69,088,751)
Reclassification (Note 18)	–	319,373	319,373
Change in fair value	282,534	(17,546)	264,988
Currency translation differences	9,585	4,880	14,465
As of June 30, 2019	19,218,573	5,549,628	24,768,201
Net unrealized gains/(losses) for the period	130,077	(17,765)	112,312

	Short-term investments at fair value through profit or loss RMB'000	Financial assets at fair value through profit or loss		Total RMB'000
		Investments in unlisted companies RMB'000	Contingent consideration RMB'000	
As of January 1, 2018	17,030,574	4,080,221	25,099	21,135,894
Acquisitions	17,847,492	1,023,616	–	18,871,108
Business combinations	380,000	12,880	–	392,880
Disposal/Settled	(28,902,399)	(3,094,736)	(29,307)	(32,026,442)
Change in fair value	104,010	1,233,807	4,208	1,342,025
Currency translation differences	(337,697)	10,232	–	(327,465)
As of June 30, 2018	6,121,980	3,266,020	–	9,388,000
Net unrealized gains for the period	25,033	91,733	–	116,766

6 FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Fair value estimation *(Continued)*

(iv) 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. 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.

As level 3 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 etc.

Description	Fair value as of June 30, 2019 RMB'000	Fair value as of December 31, 2018 RMB'000	Unobservable inputs	Range of inputs As of June 30, 2019	Range of inputs As of December 31, 2018	Relationship of unobservable inputs to fair value
Investments in unlisted companies	**5,549,628**	4,904,247	Expected volatility	**40%-55%**	35%-50%	The higher the expected volatility, the lower the fair value
			Discount for lack of marketability ("DLOM")	**N/A**	10%-28%	The higher the DLOM, the lower the fair value
Short-term investments at fair value through profit or loss	**19,218,573**	15,067,960	Expected rate of return	**2.56%-7.00%**	2.1%-6.6%	The higher the expected rate of return, the higher the fair value

7 SEGMENT REPORTING

7.1 Segment reporting

The Group's business activities, for which discrete financial information is available, are regularly reviewed and evaluated by the CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that make strategic decisions. As a result of this evaluation, the Group determined that it has operating segments as follows:

The CODM assesses the performance of the operating segments mainly based on segment revenues and cost of revenues of each operating segment. Thus, segment result would present revenues, cost of revenues and gross profit for each segment, which is in line with CODM's performance review.

Food delivery

The food delivery segment offers food ordering and delivery service through the Group's platform. Revenues from the food delivery segment are primarily derived from (a) platform service to merchants to display the food information and connect transacting users; (b) 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; and (b) online marketing services to merchants, including performance-based and display-based marketing services, as well as marketing services provided under annual plans.

7 SEGMENT REPORTING *(Continued)*

7.1 Segment reporting *(Continued)*

New initiatives and others

Revenues from the new initiatives and others segments are primarily derived from (a) food distribution business; (b) car-hailing; (c) Meituan Instashopping; (d) micro loan.

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; and (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) online traffic costs; (d) bandwidth and server custody fees; (e) employee benefits expenses.

The Group's cost of revenues for the new initiatives and others segment primarily consists of (a) cost of goods sold; (b) car hailing driver costs; (c) depreciation of property, plant and equipment; (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.

7 SEGMENT REPORTING *(Continued)*

7.1 Segment reporting *(Continued)*

The segment information provided to the Group's CODM for the reportable segments for the relevant periods is as follows:

	Unaudited Six months ended June 30, 2019			
	Food delivery RMB'000	In-store, hotel & travel RMB'000	New initiatives and others RMB'000	Total RMB'000
Commission	21,632,175	5,168,087	1,794,030	28,594,292
Online marketing services	1,867,796	4,534,423	90,818	6,493,037
Other services and sales	50,552	34,900	6,703,868	6,789,320
Revenues in total	23,550,523	9,737,410	8,588,716	41,876,649
Cost of revenues	(19,149,493)	(1,109,767)	(8,607,414)	(28,866,674)
Gross profit/(loss)	4,401,030	8,627,643	(18,698)	13,009,975
Gross margin	18.7%	88.6%	(0.2%)	31.1%

	Unaudited Six months ended June 30, 2018			
	Food delivery RMB'000	In-store, hotel & travel RMB'000	New initiatives and others RMB'000	Total RMB'000
Commission	15,219,665	4,060,551	1,013,523	20,293,739
Online marketing services	703,842	2,729,072	163,086	3,596,000
Other services and sales	40,821	20,876	2,396,391	2,458,088
Revenues in total	15,964,328	6,810,499	3,573,000	26,347,827
Cost of revenues	(14,018,927)	(720,521)	(5,555,656)	(20,295,104)
Gross profit/(loss)	1,945,401	6,089,978	(1,982,656)	6,052,723
Gross margin	12.2%	89.4%	(55.5%)	23.0%

7 SEGMENT REPORTING *(Continued)*

7.1 Segment reporting *(Continued)*

The reconciliation of gross profit to loss before income tax of respective period during the six months ended June 30, 2019 and 2018 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 revenue for the six months ended June 30, 2019 and 2018.

7.2 Segment assets

As of June 30, 2019 and December 31, 2018, substantially all of the non-current assets of the Group were located in China.

8 REVENUES BY TYPE

	Unaudited Six months ended June 30,	
	2019 RMB'000	2018 RMB'000
Commission	**28,594,292**	20,293,739
Online marketing services	**6,493,037**	3,596,000
Other services and sales	**6,789,320**	2,458,088
	41,876,649	26,347,827

Further disaggregation of revenues are included in Note 7.

9 EXPENSES BY NATURE

	Unaudited Six months ended June 30, 2019 RMB'000	2018 RMB'000
Food delivery rider costs	**17,745,098**	13,042,195
Employee benefits expenses	**8,495,505**	6,516,927
Transacting user incentives	**3,008,945**	2,387,057
Cost of goods sold	**3,062,898**	508,696
Depreciation of property, plant and equipment	**2,414,017**	1,547,220
Car-hailing driver related costs	**1,558,401**	2,095,477
Other outsourcing labor costs	**1,344,524**	829,453
Payment processing costs	**937,859**	731,954
Promotion and advertising	**744,177**	1,332,936
Amortization of intangible assets	**593,100**	475,125
Bandwidth and server custody fees	**362,929**	188,488
Online traffic costs	**172,657**	89,339
Rental, facility and utilities	**139,906**	347,453
Tax surcharge expenses	**100,407**	104,835
Professional fees	**97,331**	149,655
Auditor's remuneration	**24,081**	12,524
– Audit and audit-related services	**22,782**	12,524
– Non-audit services	**1,299**	–
Others (Note a)	**2,039,002**	1,319,640
Total cost of revenues, selling and marketing expenses, research and development expenses and general and administrative expenses	**42,840,837**	31,678,974

(a) Others mainly comprise bike maintenance and bike relocation fees, travelling and entertainment expenses and message and verification fees.

10 OTHER GAINS, NET

	Unaudited Six months ended June 30, 2019 RMB'000	2018 RMB'000
Interest income from investments measured at amortized cost	**454,973**	76,123
Fair value changes of short-term investments measured at fair value through profit or loss	**282,534**	104,010
Gains from the remeasurement of investments (Note 18)	**176,880**	–
Gains from the disposal of investments	**160,884**	29,968
Dilution gain	**91,360**	–
Government subsidies	**40,752**	95,312
Change in fair value related to contingent consideration	**–**	4,208
Loss from the disposal of subsidiaries	**(1,490)**	–
Foreign exchange loss	**(84,053)**	(25,064)
Others	**11,334**	41,248
	1,133,174	325,805

11 FINANCE INCOME/(COSTS)

	Unaudited Six months ended June 30, 2019 RMB'000	2018 RMB'000
Finance income		
Interest income from bank deposits	**74,463**	109,169
Finance costs		
Interest in respect of lease liabilities	**(46,624)**	–
Interest expense on bank borrowings	**(40,046)**	–
Bank charges and others	**(10,266)**	(13,839)
	(96,936)	(13,839)

12 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Unaudited As of June 30, 2019 RMB'000	Audited As of December 31, 2018 RMB'000
Associates	2,033,047	2,089,677
Joint ventures	13,750	13,726
	2,046,797	2,103,403

13 INCOME TAX EXPENSES

The income tax expenses of the Group during all the periods presented are analyzed as follows:

	Unaudited Six months ended June 30,	
	2019 RMB'000	2018 RMB'000
Current income tax	233,829	333,014
Deferred income tax (Note17)	135,514	(199,483)
Total income tax expenses – Net	369,343	133,531

Income tax expense is recognized based on management's best knowledge of the income tax rates that would be applicable to the full financial year.

14 LOSS PER SHARE

(a) Basic loss per share for the six months ended June 30, 2019 and 2018 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 reporting period.

	Unaudited Six months ended June 30,	
	2019	2018
Loss attributable to equity holders of the Company (RMB'000)	**(554,362)**	(28,756,854)
Weighted average number of shares in issue (thousand)	**5,738,107**	1,551,913
Loss per share (RMB)	**(0.10)**	(18.53)

(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 two categories of dilutive potential ordinary shares: share options and RSUs. As the Group incurred losses for the six months ended June 30, 2019 and 2018, the dilutive potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilution. Accordingly, diluted loss per share for the six months ended June 30, 2019 and 2018 were the same as basic loss per share of the respective periods.

15 PROPERTY, PLANT AND EQUIPMENT

	Computer equipment RMB'000	Furniture and appliances RMB'000	Bike and vehicle RMB'000	Unaudited Leasehold improvements RMB'000	Assets under construction RMB'000	Right-of-use assets RMB'000	Total RMB'000
Cost							
As of January 1, 2019	3,198,019	100,342	5,152,325	182,058	194,512	–	8,827,256
Additions	963,542	53,293	120,090	5,236	100,653	2,286,539	3,529,353
Disposal	(33,846)	(36,136)	(167,518)	(20,034)	–	(311,570)	(569,104)
Transfers	–	–	1,215	81,268	(137,302)	–	(54,819)
Assets transferred from derecognition of held for sale	–	–	249,778	–	–	–	249,778
Currency translation differences	–	(1)	926	–	–	–	925
As of June 30, 2019	4,127,715	117,498	5,356,816	248,528	157,863	1,974,969	11,983,389
Accumulated depreciation							
As of January 1, 2019	(1,231,642)	(47,329)	(3,420,977)	(77,979)	–	–	(4,777,927)
Depreciation	(525,705)	(35,243)	(1,344,521)	(74,958)	–	(433,590)	(2,414,017)
Disposal	21,945	18,641	91,683	2,792	–	125,817	260,878
Assets transferred from derecognition of held for sale	–	–	(107,828)	–	–	–	(107,828)
Currency translation differences	–	–	(300)	–	–	–	(300)
As of June 30, 2019	(1,735,402)	(63,931)	(4,781,943)	(150,145)	–	(307,773)	(7,039,194)
Impairment							
As of January 1, 2019	–	–	(70,514)	–	–	–	(70,514)
Addition	–	–	(8,181)	–	–	–	(8,181)
Disposal	–	–	71,198	–	–	–	71,198
Assets transferred from derecognition of held for sale	–	–	(141,950)	–	–	–	(141,950)
As of June 30, 2019	–	–	(149,447)	–	–	–	(149,447)
Net carrying amount							
As of January 1, 2019	1,966,377	53,013	1,660,834	104,079	194,512	–	3,978,815
As of June 30, 2019	2,392,313	53,567	425,426	98,383	157,863	1,667,196	4,794,748

15 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Unaudited					
	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						
As of January 1, 2018	1,429,448	20,579	–	131,720	13,178	1,594,925
Additions	837,820	4,109	39,779	1,545	57,348	940,601
Business combinations	8,936	40,523	5,111,531	9,750	178,458	5,349,198
Disposals	(23,051)	(149)	(1,390)	(2,417)	–	(27,007)
Transfers	–	215	14,034	19,050	(33,299)	–
Currency translation differences	(1)	51	3,972	–	–	4,022
As of June 30, 2018	2,253,152	65,328	5,167,926	159,648	215,685	7,861,739
Accumulated depreciation						
As of January 1, 2018	(602,067)	(17,230)	–	(59,946)	–	(679,243)
Depreciation	(263,301)	(5,994)	(1,266,226)	(11,699)	–	(1,547,220)
Disposals	4,430	2,405	483	665	–	7,983
Currency translation differences	–	1	(1,163)	–	–	(1,162)
As of June 30, 2018	(860,938)	(20,818)	(1,266,906)	(70,980)	–	(2,219,642)
Net carrying amount						
As of January 1, 2018	827,381	3,349	–	71,774	13,178	915,682
As of June 30, 2018	1,392,214	44,510	3,901,020	88,668	215,685	5,642,097

16 INTANGIBLE ASSETS

	Unaudited								
	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									
As of January 1, 2019	5,006,300	490,000	1,865,688	390,000	849,830	907,000	28,700	27,861,023	37,398,541
Additions	–	–	7,662	–	–	–	–	–	7,662
Disposals	–	–	(2,284)	–	–	–	–	–	(2,284)
As of June 30, 2019	5,006,300	490,000	1,871,066	390,000	849,830	907,000	28,700	27,861,023	37,403,919
Accumulated amortization									
As of January 1, 2019	(565,565)	(318,500)	(652,138)	(62,833)	(240,174)	(169,616)	(7,453)	–	(2,016,279)
Amortization	(101,710)	(49,000)	(262,004)	(13,000)	(74,676)	(90,700)	(2,010)	–	(593,100)
Disposals	–	–	346	–	–	–	–	–	346
As of June 30, 2019	(667,275)	(367,500)	(913,796)	(75,833)	(314,850)	(260,316)	(9,463)	–	(2,609,033)
Impairment									
As of January 1, 2019 and June 30, 2019	(1,347,510)	–	–	–	(3,238)	–	(88)	(155,422)	(1,506,258)
Net carrying amount									
As of January 1, 2019	3,093,225	171,500	1,213,550	327,167	606,418	737,384	21,159	27,705,601	33,876,004
As of June 30, 2019	2,991,515	122,500	957,270	314,167	531,742	646,684	19,149	27,705,601	33,288,628

The Group normally performs goodwill impairment test in the fourth quarter of each year, and there is no indicator for impairment of goodwill as of June 30, 2019. For details of goodwill impairment assessment for the year ended December 31, 2018, please refer to the 2018 Financial Statements.

16 INTANGIBLE ASSETS *(Continued)*

	Trade name RMB'000	User generated content RMB'000	Software and others RMB'000	Online payment license RMB'000	Unaudited Technology and licenses RMB'000	User list RMB'000	Supplier relationship RMB'000	Goodwill RMB'000	Total RMB'000
Cost									
As of 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	–	–	9,045	–	–	–	–	–	9,045
Business combinations	1,600,000	–	478,265	–	660,000	840,000	–	12,821,478	16,399,743
As of June 30, 2018	5,006,300	490,000	1,809,147	390,000	846,360	907,000	28,700	27,846,497	37,324,004
Accumulated amortization									
As of January 1, 2018	(309,145)	(220,500)	(201,111)	(36,833)	(100,812)	(30,150)	(3,433)	–	(901,984)
Amortization	(108,210)	(49,000)	(197,108)	(13,000)	(57,097)	(48,700)	(2,010)	–	(475,125)
As of June 30, 2018	(417,355)	(269,500)	(398,219)	(49,833)	(157,909)	(78,850)	(5,443)	–	(1,377,109)
Impairment									
As of January 1, 2018 and June 30, 2018	(1,510)	–	–	–	(3,238)	–	(88)	(155,422)	(160,258)
Net carrying amount									
As of 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
As of June 30, 2018	4,587,435	220,500	1,410,928	340,167	685,213	828,150	23,169	27,691,075	35,786,637

17 DEFERRED INCOME TAXES

The following amounts, determined after appropriate offsetting, are shown in the consolidated statements of financial position:

(a) Deferred tax assets

	Unaudited As of June 30, 2019 RMB'000	Audited As of December 31, 2018 RMB'000
The balance comprises temporary differences attributable to:		
– Tax losses	749,853	1,373,351
– Others	295,321	142,294
Total gross deferred tax assets	1,045,174	1,515,645
Set-off of deferred tax assets pursuant to set-off provisions	(479,051)	(1,070,604)
Net deferred tax assets	566,123	445,041

(b) Deferred tax liabilities

	Unaudited As of June 30, 2019 RMB'000	Audited As of December 31, 2018 RMB'000
The balance comprises temporary differences attributable to:		
– Intangible assets arising from business combinations	(818,260)	(886,398)
– Deferred revenue	(675,447)	(862,290)
– Investments accounted for using the equity method or at fair value	(425,967)	(416,830)
– Others	(13,022)	(100,955)
Total gross deferred tax liabilities	(1,932,696)	(2,266,473)
Set-off of deferred tax liabilities pursuant to set-off provisions	479,051	1,070,604
Net deferred tax liabilities	(1,453,645)	(1,195,869)

17 DEFERRED INCOME TAXES *(Continued)*

The movement on the gross deferred income tax assets is as follows:

	Unaudited		
	Tax losses RMB'000	Others RMB'000	Total RMB'000
As of January 1, 2019	**1,373,351**	**142,294**	**1,515,645**
(Charged)/credited to consolidated income statement	**(623,498)**	**153,027**	**(470,471)**
As of June 30, 2019	**749,853**	**295,321**	**1,045,174**
As of January 1, 2018	768,674	10,723	779,397
Business combinations	599,743	–	599,743
Credited/(charged) to consolidated income statement	104,912	(330)	104,582
As of June 30, 2018	1,473,329	10,393	1,483,722

The movement on the gross deferred income tax liabilities is as follows:

	Unaudited				
	Intangible Asset 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, 2019	**(886,398)**	**(416,830)**	**(862,290)**	**(100,955)**	**(2,266,473)**
Credited/(charged) to consolidated income statement	**68,138**	**(7,957)**	**186,843**	**87,933**	**334,957**
Charged to other comprehensive loss	**–**	**(1,180)**	**–**	**–**	**(1,180)**
As of June 30, 2019	**(818,260)**	**(425,967)**	**(675,447)**	**(13,022)**	**(1,932,696)**
As of January 1, 2018	(582,895)	(418,791)	(584,567)	–	(1,586,253)
Business combinations	(775,000)	–	(10,467)	–	(785,467)
Credited/(charged) to consolidated income statement	53,548	132,545	(91,192)	–	94,901
Credited to other comprehensive loss	–	1,137	–	–	1,137
As of June 30, 2018	(1,304,347)	(285,109)	(686,226)	–	(2,275,682)

17 DEFERRED INCOME TAXES *(Continued)*

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 June 30, 2019 and December 31, 2018, the Group did not recognize deferred income tax assets of RMB5.1 billion and RMB5.1 billion in respect of cumulative tax losses amounting to RMB22.2 billion and RMB22.8 billion. These tax losses will expire from 2019 to 2023.

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Unaudited As of June 30, 2019 RMB'000	Audited As of December 31, 2018 RMB'000
Investments in equity securities	**6,746,540**	6,241,972

	Unaudited Six months ended June 30,	
	2019 RMB'000	2018 RMB'000
At the beginning of the year	**6,241,972**	5,919,594
Additions	**338,893**	1,023,616
Business combinations	**–**	12,880
Change in fair value	**(158,359)**	1,186,282
Disposals	**(219)**	(3,094,736)
Reclassification (Note a)	**319,373**	–
Currency translation differences	**4,880**	10,232
At the end of the period	**6,746,540**	5,057,868

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

The Group made investments in certain companies through convertible redeemable preferred shares or ordinary shares with preferential rights and maintained significant influence in these companies. The Group also has interests in certain investee companies in 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.

(a) During the six months ended June 30, 2019, the Group re-designated an investment from investment accounted for using equity method to investment at fair value through profit or loss due to losing significant influence of the investment with the amount of RMB319 million, as a result, a gain from the remeasurement of investment is recognized with the amount of RMB177 million.

19 SHORT-TERM INVESTMENTS

	Unaudited As of June 30, 2019 RMB'000	Audited As of December 31, 2018 RMB'000
Short-term investments measured at		
– Amortized cost	**29,141,316**	26,762,004
– Fair value through profit or loss	**19,218,573**	15,067,960
	48,359,889	41,829,964

Short-term investments measured at amortized cost are USD zero coupon certificates of deposit and term deposits above 3 months and within 1 year. Short-term investments measured at fair value through profit or loss are wealth management products.

20 PREPAYMENTS, DEPOSITS AND OTHER ASSETS

	Unaudited As of June 30, 2019 RMB'000	Audited As of December 31, 2018 RMB'000
Non-current		
Prepayment for investments	266,720	249,957
Prepayments for fixed assets	162,912	97,920
Rental deposits	121,362	147,678
Loan receivables (Note a)	4,131	74,625
Receivables from investment disposal (Note b)	–	282,919
Long-term investments measured at amortized cost	200,229	–
Others	15,149	13,785
	770,503	866,884
Current		
Loan receivables (Note a)	4,974,112	3,762,455
Tax prepayments	2,849,309	3,036,667
Amounts due from related parties (Note 34)	527,539	195,202
Prepayments to merchants	303,742	220,454
Receivables from investment disposal (Note b)	283,393	130,362
Receivables from third-party payment service providers	270,034	131,568
Deposits	173,733	155,826
Prepayments for channel marketing fee	170,884	346,834
Contract assets	136,958	105,630
Prepayments for rental	–	153,427
Others	819,935	826,520
	10,509,639	9,064,945

(a) 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 loss allowance. The loan periods extended by the Group to the merchants or individuals generally range from 3 months to 18 months.

(b) This is the receivable balance related to the disposal of an investment at fair value through profit or loss.

20 PREPAYMENTS, DEPOSITS AND OTHER ASSETS *(Continued)*

The balances of prepayments, deposits and other assets other than loan receivables, prepayments for assets under construction and tax prepayments, which are subject to expected credit loss model, are all at performing stage. The related credit losses which limited to 12 months expected loss are not material.

As of June 30, 2019 and December 31, 2018, the carrying value of prepayments, deposits and other assets was primarily denominated in RMB.

21 INVENTORIES

	Unaudited As of June 30, 2019 RMB'000	Audited As of December 31, 2018 RMB'000
Raw materials	**172,372**	141,195
Finished goods	**234,582**	370,079
	406,954	511,274
Less: provision for impairment	**(120,567)**	(111,030)
	286,387	400,244

22 TRADE RECEIVABLES

	Unaudited As of June 30, 2019 RMB'000	Audited As of December 31, 2018 RMB'000
Trade receivables	**763,436**	590,409
Less: loss allowance	**(172,649)**	(124,069)
	590,787	466,340

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 each reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

22 TRADE RECEIVABLES *(Continued)*

Movements on the Group's loss allowance of trade receivables are as follows

	Unaudited Six months ended June 30, 2019 RMB'000	2018 RMB'000
At the beginning of the period	**(124,069)**	(29,461)
Provision	**(53,181)**	(36,137)
Assets transferred from derecognition of held for sale	**(16,840)**	–
Reversal	**17,507**	7,147
Receivables written off during the period as uncollectable	**3,934**	3,423
At the end of the period	**(172,649)**	(55,028)

The directors of the Group considered that the carrying amounts of the trade receivables balances approximated their fair value as of June 30, 2019 and December 31, 2018.

The Group allows a credit period of 30 to 150 days to its customers. Aging analysis of trade receivables (net off loss allowance of trade receivables) based on invoice date is as follows:

	Unaudited As of June 30, 2019 RMB'000	Audited As of December 31, 2018 RMB'000
Trade receivables		
Up to 3 months	**424,021**	281,353
3 to 6 months	**91,291**	126,376
6 months to 1 year	**67,632**	56,574
Over 1 year	**7,843**	2,037
	590,787	466,340

23 SHARE CAPITAL AND SHARE PREMIUM

Issued:

	Unaudited				
	Number of ordinary shares '000	Nominal value of ordinary shares USD'000	Share capital RMB'000	Share premium RMB'000	Total RMB'000
As of January 1, 2019	**5,727,447**	**57**	**384**	**258,284,687**	**258,285,071**
Exercise of option and RSU vesting	**55,484**	**1**	**4**	**1,297,814**	**1,297,818**
As of June 30, 2019	**5,782,931**	**58**	**388**	**259,582,501**	**259,582,889**
As of January 1, 2018	1,548,664	15	98	9,338,529	9,338,627
Exercise of option and RSU vesting	54,490	1	4	561,097	561,101
Repurchase of ordinary shares	(24,667)	–	(2)	(811,142)	(811,144)
Cancellation of ordinary shares	(1,005)	–	–	(29,307)	(29,307)
As of June 30, 2018	1,577,482	16	100	9,059,177	9,059,277

24 OTHER RESERVES

	Unaudited				
	Capital Reserve RMB'000	Share-based compensation reserve RMB'000	Currency translation reserve RMB'000	Others RMB'000	Total RMB'000
As of January 1, 2019	**20**	**2,594,722**	**(8,118,061)**	**(218,028)**	**(5,741,347)**
Share-based compensation expenses	**–**	**952,221**	**–**	**–**	**952,221**
Exercise of option and RSU vested	**–**	**(1,126,859)**	**–**	**–**	**(1,126,859)**
Currency translation differences	**–**	**–**	**47,967**	**–**	**47,967**
As of June 30, 2019	**20**	**2,420,084**	**(8,070,094)**	**(218,028)**	**(5,868,018)**
As of January 1, 2018	20	1,232,234	(500,154)	(689,728)	42,372
Business combinations	–	231,736	–	–	231,736
Share-based compensation expenses	–	633,598	–	–	633,598
Exercise of option and RSU vested	–	(475,680)	–	–	(475,680)
Transaction with non-controlling interests	–	–	–	49,063	49,063
Preferred shares fair value change due to own credit risk	–	–	–	(186,013)	(186,013)
Currency translation differences	–	–	(3,018,348)	–	(3,018,348)
As of June 30, 2018	20	1,621,888	(3,518,502)	(826,678)	(2,723,272)

25 DEFERRED REVENUES

	Unaudited As of June 30, 2019 RMB'000	Audited As of December 31, 2018 RMB'000
Non-current		
Business cooperation agreement with Maoyan	500,100	611,233
Others	10,921	13,766
	511,021	624,999
Current		
Online marketing services	3,916,351	2,856,343
Business cooperation agreement with Maoyan	222,267	222,267
Mobike monthly pass	15,263	24,221
Others	196	51
	4,154,077	3,102,882
	4,665,098	3,727,881

26 CONVERTIBLE REDEEMABLE PREFERRED SHARES

On October 5, 2016, 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 Ltd ("Mobike").

Upon issuance of Series A-12 Preferred shares, a total of 2,121,921,600 shares were issued (Series A-1 through A-12, "Series A Preferred Shares").

The key terms of all series of Preferred Shares are set out in the 2018 Financial Statements.

After the completion of the Global Offering, all of our convertible redeemable preferred shares were converted to our Class B Shares. The fair value of each of convertible redeemable preferred shares is equivalent to the fair value of each of our ordinary shares on the conversion date, which is the Offer Price in the Global Offering.

27 TRADE PAYABLES

	Unaudited As of June 30, 2019 RMB'000	Audited As of December 31, 2018 RMB'000
Trade payables	**4,669,865**	5,340,963

As of June 30, 2019 and December 31, 2018, the aging analysis of the trade payables based on invoice date were as follows:

	Unaudited As of June 30, 2019 RMB'000	Audited As of December 31, 2018 RMB'000
Trade payables		
Up to 3 months	**4,424,026**	5,067,050
3 to 6 months	**144,628**	168,162
6 months to 1 year	**91,697**	102,764
Over 1 year	**9,514**	2,987
	4,669,865	5,340,963

28 OTHER PAYABLES AND ACCRUALS

	Unaudited As of June 30, 2019 RMB'000	Audited As of December 31, 2018 RMB'000
Salaries and benefits payable	2,150,452	2,598,340
Deposits	1,461,932	1,183,676
Payables for acquisition	995,960	1,443,877
Tax payable	783,836	743,791
Amounts due to related parties (Note 34)	591,836	407,248
Accrued expenses	235,943	347,315
Others	844,040	637,383
	7,063,999	7,361,630

29 BORROWINGS

	Unaudited As of June 30, 2019 RMB'000	Audited As of December 31, 2018 RMB'000
Non-current		
Asset-backed securities (b)	936,854	470,056
	936,854	470,056
Current		
Bank loan – unsecured	2,700,000	1,200,000
Bank loan – secured (a)(i)	300,000	600,000
	3,000,000	1,800,000

29 BORROWINGS *(Continued)*

(a) Bank borrowings of RMB3 billion will be repayable as of June 30, 2020 and bear annual average interest rate of 5.410% (2018: 5.597%).

(i) 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 ended June 30, 2019, the weighted average effective interest rate for bank borrowings was 5.589% (2018: 5.980%).

(b) The Group has securitized certain loan receivables and issued RMB1 billion asset-backed securities ("ABS") as of June 30, 2019. During the six months ended June 30, 2019, the Group issued ABS of RMB500 million, of which RMB467 million represented senior tranche and RMB33 million represented subordinate tranches, which were fully acquired by the Group. The ABS bore interest at 4.59%-6.2% per annum in 2019 (2018: 5.4%-6.2%).

30 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 of June 30, 2019:

	Unaudited As of June 30, 2019 RMB'000	Audited As of December 31, 2018 RMB'000
Assets classified as held for sale		
Cash and cash equivalents	**2,465**	51,524
Restricted cash	**556**	271
Trade receivables	**330**	122
Prepayments, deposits and other assets	**28,098**	19,013
Property, plant and equipment	**15,014**	15,594
Intangible assets	**–**	15
Inventories	**1,051**	1,548
Total assets classified as held for sale	**47,514**	88,087

	Unaudited As of June 30, 2019 RMB'000	Audited As of December 31, 2018 RMB'000
Liabilities directly associated with assets classified as held for sale		
Trade payables	**5,126**	24,127
Advances from transacting users	**2,366**	1,238
Other payables and accruals	**3,031**	12,257
Deposits from transacting users	**221**	17,824
Deferred revenue	**–**	64
Total liabilities directly associated with assets classified as held for sale	**10,744**	55,510

31 SHARE-BASED PAYMENTS

For background of share-based payments, please refer to the 2018 Financial Statements.

On October 6, 2015, the board of directors of the Company approved the establishment of the Company's 2015 Share Incentive Plan ("2015 Share Incentive Plan"), an equity-settled share-based compensation plan with the purpose of attracting, motivating, retaining and rewarding certain employees, consultants, and Directors. The 2015 Share Incentive Plan is valid and effective for 10 years from the date of approval by the board of directors. The Group has initially 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.

All the share options and RSUs under the 2015 Share Incentive Plan were granted between May 31, 2006 and August 2, 2018 and the Company will not grant further share options and RSUs under the 2015 Share Incentive Plan after the Listing.

On August 30, 2018, a new share option scheme ("Post-IPO Share Option Scheme") and a new share award scheme ("Post-IPO Share Award Scheme") had been approved by the shareholders of the Company. The total number of Class B Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other schemes is 475,568,628 Class B Shares. The aggregate number of Class B Shares underlying all grants made pursuant to the Post-IPO Share Award Scheme (excluding Award Shares which have been forfeited in accordance with the Post-IPO Share Award Scheme) will not exceed 272,336,228 Shares without Shareholders' approval (the "Post-IPO Share Award Scheme Limit") subject to an annual limited of 3% of the total number of issued Shares at the relevant time.

As of June 30, 2019, the Group has authorised and reserved a total of 949,809,608 ordinary shares under the 2015 Share Incentive Plan, Post-IPO Share Option Scheme and Post-IPO Share Award Scheme for awards of options and RSUs of the Company's ordinary shares.

Share options

Options granted typically expire in 10 years from the respective grant dates. For previously granted options that were near its expiration date (i.e., 10 years after grant date) in 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.

31 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:

	Unaudited	
	Number of share options	Weighted average exercise price per share option (USD)
Outstanding as of January 1, 2019	**116,321,663**	**2.90**
Forfeited during the period	**(6,850,099)**	**3.29**
Exercised during the period	**(22,103,782)**	**1.15**
Outstanding as of June 30, 2019	**87,367,782**	**3.32**
Vested and exercisable as of June 30, 2019	**38,131,937**	**2.47**
Outstanding as of January 1, 2018	121,961,415	1.94
Granted during the period	4,728,565	2.90
Mobike option replacement (Note a)	21,290,122	1.34
Forfeited during the period	(4,572,824)	1.57
Exercised during the period	(36,414,391)	0.54
Outstanding as of June 30, 2018	106,992,887	2.36
Vested and exercisable as of June 30, 2018	37,192,401	1.12

(a) On April 4, 2018, the Company acquired Mobike and 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.

31 SHARE-BASED PAYMENTS *(Continued)*

Share options *(Continued)*

A total of 21,290,122 share options were assumed by the Group in the acquisition of Mobike. The Mobike option replacement has been analysed to determine whether the awards relate to pre-combination or postcombination 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 statements as share-based compensation expenses.

The weighted average remaining contractual life of outstanding share options was 7 years and 7 years as of June 30, 2019 and December 31, 2018, respectively.

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. There was no option granted for the six months ended June 30, 2019. Key assumptions for the six months ended June 30, 2018 are set as below:

	Unaudited Six months ended June 30, 2018
Risk-free interest rates	3.2% – 3.8%
Expected term – years	2.8-6.4
Expected volatility	45.0% – 50.0%
Fair value of ordinary shares (USD)	5.18-5.49
Exercise price (USD)	0-3.86
Dividend yield	–

The weighted average fair value of granted options was USD4.14 per share, for the six months ended June 30, 2018.

31 SHARE-BASED PAYMENTS *(Continued)*

RSUs

The Company also grants RSUs to the Company's employees, consultants, and directors under the 2015 Incentive Share Plan and Post-IPO Share Award Scheme. The RSUs awarded vest in tranches from the grant date over a certain service period, on condition that employees remain in service without any performance requirements. Once the vesting conditions underlying the respective RSUs are met, the RSUs are considered duly and validly issued to the holder, and free of restrictions on transfer.

Movements in the number of RSUs granted and the respective weighted average grant date fair value are as follows:

	Unaudited	
	Number of RSUs	Weighted average grant date fair value per RSU (USD)
Outstanding as of January 1, 2019	**164,133,960**	**4.59**
Granted during the period	**3,497,792**	**6.88**
Vested during the period	**(33,212,125)**	**4.05**
Forfeited during the period	**(15,398,732)**	**5.46**
Outstanding as of June 30, 2019	**119,020,895**	**4.70**
Outstanding as of January 1, 2018	114,505,992	3.34
Granted during the period	14,328,965	4.77
Vested during the period	(18,075,533)	3.14
Forfeited during the period	(4,187,485)	3.48
Outstanding as of June 30, 2018	106,571,939	3.56

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.

According to the merger agreement with Mobike, RSUs of the Company with a total valuation of USD60 million shall be granted to current Mobike officers, directors, and employees, and subject to the Company's 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.

31 SHARE-BASED PAYMENTS *(Continued)*

RSUs ***(Continued)***

The total share-based compensation expenses recognized in the consolidated income statement are RMB954 million and RMB682 million for the six months ended June 30, 2019 and 2018, respectively. The following table sets forth a breakdown of the share-based compensation expenses by nature:

	Unaudited Six months ended June 30,	
	2019 RMB'000	2018 RMB'000
Share options	**154,602**	136,045
RSUs	**797,619**	497,553
Incremental fair value for repurchase of ordinary shares	**–**	48,660
Others	**1,348**	–
	953,569	682,258

32 DIVIDENDS

No dividends have been paid or declared by the Company during each of the six months ended June 30, 2019 and 2018.

33 COMMITMENTS

(a) Capital commitments

	Unaudited As of June 30, 2019 RMB'000	Audited As of December 31, 2018 RMB'000
Within 1 year	12,016	37,426
1 – 2 years	593	3,628
	12,609	41,054

(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 within 1 year or more consist of the following:

	Unaudited As of June 30, 2019 RMB'000	Audited As of December 31, 2018 RMB'000
Within 1 year	–	605,723
1 – 5 years	–	1,281,789
Over 5 years	–	223,965
	–	2,111,477

34 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions. Parties are also considered to be related if they are subjected to common control. Members of key management and their close family members of the Group are also considered as related parties.

The following significant transactions were carried out between the Group and its related parties during the periods presented. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(a) Names and relationships with related parties

The following companies are significant related parties of the Group that had transactions with the Group during the six months ended June 30, 2019 and 2018, and/or balances with the Group as of June 30, 2019 and December 31, 2018.

Name of related parties	Relationship
Tencent Group	One of the Company's shareholders
Tianjin 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
AsiaSea Co., Ltd.	Associate of the Group
Acewill information Technology (Beijing) Co., Ltd.	Associate of the Group
Hefei Haizhitun Technology Co., Ltd.	Associate of the Group
Wang Xing	Core connected person
Mu Rongjun	Core connected person

34 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Significant transactions with related parties

	Unaudited Six months ended June 30, 2019 RMB'000	Unaudited Six months ended June 30, 2018 RMB'000
(i) Sales of service		
Associate of the Group	484,882	198,218
(ii) Purchase of service		
One of the Company's shareholders	733,807	301,545
Associate of the Group	233,556	3,685
	967,363	305,230
(iii) Sales of investments		
Associate of the Group	–	38,776

(c) Balances with related parties

	Unaudited As of June 30, 2019 RMB'000	Audited As of December 31, 2018 RMB'000
(i) Other receivables from related parties		
Associate of the Group	378,055	19,654
One of the Company's shareholders	149,484	175,548
	527,539	195,202
(ii) Other payables to related parties		
Associate of the Group	493,462	378,972
One of the Company's shareholders	98,374	28,276
	591,836	407,248

34 RELATED PARTY TRANSACTIONS *(Continued)*

(d) Key Management compensation

	Unaudited Six months ended June 30,	
	2019	2018
	RMB'000	RMB'000
Fees	**744**	–
Wages, salaries and bonuses	**12,721**	6,184
Pension costs and other employee benefits	**385**	179
Share-based compensation expenses	**240,711**	64,402
Others	**189**	–
	254,750	70,765

35 CONTINGENCIES

The Group did not have any material contingent liabilities as of June 30, 2019.

36 SUBSEQUENT EVENTS

There were no material subsequent events during the period from June 30, 2019 to the approval date of these consolidated financial statements by the Board on August 23, 2019.

37 RECLASSIFICATION OF COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period presentation.

"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
"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

"Class B Shares"	class B ordinary shares of the share capital of the Company with a par value of US$0.00001 each, conferring a holder of a Class B Share one vote per share on any resolution tabled at the Company's general meeting
"CODM"	the chief operating decision-maker who is responsible for allocating resources and assessing performance of the operating segments
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company", "our Company", "the Company"	Meituan Dianping (美团点评) (formerly known as Internet Plus Holdings Ltd.), an exempted company with limited liability incorporated under the laws of the Cayman Islands on September 25, 2015, or Meituan Dianping (美团点评) and its subsidiaries and Consolidated Affiliated Entities, as the case may be
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Consolidated Affiliated Entities"	the entities we control through the Contractual Arrangements, namely, the Onshore Holdcos and their respective subsidiaries (each a "Consolidated Affiliated Entity")
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Wang Xing and the directly and indirectly held companies through which Wang Xing has an interest in the Company
"Crown Holdings"	Crown Holdings Asia Limited, a limited liability company incorporated under the laws of the BVI which is controlled by Wang Xing
"Date of this Interim Report"	August 23, 2019
"Director(s)"	the director(s) of the Company
"Group", "our Group" or "the Group", "we", "us", or "our"	the Company and its subsidiaries and Consolidated Affiliated Entities from time to time
"Hong Kong dollars" or "HK dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Securities and Futures Ordinance" or "SFO"	the Securities 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
"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 Growth Enterprise Market 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
"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 a "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

"PRC"	the People's Republic of China
"Pre-IPO ESOP"	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
"Reporting Period"	the six months ended June 30, 2019
"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 shares 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
"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
"weighted voting right"	has the meaning ascribed to it in the Listing Rules
"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 under 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.

GLOSSARY

"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 monthly pass, then one transaction is recognized only when the user purchases or claims the monthly pass, and subsequent rides are not recognized as transactions; if a user does not use monthly pass, then one transaction is recognized for every ride.