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

ANNUAL REPORT 2019

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

CORPORATE GOVERNANCE COMMITTEE

Mr. Leng Xuesong (冷雪松) *(Chairman)*
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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Certified Public Accountants and
Registered PIE Auditor
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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Cayman Islands

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Haidian District
Beijing
China

STOCK CODE

3690

COMPANY'S WEBSITE

about.meituan.com

WEIGHTED VOTING RIGHTS

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

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

As at the date of this annual report, the WVR Beneficiaries are Wang Xing, Mu Rongjun and Wang Huiwen. Wang Xing beneficially owned 573,188,783 Class A Shares, representing approximately 46.08% 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 10.13% 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 Class A Shareholders' resolutions relating to matters other than the Reserved Matters. The Class A Shares beneficially owned by Wang Huiwen are held by Kevin Sunny, a company indirectly wholly owned by a trust established by Wang Huiwen (as settlor) for the benefit of Wang Huiwen and his family.

Class A Shares may be converted into Class B Shares on a one to one ratio. As at the date of this annual report, upon the conversion of all the issued and outstanding Class A Shares into Class B Shares, the Company will issue 735,568,783 Class B Shares, representing approximately 14.47% the total number of issued Class B Shares as at the date of this annual report.

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

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

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

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

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

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)

	Year ended December 31,				
	2015	2016	2017	2018	**2019**
	(RMB in thousands)				
Revenues	4,018,959	12,988,077	33,927,987	65,227,278	**97,528,531**
Gross profit	2,779,455	5,941,236	12,219,504	15,104,958	**32,320,388**
Profit/(loss) before income tax	(9,242,729)	(10,631,096)	(18,933,663)	(115,490,807)	**2,762,388**
Profit/(loss) for the year	(10,519,338)	(5,794,998)	(18,987,881)	(115,492,695)	**2,236,165**
Profit/(loss) for the year attributable to equity holders of the Company	(10,519,338)	(5,789,900)	(18,916,617)	(115,477,171)	**2,238,769**
Total comprehensive income/(loss) for the year	(11,774,342)	(8,642,934)	(15,558,395)	(123,296,397)	**2,919,043**
Total comprehensive income/(loss) for the year attributable to equity holders of the Company	(11,774,342)	(8,637,836)	(15,487,131)	(123,281,091)	**2,921,721**

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As of December 31,				
	2015	2016	2017	2018	**2019**
	(RMB in thousands)				
ASSETS					
Non-current assets	21,015,464	28,082,028	29,196,028	47,512,119	**49,877,870**
Current assets	21,874,383	23,634,532	54,438,135	73,149,392	**82,135,045**
Total assets	42,889,847	51,716,560	83,634,163	120,661,511	**132,012,915**
EQUITY					
Equity attributable to equity holders of the Company	(17,669,672)	(25,622,386)	(40,559,116)	86,504,334	**92,112,445**
Non-controlling interests	—	47,035	57,734	5,438	**(58,051)**
Total Equity	(17,669,672)	(25,575,351)	(40,501,382)	86,509,772	**92,054,394**
LIABILITIES					
Non-current liabilities	50,316,796	64,815,964	103,618,175	2,326,683	**3,365,958**
Current liabilities	10,242,723	12,475,947	20,517,370	31,825,056	**36,592,563**
Total liabilities	60,559,519	77,291,911	124,135,545	34,151,739	**39,958,521**
Total equity and liabilities	42,889,847	51,716,560	83,634,163	120,661,511	**132,012,915**

FINANCIAL INFORMATION BY SEGMENT

	Unaudited Three Months Ended					
	December 31, 2019			December 31, 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	**15,715,710**	**6,356,945**	**6,085,598**	11,006,277	4,594,132	4,203,043
Gross profit/(loss)	**2,786,936**	**5,642,495**	**1,288,698**	1,471,721	3,988,258	(978,985)
Gross margin	**17.7%**	**88.8%**	**21.2%**	13.4%	86.8%	(23.3%)

	Year Ended					
	December 31, 2019			December 31, 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	**54,843,205**	**22,275,472**	**20,409,854**	38,143,083	15,840,361	11,243,834
Gross profit/(loss)	**10,233,188**	**19,746,355**	**2,340,845**	5,268,197	14,095,355	(4,258,594)
Gross margin	**18.7%**	**88.6%**	**11.5%**	13.8%	89.0%	(37.9%)

OPERATING METRICS

	Three Months Ended			Year Ended		
	December 31, 2019	December 31, 2018	**Year-over-year change**	**December 31, 2019**	December 31, 2018	**Year-over-year change**
	(RMB in billions)		*(in percentages)*	*(RMB in billions)*		*(in percentages)*
Gross transaction volume:						
Food delivery	**112.1**	80.2	**39.9%**	**392.7**	282.8	**38.9%**
In-store, hotel & travel	**60.4**	44.7	**35.3%**	**222.1**	176.8	**25.6%**
New initiatives and others	**17.4**	13.1	**31.0%**	**67.3**	56.0	**20.3%**
Total	**189.9**	138.0	**37.6%**	**682.1**	515.6	**32.3%**

	Year Ended		
	December 31, 2019	December 31, 2018	**Year-over-year change**
	(in millions)		*(in percentages)*
Number of Transacting Users	**450.5**	400.4	**12.5%**
Number of Active Merchants	**6.2**	5.8	**7.1%**
	(units)		*(in percentages)*
Average number of transactions per annual Transacting User	**27.4**	23.8	**15.4%**

	Three Months Ended			Year Ended		
	December 31, 2019	December 31, 2018	**Year-over-year change**	**December 31, 2019**	December 31, 2018	**Year-over-year change**
	(in millions)		*(in percentages)*	*(in millions)*		*(in percentages)*
Number of food delivery transactions	**2,505.3**	1,832.3	**36.7%**	**8,722.1**	6,393.4	**36.4%**
Number of domestic hotel room nights	**110.0**	74.4	**47.9%**	**392.4**	283.9	**38.2%**

To our Shareholders:

Meituan Dianping's performance in 2019 was a testament to our strategy and determination to build China's leading e-commerce platform for local services. It has proven the potency of both our operational philosophy and business model as we move along the path towards sustainable growth.

As we entered into a new decade, the world has confronted the severe outbreak of coronavirus and challenges that lie ahead. As near-term impacts of coronavirus subside, we believe the growth of local services shall gradually pick up and reaccelerate over the long run. Furthermore, the pandemic has raised public awareness of the urgency and importance of digitizing the service industry on both the demand and supply sides, which has strengthened our determination to strive for continuous improvements in the core elements of our business model.

Thanks to our steadfast investments over the past few years, we have successfully built the world's largest, most efficient, and most responsive on-demand delivery network. During the pandemic lockdown, our delivery network has become a crucial infrastructure for local services, and has played an indispensable role on the timely delivery of food and daily necessities to residents in China. Meanwhile, we have increasingly realized the significance of improving our platform capabilities and further enriching our products and services, the opportunities and responsibilities entrusted to us in this era of digital transformation. While the digitization of the entire industry value chain is still at its early stage, we shall continue to be a leading promoter and long-term beneficiary of this underlying trend. We are committed to providing consumers with better local services, maximizing value for all participants in our ecosystem, and fulfilling our mission of helping people eat better, live better.

On behalf of the Board, I am pleased to present the Group's annual results for the year ended December 31, 2019.

FINANCIAL PERFORMANCE HIGHLIGHTS

In the year ended December 31, 2019, we achieved strong revenues growth and profitability improvement across all major business segments. Moreover, we achieved an important milestone of turning both operating profit and operating cash flow positive first time in our history. Total revenues increased by 49.5% year-over-year to RMB97.5 billion from RMB65.2 billion in 2018. Total gross profit increased by 114.0% year-over-year to RMB32.3 billion from RMB15.1 billion in 2018, and operating profit turned to positive RMB2.7 billion from negative RMB11.1 billion in 2018. Adjusted EBITDA and adjusted net profit were RMB7.3 billion and RMB4.7 billion in 2019, respectively. Our operating cash flow turned to positive RMB5.6 billion in 2019 from negative RMB9.2 billion in 2018. We had cash and cash equivalents of RMB13.4 billion and short-term investments of RMB49.4 billion as of December 31, 2019, compared to the balance of RMB17.0 billion and RMB41.8 billion, respectively, as of December 31, 2018.

BUSINESS REVIEW AND OUTLOOK

Food delivery

As the world's leading food delivery service provider, we further strengthened our market-leading position in terms of consumer base, merchant base and delivery network during 2019. As we grow our business, we have also improved the unit economics of our food delivery business on a year-over-year basis consecutively over the past four quarters due to increasing economies of scale. In 2019, GTV of our food delivery business increased by 38.9% to RMB392.7 billion. The daily average number of food delivery transactions increased by 36.4% to 23.9 million. The average value per order of our food delivery business increased by 1.8% year-over-year. Monetization Rate[1] of our food delivery business increased to 14.0% from 13.5% in 2018. As a result, revenues increased by 43.8% year-over-year to RMB54.8 billion in 2019. Gross profit from our food delivery business increased by 94.2% to RMB10.2 billion in 2019, while gross margin expanded to 18.7% from 13.8% year-over-year. In the fourth quarter of 2019, total GTV of our food delivery business increased by 39.9% year-over-year to RMB112.1 billion and the daily average number of food delivery transactions increased by 36.7% year-over-year to 27.2 million. The average value per order of our food delivery business increased by 2.3% year-over-year to RMB44.8, and Monetization Rate of our food delivery business increased to 14.0%. As a result, revenues from food delivery increased by 42.8% year-over-year to RMB15.7 billion in the fourth quarter of 2019. Gross profit from our food delivery business increased by 89.4% year-over-year to RMB2.8 billion for the fourth quarter of 2019, while gross margin expanded to 17.7% from 13.4% year-over-year.

On the consumer front, owing to our early, forceful expansion into lower-tier cities, we currently enjoy a significant first-mover advantage and stand to benefit from the ongoing trend that demand in lower-tier cities continues to grow alongside the rising levels of consumption. Our food delivery business in lower-tier cities made a larger contribution and exhibited higher growth in terms of GTV in full year 2019 as well as the fourth quarter of 2019. Moreover, lower-tier cities continued to be the main driver of our user growth in 2019. Attributable to our improvements to operational teams, delivery network and marketing capabilities as well as positive word-of-mouth, we continued to acquire new users, the majority of which came from third-tier cities and below.

Meanwhile, as we continued to expand the quality food supply, delivery categories, available hours and delivery distance to better satisfy consumer demand, purchase frequency of our repeat consumers continued to improve. The successful rollout of our Food Delivery Membership Program in 2019 further enabled us to improve the order frequency and loyalty of these repeat consumers. Moreover, our Food Delivery Membership Program effectively boosted consumer impulse consumptions during off-peak hours. Consumer demand during off-peak hours, including breakfast, afternoon tea and late night snacks, continued to grow rapidly in the fourth quarter of 2019, with increasing needs for more personalized and high-quality online food supplies. In particular, delivery volume of healthy light meals, salad, desserts and beverages all achieved strong growth in the fourth quarter of 2019.

[1] Monetization rate equals the revenues for the year/period divided by the Gross Transaction Volume for the year/period.

On the merchant front, as the leading platform with sufficient user traffic, we helped millions of restaurants maximize their exposure to online channels and increase online sales in 2019. In addition to cost-effective on-demand delivery infrastructure, we continued to optimize our comprehensive set of solutions to empower local merchants in 2019. These include solutions for online marketing, production and operation digitalization, integrated payment, food distribution and financing services. For example, we introduced dish-based recommendation feeds for restaurants in August 2019 and continued to optimize this marketing solution for merchants in the fourth quarter of 2019. This dish-based recommendation feeds provide more opportunities to merchants to showcase their popular local dishes and attract new consumers while increasing their conversion ratios. More notably, because of our continuous efforts in developing innovative online marketing products to help food delivery merchants enhance their exposure to potential consumers and further boost their marketing efficiency, increasingly more food delivery merchants have adopted our online marketing services in 2019. Online marketing revenues of food delivery business grew robustly, increasing by 118.6% year-over-year. Moreover, we continued to improve our marketplace products to provide restaurants with more useful tools for enhancing their operating efficiency. For example, we introduced an intelligent diagnosis tool for restaurant merchants on their product quality and guidance on product mix optimization. Furthermore, in the fourth quarter of 2019, we released four targeted solutions, including digital business solution, specialized production solution, diversified marketing solution, and intelligent service solution. Through these solutions, our goal is to help millions of merchants build next generation stores, identify and resolve online operation pain points, achieve seamless integration between online and offline operations, and enhance service and product quality.

On the delivery front, we further solidified our advantages in delivery efficiency attributable to higher order density, refinement of our proprietary dispatching system algorithms, and optimization of our operational capabilities in 2019. In addition, we began to fine-tune our delivery service segmentation and our delivery network mobilization capacity, especially during off-peak hours, extreme weather conditions and holidays in the second half of 2019, which enabled us to further lower our delivery cost per order while ensuring a consistent level of user experience over the past two quarters. At the same time, to maintain the consistency in our delivery service quality, we require our delivery partners to set and continuously refine strict delivery riders recruitment standards and closely monitor their adherence to our service standards. In addition, we helped our partners establish legally compliant management systems to ensure fire safety and driving safety, and required them to provide regular training to delivery riders to promote their awareness of safety compliance. We continued to exert efforts on improving delivery riders' corporate affinity and attaining increasing social respect through the "717 Riders' Day" celebration, "Delivery Riders Guardian Program" and offering free counseling to delivery riders, among others.

In-store, hotel & travel

Our in-store, hotel & travel businesses continued to solidify its market leadership and further demonstrated strong monetization capability in 2019. GTV of our in-store, hotel & travel businesses grew by 25.6% year-over-year to RMB222.1 billion in 2019. Revenues from our in-store, hotel & travel businesses increased by 40.6% year-over-year to RMB22.3 billion in 2019. Gross profit of our in-store, hotel & travel businesses increased by 40.1% year-over-year to RMB19.7 billion in 2019, while gross margin remained relatively flat year-over-year. GTV growth of our in-store, hotel & travel businesses continued to accelerate for the fourth quarter of 2019, growing by 35.3% year-over-year to RMB60.4 billion. Revenues from our in-store, hotel & travel businesses increased by 38.4% year-over-year to RMB6.4 billion for the fourth quarter of 2019. Gross profit from our in-store, hotel & travel businesses increased to RMB5.6 billion for the fourth quarter of 2019, while gross margin increased to 88.8% from 86.8% year-over-year.

For our in-store business, the year-over-year growth rate of commission revenues from transaction-based products re-accelerated in the beginning of the second half of 2019 and continued to accelerate during the fourth quarter of 2019. Online marketing revenues also maintained strong growth momentum throughout the year, with around 55% increase year-over-year in 2019. The impressive results achieved in 2019 were mainly due to the refinement in our business operations, our strengthened content creation capabilities, expansion in the range of product and service offerings and enhanced location-based algorithms.

First, we reorganized our sales team and expanded our coverage for high-quality restaurant merchants in 2019. By dividing restaurant merchants into different categories, our sales team has gained a better understanding of each merchant category and is increasingly capable of providing more personalized product solutions. Second, our continuous enhancement of location-based algorithms was key in helping local service merchants maximize the impact of their online marketing and further refine their marketing precision via user-generated local search queries. We were also able to further leverage the user profiles generated from our database to gauge user demand on our platform across different service categories and promote additional cross-selling opportunities. Third, we continued to diversify our affordable marketing products and tools for merchants. Merchant base penetration rate of our cost-per-click advertising products and subscription-based services increased steadily throughout 2019. Our interest-based feeds, which were rolled out in late 2018 and have barely been monetized at the current stage, also enabled merchants to tailor and promote their content within the editorial feed, display their content to a larger audience, and achieve a higher click-through-rate. Fourth, we continued to advance our operational capabilities through the execution of numerous promotional activities and campaigns in 2019. These promotional activities and campaigns included, to name a few, "Super Brand Food Festival," "2019 Parent-Child Fantasy Day," "Chinese Valentine's Day Special Campaign," "Double 11 Carnival," and "Double 12 Carnival." All of these theme-based promotional campaigns were exceptionally well received by the market. Lastly, we continued to make good progress in the development of our content ecosystem in 2019, which has also helped improve the marketing efficiency of merchants on our platform. As of December 31, 2019, we had accumulated over 7.7 billion user-generated reviews on our platform for millions of merchants in China. Moreover, our refinement of interest-based feeds within the Dianping app has resulted in a more visually appealing user interface, an increasingly personalized content delivery system, and the rapid growth of both DAUs and user time spent on the application for the full year of 2019. Meanwhile, our enhanced Black Pearl Restaurant Guide, Must List Series, and other initiatives have risen in popularity among consumers. Importantly, these features enable consumers to not only discover and explore a broad range of local service categories, but also allow our recommended merchants to generate higher sales, augment their brand influence, streamline their operations, and bolster their product offerings through consumer reviews that are both authentic and dynamic.

With respect to our hotel booking business, we further strengthened our leading position in 2019. The number of domestic room nights consumed on our platform in 2019 increased by 38.2% year-over-year to 392.4 million. Average daily rate per room night also experienced a steady year-over-year growth. More notably, the growth of domestic room nights in the fourth quarter of 2019 further accelerated and increased by 47.9% year-over-year, reaching 110 million quarterly room nights for two consecutive quarters. In 2019, we further solidified our leading position in lower-tier cities and low-star hotel segment because of our increased efforts on exploring offline traffic conversion and new traffic channels. Meanwhile, our high-star hotel booking business maintained healthy growth in 2019. Our "Hotel + X" strategy has enabled us to develop deeper relationships with an increasing number of high-star hotel groups by helping them increase their non-lodging revenues streams. Revenues contribution from high-end hotels further increased year-over-year for the fourth quarter of 2019.

New initiatives and others

Revenues from the new initiatives and others segment increased by 81.5% year-over-year to RMB20.4 billion in 2019. Gross profit of the new initiatives and others segment increased to positive RMB2.3 billion in 2019 from negative RMB4.3 billion in 2018, while gross margin improved to positive 11.5% in 2019 from negative 37.9% in 2018. In the fourth quarter of 2019, revenues in this segment increased by 44.8% year-over-year to RMB6.1 billion in 2019. Gross profit increased to positive RMB1.3 billion in 2019 from negative RMB1.0 billion in 2018, while gross margin further expanded to positive 21.2% in 2019 from negative 23.3% in 2018.

For our bike-sharing and car-hailing services, we successfully reduced our losses during 2019 while improving operation efficiencies and developing synergies with other businesses on our platform. With respect to our bike-sharing services, most of our older bikes reached the end of their useful lives in the third quarter of 2019. As such, we have gradually replaced the remaining older bikes with new Meituan Bikes, which are painted in Meituan yellow, have a longer life span, are modified for a better user experience and may only be unlocked through the Meituan app. We believe that the new Meituan Bikes would have better unit economics and could create more synergies with our platform as compared to the old Mobike model. With respect to our car-hailing services, we have improved our control of operating losses after rolling out the "aggregated model" in 2019. We operated our car-hailing services in 54 cities as of the end of 2019.

In 2019, we continued to drive supply side digitization by investing in our restaurant management system and B2B food distribution services. With respect to our restaurant management system services, emphasis on merchant quality has become a priority in 2019, and both the number and percentage of high-quality merchants have increased. Continuous investment in R&D, product upgrade, as well as a higher standard of post-sale service quality further strengthened our position in this space. For the B2B food distribution services, we prioritized merchant development, product selection, and core capabilities in 2019. We focused on the development and maintenance of high-quality merchants as well as the growth of average revenue per user through an increase in their wallet share, purchase frequency, and ticket size. In addition, we adjusted our product structure according to the geographic distribution and purchase frequency of merchants. Notably, fresh produce and meat products accounted for a higher proportion of our product selection in 2019. We have also bolstered our quality control and pricing management capabilities for fresh products.

With respect to our grocery retail services, we continued to explore both our self-operated model and marketplace model while improving the operational efficiencies of both. With respect to our self-operated Meituan Grocery model, we have increased our warehouse density by setting up 96 warehouses in Beijing, Shanghai, and Shenzhen, as well as by establishing more than 30 locations for self-pickup in Wuhan as of the end of 2019. With respect to our marketplace model, Meituan Instashopping is positioned to be an online marketplace with tens of thousands of SKUs. These SKUs range from items that meet the daily needs of consumers to specialty items from selected vertical service categories, such as medical products and flowers. Notably, GTV growth of both medical products and flowers on our platform achieved robust growth in 2019.

Company Outlook for 2020 and Potential Adverse Impact of the Recent Coronavirus Outbreak

Since the beginning of 2020, the coronavirus outbreak has resulted in tremendous near-term shocks to many industries in China. Local services, which are the focus of our e-commerce platform, have been impacted by this pandemic in many ways. Especially, the pandemic has already caused severe disruptions to the daily operations of our merchants, including restaurants, local services merchants and hotels, which in turn resulted in downward pressure on our own operations for the first quarter of 2020. Business segments such as food delivery and in-store, hotel and travel are all facing significant challenges on the demand side and supply side. As a result of the pandemic, we estimate that we would experience negative year-over-year revenues growth and operating loss for the first quarter of 2020. Due to the high uncertainty of the evolving situation, we are unable to fully ascertain the expected impact on full year 2020 at this stage; however, if it takes longer for user demand and merchant operations to recover to normal levels as the pandemic continues, the results of our operations for the following quarters could also be adversely impacted.

In face of such a severe pandemic, the first thing that comes across our mind is our position as an industry leader and the social responsibilities attached to our position. Therefore, we have been proactively providing supply assistance and helping to secure people's livelihood in pandemic-stricken areas. Additionally, we have continued to provide our services to people nationwide to ensure that their normal lives are not adversely affected during the pandemic.

At the very early stage of the pandemic, we established a special support fund of RMB200 million for medical staff across the country, with a focus on supporting medical staff in key areas of pandemic prevention and control, such as Wuhan, as well as medical teams who have come to Wuhan from other parts of the country to support local medical staff. We were the first to introduce "contact-free" delivery services in Wuhan, which has now been rolled out nationwide. Our Meituan Instashopping business continues to cooperate with supermarkets, pharmacies, convenience stores, fruit and vegetable stores in Wuhan and other regions to provide consumers with on-demand delivery of food, medicines, daily consumer goods and other products. Our grocery shopping business also continues to increase its number of high-quality suppliers, strengthen its food safety management, increase its procurement capabilities, and ensure the supply of groceries during the pandemic. During the pandemic, we extended the emergency service guarantee policy for travel orders to speed up the refund process for hotels, travel as well as train and air tickets. Our B2B food distribution services have also opened green channels for medical institutions in 34 cities while overcoming inventory and capacity challenges to ensure adequate supply of food during the pandemic. We have also suspended fee collection for the use of our bikes in Hubei during the pandemic, while donating more than 2.15 million free ride passes to medical professionals fighting against the coronavirus across the country. Our car-hailing services have rolled out the first real-name public transport system in China to assist the government to track pandemic information. We are also providing job matching services for millions of local service providers and tens of millions of participants. To date, we have released 200,000 delivery riders job openings and thousands of other job openings across campuses and throughout the country.

At the same time, we have launched a series of assistance programs to help small and medium-sized merchants in the local service industry overcome the severe difficulties that they are facing during the pandemic. For example, we established a special fund to support the resumption of operations for merchants across the country. Further, we are working with our bank partners to provide RMB20 billion of loans with preferential interest rates to various merchants while providing free online courses to merchants on the best practices in pandemic response, food safety, storefront operations and other topics. With respect to our food delivery business, we have waived commissions for all food delivery restaurant merchants in Wuhan until after the city lockdown is over. Also, we have returned a portion of commissions to high-quality food delivery restaurant merchants nationwide to be used for online promotion and marketing in the future while providing free traffic support and subsidies to these merchants. With respect to our in-store business, we have waived commissions for the months of February and March for in-store dining restaurant merchants and local service merchants in Hubei as well as February commissions for in-store dining restaurant merchants and local service merchants across the country. In addition, we have extended the validity period of subscription-based services for two additional months for recently on-boarded in-store dining restaurant merchants and local service merchants as well as for those who have renewed their contracts with us within a specified period. With respect to our hotel and travel businesses, we provide subsidies to hotels, guesthouses and tourist attractions nationwide that worth a total of RMB1 billion, primarily to be used for online promotion and marketing. We also provide free insurance products to restaurant merchants in Wuhan and their employees, restaurant management systems to eligible restaurant merchants in Hubei, and anti-pandemic supplies and hotel management systems to hotels and guesthouses in Hubei.

We also launched a series of campaigns to further promote the gradual recovery of consumption. By establishing "Safe-dining Restaurants," "Safe-stay Hotels," and other services, we utilized our online capabilities to guide merchants in the process of streamlining, standardizing, and digitizing their pandemic and safety measures to help merchants attract customers. In addition, we launched "Safe Consumption Month" to provide consumers with subsidies and other benefits as well as our "Safe Reservation" services in cooperation with more than 50,000 in-store dining restaurants and tens of thousands of hotels and attractions across the country.

Meanwhile, we are providing additional support to our delivery riders who remain committed to providing delivery services during the pandemic. For example, we are implementing strict health management systems for our delivery riders, distributing pandemic prevention and control knowledge, upgrading anti-septic and pandemic prevention measures at delivery stations across the country, and providing insurance to our delivery riders. We will continue to implement and refine these measures to support every player in our ecosystem.

Although many businesses would be adversely impacted by the pandemic in 2020, we believe that many industries will re-accelerate towards a better direction in the long run. The pandemic has also made the society more aware of the urgency and importance of digitizing the service industry on both the demand and supply sides. As the leading e-commerce platform for services, we will be an important promoter, leader and long-term beneficiary of this long-term trend. In 2020, we will continue to execute our "Food + Platform" strategy and fulfill our mission of "We help people eat better, live better". We will live up to the challenges throughout this pandemic, create more value for consumers and merchants, enhance consumer stickiness and deepen merchant relationship. Meanwhile, we will continue to actively invest in the areas in our ecosystem that we believe will drive the growth of our business, including merchants, consumers, delivery network, and technology.

APPRECIATION

As March 2020 marks the 10th anniversary of Meituan Dianping, I would like to take this important opportunity to express my sincere gratitude to our consumers, merchants, partners and investors for their continuous trust and support. I would also like to thank our delivery riders and the entire staff for their commitment, great determination and remarkable contributions. In the new decade, we strive to increase our investment in science and technology to facilitate development and promote digitization of the service industry. We will also continue to advance our corporate governance and talent development programs. We promise to remain customer-centric in the decades to come and focus on using technology and innovation to make life better for all.

Wang Xing
Chairman

Hong Kong, March 30, 2020

Fourth Quarter of 2019 Compared to Fourth Quarter of 2018

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

	Unaudited Three Months Ended	
	December 31, 2019	December 31, 2018
	(RMB in thousands)	
Revenues		
Commission	**18,357,737**	13,150,122
Online marketing services	**4,937,769**	3,071,073
Interest revenue	**197,759**	134,325
Other services and sales	**4,664,988**	3,447,932
	28,158,253	19,803,452
Cost of revenues	**(18,440,124)**	(15,322,458)
Gross profit	**9,718,129**	4,480,994
Selling and marketing expenses	**(5,349,095)**	(4,535,051)
Research and development expenses	**(2,239,885)**	(1,981,826)
General and administrative expenses	**(1,232,474)**	(2,725,287)
Net provision for impairment losses on financial assets	**(332,004)**	(120,793)
Fair value changes on investments measured at fair value through profit or loss	**72,443**	990,653
Other gains, net	**786,746**	156,792
Operating profit/(loss)	**1,423,860**	(3,734,518)
Finance income	**53,519**	116,427
Finance costs	**(45,095)**	(15,407)
Share of gains/(losses) of investments accounted for using equity method	**57,646**	(56,875)
Profit/(loss) before income tax	**1,489,930**	(3,690,373)
Income tax (expenses)/credits	**(29,645)**	276,121
Profit/(loss) for the period	**1,460,285**	(3,414,252)
Non-IFRS measures:		
Adjusted EBITDA	**2,178,650**	(854,601)
Adjusted net profit/(loss)	**2,270,219**	(1,581,682)

Revenues

Our revenues increased by 42.2% to RMB28.2 billion for the fourth quarter of 2019 from RMB19.8 billion in the same period of 2018. The increase was primarily driven by (i) the increase in Gross Transaction Volume on our platform to RMB189.9 billion for the fourth quarter of 2019 from RMB138.0 billion in the same period of 2018, which was driven by the increase in the number of Transacting Users, their purchase frequency and average order value, and (ii) the increase in Monetization Rate to 14.8% for the fourth quarter of 2019 from 14.3% in the same period of 2018.

Revenues by Segment

The following table sets forth our revenues by segment in absolute amount and as a percentage of total revenues for the fourth quarter of 2019 and 2018:

	Unaudited Three Months Ended			
	December 31, 2019		December 31, 2018	
	Amount	**As a percentage of total revenues**	Amount	As a percentage of total revenues
	(RMB in thousands, except for percentages)			
Revenues:				
Food delivery	**15,715,710**	**55.8%**	11,006,277	55.6%
In-store, hotel & travel	**6,356,945**	**22.6%**	4,594,132	23.2%
New initiatives and others	**6,085,598**	**21.6%**	4,203,043	21.2%
Total	**28,158,253**	**100.0%**	19,803,452	100.0%

Our revenues from the food delivery segment increased by 42.8% to RMB15.7 billion for the fourth quarter of 2019 from RMB11.0 billion for the same period of 2018, primarily due to the increase in GTV driven by (i) the increase in the number of food delivery transactions, as a result of the increase in food delivery user base and their purchase frequency, and (ii) the increase in average order value.

Our revenues from the in-store, hotel & travel segment increased by 38.4% to RMB6.4 billion for the fourth quarter of 2019 from RMB4.6 billion for 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 increase in the number of domestic room nights consumed on our platform.

Our revenues from the new initiatives and others segment increased by 44.8% to RMB6.1 billion for the fourth quarter of 2019 from RMB4.2 billion for the same period of 2018, primarily due to the increases in the revenues from the B2B food distribution services, micro loan business, Meituan Instashopping and integrated payment services, partly offset by the decrease in the revenues from car-hailing services.

Revenues by Type

The following table sets forth our revenues by type in absolute amount and as a percentage of total revenues for the fourth quarter of 2019 and 2018:

	Unaudited Three Months Ended			
	December 31, 2019		December 31, 2018	
	Amount	**As a percentage of total revenues**	Amount	As a percentage of total revenues
	(RMB in thousands, except for percentages)			
Revenues:				
Commission	**18,357,737**	**65.2%**	13,150,122	66.4%
Online marketing services	**4,937,769**	**17.5%**	3,071,073	15.5%
Other services and sales (including interest revenue)	**4,862,747**	**17.3%**	3,582,257	18.1%
Total	**28,158,253**	**100.0%**	19,803,452	100.0%

Our commission revenues increased by 39.6% to RMB18.4 billion for the fourth quarter of 2019 from RMB13.2 billion for the same period of 2018, primarily attributable to the substantial growth of our GTV, especially from our food delivery business.

Our online marketing services revenues increased by 60.8% to RMB4.9 billion for the fourth quarter of 2019 from RMB3.1 billion for the same period of 2018, primarily due to the increase in the number of online marketing Active Merchants.

Our other services and sales revenues increased by 35.7% to RMB4.9 billion for the fourth quarter of 2019 from RMB3.6 billion for the same period of 2018, primarily due to the growth of revenues from our B2B food distribution services and micro loan business, partially offset by the decrease in the revenues from our car-hailing services.

Cost of Revenues

Our cost of revenues increased by 20.3% to RMB18.4 billion for the fourth quarter of 2019 from RMB15.3 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 completed.

The following table sets forth our cost of revenues by segment for the fourth quarter of 2019 and 2018:

	Unaudited Three Months Ended			
	December 31, 2019		December 31, 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	**12,928,774**	**70.1%**	9,534,556	62.2%
In-store, hotel & travel	**714,450**	**3.9%**	605,874	4.0%
New initiatives and others	**4,796,900**	**26.0%**	5,182,028	33.8%
Total	**18,440,124**	**100.0%**	15,322,458	100.0%

Cost of revenues for our food delivery business increased by 35.6% to RMB12.9 billion for the fourth quarter of 2019 from RMB9.5 billion for the same period of 2018, primarily attributable to the increase in food delivery rider costs as a result of the increase in the volume of orders delivered.

Cost of revenues for our in-store, hotel & travel businesses increased by 17.9% to RMB714.5 million for the fourth quarter of 2019 from RMB605.9 million for the same period of 2018. The increase was primarily attributable to the increases in online traffic costs, which was in line with the growth of our online marketing revenues, bandwidth and server custody fees relating to our data storage improvement project, and depreciation of property, plant and equipment.

Cost of revenues for our new initiatives and others businesses decreased by 7.4% to RMB4.8 billion for the fourth quarter of 2019 from RMB5.2 billion for the same period of 2018, mainly due to the decreases in our car-hailing driver-related costs and depreciation expenses of our bike-sharing service, partially offset by the increases in the cost of goods sold, payment processing costs, and delivery rider costs, resulting from the growth of our B2B food distribution services, integrated payment services, and Meituan Instashopping, respectively.

Gross Profit and Gross Margin

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

	Unaudited Three Months Ended			
	December 31, 2019		December 31, 2018	
	Amount	**As a percentage of revenues**	Amount	As a percentage of revenues
	(RMB in thousands, except for percentages)			
Gross profit/(loss):				
Food delivery	**2,786,936**	**17.7%**	1,471,721	13.4%
In-store, hotel & travel	**5,642,495**	**88.8%**	3,988,258	86.8%
New initiatives and others	**1,288,698**	**21.2%**	(978,985)	(23.3%)
Total	**9,718,129**	**34.5%**	4,480,994	22.6%

As a result of the foregoing, our gross profit for the fourth quarter of 2019 and 2018 was RMB9.7 billion and RMB4.5 billion, respectively. The gross margin of our food delivery business improved by 4.3 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 increased by 2.0 points on a year-over-year basis, primarily attributable to economy of scale of our hotel booking business. The gross margin of our new initiatives and others businesses turned to positive 21.2% for the fourth quarter of 2019, representing an improvement of 44.5 points on a year-over-year basis, mainly due to (i) improved gross margin of our bike-sharing services as we gradually phased out the old bikes and replaced them with new Meituan Bikes, (ii) improved gross margin of Meituan Instashopping benefiting from a higher delivery network efficiency, and (iii) change in product and service mix.

Selling and Marketing Expenses

Our selling and marketing expenses increased to RMB5.3 billion for the fourth quarter of 2019 from RMB4.5 billion in the same period of 2018, and decreased to 19.0% from 22.9% as a percentage of total revenues. The increase in amount was primarily attributable to (i) an increase of RMB823.6 million in Transacting User incentives, as we extended more subsidies to support business growth, especially for our hotel booking business, and (ii) an increase of RMB101.0 million in employee benefits expenses, due to the increase in average salaries and benefits of our selling and marketing personnel. Promotion and advertising expenses decreased by RMB78.4 million, mainly due to our reduced spending on holiday campaigns. The decrease in percentage of total revenues was attributable to our improved sales productivity and marketing efficiency.

Research and Development Expenses

Our research and development expenses increased to RMB2.2 billion for the fourth quarter of 2019 from RMB2.0 billion in the same period of 2018, and decreased to 8.0% from 10.0% as a percentage of revenues. The increase was primarily attributable to an increase of RMB226.5 million in employee benefits expenses, due to the increase in both average salaries and benefits and share-based compensation expenses of our research and development personnel.

General and Administrative Expenses

Our general and administrative expenses decreased to RMB1.2 billion for the fourth quarter of 2019 from RMB2.7 billion in the same period of 2018, and decreased to 4.4% from 13.8% as a percentage of revenues. Excluding the effect of RMB1.3 billion of impairment provision of intangible assets, which resulted from the change in our branding strategy for the bike-sharing services, and RMB132.0 million of impairment provision for Mobike's overseas restructuring in the fourth quarter of 2018, our general and administrative expenses remained flat year-over-year.

Net Provision for Impairment Losses on Financial Assets

Our net provision for impairment losses on financial assets was RMB332.0 million for the fourth quarter of 2019, compared to RMB120.8 million for the same period of 2018, and increased by 0.6 points to 1.2% as a percentage of revenues year-over-year, 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 for the fourth quarter of 2019 decreased by RMB918.2 million compared to the same period of 2018, primarily due to less fair value gain from our investee companies.

Other Gains, Net

Our other gains, net for the fourth quarter of 2019 increased by RMB630.0 million compared to the same period of 2018, primarily attributable to (i) an increase of RMB307.3 million in subsidies and tax preference, (ii) an increase of RMB126.6 million in gains from investments in term deposits with initial terms of over three months and wealth management products, and (iii) less foreign exchange loss.

Operating Profit/(Loss)

As a result of the foregoing, our operating profit for the fourth quarter of 2019 was RMB1.4 billion, compared to an operating loss of RMB3.7 billion in the same period of 2018.

Profit/(Loss) before Income Tax

Primarily as a result of the foregoing, our profit before income tax for the fourth quarter of 2019 was RMB1.5 billion, compared to a loss of RMB3.7 billion in the same period of 2018.

Income Tax (Expenses)/Credits

We had income tax expenses of RMB29.6 million for the fourth quarter of 2019, compared to income tax credits of RMB276.1 million in the same period of 2018, primarily due to the increase in net profits from some of our taxable entities.

Profit/(Loss) for the Period

As a result of the foregoing, we had a profit of RMB1.5 billion for the fourth quarter of 2019, compared to a loss of RMB3.4 billion in the same period of 2018.

Fourth Quarter of 2019 Compared to Third Quarter of 2019

The following table sets forth the comparative figures for the fourth and third quarter of 2019:

	Unaudited Three Months Ended	
	December 31, 2019	September 30, 2019
	(RMB in thousands)	
Revenues		
Commission	**18,357,737**	18,573,968
Online marketing services	**4,937,769**	4,409,272
Interest revenue	**197,759**	227,800
Other services and sales	**4,664,988**	4,282,589
	28,158,253	27,493,629
Cost of revenues	**(18,440,124)**	(17,901,345)
Gross profit	**9,718,129**	9,592,284
Selling and marketing expenses	**(5,349,095)**	(5,614,750)
Research and development expenses	**(2,239,885)**	(2,137,349)
General and administrative expenses	**(1,232,474)**	(1,055,969)
Net provision for impairment losses on financial assets	**(332,004)**	(111,990)
Fair value changes on investments measured at fair value through profit or loss	**72,443**	163,615
Other gains, net	**786,746**	611,223
Operating profit	**1,423,860**	1,447,064
Finance income	**53,519**	38,235
Finance costs	**(45,095)**	(49,011)
Share of gains of investments accounted for using equity method	**57,646**	24,329
Profit before income tax	**1,489,930**	1,460,617
Income tax expenses	**(29,645)**	(127,235)
Profit for the period	**1,460,285**	1,333,382
Non-IFRS measures:		
Adjusted EBITDA	**2,178,650**	2,285,301
Adjusted net profit	**2,270,219**	1,942,049

Revenues

Our revenues increased by 2.4% to RMB28.2 billion for the fourth quarter of 2019 from RMB27.5 billion for the third quarter of 2019, primarily driven by the increase in Monetization Rate to 14.8% from 14.1%.

Revenues by Segment

The following table sets forth our revenues by segment in absolute amount and as a percentage of total revenues for the fourth and third quarter of 2019:

	Unaudited Three Months Ended			
	December 31, 2019		September 30, 2019	
	Amount	As a percentage of total revenues	Amount	As a percentage of total revenues
	(RMB in thousands, except for percentages)			
Revenues				
Food delivery	**15,715,710**	**55.8%**	15,576,972	56.7%
In-store, hotel & travel	**6,356,945**	**22.6%**	6,181,117	22.5%
New initiatives and others	**6,085,598**	**21.6%**	5,735,540	20.8%
Total	**28,158,253**	**100.0%**	27,493,629	100.0%

Our revenues from the food delivery segment increased by 0.9% to RMB15.7 billion for the fourth quarter of 2019, relatively stable compared to the third quarter of 2019, mainly due to the expansion of our online marketing service offering to merchants, partially offset by the change of delivery order mix due to seasonality.

Our revenues from the in-store, hotel & travel segment increased by 2.8% to RMB6.4 billion for the fourth quarter of 2019 from RMB6.2 billion for the third quarter of 2019, primarily due to the increase in the number of Active Merchants from our in-store, hotel & travel businesses.

Our revenues from the new initiatives and others segment increased by 6.1% to RMB6.1 billion for the fourth quarter of 2019 from RMB5.7 billion for the third quarter of 2019, primarily due to the increases in the revenues from the B2B food distribution services, micro loan business, grocery retail business and Meituan Instashopping, partly offset by the decrease in the revenues from bike-sharing services and car-hailing services.

Revenues by Type

The following table sets forth our revenues by type in absolute amount and as a percentage of total revenues for the fourth and third quarter of 2019:

	Unaudited Three Months Ended			
	December 31, 2019		September 30, 2019	
	Amount	**As a percentage of total revenues**	Amount	As a percentage of total revenues
	(RMB in thousands, except for percentages)			
Revenues				
Commission	**18,357,737**	**65.2%**	18,573,968	67.6%
Online marketing services	**4,937,769**	**17.5%**	4,409,272	16.0%
Other services and sales (including interest revenue)	**4,862,747**	**17.3%**	4,510,389	16.4%
Total	**28,158,253**	**100.0%**	27,493,629	100.0%

Our commission revenues decreased by 1.2% to RMB18.4 billion for the fourth quarter of 2019, mainly due to the change of food delivery order mix and a decrease in the demand for attraction ticketing, both caused by seasonality.

Our online marketing services revenues increased by 12.0% to RMB4.9 billion for the fourth quarter of 2019 from RMB4.4 billion for the third quarter of 2019, primarily due to the increases in the number of online marketing Active Merchants and the average revenue per online marketing Active Merchant.

Our other services and sales revenues increased by 7.8% to RMB4.9 billion for the fourth quarter of 2019 from RMB4.5 billion for the third quarter of 2019, primarily due to the revenues growth of our B2B food distribution services, micro loan business and grocery retail business, partially offset by the decrease in the revenues from bike-sharing services.

Cost of Revenues

Our cost of revenues increased by 3.0% to RMB18.4 billion for the fourth quarter of 2019 from RMB17.9 billion for the third quarter of 2019, attributable to higher delivery rider costs in the winter season and the growth of our new initiatives and others businesses.

The following table sets forth our cost of revenues by segment for the fourth and third quarter of 2019:

	Unaudited Three Months Ended			
	December 31, 2019		September 30, 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	**12,928,774**	**70.1%**	12,531,750	70.0%
In-store, hotel & travel	**714,450**	**3.9%**	704,900	3.9%
New initiatives and others	**4,796,900**	**26.0%**	4,664,695	26.1%
Total	**18,440,124**	**100.0%**	17,901,345	100.0%

Cost of revenues for our food delivery business increased by 3.2% to RMB12.9 billion for the fourth quarter of 2019 from RMB12.5 billion for the third quarter of 2019, primarily attributable to the increase in food delivery rider costs as a result of the increase of winter subsidies paid to delivery riders for working during the cold weather conditions.

Cost of revenues for our in-store, hotel & travel businesses slightly increased by 1.4% to RMB714.5 million for the fourth quarter of 2019 from RMB704.9 million for the third quarter of 2019, mainly in line with revenues growth.

Cost of revenues for the new initiatives and others businesses increased by 2.8% to RMB4.8 billion for the fourth quarter of 2019 from RMB4.7 billion for the third quarter of 2019, mainly due to the increase in cost of goods sold resulting from the growth of our B2B food distribution services and grocery retail business, partially offset by the decrease in depreciation expenses in our bike-sharing services and car-hailing driver-related costs.

Gross Profit and Gross Margin

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

	Unaudited Three Months Ended			
	December 31, 2019		September 30, 2019	
	Amount	As a percentage of revenues	Amount	As a percentage of revenues
	(RMB in thousands, except for percentages)			
Gross profit:				
Food delivery	**2,786,936**	**17.7%**	3,045,222	19.5%
In-store, hotel & travel	**5,642,495**	**88.8%**	5,476,217	88.6%
New initiatives and others	**1,288,698**	**21.2%**	1,070,845	18.7%
Total	**9,718,129**	**34.5%**	9,592,284	34.9%

As a result of the foregoing, our gross profit for the fourth quarter of 2019 and the third quarter of 2019 was RMB9.7 billion and RMB9.6 billion, respectively. The gross margin of our food delivery business reduced by 1.8 points on a quarter-over-quarter basis, due to seasonality as we paid more subsidies to delivery riders in the winter season. 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 businesses improved by 2.5 points on a quarter-over-quarter basis, mainly due to product and service mix change.

Selling and Marketing Expenses

Our selling and marketing expenses decreased to RMB5.3 billion for the fourth quarter of 2019 from RMB5.6 billion for the third quarter of 2019 and decreased to 19.0% from 20.4% as a percentage of revenues. This decrease was primarily attributable to (i) a decrease of RMB416.5 million in Transacting User incentives, mainly driven by the reduction of subsidies for the food delivery business, as our Food Delivery Membership Program yielded better marketing efficiency, and (ii) a decrease of RMB56.6 million in employee benefits expenses, which was partially offset by an increase of RMB171.0 million in promotion and advertising expenses as we invested more in promotional and branding campaigns at year end.

Research and Development Expenses

Our research and development expenses increased to RMB2.2 billion for the fourth quarter of 2019 from RMB2.1 billion for the third quarter of 2019 and increased to 8.0% from 7.8% as a percentage of revenues. This increase was primarily attributable to an increase of RMB67.1 million in employee benefits expenses.

General and Administrative Expenses

Our general and administrative expenses increased to RMB1.2 billion for the fourth quarter of 2019 from RMB1.1 billion for the third quarter of 2019 and increased to 4.4% from 3.8% as a percentage of revenues. This increase was primarily attributable to the increase in share-based compensation expenses.

Net Provision for Impairment Losses on Financial Assets

Our net provision for impairment losses on financial assets was RMB332.0 million for the fourth quarter of 2019, compared to RMB112.0 million for the third quarter of 2019 and increased by 0.8 points to 1.2% as a percentage of revenues quarter-over-quarter, primarily due to the increase in loan loss provision and impairment of certain financial instruments.

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 for the fourth quarter of 2019 decreased by RMB91.2 million compared to the third quarter of 2019, primarily due to less fair value gain from certain investments.

Other Gains, Net

Our other gains, net for the fourth quarter of 2019 increased by RMB175.5 million compared to the third quarter of 2019, mainly attributable to an increase in subsidies and tax preference.

Operating Profit

As a result of the foregoing, our operating profit for the fourth quarter of 2019 was RMB1.4 billion, compared to an operating profit of RMB1.4 billion for the third quarter of 2019.

Profit before Income Tax

Primarily as a result of the foregoing, our profit before income tax for the fourth quarter of 2019 was RMB1.5 billion, compared to a profit of RMB1.5 billion for the third quarter of 2019.

Income Tax Expenses

We had income tax expenses of RMB29.6 million for the fourth quarter of 2019, compared to income tax expenses of RMB127.2 million for the third quarter of 2019, primarily due to the recognition of deferred tax assets arising from a previously unrecognized temporary difference with the change of certain entities' profit position.

Profit for the Period

As a result of the foregoing, we had profits of RMB1.5 billion and RMB1.3 billion for the fourth and third quarter of 2019, respectively.

Year ended December 31, 2019 Compared to Year ended December 31, 2018

The following table sets forth the comparative figures for the years ended December 31, 2019 and 2018:

	Year Ended	
	December 31, 2019	December 31, 2018
	(RMB in thousands)	
Revenues		
Commission	**65,525,997**	47,012,249
Online marketing services	**15,840,078**	9,391,406
Interest revenue	**786,032**	456,077
Other services and sales	**15,376,424**	8,367,546
	97,528,531	65,227,278
Cost of revenues	**(65,208,143)**	(50,122,320)
Gross profit	**32,320,388**	15,104,958
Selling and marketing expenses	**(18,819,067)**	(15,871,901)
Research and development expenses	**(8,445,664)**	(7,071,900)
General and administrative expenses	**(4,338,954)**	(5,546,037)
Net provision for impairment losses on financial assets	**(645,685)**	(285,655)
Fair value changes on investments measured at fair value through profit or loss	**77,699**	1,836,382
Other gains, net	**2,531,143**	748,356
Operating profit/(loss)	**2,679,860**	(11,085,797)
Finance income	**166,217**	294,047
Finance costs	**(191,042)**	(44,732)
Fair value changes of convertible redeemable preferred shares	**–**	(104,606,058)
Share of gains/(losses) of investments accounted for using equity method	**107,353**	(48,267)
Profit/(loss) before income tax	**2,762,388**	(115,490,807)
Income tax expenses	**(526,223)**	(1,888)
Profit/(loss) for the year	**2,236,165**	(115,492,695)
Non-IFRS measures:		
Adjusted EBITDA	**7,253,634**	(4,733,831)
Adjusted net profit/(loss)	**4,656,685**	(8,345,621)

Revenues

Our revenues increased by 49.5% to RMB97.5 billion in 2019 from RMB65.2 billion in 2018. The increase was primarily driven by (i) the increase in Gross Transaction Volume on our platform to RMB682.1 billion in 2019 from RMB515.6 billion in 2018, which was in turn driven by the increase in the number of Transacting Users and their purchase frequency, (ii) the increase in Monetization Rate to 14.3% in 2019 from 12.6% in 2018, and (iii) our exploration of new initiatives.

Revenues by Segment

The following table sets forth our revenues by segment in absolute amount and as a percentage of total revenues in 2019 and 2018:

	Year Ended			
	December 31, 2019		December 31, 2018	
	Amount	**As a percentage of total revenues**	Amount	As a percentage of total revenues
	(RMB in thousands, except for percentages)			
Revenues:				
Food delivery	**54,843,205**	**56.2%**	38,143,083	58.5%
In-store, hotel & travel	**22,275,472**	**22.8%**	15,840,361	24.3%
New initiatives and others	**20,409,854**	**21.0%**	11,243,834	17.2%
Total	**97,528,531**	**100.0%**	65,227,278	100.0%

Our revenues from the food delivery segment increased by 43.8% to RMB54.8 billion in 2019 from RMB38.1 billion in 2018, primarily due to (i) the increase in GTV, which was driven by the increase in the number of food delivery transactions as a result of the increase in food delivery user base and their purchase frequency, and the increase in average order value, and (ii) the increase in Monetization Rate.

Our revenues from the in-store, hotel & travel segment increased by 40.6% to RMB22.3 billion in 2019 from RMB15.8 billion in 2018, primarily due to (i) the increase in the average revenue per Active Merchant of 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 81.5% to RMB20.4 billion in 2019 from RMB11.2 billion in 2018, primarily due to the increases in the revenues from the B2B food distribution services, micro loan business, Meituan Instashopping and integrated payment services.

Revenues by Type

The following table sets forth our revenues by type in absolute amount and as a percentage of total revenues in 2019 and 2018:

	Year Ended			
	December 31, 2019		December 31, 2018	
	Amount	**As a percentage of total revenues**	Amount	As a percentage of total revenues
	(RMB in thousands, except for percentages)			
Revenues:				
Commission	**65,525,997**	**67.2%**	47,012,249	72.1%
Online marketing services	**15,840,078**	**16.2%**	9,391,406	14.4%
Other services and sales (including interest revenue)	**16,162,456**	**16.6%**	8,823,623	13.5%
Total	**97,528,531**	**100.0%**	65,227,278	100.0%

Our commission revenues increased by 39.4% to RMB65.5 billion in 2019 from RMB47.0 billion in 2018, primarily due to the substantial growth of our GTV, especially from our food delivery business.

Our online marketing services revenues increased by 68.7% to RMB15.8 billion in 2019 from RMB9.4 billion in 2018, primarily due to the increase in the number of online marketing Active Merchants and the average revenue per online marketing Active Merchant.

Our other services and sales revenues increased by 83.2% to RMB16.2 billion in 2019 from RMB8.8 billion in 2018, primarily due to the growth of revenues from our B2B food distribution services, micro loan business, grocery retail business, bike-sharing services and car-hailing services.

Cost of Revenues

Our cost of revenues increased by 30.1% to RMB65.2 billion in 2019 from RMB50.1 billion in 2018. This increase was attributable to our revenues growth in 2019, especially the strong growth of our food delivery segment and our new initiatives and others segment.

The following table sets forth our cost of revenues by segment in 2019 and 2018:

	Year Ended			
	December 31, 2019		December 31, 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	**44,610,017**	**68.4%**	32,874,886	65.6%
In-store, hotel & travel	**2,529,117**	**3.9%**	1,745,006	3.5%
New initiatives and others	**18,069,009**	**27.7%**	15,502,428	30.9%
Total	**65,208,143**	**100.0%**	50,122,320	100.0%

Cost of revenues for our food delivery business increased by 35.7% to RMB44.6 billion in 2019 from RMB32.9 billion in 2018, primarily attributable to the increase in food delivery rider costs as a result of the increase in the volume of orders delivered.

Cost of revenues for our in-store, hotel & travel businesses increased by 44.9% to RMB2.5 billion in 2019 from RMB1.7 billion in 2018. This increase was primarily attributable to the increases in online traffic costs, which was in line with the growth of our online marketing revenues, depreciation of property, plant and equipment, bandwidth and server custody fees relating to our data storage improvement project, and payment processing costs.

Cost of revenues for our new initiatives and others businesses increase by 16.6% to RMB18.1 billion in 2019 from RMB15.5 billion in 2018, mainly attributable to the increases in cost of goods sold, resulting from the growth of our B2B food distribution services and grocery retail business, delivery rider costs relating to the growth of Meituan Instashopping, and payment processing costs from our integrated payment services, partially offset by the decrease in depreciation expenses in our bike-sharing services and car-hailing driver-related costs.

Gross Profit and Gross Margin

The following table sets forth our gross profit both in absolute amount and as a percentage of revenues, or gross margin, by segment in 2019 and 2018:

	Year Ended			
	December 31, 2019		December 31, 2018	
	Amount	As a percentage of revenues	Amount	As a percentage of revenues
	(RMB in thousands, except for percentages)			
Gross profit/(loss):				
Food delivery	**10,233,188**	**18.7%**	5,268,197	13.8%
In-store, hotel & travel	**19,746,355**	**88.6%**	14,095,355	89.0%
New initiatives and others	**2,340,845**	**11.5%**	(4,258,594)	(37.9%)
Total	**32,320,388**	**33.1%**	15,104,958	23.2%

As a result of the foregoing, our gross profit in 2019 and 2018 was RMB32.3 billion and RMB15.1 billion, respectively. The gross margin of our food delivery business improved by 4.9 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 remained relatively stable on a year-over-year basis. The gross margin of our new initiatives and others businesses turned to positive 11.5% in 2019, representing an improvement of 49.4 points on a year-over-year basis, mainly due to (i) improved gross margin of our bike-sharing services as we phased out the old bikes and replaced them with new Meituan Bikes with longer useful lives, (ii) narrowed losses of our car-hailing services as we reduced the incentives paid to drivers, (iii) positive gross margin of Meituan Instashopping benefiting from the improvement of our delivery network efficiency, and (iv) change in product and service mix.

Selling and Marketing Expenses

Our selling and marketing expenses increased to RMB18.8 billion in 2019 from RMB15.9 billion in 2018, and decreased to 19.3% from 24.3% as a percentage of total revenues. This increase in amount was primarily attributable to (i) an increase of RMB2.7 billion in Transacting User incentives, as we extended more subsidies to support business growth, especially for hotel booking and food delivery businesses, (ii) an increase of RMB755.1 million in employee benefits expenses, due to the increase in both average salaries and benefits and share-based compensation expenses of our selling and marketing personnel, and (iii) an increase of RMB240.4 million in depreciation and rental expenses, mainly driven by the growth of our grocery retail and B2B food supply chain businesses. Promotion and advertising expenses decreased by RMB1.1 billion on a year-over-year basis, mainly resulting from our efforts on exploring more effective marketing channels. The decrease in percentage of total revenues was attributable to our improved sales productivity and marketing efficiency.

Research and Development Expenses

Our research and development expenses increased to RMB8.4 billion in 2019 from RMB7.1 billion in 2018, and decreased to 8.7% from 10.8% as a percentage of revenues. This increase was primarily attributable to an increase of RMB1.2 billion in employee benefits expenses.

General and Administrative Expenses

Our general and administrative expenses decreased to RMB4.3 billion in 2019 from RMB5.5 billion in 2018 and decreased to 4.4% from 8.5% as a percentage of revenues. Excluding the effect of RMB1.3 billion of impairment provision of intangible assets, which resulted from the change in our branding strategy for the bike-sharing services, and RMB132.0 million and RMB14.9 million of impairment provision for Mobike's overseas restructuring in 2018 and 2019, respectively, our general and administrative expenses increased by RMB256.0 million on a year-over-year basis, primarily attributable to an increase of RMB398.2 million in employee benefits expenses.

Net Provision for Impairment Losses on Financial Assets

Our net provision for impairment losses on financial assets was RMB645.7 million in 2019, compared to RMB285.7 million in 2018, 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 2019 decreased by RMB1.8 billion compared to 2018, primarily due to less fair value gain from our investee companies.

Other Gains, Net

Our other gains, net in 2019 increased by RMB1.8 billion compared to 2018, primarily attributable to (i) an increase of RMB980.8 million in gains from investments in term deposits with initial terms of over three months and wealth management products, (ii) an increase of RMB391.2 million in subsidies and tax preference, (iii) gains of RMB176.9 million from the remeasurement of investments, and (iv) an increase of RMB131.5 million in gains from the disposal of investments.

Operating Profit/(Loss)

As a result of the foregoing, our operating profit in 2019 was RMB2.7 billion, compared to an operating loss of RMB11.1 billion in 2018.

Fair Value Changes of Convertible Redeemable Preferred Shares

Fair value changes of convertible redeemable preferred shares were nil in 2019 as a result of the completion of our initial public offering in September 2018, compared to a loss of RMB104.6 billion in the same period of 2018.

Profit/(Loss) before Income Tax

Primarily as a result of the foregoing, our profit before income tax in 2019 was RMB2.8 billion, compared to a loss of RMB115.5 billion in 2018.

Income Tax Expenses

We had income tax expenses of RMB526.2 million in 2019, compared to income tax expenses of RMB1.9 million in 2018, primarily due to the increase in net profits from some of our taxable entities.

Profit/(Loss) for the Year

As a result of the foregoing, we had a profit of RMB2.2 billion in 2019, compared to a loss of RMB115.5 billion in 2018.

Important Events after Reporting Date

Details of the important events after Reporting Date are set forth in the section headed "Report of Directors — Important Events after Reporting Period" of this annual report.

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 fourth quarter of 2019 and 2018, the third quarter of 2019 and the years ended December 31, 2019 and 2018, to the nearest measures prepared in accordance with IFRS.

	Unaudited Three Months Ended		
	December 31, 2019	December 31, 2018	September 30, 2019
	(RMB in thousands)		
Profit/(loss) for the period	**1,460,285**	(3,414,252)	1,333,382
Adjusted for:			
Share-based compensation expenses	**700,133**	643,223	537,169
Fair value (gains) on investments[1]	**(72,443)**	(984,359)	(163,615)
(Gains)/losses on disposal of investments and subsidiaries[2]	**(43,889)**	–	2,222
Amortization of intangible assets resulting from acquisitions	**165,547**	188,742	165,547
Impairment and expense provision for Mobike restructuring plan	**7,977**	358,790	85,759
Impairment of intangible assets[3]	**–**	1,346,000	–
Net provision for impairment losses on financial assets	**57,333**	–	–
Tax effects on non-IFRS adjustments[4]	**(4,724)**	280,174	(18,415)
Adjusted net profit/(loss)	**2,270,219**	(1,581,682)	1,942,049
Adjusted for:			
Income tax expenses/(credits), except for tax effects on non-IFRS adjustments	**34,369**	(556,295)	145,650
Share of (gains)/losses of investments accounted for using equity method	**(57,646)**	56,875	(24,329)
Finance income	**(53,519)**	(116,427)	(38,235)
Finance costs	**45,095**	15,407	49,011
Other (gains) except for (gains)/losses related to fair value change, disposal and remeasurement of investments and subsidiaries	**(742,857)**	(163,086)	(613,445)
Amortization of software and others	**135,776**	128,795	131,037
Depreciation on property, plant and equipment[5]	**547,213**	1,361,812	693,563
Adjusted EBITDA	**2,178,650**	(854,601)	2,285,301

(1) Represents gains or losses from fair value changes 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) Represents impairment provision of intangible assets resulting from the change in the branding strategy for our bike-sharing services.

(4) Represents income tax effects on non-IFRS adjustments.

(5) The RMB547.2 million depreciation on property, plant and equipment for the fourth quarter of 2019 included RMB194.6 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.

	Year Ended December 31, 2019	Year Ended December 31, 2018
	(RMB in thousands)	
Profit/(loss) for the year	**2,236,165**	(115,492,695)
Adjusted for:		
Fair value changes of convertible redeemable preferred shares	**–**	104,606,058
Share-based compensation expenses	**2,190,871**	1,865,113
Fair value (gains) on investments[1]	**(169,059)**	(1,834,296)
(Gains) on disposal of investments and subsidiaries[2]	**(201,061)**	(29,426)
(Gains) from the remeasurement of investments[3]	**(176,880)**	–
Amortization of intangible assets resulting from acquisitions	**662,190**	663,268
Impairment and expense provision for Mobike restructuring plan	**88,612**	358,790
Impairment of intangible assets[4]	**–**	1,346,000
Net provision for impairment losses on financial assets	**57,333**	–
Tax effects on non-IFRS adjustments[5]	**(31,486)**	171,567
Adjusted net profit/(loss)	**4,656,685**	(8,345,621)
Adjusted for:		
Income tax expenses/(credits), except for tax effects on non-IFRS adjustments	**557,709**	(169,679)
Share of (gains)/losses of investments accounted for using equity method	**(107,353)**	48,267
Finance income	**(166,217)**	(294,047)
Finance costs	**191,042**	44,732
Other (gains) except for (gains)/losses related to fair value change, disposal and remeasurement of investments and subsidiaries	**(2,061,842)**	(721,016)
Amortization of software and others	**528,817**	451,241
Depreciation on property, plant and equipment[6]	**3,654,793**	4,252,292
Adjusted EBITDA	**7,253,634**	(4,733,831)

(1) Represents gains or losses from fair value changes 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, so we remeasured the investment with RMB176.9 million gains and re-designated the investment to financial assets at fair value through profit or loss in 2019.

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

(5) Represents income tax effects on non-IFRS adjustments.

(6) The RMB3.7 billion depreciation on property, plant and equipment in 2019 included RMB820.9 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.

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 RMB13.4 billion and short-term investments of RMB49.4 billion as of December 31, 2019, compared to the balance of RMB17.0 billion and RMB41.8 billion as of December 31, 2018.

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

	Year Ended	
	December 31, 2019	December 31, 2018
	(RMB in thousands)	
Net cash generated from/(used in) operating activities	**5,574,220**	(9,179,818)
Net cash used in investing activities	**(10,174,018)**	(23,438,686)
Net cash generated from financing activities	**1,114,267**	29,295,294
Net decrease in cash and cash equivalents	**(3,485,531)**	(3,323,210)
Cash and cash equivalents at the beginning of the year	**17,043,692**	19,408,839
Exchange (loss)/gain on cash and cash equivalents	**(173,442)**	1,009,587
Cash and cash equivalents reclassified from the assets classified as held for sale/ (included in the assets classified as held for sale)	**11,466**	(51,524)
Cash and cash equivalents at the end of the year	**13,396,185**	17,043,692

Net Cash Generated from/(Used in) Operating Activities

Net cash generated from/(used in) operating activities primarily consists of our profit for the year and non-cash items, such as depreciation and amortization, share based payments, and adjusted by changes in working capital.

For the year ended December 31, 2019, net cash generated from operating activities was RMB5.6 billion, which was primarily attributable to our profit before income tax of RMB2.8 billion, as adjusted by (i) non-cash items, which primarily comprised depreciation and amortization of RMB4.8 billion and share-based payments of RMB2.2 billion, partially offset by dividend income and interest classified as investing cash flows of RMB1.5 billion, and (ii) changes in working capital, which primarily comprised an increase in restricted cash of RMB4.5 billion, an increase in prepayments, deposits and other assets of RMB1.7 billion, a decrease in deposit from transacting users of RMB866.0 million, and an increase in trade receivables of RMB273.0 million, partially offset by an increase in other payables and accruals of RMB1.5 billion, an increase in trade payables of RMB1.3 billion, an increase in deferred revenues of RMB1.2 billion, and an increase in advance from transacting users of RMB640.9 million.

Net Cash Used in Investing Activities

For the year ended December 31, 2019, net cash used in investing activities was RMB10.2 billion, which was mainly attributable to purchase of short-term investments of RMB177.2 billion, purchase of property, plant and equipment of RMB3.0 billion and payments for business combinations, net of cash acquired of RMB1.4 billion, partially offset by proceeds from disposals of short-term investments of RMB170.2 billion, and interest income received of RMB1.3 billion.

Net Cash Generated from Financing Activities

For the year ended December 31, 2019, net cash generated from financing activities was RMB1.1 billion, which was mainly attributable to proceeds from borrowings of RMB4.1 billion and proceeds from the exercise of options and vested RSUs of RMB444.9 million, partially offset by repayments of borrowings of RMB2.4 billion, lease payments of RMB785.8 million and finance costs paid of RMB218.7 million.

Gearing ratio

As of December 31, 2019, our gearing ratio, calculated as total borrowings divided by total equity attributable to equity holders of the Company was approximately 4.4%.

Contingent Liabilities

The Group did not have any material contingent liabilities as of December 31, 2019, except for the financial guarantee contracts in the total amount of RMB15.0 million as disclosed in Note 3.1(c) to the consolidated financial statements.

Significant Investments Held

As of December 31, 2019, we did not hold any significant investments in the equity interests of any other companies.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

For the year ended December 31, 2019, we did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

Foreign Exchange Risk

The Group operates mainly in the PRC with most of the transactions settled in RMB. The Group's business is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities of the Group denominated in the currencies other than the respective functional currencies of the Group's entities.

Pledge of Assets

As of December 31, 2019, the Company had securitized certain loan receivables for asset-backed securities. Details are set out in Note 31 to the consolidated financial statements.

Future Plans for Material Investments and Capital Assets

As of December 31, 2019, we did not have other plans for material investments and capital assets.

Employees

As of December 31, 2019, we had a total of approximately 54,580 full-time employees. Substantially all of our employees are based in China, primarily at our headquarters in Beijing and Shanghai, with the rest in Xiamen, Shijiazhuang, Yangzhou, Chengdu and other cities.

Our success depends on our ability to attract, retain and motivate qualified personnel. As part of our recruiting and retention strategy, we offer employees competitive salaries, performance-based cash bonuses, and other incentives. We have adopted a training program, pursuant to which employees regularly receive trainings from management, technology, regulatory and other internal speakers and external consultants.

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

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

DIRECTORS

Executive Directors

Wang Xing (王興), aged 41, 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 40, 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 41, 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. He will withdraw from his day-to-day management duties in the Company in December 2020. Wang Huiwen will continue to perform his director's duties by devoting himself to the strategic planning, organizational growth and talent development of the Company after withdrawing from his day-to-day duties.

Wang Huiwen has over 10 years of managerial and operational experience in the internet industry. Prior to co-founding 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 47, 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 52, 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 Trip.com Group Ltd. (NASDAQ Ticker: TCOM), formerly Ctrip.com International, Ltd. (NASDAQ Ticker: CTRP), or Ctrip, a leading travel service provider in China, in 1999. Neil Nanpeng Shen served as Ctrip's president from August 2003 to October 2005 and its chief financial officer from 2000 to October 2005. Neil Nanpeng Shen also co-founded and served as non-executive Co-Chairman of Homeinns Hotel Group, a leading economy hotel chain in China, which commenced operations in July 2002.

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

Neil Nanpeng Shen has been an independent non-executive director of Trip.com Group Ltd. (NASDAQ Ticker: TCOM), formerly Ctrip.com International, Ltd. (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 57, 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 has been an independent non-executive director of EQT AB (Stockholm Stock Code: EQT) since September 2019. He was appointed as a non-executive director of Lenovo Group Limited (HKEx Stock Code: 992) in September 2015 and redesignated as an independent non-executive director in September 2016. He has also been an independent non-executive director of Swire Pacific Limited (HKEx Stock Code: 00019 and 00087) since August 2015. He is also the vice chairman of China-Britain Business Council.

Leng Xuesong (冷雪松), aged 51, is an independent non-executive Director. He was appointed as Director in September 2018 and 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. He also serves as non-executive director of China Index Holdings Limited (NASDAQ Ticker: CIH) from July 2019 till now.

Shum Heung Yeung Harry (沈向洋), aged 53, 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. From November 2013 to February 2020, he served as the executive vice president of Microsoft Corporation. He has become an independent non-executive director of Youdao, Inc. (NYSE Ticker: DAO) since October 2019.

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

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

SENIOR MANAGEMENT

Wang Xing (王興), aged 41, is a Co-founder, an executive Director, the Chief Executive Officer and Chairman of the Board. For further details, please see the section headed "Directors and Senior Management — Executive Directors" above.

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

Wang Huiwen (王慧文), aged 41, is a Co-founder, an executive Director and a Senior Vice President of the Company. For further details, please see the section headed "Directors and Senior Management — Executive Directors" above.

Chen Shaohui (陳少暉), aged 39, is the Chief Financial Officer and a Senior Vice President of the Company. He is responsible for overseeing the Company's finance, strategic planning, investments and capital market activities.

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

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

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

Chen Liang (陳亮), aged 40, is a Senior Vice President and is responsible for overseeing the Company's grocery retail business.

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

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

Zhang Chuan (張川), aged 44, is a Senior Vice President and is responsible for overseeing the Company's in-store services business.

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

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

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

GLOBAL OFFERING

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

PRINCIPAL ACTIVITIES

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

RESULTS

The results of the Group for the year ended December 31, 2019 are set out in the consolidated statement of comprehensive income contained in this annual report.

DIVIDEND POLICY AND FINAL DIVIDENDS

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

The Board did not recommend the payment of a final dividend for the year ended December 31, 2019.

BUSINESS REVIEW

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

USE OF NET PROCEEDS FROM LISTING

The net proceeds from the IPO were approximately RMB28,516.2 million, after deducting the underwriting fees, commissions and related total expenses paid and payable by us in connection thereto ("**IPO Proceeds**"). From the Listing Date up to December 31, 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, namely:

- 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.

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

For the year ended December 31, 2019, the Group's five largest customers accounted for less than 30% of the Group's total revenue.

Major Suppliers

For the year ended December 31, 2019, the Group's five largest suppliers accounted for less than 30% of the Group's total purchases.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

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

RESERVES

Details of movements in the reserves of the Group during the Reporting Period are set out on page 154 in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As of December 31, 2019, the Company's reserves available for distribution, amounted to approximately RMB260.4 billion.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as of December 31, 2019 are set out in Note 31 to the consolidated financial statements.

DIRECTORS

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

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

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

In accordance with Article 17.18 of the Articles of Association, Orr Gordon Robert Halyburton, Leng Xuesong and Shum Heung Yeung Harry shall retire by rotation, and being eligible, have offered themselves for re-election at the AGM.

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

Reference is also made to our announcement dated January 20, 2020 in connection with the change of executive responsibilities of our executive Director, Wang Huiwen. In December 2020, Wang Huiwen will withdraw from his day-to-day management duties in the Company. Thereafter, he will remain as a director of the Company and hence there will be no change to his weighted voting rights in the Company. Wang Huiwen will continue to perform his duties as Director by devoting himself to the strategic planning, organizational growth and talent development of the Company after withdrawing from his day-to-day management duties.

DIRECTORS AND SENIOR MANAGEMENT

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

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

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

Each of the non-executive Directors has entered into an appointment letter with the Company. Their appointment as a Director shall continue for three years after or until the third annual general meeting of the Company after the Listing Date, whichever is earlier, (subject to retirement as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than one month's prior notice in writing. Under these appointment letters, the non-executive Directors are not entitled to receive annual salaries in their capacity as non-executive Directors. The non-executive Directors have not received any remuneration for the year ended December 31, 2019.

Each of the independent non-executive Directors has entered into an appointment letter with the Company. The initial term of their appointment shall be three years from the date of the Prospectus or until the third annual general meeting of the Company after the Listing Date, whichever is earlier, (subject to retirement as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing. Under these appointment letters, each of the independent non-executive Directors will receive an annual director's fee of RMB500,000 per annum.

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

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Saved as disclosed in this annual report, no Director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries or fellow subsidiaries was a party during the Reporting Period.

MANAGEMENT CONTRACTS

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

EMOLUMENT POLICY

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

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

None of the Directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the Directors as an inducement to join, or upon joining the Group, or as compensation for the loss of office.

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

RETIREMENT AND EMPLOYEE BENEFITS SCHEME

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

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

As of December 31, 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 or any of its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have been taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 of the Listing Rules were as follows:

Interests of Directors and Chief Executives in the Company

Name of Director or chief executive	Nature of interest[1]	Relevant company	Number and class of securities	Approximate percentage of interest in each class of Shares[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%
			318 Class B Shares	0.00%
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%
			333,334 Class B Shares	0.01%
	Beneficial interest (L)	—	5,666,666 Class B Shares	0.11%
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%

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[7]
	Interest in controlled corporation (L)	Kevin Sunny	36,400,000 Class A Shares	4.95%
			2,134,660 Class B Shares	0.04%
	Interest in controlled corporation (L)	Galileo Space Limited	5,963,001 Class B Shares	0.12%
	Beneficial interest (L)	—	15,180,939 Class B Shares	0.30%
SHEN Nanpeng Neil[5]	Interest in controlled corporations (L)	Sequoia Capital China Funds, Sequoia Capital Global Growth Funds and Other Controlled Entities	463,634,336 Class B Shares	9.14%
	Beneficial interest (L)	—	4,985,269 Class B Shares	0.10%
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 Class B Shares and options with respect to 5,000,000 Class B Shares under the Pre-IPO ESOP subject to vesting/exercise. As at December 31, 2019, 333,334 Class B Shares were issued to Shared Vision with respect to the vesting of 333,334 RSUs granted to Mu Rongjun under the Pre-IPO ESOP.

(4) Kevin Sunny is wholly owned by Aim Mars Investment Limited. The entire interest in Aim Mars Investment Limited is held through a trust established by Wang Huiwen (as settlor) for the benefit of Wang Huiwen and his family. Wang Huiwen is deemed to be interested in the 36,400,000 Class A Shares held by Aim Mars Investment Limited under the SFO. Galileo Space Limited is wholly-controlled by Wang Huiwen. Wang Huiwen was granted RSUs equivalent to 15,700,000 Class B Shares, and options with respect to 7,578,600 Class B Shares under the Pre-IPO ESOP. As at December 31, 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 4,412,501 Class B Shares were issued to Galileo Space Limited with respect to the vesting 4,412,501 RSUs under the Pre-IPO ESOP.

(5) Sequoia Capital China Funds refers to Sequoia Capital China I, L.P., Sequoia Capital China Partners Fund I, L.P., Sequoia Capital China Principals Fund I, L.P., Sequoia Capital China II, L.P., Sequoia Capital China Partners Fund II, L.P., Sequoia Capital China Principals Fund II, L.P., Sequoia Capital 2010 CV Holdco, Ltd., SCC Venture V Holdco I, Ltd., SCC Venture VI Holdco, Ltd., SCC Venture VI Holdco B, Ltd., SCC Growth 2010-Top Holdco, Ltd., Sequoia Capital 2010 CGF Holdco, Ltd., SCC Growth IV Holdco A, Ltd. and Sequoia Capital China Growth Fund IV, L.P. (which hold approximately 0.96%, 0.11%, 0.15%, 2.93%, 0.07%, 0.49%, 0.75%, 0.01%, 0.04%, 0.01%, 0.91%, 0.25%, 0.02% 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 0.44%, 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 voting rights of the Shares.

The general partner of each of Sequoia Capital China I, L.P., Sequoia Capital China Partners Fund I, L.P. and Sequoia Capital China Principals Fund I, L.P. is Sequoia Capital China Management I, L.P. ("**SCC Management I**"). The general partner of each of Sequoia Capital China II, L.P., Sequoia Capital China Partners Fund II, L.P. and Sequoia Capital China Principals Fund II, L.P. is Sequoia Capital China Management II, L.P. ("**SCC Management II**"). The sole shareholder of Sequoia Capital 2010 CV Holdco, Ltd. is Sequoia Capital China Venture 2010 Fund, L.P., whose general partner is SC China Venture 2010 Management, L.P. ("**SCCV 2010 Management**"). The sole shareholder of SCC Venture V Holdco I, Ltd. is Sequoia Capital China Venture Fund V, L.P., whose general partner is SC China Venture V Management, L.P. ("**SCCV V Management**"). The sole shareholder of each of SCC Venture VI Holdco, Ltd. and SCC Venture VI Holdco B, Ltd. is Sequoia Capital China Venture Fund VI, L.P., whose general partner is SC China Venture VI Management, L.P. ("**SCCV VI Management**"). The controlling shareholder of SCC Growth 2010-Top Holdco, Ltd. and the sole shareholder of Sequoia Capital 2010 CGF Holdco, Ltd. is Sequoia Capital China Growth 2010 Fund, L.P. ("**China Growth Fund 2010**"), whose general partner is SC China Growth 2010 Management, L.P. ("**SCCGF 2010 Management**"). In respect of the casting of votes held by China Growth Fund 2010 in SCC Growth 2010-Top Holdco, Ltd., China Growth Fund 2010 is accustomed to act in accordance with the instructions of Sequoia Capital China Growth Fund I, L.P., whose general partner is Sequoia Capital China Growth Fund Management I, L.P. ("**SCCGF Management I**"). The sole shareholder of SCC Growth IV Holdco A, Ltd. is Sequoia Capital China Growth Fund IV, L.P., whose general partner is SC China Growth IV Management, L.P. ("**SCCGF IV Management**" and, together with SCC Management I, SCC Management II, SCCV 2010 Management, SCCV V Management, SCCV VI Management, SCCGF 2010 Management and SCCGF Management I, collectively, the "**General Partners**"). The general partner of each of the General Partners is SC China Holding Limited, which is a wholly owned subsidiary of SNP China Enterprises Limited. Neil Nanpeng Shen is the sole shareholder of SNP China Enterprises Limited, and has a beneficial interest of 4,985,269 Class B Shares. Other Controlled Entities refers to URM Management Limited and N&J Investment Holdings Limited (which hold approximately 0.0007% and 0.05%, 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 8.07% interest in the share capital of the Company (or 9.24% of the total issued Class B Shares).

(6) Each of the independent non-executive Directors, namely Orr Gordon Robert Halyburton, Leng Xuesong and Shum Heung Yeung Harry was granted RSUs equivalent to 60,000 Class B Shares under the Post-IPO Share Award Scheme.

(7) As at December 31, 2019, the Company had 5,808,400,069 issued Shares in total, comprising of 735,568,783 Class A Shares and 5,072,831,286 Class B Shares. The above calculation is based on the total number of relevant class of Shares or the total number of Shares in issue as of December 31, 2019.

Interests of Directors and Chief Executives in Associated Corporations of the Company

None of the Directors or chief executives of the Company had interests and short positions in shares, underlying shares or debentures in associated corporations of the Company as of December 31, 2019.

Save as disclosed above, as of December 31, 2019, none of the Directors or the chief executives of the Company had or was deemed to have any interest or short position in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As of December 31, 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[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%

Name of Substantial Shareholder	Capacity/Nature of interest	Number and class of Shares held	Approximate percentage of interest in each class of Shares[5]
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 controlled corporation	118,650,000 Class A Shares	16.13%
TMF (Cayman) Ltd	Trustee	118,650,000 Class A Shares	16.13%
Mu Rongjun	Beneficiary of a trust[2]	118,650,000 Class A Shares	16.13%
	Founder of a trust[2]	118,650,000 Class A Shares	16.13%
	Interest in controlled corporation[2]	7,330,000 Class A Shares	1.00%
Class B Shares – Tencent			
Huai River Investment Limited[3]	Beneficial interest	623,420,905 Class B Shares	12.29%
Tencent Mobility Limited[3]	Beneficial interest	389,413,655 Class B Shares	7.68%
Morespark Limited[3]	Beneficial interest	8,850,245 Class B Shares	0.17%
Great Summer Limited[3]	Beneficial interest	25,000,000 Class B Shares	0.49%
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	Beneficial interest	149,261 Class B Shares	0.00%
THL A25 Limited	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	463,634,336 Class B Shares	9.14%
	Other	4,985,269 Class B Shares	0.10%

Notes:

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

(2) Charmway Enterprises is wholly owned by Day One Holdings Limited which is in turn wholly owned by TMF (Cayman) Ltd. The entire interest in Day One Holdings Limited is held by TMF (Cayman) Ltd. as trustee for a trust established by Mu Rongjun (as settlor) for the benefit of Mu Rongjun and his family. Mu Rongjun is deemed to be interested in the 118,650,000 Class A Shares held by Charmway Enterprises under the SFO. Shared Vision is wholly owned by Mu Rongjun.

(3) Huai River Investment Limited, a company incorporated under the laws of the British Virgin Islands, Tencent Mobility Limited, a company incorporated under the laws of Hong Kong, Morespark Limited, a company incorporated under the laws of Hong Kong and Great Summer Limited, a company incorporated under the laws of the British Virgin Islands, are direct wholly owned subsidiaries of Tencent. TPP Follow-on I Holding B Limited and TPP Follow-on I Holding C Limited, companies incorporated under the laws of the Cayman Islands, are beneficially owned by Tencent. THL A Limited and THL A25 Limited, companies incorporated under the laws of the British Virgin 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. and Sequoia Capital China Growth Fund IV, L.P. (which hold approximately 0.96%, 0.11%, 0.15%, 2.93%, 0.07%, 0.49%, 0.75%, 0.01%, 0.04%, 0.01%, 0.91%, 0.25%, 0.02% 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 0.44%, 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 voting rights of the Shares.

The general partner of each of Sequoia Capital China I, L.P., Sequoia Capital China Partners Fund I, L.P. and Sequoia Capital China Principals Fund I, L.P. is Sequoia Capital China Management I, L.P. ("**SCC Management I**"). The general partner of each of Sequoia Capital China II, L.P., Sequoia Capital China Partners Fund II, L.P. and Sequoia Capital China Principals Fund II, L.P. is Sequoia Capital China Management II, L.P. ("**SCC Management II**"). The sole shareholder of Sequoia Capital 2010 CV Holdco, Ltd. is Sequoia Capital China Venture 2010 Fund, L.P. ("**China Venture 2010 Fund**"), whose general partner is SC China Venture 2010 Management, L.P. ("**SCCV 2010 Management**"). The sole shareholder of SCC Venture V Holdco I, Ltd. is Sequoia Capital China Venture Fund V, L.P. ("**China Venture Fund V**"), whose general partner is SC China Venture V Management, L.P. ("**SCCV V Management**"). The sole shareholder of each of SCC Venture VI Holdco, Ltd. and SCC Venture VI Holdco B, Ltd. is Sequoia Capital China Venture Fund VI, L.P. ("**China Venture Fund VI**"), whose general partner is SC China Venture VI Management, L.P. ("**SCCV VI Management**"). The controlling shareholder of SCC Growth 2010-Top Holdco, Ltd. and the sole shareholder of Sequoia Capital 2010 CGF Holdco, Ltd. is Sequoia Capital China Growth 2010 Fund, L.P. ("**China Growth Fund 2010**"), whose general partner is SC China Growth 2010 Management, L.P. ("**SCCGF 2010 Management**"). In respect of the casting of votes held by China Growth Fund 2010 in SCC Growth 2010-Top Holdco, Ltd., China Growth Fund 2010 is accustomed to act in accordance with the instructions of Sequoia Capital China Growth Fund I, L.P. ("**China Growth Fund I**"), whose general partner is Sequoia Capital China Growth Fund Management I, L.P. ("**SCCGF Management I**"). The sole shareholder of SCC Growth IV Holdco A, Ltd. is Sequoia Capital China Growth Fund IV, L.P., whose general partner is SC China Growth IV Management, L.P. ("**SCCGF IV Management**" and, together with SCC Management I, SCC Management II, SCCV 2010 Management, SCCV V Management, SCCV VI Management, SCCGF 2010 Management and SCCGF Management I, collectively, the "**General Partners**"). The general partner of each of the General Partners is SC China Holding Limited, which is a wholly owned subsidiary of SNP China Enterprises Limited. Neil Nanpeng Shen is the sole shareholder of SNP China Enterprises Limited, and has a beneficial interest of 4,985,269 Class B Shares. In addition, Neil Nanpeng Shen is interested in more than 33.3% limited partnership interest in Sequoia Capital China Partners Fund I, L.P. Other Controlled Entities refers to URM Management Limited and N&J Investment Holdings Limited (which hold approximately 0.0007% and 0.05%, respectively, of the outstanding Shares) and are controlled by Neil Nanpeng Shen. Therefore, each of China Venture 2010 Fund, China Venture Fund V, China Venture Fund VI, China Growth Fund I, China Growth Fund 2010, the General Partners, SC China Holding Limited, SNP China Enterprises Limited and Neil Nanpeng Shen is deemed to be interested in 8.07% interest in the share capital of the Company (or 9.24% 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 0.45% interest in the share capital of the Company (or 0.52% 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) As at December 31, 2019, the Company had 5,808,400,069 issued Shares in total, comprising of 735,568,783 Class A Shares and 5,072,831,286 Class B Shares. The above calculation is based on the total number of relevant class of Shares or the total number of Shares in issue as of December 31, 2019.

PRE-IPO ESOP

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

Purpose

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

Eligible Participants

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

Maximum Number of Shares

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

Administration

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

Grant of Awards

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

Options

i. Exercise price

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

ii. Time and conditions of exercise

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

iii. Payment

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

RSUs

i. Performance objectives and other terms

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

ii. Form and timing of payment of RSUs

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

Outstanding Share Options Granted under the Pre-IPO ESOP

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

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

Name	Date of Grant	Vesting Period[1]	Exercise Price	Number of Shares underlying options outstanding as of 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	Number of Shares underlying options outstanding as of December 31, 2019
Directors									
Mu Rongjun	July 1, 2017 to July 1, 2018	6 years	US$3.86-US$5.18	5,000,000	0	N/A	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	173,337,489 US$0.000017-US$5.18	HKD59.6229	54,144	7,430,315	62,912,454
Total				256,313,002	175,860,149 US$0.000017-US$5.18	HKD59.5918	54,144	7,430,315	72,968,394

Notes:

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

(2) Including the options which have been exercised before the Reporting Period but the Shares were issued to the grantees during the Reporting Period. The Shares underlying such exercised options were issued to the grantees in March 2019.

Outstanding RSUs Granted under the Pre-IPO ESOP

Up to the Listing Date, the Company has granted RSUs under the Pre-IPO ESOP representing an aggregate of 252,774,461 Shares and the Company has not granted further RSUs under the Pre-IPO ESOP after the Listing Date.

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

Name	Date of Grant	Vesting Period	Number of Shares underlying RSUs outstanding as of 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 December 31, 2019
Directors							
Mu Rongjun	July 1, 2017	6 years	1,000,000	333,334	0	0	666,666
Wang Huiwen	January 1, 2016 to July 1, 2018	4 to 6 years	15,700,000	5,575,001	0	0	10,124,999
Other Employees	December 29, 2010 to August 2, 2018	0 to 6 years	231,247,680	132,622,983	16,982,191	0	81,642,506
Total			247,947,680	138,531,318	16,982,191	0	92,434,171

Note:

(1) Including the RSUs which have vested before the Reporting Period but the Shares were issued to the grantees during the Reporting Period. The Shares underlying such vested RSUs were issued to the grantees in March 2019.

POST-IPO SHARE OPTION SCHEME

The Post-IPO Share Option Scheme was approved and adopted by all the then shareholders of the Company on August 30, 2018. The Post-IPO Share Option Scheme commenced on the Listing Date and will expire on the tenth anniversary of the commencement date. The following is a summary of certain principal terms of the Post-IPO Share Option Scheme:

Purpose

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

Qualifying Participants

Any individual, being an employee, director, officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any affiliate who the Board or its delegate(s) considers, in their sole discretion, to have contributed or will contribute to the Group is entitled to be offered and granted options. However, for any individual who is resident in a place where the grant, acceptance or exercise of options pursuant to the Post-IPO Share Option Scheme is not permitted under the laws and regulations of such place or where, in the view of the Board or its delegate(s), compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, such individual is not eligible to be offered or granted options.

Maximum Number of Class B Shares

The total number of Class B Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other schemes is 475,568,628 Class B Shares (the "**Option Scheme Mandate Limit**"), representing 8.17% of the issued share capital of the Company (on a one share one vote basis) as of the date of this annual report. Options which have lapsed in accordance with the terms of the rules of the Post-IPO Share Option Scheme (or any other share option schemes of the Company) shall not be counted for the purpose of calculating the Option Scheme Mandate Limit.

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

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

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

As of December 31, 2019, a total of 740,000 options had been granted pursuant to the Post-IPO Share Option Scheme. None of the grantees of the aforesaid options granted is a director, chief executive or substantial shareholder of the Company, nor an associate of any of them. For further details, please refer to the announcement of the Company dated July 5, 2019.

Maximum Entitlement of a Participant

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

Exercise Price

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

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

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

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

Grant Offer Letter and Notification of Grant of Options

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

Time of Exercise of an Option

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

Duration

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

Outstanding Options Granted under the Post-IPO Share Option Scheme

The table below shows the details of options granted under the Post-IPO Share Option Scheme:

Name	Date of Grant	Closing price of the Shares immediately before the date on which the options were granted	Vesting Period[1]	Exercise Price	Number of Shares underlying options outstanding as of January 1, 2019	Number of Shares underlying options granted during the Reporting Period	Number of options exercised during the Reporting Period and the exercise price	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	Number of Shares underlying options outstanding as of December 31, 2019
Other Employees	July 5, 2019	HK$70.0	4 years	HK$69.1	0	740,000	0	N/A	0	0	740,000
Total					0	740,000	0	N/A	0	0	740,000

Note:

(1) The share options are exercisable in installments from the commencement of the relevant vesting period until July 5, 2029. Subject to the terms of the Post-IPO Share Option Scheme and the share option award agreements signed by the grantees, the first 25% of the options can be exercised 1 year after the grant date, and each 25% of the total options will become exercisable in each subsequent year.

POST-IPO SHARE AWARD SCHEME

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

Purpose

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

Eligible Participants

Any individual, being an employee, director (including executive Directors, non-executive Directors and independent non-executive Directors), officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any affiliate (an "**Eligible Person**" and collectively "**Eligible Persons**") who the Board or its delegate(s) considers, in its sole discretion, to have contributed or will contribute to the Group is eligible to receive an Award, subject to the applicable laws and regulations.

Awards

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

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

Grant of Award

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

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

Maximum Number of Shares to Be Granted

The aggregate number of Class B Shares underlying all grants made pursuant to the Post-IPO Share Award Scheme (excluding Award Shares which have been forfeited in accordance with the Post-IPO Share Award Scheme) will not exceed 272,336,228 Shares, representing 4.68% of the issued share capital of the Company (on a one share one vote basis) as of the date of this annual report, without Shareholders' approval subject to an annual limit of 3% of the total number of issued Shares at the relevant time.

As of December 31, 2019, 60,976,982 RSUs had been granted under the Post-IPO Share Award Scheme since Listing Date (including RSUs which have been cancelled or forfeited in accordance with the Post-IPO Share Award Scheme) and the total number of Shares available for grant under the Post-IPO Share Award Scheme was 220,333,872 Shares (including Award Shares which have been cancelled or forfeited in accordance with the Post-IPO Share Award Scheme), representing 3.79% of the issued share capital of the Company (on a one share one vote basis) as of the date of this annual report.

Termination

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

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

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

Outstanding RSUs Granted under the Post-IPO Share Award Scheme

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

Name	Date of Grant	Vesting Period	Number of Shares underlying RSUs outstanding as of January 1, 2019	Number of Shares underlying RSUs granted during the Reporting Period	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 December 31, 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	18,750	0	0	41,250
Leng Xuesong	November 23, 2018	6.25% to vest in each quarter commencing from December 20, 2018 until September 20, 2022	60,000	0	18,750	0	0	41,250
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	18,750	0	0	41,250
Other Employees	October 4, 2018 to October 18, 2019	4 years	10,746,663	47,430,198	1,237,590	6,354,505	0	50,584,766
Total			10,926,663	47,430,198	1,293,840	6,354,505	0	50,708,516

Note:

(1) Including the RSUs which have vested before the Reporting Period but the Shares were issued to the grantees during the Reporting Period. The Shares underlying such vested RSUs were issued to the grantees in March 2019.

EQUITY-LINKED AGREEMENTS

Other than the Pre-IPO ESOP, Post-IPO Share Option Scheme and Post-IPO Share Award Scheme, no equity-linked agreements that will or may result in the Company issuing shares, or that require the Company to enter into any agreements that will or may result in the Company issuing shares, were entered into by the Company during the Reporting Period or subsisted at the end of 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

PRE-EMPTIVE RIGHTS

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

In addition, investment funds affiliated with Sequoia Capital China are minority shareholders of one or more companies which may compete, directly or indirectly, with the Company. For each of these companies, Neil Nanpeng Shen (i) is not a director; and (ii) neither he nor Sequoia Capital China participates in its day-to-day management.

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

PARTIALLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The Group has entered into the following partially-exempt continuing connected transactions during the Reporting Period.

Marketing and Promotion Services Framework Agreement

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

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

The annual cap for the year ended December 31, 2019 is RMB500 million, while the actual transaction amount for the year ended December 31, 2019 is approximately RMB386.1 million.

Cloud Services and Technical Services Framework Agreement

On September 1, 2018, Meituan Dianping (for itself and on behalf of other members of the Group) entered into a framework agreement with Shenzhen Tencent Computer (for itself and on behalf of other members of Tencent), pursuant to which Tencent agreed to provide cloud services, cloud storage and cloud services-related technical support to the Group for service fees. The precise scope of service, service fee calculation, method of payment and other details of the service arrangement will be agreed between the relevant parties separately. The service fees will be determined after arm's length negotiation between the parties with reference to the market rates. The term of the Cloud Services and Technical Services Framework Agreement commenced on the Listing Date and expires on December 31, 2020.

The annual cap for the year ended December 31, 2019 is RMB320 million, while the actual transaction amount for the year ended December 31, 2019 is approximately RMB132.4 million.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The Group has entered into the following non-exempt continuing connected transactions during the Reporting Period.

Payment Services Framework Agreement

On September 1, 2018, Meituan Dianping (for itself and on behalf of other members of the Group) entered into a framework agreement with Shenzhen Tencent Computer (for itself and on behalf of other members of Tencent), pursuant to which Tencent agreed to provide the Company with payment services in order to enable its consumers to make online payments for the Company's service offerings through Tencent payment channels on both mobile devices and personal computers or directly on the Tencent payment interface embedded on its mobile apps and website. The Company shall in return pay payment service commissions to Tencent. The precise scope of service, commission rate, the applicable payment channel and other details of the arrangement shall be agreed between the relevant parties. The payment service commissions will be determined after arm's length negotiation between the parties with reference to the market rates. The commission rate and calculation method shall be agreed between the parties separately. The term of the Payment Services Framework Agreement commenced on the Listing Date and expires on December 31, 2020.

The annual cap for the year ended December 31, 2019 is RMB1.7 billion, while the actual transaction amount for the year ended December 31, 2019 is approximately RMB1,327.1 million.

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

NON-EXEMPT CONNECTED TRANSACTIONS

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

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

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

On January 18, 2019, the Board resolved to issue an aggregate of 21,952,250 Class B Shares to the above grantees upon vesting of the above RSUs. There will not be any actual cash outflow by the Group upon the proposed issue of Class B Shares to the above grantees. Assuming the grantees become fully entitled to all RSUs after the vesting period, the total number of Class B Shares to be issued would be limited to 21,952,250, or approximately 0.38% of the total issued share capital of the Company (on a one share one vote basis) as of the date of this annual report. For further details, please refer to the announcements and circular of the Company dated January 18, 2019, January 25, 2019 and February 20, 2019, respectively.

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

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

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

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

(b) on normal commercial terms or better; and

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

The Auditor has performed the relevant procedures regarding the continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by Hong Kong Institute of Certified Public Accountants. The Auditor has issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed in Note 8(b) (Five highest paid individuals), Note 8(c) (Director's and chief executive's emoluments), Note 32 (Share-based payments) and Note 36 (Related party transactions) to the consolidated financial statements of this annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the Auditor's letter has been provided by the Company to the Stock Exchange.

The Auditor has performed agreed upon procedures regarding the continuing connected transactions entered into by the Group during the year ended December 31, 2019 as set out above and states that:

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

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

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

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

(e) nothing has come to its attention that causes it to believe that dividends or other distributions have been made by Consolidated Affiliated Entities to the registered shareholders which are not otherwise subsequently assigned or transferred to the Group.

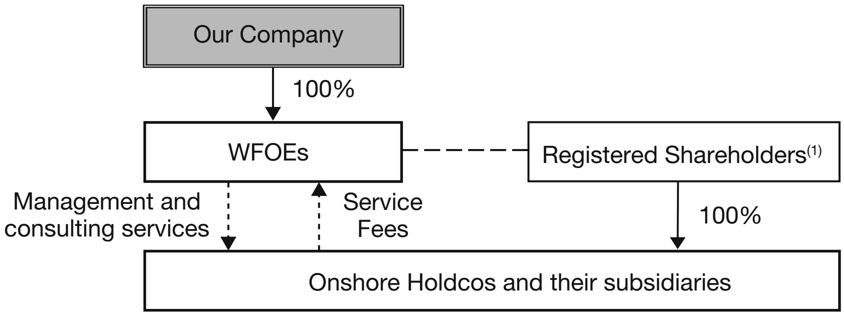
Certain related party transactions as disclosed in Note 36 to the consolidated financial statements constituted as connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules and are in compliance with the disclosure requirements under Chapter 14A of the Listing Rules and disclosed in this annual report.

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

CONTRACTUAL ARRANGEMENTS

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

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



Notes:

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

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

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

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

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

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

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

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

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

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

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

(xi) Shanghai Hantao is owned by Wang Xing as to 95% and Mu Rongjun as to 5%.

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

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

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

(5) These include certain companies which do not currently carry out any business operations but are intended to carry out businesses which are subject to foreign investment restrictions in accordance with the Special Administrative Measures for Entry of Foreign Investment (Negative List) (2019 Version). For further details of the subsidiaries of the Onshore Holdcos, see the section headed "History, Reorganization and Corporate Structure — Corporate Structure" of the Prospectus.

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

Exclusive Business Cooperation Agreements

Under the exclusive business cooperation agreements dated August 21, 2018 entered into among the Onshore Holdcos and the WFOEs on August 21, 2018 and the exclusive business cooperation agreement entered into among Shanghai Hantao and the WFOE on November 13, 2018 (collectively, the "**Exclusive Business Cooperation Agreements**"), pursuant to which, in exchange for a monthly service fee, the Onshore Holdcos agreed to engage the WFOEs as each of their exclusive provider of technical support, consultation and other services, including the use of any relevant software legally owned by the WFOEs; development, maintenance and updating of software in respect of the Onshore Holdcos' business; design, installation, daily management, maintenance and updating of network systems, hardware and database design; providing technical support and staff training services to relevant employers of the Onshore Holdcos; providing assistance in consultancy, collection and research of technology and market information (excluding market research business that wholly foreign-owned enterprises are prohibited from conducting under the PRC laws); providing business management consultation; providing marketing and promotional services; providing customer order management and customer services; transfer, leasing and disposal of equipment or properties; and other relevant services requested by the Onshore Holdcos from time to time to the extent permitted under the PRC laws.

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

Exclusive Option Agreements

Under the exclusive option agreements entered into among the Onshore Holdcos, the WFOEs and the Registered Shareholders on August 21, 2018 and the exclusive option agreement entered into among Shanghai Hantao, WFOE and the Registered Shareholders on November 13, 2018 (collectively, the "**Exclusive Option Agreements**"), the WFOEs have the rights to require the Registered Shareholders to transfer any or all their equity interests in the Onshore Holdcos to the WFOEs and/or a third party designated by it, in whole or in part at any time and from time to time, for considerations equivalent to the respectively outstanding loans owed to the Registered Shareholders (or part of the loan amounts in proportion to the equity interests being transferred) or, if applicable, for a nominal price, unless the relevant government authorities or the PRC laws request that another amount be used as the purchase price, in which case the purchase price shall be the lowest amount under such request. The Exclusive Option Agreements shall remain effective unless terminated in the event that the entire equity interests held by the Registered Shareholders in the Onshore Holdcos have been transferred to the WFOEs or their appointee(s).

Equity Pledge Agreements

Under the equity pledge agreements entered into among the WFOEs, the Registered Shareholders and the Onshore Holdcos on August 21, 2018 and the equity pledge agreement entered into among Shanghai Hantao, WFOE and the Registered Shareholders on November 13, 2018 (collectively, the "Equity Pledge Agreements"), the Registered Shareholders agreed to pledge all their respective equity interests in the Onshore Holdcos that they own, including any interest or dividend paid for the shares, to the WFOEs as a security interest to guarantee the performance of contractual obligations and the payment of outstanding debts. The pledge in respect of the Onshore Holdcos takes effect upon the completion of registration with the relevant administration for industry and commerce and shall remain valid until after all the contractual obligations of the Registered Shareholders and the Onshore Holdcos under the relevant Contractual Arrangements have been fully performed and all the outstanding debts of the Registered Shareholders and the Onshore Holdcos under the relevant Contractual Arrangements have been fully paid.

Powers of Attorney

Pursuant to the powers of attorney executed by the Registered Shareholders in connection with their rights in the Onshore Holdcos on August 21, 2018 and the powers of attorney executed by the Registered Shareholders in connection with their rights in Shanghai Hantao on November 13, 2018 (collectively, the "**Powers of Attorney**"), the Registered Shareholders irrevocably appointed the WFOEs and their designated persons (including but not limited to Directors and their successors and liquidators replacing the Directors but excluding those who are non-independent or may give rise to conflicts of interest) as their attorneys-in-fact to exercise on their behalf, and agreed and undertook not to exercise without such attorneys-in-fact's prior written consent, any and all right that they have in respect of their equity interests in the Onshore Holdcos. The Powers of Attorney shall remain effective for so long as each Registered Shareholder holds equity interest in the Onshore Holdcos.

Loan Agreements

Pursuant to the loan agreements entered into between the relevant WFOEs (other than in the case of Beijing Mobike, Shanghai Hantao and Chengdu Meigengmei,) and the Registered Shareholders on August 21, 2018 and the loan agreements entered into between Shanghai Hanhai, being the WFOE, and the Registered Shareholders on November 13, 2018 (collectively, the "**Loan Agreements**"), the WFOEs agreed to provide loans to the Registered Shareholders, to be used exclusively as investment in the relevant Onshore Holdcos. The loans must not be used for any other purposes without the relevant lender's prior written consent. The term of each loan commences from the date of the agreement and ends on the date the lender exercises its exclusive call option under the relevant Exclusive Option Agreement, or when certain defined termination events occur, such as if the lender sends a written notice demanding repayment to the borrower, or upon the default of the borrower, whichever is earlier.

Capital Injection to Beijing Sankuai Technology

On December 1, 2019, Beijing Sankuai Online, being the WFOE, and Wang Xing and Mu Rongjun, being the Registered Shareholders of Beijing Sankuai Technology, entered into new loan agreements for the amount of approximately RMB1,757 million and RMB92.5 million, respectively (the "**New BSO Loan Agreements**"). Pursuant to the New BSO Loan Agreements, Beijing Sankuai Online agreed to provide loans to Wang Xing and Mu Rongjun to be used exclusively for the purpose of injecting to Beijing Sankuai Technology as share capital. The terms of the New BSO Loan Agreements are identical to the terms of the existing Loan Agreements entered into between the Registered Shareholders and Beijing Sankuai Online on August 21, 2018 save for the loan amount, and the existing Loan Agreements remain valid and in full force. The loans provided by Beijing Sankuai Online under the New BSO Loan Agreements only covered the amount of this injection. The reason for such injection of additional capital was to provide general working capital for the business of Beijing Sankuai Technology.

Upon completion of the capital injection under the New BSO Loan Agreements, the relevant parties, including the Beijing Sankuai Online, Beijing Sankuai Technology and its Registered Shareholders, entered into a new set of Contractual Arrangements, including the powers of attorney, the amended and restated exclusive option agreement, the amended and restated equity pledge agreement, the New BSO Loan Agreements, the confirmations from such Registered Shareholder and the spouse undertakings on December 1, 2019 (collectively known as the "**Beijing Sankuai Technology VIE Agreements**"). The terms of the Beijing Sankuai Technology VIE Agreements are identical to the terms of the original Contractual Arrangements of Beijing Sankuai Technology, save for the loan amount and some conforming changes to reflect the capital injection.

Capital Injection to Beijing Sankuai Cloud

On December 1, 2019, Sankuai Cloud Online, being the WFOE, and Wang Xing and Mu Rongjun, being the Registered Shareholders of Beijing Sankuai Cloud, entered into new loan agreements for the amount of approximately RMB817 million and RMB43 million, respectively (the "**New SCO Loan Agreements**"). Pursuant to the New SCO Loan Agreements, Sankuai Cloud Online agreed to provide loans to Wang Xing and Mu Rongjun to be used exclusively for the purpose of injecting to Beijing Sankuai Cloud as share capital. The terms of the New SCO Loan Agreements are identical to the terms of the existing Loan Agreements entered into between the Registered Shareholders and Sankuai Cloud Online on August 21, 2018 save for the loan amount, and the existing Loan Agreements remain valid and in full force. The loans provided by Sankuai Cloud Online under the New SCO Loan Agreements only covered the amount of this injection. The reason for such injection of additional capital was to provide general working capital for the business of Beijing Sankuai Cloud.

Upon completion of the capital injection under the New SCO Loan Agreements, the relevant parties, including the Sankuai Cloud Online, Beijing Sankuai Cloud and its Registered Shareholders, entered into a new set of Contractual Arrangements, including the powers of attorney, the amended and restated exclusive option agreement, the amended and restated equity pledge agreement, the New SCO Loan Agreements, the confirmations from such Registered Shareholders and the spouse undertakings on December 1, 2019 (collectively known as the "**Beijing Sankuai Cloud VIE Agreements**"). The terms of the Beijing Sankuai Cloud VIE Agreements are identical to the terms of the original Contractual Arrangements of Beijing Sankuai Cloud, save for the loan amount and some conforming changes to reflect the capital injection.

Pursuant to the above, both the New BSO Loan Agreements and the New SCO Loan Agreements constitute reproduction of the original Contractual Arrangements with loan arrangements, hence, are fully exempt from strict compliance with Chapter 14A of the Listing Rules (including but not limited to announcement and independent shareholders' requirements).

The Foreign Investment Law

On January 1, 2020, the Foreign Investment Law (外商投資法) (the "**FIL**") and the Regulations for Implementation of the Foreign Investment Law of the People's Republic of China (the "**Implementation Regulations**") came into effect and, replace the previous laws regulating foreign investment in PRC, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations. The FIL and its Implementation Regulations embody an expected regulatory trend in PRC to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments.

The FIL does not explicitly stipulate the contractual arrangements as a form of foreign investment. The FIL does not mention concepts including "de facto control" and "controlling through contractual arrangements" nor does it specify the regulation on controlling through contractual arrangements. Furthermore, the FIL does not specifically stipulate rules on the Relevant Businesses. Instead, the FIL stipulates that "foreign investors invest in PRC through any other methods under laws, administrative regulations, or provisions prescribed by the State Council", which leaves leeway for future laws, administrative regulations or provisions promulgated by the Stale Council to provide for contractual arrangements as a method of foreign investment. On December 26, 2019, the Supreme People's

Court issued the Interpretations on Certain Issues Regarding the Applicable of Foreign Investment Law ("**FIL Interpretations**"), which came into effect on January 1, 2020. In accordance with the FIL Interpretations, where a party concerned claims an investment agreement to be invalid on the basis that it is for an investment in the prohibited or restricted industries under the negative list and violates the restrictions set out therein, the courts should support such claim.In addition, the FIL does not specify what actions shall be taken with respect to the existing companies with a VIE structure,whether or not these companies are controlled by PRC entities and/or citizens.

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

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

During the Reporting Period, none of the Contractual Arrangements had been unwound on the basis that none of the restrictions that led to the adoption of the Contractual Arrangements had been removed. As of December 31, 2019, the Company had not encountered interference or encumbrance from any PRC governing bodies in operating its businesses through its Consolidated Affiliated Entities under the Contractual Arrangements.

The revenue of the Onshore Holdcos and their respective subsidiaries amounted to RMB5.4 billion for the year ended December 31, 2019, representing approximately 5.5% of the total revenue for the year of the Group. The total assets of the Onshore Holdcos and their respective subsidiaries amounted to RMB24.3 billion as of December 31, 2019, representing approximately 18.4% of the total assets of the Group.

Reasons for Adopting the Contractual Arrangements

Our Consolidated Affiliated Entities conduct e-commerce and information platform services, cloud storage service, other value-added telecommunications service businesses, online culture business and radio and television program services, which are subject to foreign investment restrictions in accordance with the Special Administrative Measure for Entity of Foreign Investment (Negative List) (2019). After consultation with the Company's PRC Legal Advisor, Han Kun Law Offices, the Company determined that it was not viable for it to hold its Consolidated Affiliated Entities directly through equity ownership. Instead, we decided that, in line with common practice in industries in the PRC subject to foreign investment restrictions, we would gain effective control over, and receive all the economic benefits generated by the businesses currently operated by our Consolidated Affiliated Entities through the Contractual Arrangements between the WFOEs, on the one hand, and our Consolidated Affiliated Entities and the Registered Shareholders, on the other hand.

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

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

Risks Relating to the Contractual Arrangements

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

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

- Since the FIL remains relatively new, uncertainties exist with respect to the interpretation and implementation of the FIL and how it may impact the viability of the Company's current corporate structure, corporate governance and business operations.

- The Company's contractual arrangements may not be as effective in providing operational control as direct ownership, and its VIE shareholders may fail to perform their obligations under its contractual arrangements.

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

- The Contractual Arrangements with the Company's VIEs may be subject to scrutiny by the tax authorities in China. Any adjustment of related party transaction pricing could lead to additional taxes, and therefore could substantially reduce its consolidated profit and the value of your investment.

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

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

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

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

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

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

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

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

Listing Rules Implications and Waivers from the Stock Exchange

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

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

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

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

(b) no change without independent Shareholders' approval;

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

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

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

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

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

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

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

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

The Auditor has carried out review procedures in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants annually on the transactions carried out pursuant to the Contractual Arrangements. The Auditor has confirmed in a letter to the Board that the transactions carried out pursuant to the Contractual Arrangements during the year ended December 31, 2019 had received the approval of the Board, had been entered into in accordance with the relevant provisions of the Contractual Arrangements and that no dividends or other distributions had been made by the Company's Consolidated Affiliated Entities to the holders of its equity interests which were not otherwise subsequently assigned or transferred to the Group.

DONATIONS

During the Reporting Period, the charitable and other donations made by the Group amounted to approximately RMB4.9 million.

LEGAL PROCEEDINGS AND COMPLIANCE

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

The Company is not presently a party to any legal proceedings that, if determined adversely to the Company, would individually or taken together have a material adverse effect on its business, results of operations, financial condition or cash flows. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

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

PERMITTED INDEMNITY PROVISION

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

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

On January 20, 2020, the Company announced that Wang Huiwen, co-founder, executive Director and senior vice president of the Company, will withdraw from his day-to-day management duties in the Company in December 2020 to allow more time for his personal pursuit. Thereafter, he will remain as a director of the Company and hence, there will be no change to his weighted voting rights in the Company. Wang Huiwen will continue to perform his director's duties by devoting himself to the strategic planning, organizational growth and talent development of the Company after withdrawing from his day-to-day management duties.

Since the beginning of 2020, the outbreak of coronavirus has resulted in tremendous near-term shocks to many industries in China. The Company has actively responded to national calls to combat coronavirus. We have been proactively providing assistance and offering help to secure people's livelihood in pandemic-stricken areas. In addition, we continue to provide our services to the nation and offer timely delivery of food and daily necessities to the locked-down residents during the pandemic. The Company has also adopted a number of positive measures to address the coronavirus outbreak. For further details of the relevant information, please see section headed "Environmental, Social and Governance Report - We Take Action to Combat Coronavirus" of this annual report.

Saved as disclosed above, there were no important events affecting the Company and its subsidiaries which occurred after December 31, 2019 and up to the date of this annual report.

AUDIT COMMITTEE

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

CORPORATE GOVERNANCE

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

SUFFICIENCY OF PUBLIC FLOAT

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

CLOSURE OF THE REGISTER OF MEMBERS

The Company will hold the AGM on May 20, 2020. The register of members of the Company will be closed from May 15, 2020 to May 20, 2020, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the AGM, during which period no share transfers will be registered. To be eligible to attend the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited (for both holders of Class A Shares and holders of Class B Shares), at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on May 14, 2020.

PROFESSIONAL TAX ADVICE RECOMMENDED

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

AUDITOR

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

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

On behalf of the Board

Wang Xing
Chairman

Hong Kong, March 30, 2020

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE PRACTICES

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

BOARD OF DIRECTORS

Responsibilities

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

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

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

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

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

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

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

Continuous Professional Development of Directors

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

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

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

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

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

Chairman and Chief Executive Officer

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

Composition

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

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

The Board’s composition is in compliance with the requirement under Rule 3.10A of the Listing Rules that the number of independent non-executive directors must represent at least one-third of the Board. The Board believes that the balance between the executive Directors and the non-executive Directors is reasonable and adequate to provide sufficient checks and balances that safeguard the interests of the Shareholders and the Group. None of the members of the Board is related to one another.

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

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

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

Appointments and Re-election of Directors

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

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

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

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

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

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

Board Activity

The Board has met five times during the Reporting Period. The attendance of each Director at Board and committee meetings of the Company, whether in person or by means of electronic communication, is detailed in the table below:

	Attendance/No. of Meetings Held during the Reporting Period				
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Corporate Governance Committee
Executive Directors					
Wang Xing	5/5	–	–	–	–
Mu Rongjun	5/5	–	1/1	–	–
Wang Huiwen	5/5	–	–	1/1	–
Non-executive Directors					
Lau Chi Ping Martin	5/5	–	–	–	–
Neil Nanpeng Shen	5/5	–	–	–	–
Independent Non-executive Directors					
Orr Gordon Robert Halyburton	5/5	4/4	–	–	3/3
Leng Xuesong	5/5	4/4	1/1	1/1	3/3
Shum Heung Yeung Harry	5/5	4/4	1/1	1/1	3/3

At the Board meetings held during the Reporting Period, the Board discussed a wide range of matters, including the Company's financial and operational performances, approved interim and quarterly results of the Company, business prospects and other significant matters.

During the Reporting Period, the Chairman met once with the independent non-executive Directors without the presence of executive Directors.

On May 17, 2019, the Company held its annual general meeting to consider and approve the re-election of Directors, the grant of general mandates to issue and repurchase shares, and the re-appointment of the Auditor. All the proposed resolutions to the annual general meeting were taken by poll and the poll results were set out in the Company's announcement dated May 17, 2019. The Chairman as well as other members of the Board were available to respond to enquiries during the annual general meeting, which provided opportunities for communication between Directors, senior management and the Shareholders.

BOARD COMMITTEES

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

Audit Committee

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

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

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

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

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

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

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

During the Reporting Period, the Audit Committee met four times. Individual attendance of each Audit Committee member is set out on page 91. The Audit Committee also met the external auditor four times without the presence of the executive Directors.

The Audit Committee's major work during the Reporting Period include:

(a) reviewing the 2019 interim report;

(b) reviewing the Company's quarterly results announcements for the first quarter ended March 31, 2019 and the third quarter ended September 30, 2019, respectively;

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

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

(e) reviewing the Company's continuing connected transactions; and

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

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

Remuneration Committee

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

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

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

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

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

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

During the Reporting Period, the Remuneration Committee met once. Individual attendance of each Remuneration Committee member is set out on page 91.

The Remuneration Committee's major work during the Reporting Period include:

(a) review compensation and benefits framework and structure; and

(b) review of director and management compensation scheme;

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

Nomination Committee

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

(a) reviewing the Board composition;

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

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

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

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

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

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

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

The Nomination Committee has a primary responsibility for identifying suitably qualified candidates to become members of the Board and, in carrying out this responsibility, will give adequate consideration to the board diversity policy. In forming its perspective on diversity, the Nomination Committee will also take into account factors based on the Company's business model and specific needs from time to time, including without limitation, skills, knowledge, experience, gender and background.

The Nomination Committee will ensure that the Board has the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy and in order for the Board to be effective. The Nomination Committee will report annually on the Board's composition and make appropriate disclosures regarding the board diversity policy in the Corporate Governance Report of the Company's annual reports. It will also monitor the implementation of the board diversity policy.

During the Reporting Period, the Nomination Committee met once. Individual attendance of each Nomination Committee member is set out on page 91.

The Nomination Committee's major work during the Reporting Period include:

(a) reviewing and monitoring the implementation of the board diversity policy;

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

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

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

In accordance with the board diversity policy of the Company, the Nomination Committee considered the gender, age, cultural and educational background, professional experience, knowledge and length of service of the candidates for re-election of the retiring executive Directors, Wang Xing, Mu Rongjun and Wang Huiwen, in 2019. After due consideration of the aforementioned factors and the previous contributions of the executive Directors, the Nomination Committee was satisfied that Wang Xing, Mu Rongjun and Wang Huiwen would continue to bring valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning and diversity.

Corporate Governance Committee

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

During the Reporting Period, the Corporate Governance Committee met three times. Individual attendance of each Corporate Governance Committee member is set out on page 91.

The Corporate Governance Committee's major work during the Reporting Period include:

(a) reviewing and monitoring the training and continuous professional development of Directors and senior management (in particular, Chapter 8A of the Listing Rules and knowledge in relation to risks relating to the weighted voting rights structure);

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

(c) assessing, reviewing and making recommendation to the Board for the re-appointment of the Company's compliance advisor;

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

(e) reviewing and assessing the Conflict of Interest Declaration Policy of the Company and any potential conflict of interest between the Company and the WVR beneficiaries and making relevant recommendations to the Board to ensure good corporate governance standards and to avoid potential conflicts of interest between the Company or the Shareholders on the one hand and the WVR Beneficiaries on the other;

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

(h) the Company's various policies and practices on corporate governance, including but not limited to the Company's shareholders' communication policy; and

(i) Reporting on the work of the Corporate Governance Committee covering all areas of its terms of reference.

During the Reporting Period, the Corporate Governance Committee has sought to ensure effective and on-going communication between the Company and the Shareholders as set out in Section E "Communication with Shareholders" of Appendix 14 of the Listing Rules, in particular, by ensuring that: (i) the general meeting of the Company (where the Board of Directors and appropriate senior management of the Company are available to respond to enquiries) was held to provide an opportunity for communication between the Directors, senior management and the Shareholders; (ii) both English and Chinese version of any corporate communication that requires Shareholders' attention or any announcements relating to matters to be disclosed under the Listing Rules (including but not limited to those involving insider information, corporate actions and corporate transactions) were published in a timely manner; (iii) quarterly results that include detailed financial and operating results were prepared and published as voluntary periodic disclosure; (iv) the Company's website, where information on the Company's announcements, reports, financial information and other information are available for public access, has been maintained as a communication platform with the Shareholders; and (v) written enquiries or requests sent by Shareholders to the Company's address or email are dealt with in an informative and timely manner.

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

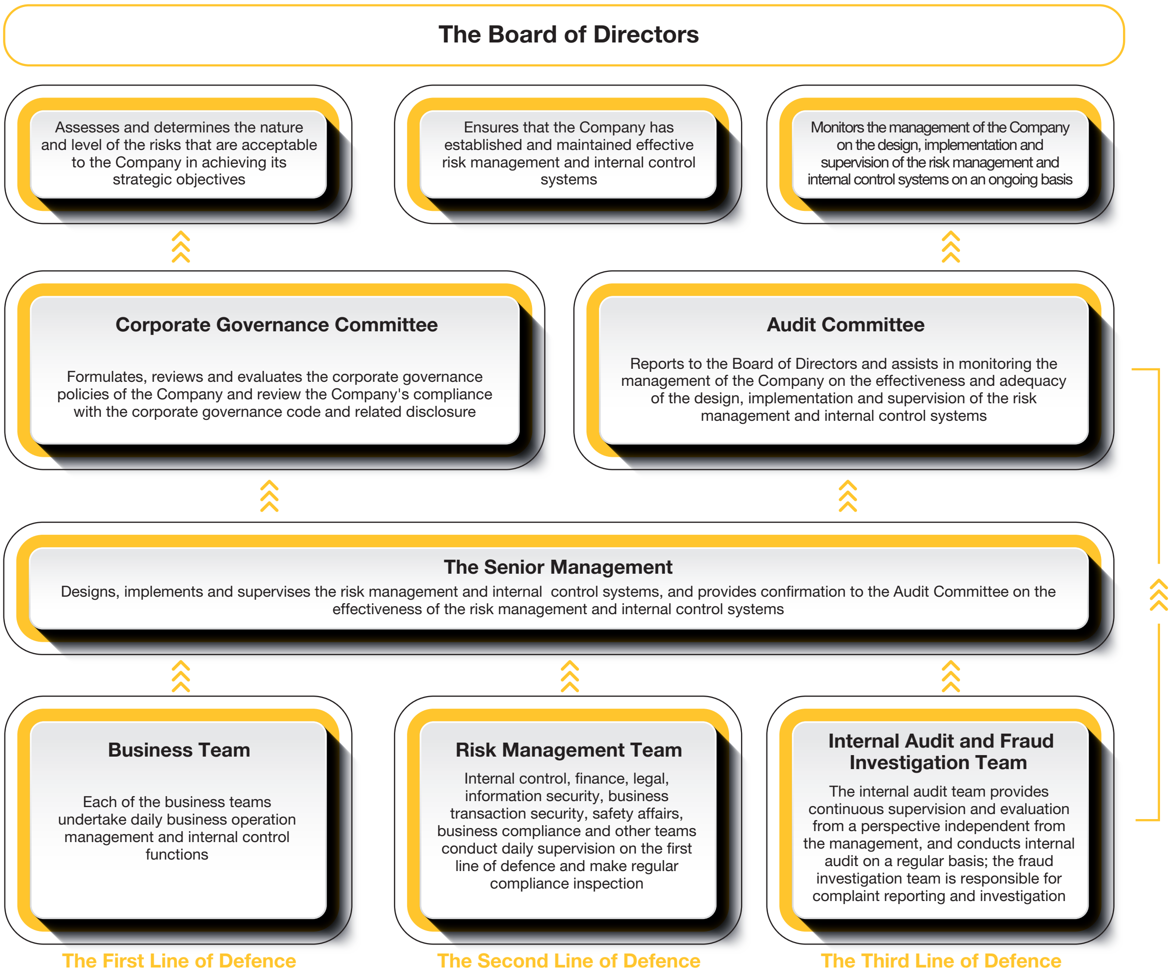
The Board acknowledges that it is the Board's responsibility to ensure that the Company has established and maintained adequate and effective risk management and internal control systems. The Board delegates its responsibility to the Audit Committee to review the practices of management with respect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

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

Organizational Structure for Risk Management

The Company is committed to continuously improving the risk management system by optimizing the organizational structure for risk management, standardizing the risk management process and enhancing the risk management ability, with an aim to ensure long-term growth and sustainable development of the Company's business. The Company has established a risk management system which sets out the roles and responsibilities of each relevant party as well as the relevant risk management policies and processes.

The Company adheres to the fundamental concept that risk management serves to achieve its strategic objectives with the participation of all employees. To ensure that the risk management and internal control systems are effective, the Company, under the supervision and guidance of the Board and factoring in the actual needs of the Company, has adopted an organizational structure for risk management across all divisions, details of which are set out below.



The First Line of Defence – Operation and Management

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

The Second Line of Defence – Risk Management

The Second Line of Defence mainly consists of, among others, the internal control department, finance department, legal department, business transaction security team, safety affairs department and business compliance team of the Company. This line of defence is responsible for formulating policies related to management of operations, finance, compliance and litigation, information security and fraud risks and the internal control of the Company, and for planning and establishing an integrated risk control system. For ensuring effective implementation of such systems, this line of defence also assists and supervises the first line of defence in the establishment and improvement of risk management and internal control systems.

The Third Line of Defence – Independent Assurance

The Third Line of Defence mainly consists of the functions of internal audit and fraud investigation of the Company. The internal audit department is responsible for providing an independent evaluation on the effectiveness of the Company's risk management and internal control systems, and monitoring management's continuous improvement over the risk management and internal control areas. The fraud investigation function is responsible for receiving whistle-blower reports through various channels and for following up and carrying out independent investigations on alleged fraudulent activities.

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

The Company is an internet company with diverse business areas and the Company's business is characteristic of its variety and fast adaptations. Therefore, catering to these characteristics, the risk management of the Company has established a dynamic risk management process and has updated and optimized such process constantly. During the Reporting Period, in order to further improve the coverage and depth of risk assessment, the Company's internal control department established a risk assessment project team, which carried out risk assessment works covering all business areas of the Company, identified relevant risks faced by the Company via management interviews, questionnaires, collective discussions, expert consultations, scenario analyses and other methods, categorized and assessed relevant risk factors, comprehensively and systematically analysed and assessed key risks with reference to the Company's risk mitigation measures and the management's risk appetite, and established a long-term risk assessment mechanism.

In conducting risk assessments, the Company comprehensively utilized a combination of qualitative and quantitative methods to analyse the possibility of risk occurrence and the impact on the achievement of objectives, and finally prioritized the risks according to their significance.

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

The Company recognizes the importance of employees' risk awareness for risk management and internal control. The Company's risk management team introduces concepts and knowledge of risk management and internal control to all the staff and promotes participation of business personnel during projects, to cultivate the risk awareness and compliance concept of employees.

Major Risks

In 2019, the management of the Company identified six major risks through the above risk management process and in light of the rapid development of the internet industry and the rising incidence of fraud cases, fraud risk has been added as a major risk category of the Company, as compared with 2018. Furthermore, the outbreak of the novel coronavirus (COVID-19) epidemic occurred at the end of 2019 may also have an adverse impact on the Company, as further disclosed below.

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

Compliance Risk

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

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

Market Competition Risk

The Company faces competition in every aspect of its business, and particularly from other companies in the on-demand delivery businesses, instore services businesses and the hotel & travel services. To obtain and maintain competitive advantage in these business segments would require us to divert significant managerial, financial and human resources. In addition, each of the Company's business segments is subject to rapid market changes, the emergence of new business models and the entry of new and well-funded competitors. Some of its current competitors have, and future competitors may have, greater financial, technical or marketing resources, longer operating histories, greater brand recognition or larger consumer bases than it does, or may enter into business alliances that strengthen their competitive positions. Increased competition may reduce the Company's market share and profitability and require it to increase its marketing and promotional efforts and capital commitment in the future.

The management and the leaders of various business segments of the Company closely monitor the market competition, and share relevant information and their insights and judgments on the market competition in real time.

The Company has a professional team which conducts in-depth analysis and research on competition in the industry regularly and provides relevant reports to the senior management for reference, and supports them to formulate timely and effective countermeasures to market competition risk.

The Company continues to invest in core businesses, enhance and improve the responsiveness, functionality and features of its mobile apps, websites and systems, and strives to consolidate its core competitiveness on user end, merchant end and distribution end, in order to attract and retain users and cope with the ever-changing competitive environment.

Meanwhile, the Company has been committed to the innovation of business planning, with a focus on the core businesses while launching new initiatives, which helps strengthen the competitiveness of its core businesses, and constantly builds and consolidates its ecosystem.

Information System Risk

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

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

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

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

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

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

The Audit Committee also reviews cybersecurity updates of the Company every six months to advise and provide recommendations for the improvement of the Group's information security system operating normally under persistent and sophisticated cyber-attacks, enabling the Company to strengthen customer trust and enhance its user experience. The Audit Committee last reviewed cybersecurity updates during an Audit Committee meeting in August 2019.

Human Resources Risk

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

Human capital has always been the Company's core asset. The Company has formulated and implemented a series of measures to provide continuous professional development for its employees, in order to facilitate business development and to maintain sustainable competitiveness. Such measures include: (i) improving recruitment standards and attracting better talents to join the Company; (ii) increasing investment in building the "Internet Plus University" and developing the "panoramic learning map" in order to establish a training system that encapsulates the promotion of culture, general competency, professional expertise and leadership and to provide targeted trainings for employees; (iii) supporting and facilitating the leadership role of its management, stimulating its employees' full potential and promoting personal development among its employees.

Meanwhile, the Company adheres to the value of integrity, and has carried out measures such as implementing the employees' code of conduct, providing anti-bribery and anti-corruption trainings, implementing a whistle-blower mechanism, conducting investigations and punishment on any acts of bribery and corruption, to ensure that its employees adhere to its fundamental values.

Crisis Management and Reputation Risk

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

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

Fraud Risk

In light of the rapid development of the internet industry, fraud cases have occurred frequently outside and within the industry and have caused harm to the internet industry as a whole. With the ongoing expansion and development of the Company, together with the increasing complexity of its business, fraud risk is likely to increase. For example, fraudulent activities engaged by business partners, employees or third parties may exert a negative impact on the operations, finance and reputation of the Company.

The Company consistently adheres to its fundamental principle of integrity, combats fraud and has zero tolerance for it. The Company has established effective internal control systems and continuously optimizes such systems to identify and mitigate fraud risk. The Company conducts comprehensive and thorough investigation on any identified fraudulent conduct. The employees who are found to have engaged in any fraudulent conduct will be dismissed with immediate effect and those who are involved in more serious cases will be transferred to the relevant judicial departments according to the applicable laws and regulations. Meanwhile, the Company combats the illegal internet industry together with the police force and promotes the establishment of the Trust and Integrity Enterprise Alliance together with other members of the internet industry to combat internet fraudulent behaviors and to build a healthy, orderly and civilized internet ecosystem through technological cooperation and information sharing.

The Outbreak Risk of the Novel Coronavirus (COVID-19)

In December 2019, a novel strain of coronavirus temporarily named COVID-19 by the World Health Organization was reported to have surfaced in Wuhan, China. After the outbreak of the COVID-19 epidemic in China, strict epidemic prevention and control measures were adopted in China in order to prevent further spread of the disease. Commercial activities were restricted, tourism activities and public transportation were controlled and public places were closed in the affected regions. The aforementioned restrictive measures and consumers' concerns about hygiene have drastically reduced consumers' demands for local lifestyle services, and a considerable number of local lifestyle merchants have suspended their operations or postponed to resume operations. The above situations may cause serious interference to the Company's operations and adversely affect the Company's business. At the same time, the further outbreak of the COVID-19 epidemic around the world may exacerbate market volatility and have continuous negative economic impact on China and the global market, and may raise concerns about China's economic and global economic prospects. The degree of impact of the above COVID-19 on the Company's business will depend on future evolvement of the situation, including, among other things, the latest news about the severity of the coronavirus and the effect of suppressing or treating the coronavirus on the human body. Due to the significant uncertainty and unpredictability of these factors, it is currently difficult to reasonably estimate the duration of interference with the Company's business and its related financial impact.

The Company has adopted a number of positive measures to address COVID-19 epidemic. For details of the relevant information, please see section headed "Environmental, Social and Governance Report – We Take Action to Combat Coronavirus" of this annual report.

Internal Control

Based on the Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), the Company established an internal control system which has been tailored to the actual circumstances of the Company. The objective of the Company's internal control is to provide reasonable assurance to its operational, reporting and compliance requirements.

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

The Company also maintains an internal audit department which is responsible for reviewing the effectiveness of internal control and reporting any issues identified by the department to the Audit Committee and the senior management. Members of the internal audit department hold regular meetings with the management to discuss about internal control issues it faces and the corresponding measures to resolve them. The internal audit department reports to the Audit Committee to ensure that any material issues identified be delivered to the committee in a timely manner. The Audit Committee then discusses the reported issues and reports to the Board when necessary.

The Company has designed and adopted strict internal procedures to ensure its business operation complies with the relevant rules and regulations. Its internal control team works closely with its business units to (i) perform risk assessments and provide advice on risk management strategies, (ii) improve business process efficiency and monitor internal control effectiveness and (iii) promote risk awareness throughout the Company. Apart from its internal control department, the Company has also established different functions and teams to cooperate with each other in their areas of expertise in order to improve the effectiveness of its internal control systems, with details as follows:

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

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

The business compliance teams of the Company consist of various professional functions, among which (i) the content compliance team is responsible for the compliance management of the internet content, conducts compliance reviews on the internet content through a combination of automated and manual control, and removes inappropriate content in order to mitigate compliance risk of internet content; (ii) the food safety compliance team is responsible for the food safety risk management, conducts study on regulations and industry trend, optimizes the internal control policy of food safety, guides and supervises the implementation of food safety compliance measures, and enables merchants to jointly mitigate food safety risks; (iii) the compliance team for internet finance business is responsible for the analysis of the regulatory environment with respect to services it provides, formulation and implementation of internet finance-related policies as well as recruitment of talents to strengthen the compliance team, in order to mitigate financial compliance risks.

The information security department of the Company promotes the information security management of the Company through technical and management measures, focusing on the cybersecurity, data security and the protection of the user privacy, and it periodically reports to the Audit Committee.

The business transaction security team of the Company mitigates internet fraud and operational risks to ensure assets safeguard and the efficiency and effectiveness of operation by providing continuous training, improving the business transaction security management process and system, and upgrading the risk control rules as well as resolving the risk events.

Effectiveness of Risk Management and Internal Control

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

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

COMMUNICATIONS WITH SHAREHOLDERS

The Company strives to provide ready, fair, regular and timely disclosure of information that is material to the investor community. Therefore, the Company works to maintain effective and on-going communication with shareholders so that they, along with prospective investors, can exercise their rights in an informed manner based on a good understanding of the Group's operations, businesses and financial information. The Company also encourages Shareholders' active participation in annual general meetings and other general meetings or other proper means. General meetings can provide an opportunity for communication between the directors, senior management and the Shareholders. The Company recognizes the importance of effective communication with Shareholders and encourages them to attend general meetings to raise any concerns they might have with the Board of Directors or the senior management directly. Board members and appropriate senior management of the Company are available at such meetings to respond to enquiries raised by the Shareholders.

To safeguard Shareholders' interests and rights, a separate resolution will be proposed for each issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

During the Reporting Period, the Company held an annual general meeting on May 17, 2019. Notice of the meeting was sent to the Shareholders on April 12, 2019, at least 20 clear business days before the meeting. The chairman of the Board and the chairman of each of the Audit Committee, the Corporate Governance Committee, the Nomination Committee and the Remuneration Committee attended the annual general meeting and were available to answer any questions raised by the Shareholders. A representative of the Auditor also attended the meeting to answer any questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.

The Company has developed and maintains the shareholders' communication policy with the objective of promoting effective and on-going communication between the Company and the Shareholders, which is available on the Company's website at "about.meituan.com". The Company's website is maintained as a communication platform with the Shareholders, where information on the Company's announcements, reports, financial information and other information are available for public access.

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

Convening of Extraordinary General Meeting and Putting Forward Proposals

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

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

Enquiries to the Board

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

The Company welcomes views and enquiries of the Shareholders. Enquiries to the Board or senior management of the Company will be dealt with in an informative and timely manner.

JOINT COMPANY SECRETARIES

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

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

For the year ended December 31, 2019, Mr. Wang and Ms. Lau undertook not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

DIRECTORS AND OFFICERS LIABILITY INSURANCE

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

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Please refer to Note 8 to the consolidated financial statements for details of remuneration of Directors for the year ended December 31, 2019.

Details of the remuneration by band of Directors and senior management of the Company, whose biographies are set out in the section headed "Directors and Senior Management" of this annual report, for the year ended December 31, 2019 are set out below:

Remuneration band (RMB)	Number of individuals
0	2
1 – 5,000,000	3
>5,000,000	6

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENT

The Directors acknowledge their responsibility for preparing the financial statement of the Company for the year ended December 31, 2019, and are aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

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

AUDITOR'S REMUNERATION

The remuneration for the audit and non-audit services provided by the Auditor to the Group during the year ended December 31, 2019 was approximately as follows:

Type of Services	Amount (RMB'000)
Audit and audit-related services	41,281
Non-audit services[1]	4,108
Total	45,389

Note:

(1) The non-audit services conducted by the Auditor mainly include tax retainer services, and enterprise risk management assessment services.

CHANGES IN CONSTITUTIONAL DOCUMENTS

No changes to the Memorandum and Articles of Association of the Company during the Reporting Period.

POLICY ON THE DISCLOSURE OF INSIDE INFORMATION

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

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

I. OVERVIEW

This report aims to reflect the performance of Meituan Dianping (hereinafter referred to as "the Company", "Company" or "We") on Environmental, Social and Governance ("ESG") for 2019 on an objective and fair basis. It is recommended to read the part on governance in conjunction with the *Corporate Governance Report* contained in this annual report.

Basis of Preparation

This ESG report is prepared in accordance with the ESG Reporting Guide set out in Appendix 27 to the Listing Rules of The Stock Exchange of Hong Kong Limited.

Sources of Information

The information and data in this report were extracted mainly from the Company's statistical reports and relevant internal communication documents. The Company undertakes that there is no false record or misleading statement in this report, and assumes liabilities for the authenticity, accuracy and completeness of its content.

Approval of the Report

This report was approved by the Board of Directors on March 30, 2020.

Response to the Report

We value the opinions of our stakeholders and welcome readers to contact us via the contact details below. Your comments will help us further improve this report and improve the Company's ESG performance.

Email: ir@meituan.com

II. ESG STRATEGIES

(I) ESG concept and management

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

Focusing on the Company's mission and values, we have enhanced the ESG concept integration, and formulated our ESG strategies from the following aspects:

1. *Environment:*

    - Advocate green consumption
    - Promote the harmonious coexistence of corporate development and environmental sustainability
    - Promote environmental protection in the industry

2. *Customers:*

    - Be customer-centric
    - Strive for excellence, continuously optimize, and build a good reputation among customers
    - Create greater value for people's life

3. *Partnership:*

    - Cooperate and pursue a win-win situation with our eco-system partners
    - Guarantee interests of different parties in the cooperation
    - Promote sustainable development in the industry

4. *Operation:*

    - Promote integrity
    - Protect employees' rights and interests
    - Promote talent development

5. *Community:*

    - Assist in providing solutions to more social problems
    - Create greater social value
    - Promote the development of new categories of social enterprises
    - Encourage employees to take part in public welfare activities

We have built an ESG organizational structure to put our ESG concept and strategies into practice. The Board of Directors is responsible for guiding and reviewing the Company's ESG performance. The Company's relevant functions and business units are responsible for strategy-making and implementation of strategies on environment, employee, supply chain, operation and community. We also have a Corporate Social Responsibility (CSR) Department to carry out work related to corporate social responsibility.

(II) Stakeholder Engagement

We actively listen to and respond to the demands of stakeholders. We identify key stakeholders and understand their main concerns through various communication channels based on the characteristics of actual businesses, management and operations.

The main stakeholders we identified, their main concerns and main communication channels are presented in the table below.

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

(III) Materiality Assessment

In 2019, we conducted a materiality assessment on the 11 aspects of ESG concerns listed in the *ESG Reporting Guide* as a reference for our actions and reports, based on continuous communication with key stakeholders and the Company's operational characteristics.

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

III. ENVIRONMENT

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

(I) Measures for green operation

1. *Green office*

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

For reasonable use of electricity, we use LED energy-saving lights in office areas and arrange personnel to conduct regular inspections in office areas to avoid lights that are never turned off in unmanned office areas. Meanwhile, we pay special attention to cultivating our staff's energy-saving habits, for instance, by posting tips such as "turn off the lights in time" in an eye-catching area in the office.

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

We conduct analyses on water and electricity usage in office area, check unusual conditions, and take improvement actions to improve efficiency of resource use.

We also adopt other measures to reduce the use of resources, such as (i) setting all printer devices to double-sided printing by default, and posting an eye-catching tip next to the printing devices to encourage employees to prioritise double-sided printing to save paper; and (ii) installing direct drinking water systems to replace bottled water in certain office areas, in order to reduce the use of plastics.

2. *Green data centers*

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

In 2019, the green data center we rented in Zhongwei City of Ningxia Hui Autonomous Region (hereinafter referred to as "Ningxia Zhongwei") was put into full use. We have migrated some servers to Ningxia Zhongwei Data Center from other data centers with high energy consumption and low efficiency. Ningxia Zhongwei Data Center mainly uses clean energy (hydropower, wind power, photovoltaic power, etc.), and its PUE (Power Usage Effectiveness) reaches 1.1, which is at the forefront of the industry[1].

Our data center in Ningxia Zhongwei achieves the following advantages for environmental protection: (i) Ningxia Zhongwei has a high altitude, and the average annual temperature is about 8°C, which is conducive to natural wind cooling and reduction of air conditioning usage and power consumption; and (ii) the clean energy used by Ningxia Zhongwei accounts for more than 50%, and most of the energy used in data center operations is clean energy, which can indirectly reduce carbon dioxide emissions and reduce environmental impact.

Ningxia Zhongwei Data Center is our large-scale natural cooling data center, which is currently in large-scale operation, it uses high-efficiency direct natural cooling and indirect evaporative cooling technology (also known as "Free Cooling Technology"), and adopts a wind wall system to form a cold air channel and a hot air channel in the machine room, improving the cooling effect thereby. Ningxia Zhongwei Data Center has achieved a high level of technology in terms of its machine room structure, server layout, temperature control, heat recovery mechanisms, etc. Ningxia Zhongwei Data Center has a significant advantage in energy preservation over traditional large-scale data centers' cooling solutions.

[1] According to *National Data Center Application Development Guidelines (2018)* issued by The Information and Communication Development Department of the Ministry of Industry and Information Technology of the People's Republic of China in May 2019, as of the end of 2017, the average PUE of hyperscale data centers was 1.63, and the average PUE of large-scale data centers was 1.54. The national target of the average design PUE of data centers under construction nationwide was about 1.5, and the national target of average design PUEs of hyperscale and large-scale data centers were 1.41 and 1.48, respectively.

Ningxia Zhongwei Data Center has also adopted multiple energy-saving and emission reduction measures adapted to the site environment, including (i) adjusting compressors' start and stop parameters according to the site environment; (ii) adjusting the rotation speed of the indoor and outdoor wind turbines according to the needs of the server room; (iii) adjusting the start-stop states of the external wind turbines and compressor in line with seasonal changes; (iv) maintaining the evaporative cooling module timely with an optimized plan to ensure it operates at the highest efficiency to reduce activation of the compressor system; and (v) using LED tube lighting while optimizing its lighting schedule.

We actively work with other industry peers to promote the development of technology related to green data Centers. In 2019, we actively took part in the Ice River project (liquid cooling) of the Open Data Center Committee ("ODCC") and was the major drafter of the *Cold Plate Liquid Cooling*, which explores the production, deployment, operation and maintenance technologies of cold plate liquid cooling systems in data centers. To improve the performance of big data servers and reduce power consumption, we work with partners to carry out research on general chips for domestic ARM architecture servers and explore the application in business scenarios.

(II) Promoting environmental protection in the industry

With a focus on the environmental impact of the industries of our major businesses, we analyse the environmental risks of these industries, implement measures relevant to environmental protection and seek solutions to environmental problems caused by these industries.

1. *Measures by Meituan Food Delivery to promote environmental protection in the industry*

On August 31, 2017, Meituan Food Delivery launched the "Lush Mountain Plan", dedicated to promoting solutions to environmental problems in the food delivery industry. It is the first action plan focusing on environmental protection in the industry. The plan advocates the concept of environmental protection, research on environment-friendly ways, exploration of a scientific closed-loop and promotion of public welfare activities to promote the environmental protection progress of the food delivery industry.

- Environmental protection concept advocacy: We set the last day of each month as "Meituan Food Delivery Environmental Protection Day". On "Meituan Food Delivery Environmental Protection Day" and other environment-related festivals, we launch online and offline environmental protection activities for enhancing consumer awareness, and carry out public experience activities of reusing plastic lunch box in cooperation with the China Environmental Protection Foundation, the United Nations Environment Programme, the World Wide Fund for Nature, and other organisations.

- Research on environment-friendly ways: We carried out subject research, formulated objective scientific working standards and paths through quantitative research and qualitative analysis on environmental protection work of the food delivery industry, and formulated action plans and solutions to key problems. We published the *Popularization Report on General Knowledge of Food Delivery Packaging*, which contains specialized interpretation from dimensions of basic knowledge, industry trends and innovative plans.

- Exploration of a scientific closed-loop: We have taken various measures to reduce the generation of waste throughout the life cycle of food delivery: (i) In 2017, we added a "no tableware needed" option in delivery ordering, and formulated a set of "no cutlery" rules for merchants. For merchants with better implementation of these rules, we offer promotional incentives on the "Meituan Food Delivery Environmental Protection Day" to promote the reduction in disposable tableware usage. In 2019, we launched an online function of environment-friendly practice energy donation, which largely increased user engagement; (ii) we set up an optional "green package zone" for merchants in our platform service market on the merchant end, to meet merchants' needs of purchasing environment-friendly materials. We allocated green materials in many cities, and designed and developed new types of packaging such as plastic-free pizza boxes with partners; (iii) we have proactively taken a part in the national standards formulation of *General Technical Requirements of Disposable Degradable/Non-Degradable Plastic Tableware and the promotion of green packaging*; and (iv) we have launched the garbage classification inquiry function based on the big data of popular food delivery dishes and opened more than 200 pilot sites of food delivery garbage classification and recycle across the country in various scenarios such as stores, campuses, office buildings and communities. In Shanghai, we worked with reputable merchants in the catering business to launch the "Garbage Classification Green Campaign" and explored and expanded the scenarios for using reusable plastic items made from meal boxes together with a series of other brands.

- Public welfare activities with a focus on environmental protection: We participated in the setup of "Lush Mountain Plan Dedicated Fund", which focuses on the research on environmentally friendly paths and corresponding solutions together with the China Environmental Protection Foundation, and launched the "Lush Mountain Public Welfare Action" in 2018, in which the platform merchants can voluntarily participate and become a "Merchants of Lush Mountain Public Welfare" with a tag displayed in its food delivery merchant profile and the food ordering interface. For the progress of the "Lush Mountain Public Welfare Action" in 2019, please refer to the section titled "Community Investment – Poverty alleviation" of this report.

As of the end of 2019, Lush Mountain Plan had reached over 1 billion person-times online in popularizing environmental protection concepts, and more than 180,000 people participated in the public experience activities of reusing plastic meal boxes. Over 200 meal box classification and recycle trials across the country had been carried out, and more than 17 million environment friendly packages were supplied to merchants across the country. As of the end of 2019, more than 120,000 merchants became "Lush Mountain Public Welfare Merchants", to whom 120 million users placed nearly 500 million orders, and the merchants donated over RMB6.35 million for public welfare in environmental protection.

In 2019, the "Lush Mountain Plan" won the 4th "αi Social Value Co-Creation Award" as one of the Outstanding CSR Practices in China.

2. *Meituan Bike's full-cycle green concept*

Meituan Bike proactively implements the full-cycle green concept and sticks to the "3R Principles" (Reduce, Reuse and Recycle) in design, procurement, manufacturing, placement, operation, scrapping, etc., ensuring 100% recycling and reuse of scrapped bikes. During the design process, the components are designed as universally adaptable and easy to maintain, and the bike frame is lightweight designed. We choose environment-friendly suppliers in the procurement phase and produce more durable products in the manufacturing process to extend product life and reduce waste. In terms of bike placement, we have adopted a scientific and standardised method for intelligent dispatchment and for the recycling of bikes, we have cooperated with the recycling industry for recycling and reusing scrapped bikes, forming a closed-loop of the supply chain.

In 2019, while maintaining the existing bikes, Meituan Bike innovatively replaced the damaged fenders with environment-friendly fenders made from recycled food delivery meal boxes, which is an exploration of the recycling economy of food delivery meal box in combination with the "Lush Mountain Plan". We have also cooperated with suppliers and government departments and recycled more than 7,800 used Meituan Bike's tires. After detoxification, the recyclable materials that met relevant standards were donated to Wanhua School in Yan'an City, Shaanxi Province to build a plastic sports venue, which helped upgrade the campus hardware while promoting environmental protection awareness.

(III) Environmental Performance Indicators

Below are the key environmental performance indicators of the Company. The Company currently does not have a self-built data center. Third-party operators are in charge of the emissions, resources and energy consumption of the rented data center, and such data is not included in the scope of the Company's disclosure for the time being.

The Company's environmental performance covers offices and warehouses used by Kuailv Jinhuo (快驢進貨).

- "Headquarters (HQ) offices" include headquarters-level offices in Beijing and Shanghai with integrated resources, and customer service and R&D center offices mainly used by customer service and R&D personnel. Among them, the headquarters-level workplaces are mainly Beijing Hengdian (北京恒電), R&D park and surrounding workplaces, and Shenya office in Shanghai; customer service and R&D centers mainly include offices in Shijiazhuang, Yangzhou, Chengdu and Xiamen;

- "Regional offices" are mainly offices used by sales personnel and other supporting personnel, which are distributed in 22 provinces, five autonomous regions, and four municipalities in Mainland China;

- "Kuailv's warehouses" are warehouses used by Kuailv Jinhuo for the storage of goods.

1. *Emission*

HQ offices	
Total greenhouse gas (GHG) emissions (tonnes)	11,688.84
Total GHG emissions per employee in office (tonnes per employee)	0.41
Total GHG emissions per square meter floor area of the office (tonnes per square meter)	0.05
Total hazardous waste (tonnes)	0.33
Hazardous waste per capita (tonnes per employee)	0.00
Total non-hazardous waste (tonnes)	2,351.26
Non-hazardous waste per capita (tonnes per employee)	0.08
Regional offices	
Total greenhouse gas (GHG) emissions (tonnes)	3,944.30
Total GHG emissions per employee in office (tonnes per employee)	0.16
Total GHG emissions per square meter floor area of the office (tonnes per square meter)	0.02
Total hazardous waste (tonnes)	3.22
Hazardous waste per capita (tonnes per employee)	0.00
Total non-hazardous waste (tonnes)	2,159.44
Non-hazardous waste per capita (tonnes per employee)	0.08
Kuailv's warehouses	
Total greenhouse gas (GHG) emissions (tonnes)	5,757.45
Total greenhouse gas (GHG) emissions per square meter (tonnes per square meter)	0.02

Notes:

- With the improvement of the Company's environmental data statistics capabilities, data of regional offices and Kuailv's warehouses has been disclosed since 2019.

- Due to its business nature, the significant emissions of the Company are GHG emissions, arising mainly from the use of electricity derived from fossil fuels.

- GHG emissions include carbon dioxide, methane and nitrous oxide. GHG emissions data is presented in carbon dioxide equivalent and calculated based on the *2017 Baseline Emission Factors for Regional Power Grids in China for CDM and CCER* issued by the Ministry of Ecology and Environment and the *2006 IPCC Guidelines for National Greenhouse Gas Inventories* issued by the Intergovernmental Panel on Climate Change.

- The Company's hazardous wastes mainly include waste fluorescent tubes, toner cartridges and ink cartridges from various types of offices, which are disposed of by qualified institutions. In 2019, the actual hazardous waste per capita in the HQ offices is 0.000012 tonnes, and the actual hazardous waste per capita in regional offices is 0.00013 tonnes. The data listed in the table above is rounded to two decimal places.

- The Company's non-hazardous wastes mainly include domestic wastes and waste electronic equipment from various types of offices. Domestic wastes mainly include office wastes, which are handled by the property management companies, and we calculate such wastes according to the *First National Census on Pollution Sources – Manual for Waste Generation and Discharge Coefficients in Urban Households* published by the State Council of the PRC. Waste electrical equipments are recycled and disposed of by recyclable waste collectors.

2. *Energy and resources consumption*

HQ offices	
Total energy consumption (MWh)	17,067.53
Total energy consumption per capita (MWh per employee)	0.60
Total energy consumption per square meter floor area (MWh per square meter)	0.08
Running water consumption (tonnes)	191,920.31
Running water consumption per capita (tonnes per employee)	7.09
Regional offices	
Total energy consumption (MWh)	6,251.95
Total energy consumption per capita (MWh per employee)	0.25
Total energy consumption per square meter floor area (MWh per square meter)	0.04
Running water consumption (tonnes)	64,573.19
Running water consumption per capita (tonnes per employee)	6.93
Kuailv's warehouses	
Total energy consumption (MWh)	9,047.79
Total energy consumption per square meter (MWh per square meter)	0.03
Running water consumption (tonnes)	50,904.09
Running water consumption per square meter (tonnes per square meter)	0.17

Notes:

- Electricity costs of some of the offices are included in property management fees. Electricity consumption cannot be counted separately and is not included in the total energy consumption.

- The water resources used by the Company come from municipal water supply. Water fees of some of the offices are included in property fees, and water consumption cannot be counted separately, and is not included in running water consumption.

- The packaging data is not applicable to the Company.

IV. WORKPLACE

Employees are the most important asset of the Company. We strive to create a comfortable and harmonious workplace, protect employee rights, focus on employee health and safety, conduct employee training, and promote employee development. For information on employee management, please read the "Management Discussion and Analysis-Employees" section of this annual report.

(I) Employment and labour standards

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

1. *Recruitment and dismissal*

We are committed to creating a diverse and equal working environment that treats everyone equally, regardless of race, gender, age or religious beliefs. We have established *Specifications for External Recruitment Positions*, which regulates the recruitment process, and prohibits the use of discriminatory expressions when posting job descriptions, or other expressions that violate the principle of equal opportunity. We continue to optimise the recruitment process, improve recruitment efficiency and ensure recruitment compliance by training employees involved in recruitment and regular reviews.

We strictly abide by relevant laws and regulations to deal with employee dismissal, and formulated *Dismissal Management Regulations*. We also detail the instructions for termination of employment in the labour contract and *Employee Handbook*.

2. *Compensation and benefits*

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

We have founded a love fund and formulated the *Love Fund Management Measures* to help employees and their families in need.

3. *Promotion and development*

We have established a career development system with the "Professional Development Channel" and "Management Development Channel" for our employees, and have established a series of systems including the *Performance Management Policy*, *Management Rank Specifications and Professional Promotion Evaluation Program*, to improve the performance management process, standardise the rank management system, and set up promotion channels.

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

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

4. *Work-life balance*

We have established the *Attendance Management Policy and Holiday Management Policy* and other policies to manage the working hours of employees and provide employees with legal annual leave, additional leave and full-pay sick leave.

We created employee clubs of various types. Employees are free to join these clubs and participate in employee activities to relieve work stress and enrich their spare time.

5. *Communication*

We have established a variety of internal communication channels, such as social platforms and communication sessions, so that employees' requests, suggestions or opinions can be heard and attended to in a timely manner. We also proactively communicated and explained the general concerns of employees through online and offline channels.

In 2019, we received a number of honours related to human resources management, such as "Annual TOP Employer for 2019" from lagou.com, "2019 Best Employers of College Students" by liepin.com, "Cross-cutting Pioneer Employer" and "Popular Employer "by maimai.cn and "Annual Top 50 Outstanding Employers" by 58.com.

(II) Occupational health and safety

We provide a safe working environment for our employees. We abide by the *Labour Law of the People's Republic of China*, the *Production Safety Law of the People's Republic of China* and the *Fire Prevention Law of the People's Republic of China* and other laws and regulations concerning occupational health and safety and fire prevention in workplace, and have established internal policies including the *Administrative Measures for Access Control of Office Areas*, Fire Safety Management Policy of Meituan Dianping and No-smoking Management Policy in Office Area, so as to improve safety management. Our measures to protect workplace safety include: (i) setting up access control to manage the entry and exit of personnel in office area; (ii) regularly conducting fire safety inspections on office premises and rectifying identified hazards thereof; and (iii) conducting fire safety training and drills to enhance employees' awareness of fire prevention. Also, we have established an emergency handling process to ensure timely and compliant handling of accidental injuries of employees.

We care about the physical and mental health of our employees. We have set up gymnasiums in some offices, providing free fitness equipment, promoting regular exercise and taking a rest after work. Employees can get health counselling service and basic medicines at health stations set up in some offices. We provide employees with physical examinations and medical report interpretations every year, and hold health lectures irregularly to improve employees' health awareness. We cooperate with external professional organisations to set up a mental health consultation hotline and organise regular mental health training to help employees relieve stress.

(III) Employee training and development

We are committed to providing our employees with trainings anytime, anywhere and as they want. We established the talent training platform "Internet Plus University" and developed a "panoramic learning map". We have built a training system that focuses on culture, general ability, professionalism and leadership, so as to improve various types of learning and development projects, and conduct face-to-face classes, online courses and various practical activities, covering different positions, ranks and development stages.

For new employees, we prepare a variety of trainings to help them quickly adapt to their jobs; we provide targeted vocational training for on-the-job employees to enhance professionalism and professional competence; we train the management to further enhance their leadership. Taking technical talent training as an example, we provide a half-year training path for new technical staff to help them improve professionalism, and provide key technical staff with offline training courses focusing on technical planning, technical vision, role transition and project management to broaden their technical vision and enhance their technical planning capabilities.

In addition, we help employees broaden their visions and enhance their innovation capabilities through a variety of topic sharing. Taking product training as an example, we continue to link high-quality learning resources, empower employees through public product classes, product specialist shows and product private exchange, and share good practices with employees. We have a course lecturer system to manage, train and motivate lecturers. We encourage the precipitation and dissemination of knowledge and experience, and the selection and training of lecturers within the Company to promote the joint improvement of employees' and organisational capabilities.

As of the end of 2019, we had 1,754 internal courses and 2,563 internal lecturers. In 2019, the average internal training hour (including online learning and face-to-face learning) per employee was 24.8 hours.

V. SUPPLY CHAIN MANAGEMENT

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

(I) Transparent procurement

We attach importance to the ethics risk management involved in various activities during the procurement period, and have established a clear procurement process. As of the end 2019, we have formulated policies such as the *Procurement Management Process* and *Procurement Compliance* and *Code of Conduct* in the procurement system management. We also set up policies such as the *Purchasing Demand Management Process, Purchasing Source Management Process, Supplier Management Process, Bidding Management Specification, Procurement Contract and Order Management Process* and *Purchase Acceptance Management Process* in key links of the procurement process, aiming at conducting more comprehensive standardised management for the activities of the whole procurement process of the Company.

In order to cultivate the integrity awareness of relevant employees in the procurement process and avoid commercial bribery and fraud, we conduct training on anti-commercial bribery and incorruptible procurement for employees in charge of procurement demand and procurement execution. At the same time, we require suppliers to sign the *Anti-Commercial Bribery Agreement and Confidentiality Agreement* and abide by the terms contained therein before engaging in business cooperation with the Company or providing the Company with products and services. We also issue a supplier questionnaire to all suppliers registered in the procurement system, through which suppliers can report any corruption issues identified during their cooperation to our supervision department.

Since 2019, we conduct compliance inspections on all the procurement projects on a monthly basis. All staff of the procurement department must take exams and tests to enhance compliance awareness on a monthly basis. Procurement activities are also subject to supervision and inspection by the Company's supervision department and internal audit department, so as to reduce the ethics risk in the procurement process.

(II) Protection of delivery riders

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

The delivery riders are full-time employees or contract workers of delivery partners. We require distribution partners to set strict rider recruitment standards and exercise supervision over delivery riders in accordance with our standards. We license our trade name to our delivery partners, who shall comply with the operating and delivery standards set forth in the contract. As we have not entered into an employment agreement with delivery riders, they are not our employees.

However, the safety of delivery riders is of great importance to us. We have implemented various measures to oversee our delivery partners to ensure the safety of delivery riders. We require delivery partners to establish a fire and traffic safety management system compliant with standards and provide regular training to delivery riders. We help our partners to establish training systems according to regulatory requirements and industry standards. These trainings mainly include: (i) basic knowledge trainings for new delivery riders before they engage in work for our partners, including riding safety, dress code, traffic police gestures and traffic signs, etc. All riders must complete the trainings and pass tests before they can take orders; and (ii) advanced training in traffic safety, fire safety, and social stability for riders during their service for the partners. Partners in some cities also spontaneously cooperated with the traffic police to organise riders to participate in safety promotion meetings and safety seminar training activities.

In addition, the Company has implemented a number of measures to help address and mitigate the safety risks of the riders when delivering food. These measures include: (i) developing an intelligent dispatch system using advanced big data and artificial intelligence (AI) technology, which optimises orders for the riders based on their real-time locations, and rationalises the riders' delivery routes; (ii) developing a voice-controlled smart headset which allows delivery riders to accept orders hands-free; (iii) enhancing the comfort and safety of the helmets and other devices by upgrading the models and adding reflective strips thereto; (iv) popularising fire safety, first-aid knowledge, electricity safety and public traffic safety knowledge and cultivating the safety awareness and self-protection awareness for the riders through a streaming media information publishing platform; (v) conducting facial recognition for each rider on an irregular basis to confirm the rider's true identity; and (vi) establishing a response process for handling traffic accidents and safety incidents, and assigning full-time safety personnel to handle safety incidents and accidents.

We also pay attention to the protection of riders' rights and require our partners to purchase personal accident insurance, third-party personal injury and property damage insurance for each delivery rider. The Company also adopts a variety of measures to convey our care for riders. These measures include: (i) establishing communication channels and a problem follow-up and resolution mechanism for riders to collect and respond to their questions in a timely manner; (ii) providing material and spiritual care for riders during important festivals and other specific time periods; (iii) carrying out arts and sports activities for riders such as "717 Riders' Day" and "National Riders' Basketball League", etc., to enrich their spiritual life; (iv) cooperating with professional organisations to provide free psychological counselling for riders; (v) launching the "Rider Protection Plan", providing a RMB50,000 Rider Care Fund for 100 specific serious diseases; and (vi) the "Kangaroo Baby Public Welfare Program" launched by the Meituan Public Welfare Foundation to provide assistance to riders' children when they have serious illnesses or accidental injuries.

(III) Supply chain environmental and social risks review

We pay attention to the environmental and social risks of our suppliers.

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

(IV) Capacity building for life service industry

We pay attention to the improvement of overall quality of practitioners in the life service industry and their overall development. Since 2016, we have successively established the training academy regarding segmented areas in the life service industry to help practitioners improve their digital skills and build long-term development channels.

In 2019, we proactively responded to the *Guiding Opinions on Promoting Standardised and Healthy Development of Platform Economy* and *Implementation Plan of National Vocational Education Reform* and other policies by establishing the digital talent development platform "Meituan University" in the life service industry. Meituan University embraces the vision to build itself into the base camp of digital talents in the life service industry. It is committed to creating values by "improving occupational skills, supporting industry development, promoting integration of production and education and expanding social employment" and enabling every practitioner in this industry to keep pace with the digital era.

We have formulated the *Meituan University Charter*, integrating experience and resources from the existing training college courses, instructors, government cooperation, and vocational colleges, and set up multiple schools for different segments of the life service industry with a training scope covering catering, food delivery, beauty care, hairdressing, wedding service, parent-child services, hotel management, household retail and other categories. As of the end of 2019, we had more than 1,400 lecturers in the life service industry, and developed more than 2,000 courses in practical operations, business operations, management, and industry dynamics, with a cumulative training of 30 million person-times and a cumulative output of 5 million hours of classes. The offline course has covered 455 cities nationwide.

Moreover, in response to the country's requirements for the strategic integration of production and education, we have cooperated with more than 30 colleges and institutions, including Beijing International Studies University, Shenzhen Polytechnic and Beijing Changping Vocational School, to develop vocational education resources, improve personnel training models and build up training bases jointly, which incorporate relevant concepts, standards, and norms of the Internet life service industry in vocational education. We provide new solutions and new practices to resolve the major structural contradiction between the supply and industrial demand of talent education in the modern life service industry through production and education activities such as vocational certification, training cooperation, and transformation of innovative achievements. In December 2019, in cooperation with Shenzhen Polytechnic and Beijing Changping Vocational School, "Meituan Digital Life College" of Shenzhen Polytechnic and "Meituan Digital Life College" of Beijing Changping Vocational School were unveiled.

VI. PRODUCT RESPONSIBILITY

We are committed to becoming China's leading e-commerce platform for life services. Our platform uses technology to connect consumers and merchants and provide consumers with a variety of daily-life services, including food and beverage delivery services, in-store services, hotel and travel services and other services. We abide by the *Law of the People's Republic of China on the Protection of Consumers' Rights and Interests* to protect the legitimate rights and interests of consumers and pay attention to the quality of products and services of platform merchants. In accordance with the relevant requirements of the *Electronic Commerce Law of the People's Republic of China* and the *Measures for the Supervision and Administration of Food Safety in Online Catering Services* and other laws and regulations, we review the qualifications of cooperative merchants and check the accuracy of their qualifications and service descriptions.

We have built a rich UGC (user-generated content, which refers to information or content provided by users) database providing consumers with authentic and reliable on-line POIs (points of interest, i.e., the places considered interesting or helpful by the users), enabling them to make informed consumption decisions. In compliance with the requirements of the *Administrative Regulations on Mobile Internet Application Information Services* and *Administrative Measures for Internet Information Services*, we have adopted various measures to improve the quality of UGC, including: (i) establishing an automatic identification system to filter inappropriate and illegal UGC; (ii) building a manual review team to perform quality review and spot checks; and (iii) establishing communication channels with regulators to agilely respond to and continuously optimise management in accordance with regulatory requirements.

We attach great importance to the quality and accuracy of POIs, have established and implemented control for POI information review, and clean up untrue POI information.

In addition, we manage product responsibilities, protect user privacy, safeguard intellectual property, review advertisements, and handle customer complaints in a timely manner, as described below.

(I) Food safety

We attach great importance to food safety. In accordance with the *Food Safety Law of the People's Republic of China*, the *Implementation Rules of the Food Safety Law of the People's Republic of China*, the *Measures for the Supervision and Administration of Food Safety in Online Catering Services*, the *Treatment of Illegal Acts in Online Food Safety* and other laws and rules, we are responsible for the supervision and review of the merchants on the food delivery platform, and in strict compliance with food safety-related regulations in the business of Kuailv Jinhuo.

We have formulated a series of regulations such as *Food Safety Management Measures for Meituan Dianping Online Food Ordering,* the *Online Catering Service Provider Review and Registration Specifications* and the *Meituan Food Delivery Merchant Service Specifications* to manage food safety of delivery food and beverages. We regularly organise merchants to learn about food safety regulations and policies, and strengthen the promotion of various food safety knowledge. We also use big data technology and artificial intelligence to support intelligent management of platform merchants and continuously improve our service quality. In 2019, we conducted comprehensive cooperation on food safety with third-party testing and certification agencies around various aspects such as delivery food safety sampling tests and food safety technology audits on self-operated business to improve the level of food safety management.

We set up a dedicated food safety supervision team to track and manage the activities of platform merchants. We also established an intelligent food and beverage delivery system, controlling key elements such as the temperature of the food in delivery, delivery speed and health conditions of the riders to enhance food safety during delivery. At the same time, we conducted semantic analysis on consumers' review based on big data technology, to quantify and categorize content related to food safety, providing a reference for carrying out offline supervision.

For cases of food safety emergencies, we have established an emergency response system and clearly defined the procedures and measures. We cooperate with relevant food safety supervision and management authorities to ensure proper emergency handling. We implement appropriate treatment measures according to the specific situation, in accordance with food safety laws and regulations and platform rules.

We provide catering merchants with a variety of commodity categories, including grains and oils, beverages, seasonings, fresh ingredients, and kitchen supplies through the business of Kuailv Jinhuo, and provide distribution services. In order to ensure food safety in respect of the business of Kuailv Jinhuo, in addition to establishing a sound management system, forming a professional quality control team, strengthening daily training, increasing investigation and handling, and improving emergency response capabilities, we attach great importance to the daily management of all aspects of the business, including: (i) checking and retaining the vouchers when the food is put into storage, and conducting quick detection against prevalent food safety issues, such as pesticide residues in vegetables, lean meat powder, rice moisture and freshness of meat and poultry, to reduce the risk of food safety issues; (ii) systematically managing food storage to ensure food shelf life; (iii) checking and controlling the temperature of refrigerated and frozen food during receiving, storage and distribution; and (iv) handling returned food and expired food in compliance with relevant regulations to ensure that the rights and interests of customers are effectively protected.

We jointly carry out research on food safety topics with colleges and universities and actively participate in the formulation and release of group standards. As of the end of 2019, we have established cooperation mechanisms with a number of institutions, including China Cuisine Association, China Animal Health and Food Safety Alliance, China Chain Store & Franchise Association, and China Food Information Center, and, as their governing unit or member unit, actively participate in various food safety work.

We actively participate in social co-governance of food safety, strengthen governance coordination with food safety supervision departments, industry associations and other organisations, and jointly promote the healthy development and online and offline collaborative governance of the catering industry. In 2019, in cooperation with market regulators and catering merchants in various places, we launched a series of activities themed "Innovated Catering, Redefined Food Safety", and won "Top 10 Cases of Corporate Social Co-governance" in the Second Social Co-governance Conference in the Field of Market Regulation in 2019.

(II) Quality of hotel, travel and in-store dining services

In accordance with relevant laws and regulations, such as the *Tourism Law of the People's Republic of China* and *Regulations on Travel Agencies*, we conduct management on platform merchants of hotel and travel services. We set up the *Merchant Integrity Management Policy* and other internal policies to manage the business and services of merchants from the hospitality industry on the platform. For merchants' violations, we take punitive measures such as adjustment of their search engine rankings, suspension of operations or taking the business offline. We lead platform merchants to provide customers with green, healthy and reassuring travel products and services. In 2019, we conducted the "Jingfangxin (淨放芯)" program – cooperating with hotels and high-quality washing plants to improve traceability of linen washing and replacement processes. When a consumer checks into the hotel, he/she will be able to know the replacement and washing conditions of bed sheets and other hotel linen in his/her room, by scanning the smart chip "Jingfangxin" using a mobile phone.

We have policies such as the *Management Regulations for the Release of Merchant Information* and *Convention on Merchant Integrity and Management Measures*, and have established a catering merchant marketing power rating system and conduct monthly assessments. We manage and evaluate the in-store dining platform merchants, as well as carry out punishment to merchants who violate these regulations to promote the service quality of in-store dining merchants. Through the continuous development of the "Listening Project", we monitor the violations of in-store dining merchants. We continue to improve the quality of our services, and we launched the "No Chinese New Year Break" project before Chinese New Year in February 2019, and guided platform merchants to actively report on the business status and time during the Chinese New Year. We collected a total of 345,000 stores' operation hours to reduce customers' bad experience of visiting unopened stores.

(III) Safety of car-hailing service and Meituan Bike

As of the end of 2019, we offered pilot car-hailing service in Nanjing and Shanghai, China. In addition, we have cooperated with a number of car-hailing service providers to provide pilot car-hailing information matching service under an aggregated model in 54 cities in China, including Chengdu, Suzhou, Hangzhou, and Wenzhou etc.

Abiding by the Interim Measures for the Management of Online Taxi Booking Service, the Company and our cooperative car-hailing service providers have obtained network taxi booking licenses in the above areas.

In 2019, we set up a travel safety committee and a number of policies, such as the *Partner Safety Production Responsibility Policy* and *Safety Emergency Handling Guidelines*, to strengthen the safety management of online car-hailing. We have established a process for dealing with traffic accidents and safety incidents, and are equipped with full-time safety personnel to handle safety and accidents. All online car safety management personnel have passed the training and assessment of the competent department and hold safety officer qualification certificates. In addition, safety-related management and personnel in key positions are regularly trained by external security experts.

In order to regulate the operating service of car-hailing and ensure passenger safety, vehicles and drivers engaged in the service are registered and reviewed in accordance with the *Interim Measures for the Management of Online Taxi Booking Service*. We demand that vehicles participating in the car-hailing service shall conform to technical security standards. Drivers shall satisfy the requirements of driving experience, comply with safety operating rules and have no record of serious traffic violation, criminal offence or violent crime.

We also performed daily management and monitoring over the service quality and safety in the operation stage of car-hailing. The measures we take include: (i) conducting facial recognition for drivers before daily operation; (ii) establishing patrol measures and irregularly sending patrol tasks to check information of drivers and vehicles; (iii) actively undertaking online and offline safety trainings for drivers; (iv) establishing an offline service network of "safe houses" that provides safety training, psychological counselling, offline taxi validation and other integrated services for drivers; (v) developing functions such as travel recording, one-click emergency call, and setting up a 24-hour duty system with security officers and customer service staff to ensure timely identification of travel anomaly; and (vi) strengthening cooperation with public security organisations by setting up special lines in some pilot cities, so that the police can directly access the customer service process to reduce response time.

We also attach great importance to the safety management of bike sharing service. We manage the operation of shared bikes in line with relevant regulations issued by different cities for Internet bike-renting service. We increase bike operation and maintenance and maintain rapid response. In order to ensure the safety of riding, we have established and implemented strict quality inspection standards for Meituan Bike in terms of the whole bike and parts, which apply to production and maintenance processes.

(IV) Data security and user privacy

Data security and user privacy protection is critical to our business. Pursuant to the *Cybersecurity Law of the People's Republic of China*, the *Cryptography Law of the People's Republic of China*, *Provisions on the Administration of Mobile Internet Applications Information Services*, the *Provisions on the Technical Measures for the Protection of the Security of the Internet*, and other relevant laws and regulations, as well as the national standard requirements stated in the *Basic Requirements for Network Security Graded Protection Regarding Information Security Technology,* we have implemented various internal procedures and controls to protect user data and reduce the risk of data leakage.

We have developed the Meituan Dianping Privacy Policy, which clarifies regulations on the collection and use of personal information, the use of cookies and similar technologies, the storage and protection of personal information, information sharing and public disclosure, and the protection of personal information of minors. The policy is posted on our official website for public reference.

We have a dedicated team to enforce our privacy policies and set up coordination mechanisms with third parties to deal with various information security threats in a timely manner. We comply with the industry standards for information security and user privacy protection, and our main operating system has obtained the ISO 27001 certification and passed the National Information System Security Level 3 Testing.

At the enterprise level, we have established a systematic and general user account authorisation and management mechanism that regularly checks the status of user accounts and related authorisation information. In 2019, we carried out SSO (Single Sign-On System) integration and conducted access management on network access equipment to further strengthen the security of corporate data assets. On that basis, we regularly evaluate the security configuration of the database and server. Meanwhile, we continue to improve the prevention and control system. We classify information security vulnerabilities to achieve effective management.

We encrypt user data in network transmission. In 2019, we further strengthened access and passage safety work. For data storage, we use encryption techniques at software and hardware levels to protect sensitive user data.

We have put in place a series of backup management procedures. For our AI and cloud platforms, we deploy different backup mechanisms, including local backup and offsite backup, depending on the needs of our business, to minimize the risk of loss of user data. We also have an emergency response mechanism to evaluate critical risks, formulate disaster response plans and perform emergency drills on a regular basis.

We sign confidentiality agreements with our employees and provide ongoing information security training. All new employees are required to receive information security awareness education when they join the Company. Employees in some high-risk positions receive training immediately after they join the Company and must pass an exam before starting to work. In daily work, we provide information security awareness education and security management regulations education to all employees through online training. In our *Code of Conduct for "Sunny Workplace*", we stipulate relevant requirements for the information security management, information interaction security, and information release control of employee departure and transfer, and severely punish employees for data leakage.

While ensuring the protection of our own data security and user privacy, we actively promote the improvement of industry data security and user privacy management capabilities. As a member of the National Information Security Standardization Technical Committee, we actively participated in the discussion and formulation of national standards for data management and user privacy management.

(V) Intellectual Property Rights

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

We have established effective mechanisms to control intellectual property risks in various business links, such as: (i) clarifying intellectual property evaluation procedures in the tendering polices to provide intellectual property protection for major projects; and (ii) setting up trademark pre-examination regulations in the new brand design process, and carrying out pre-registration protection for prevention and control of infringement risks, etc. Through training and publicity, we have raised the awareness of intellectual property risks in business departments. In 2019, we joined the LOT (License on Transfer) Network to reduce risks related to patents and ensure smooth operation of domestic and international businesses.

We strengthened our intellectual property accumulation to cope with external challenges. Respecting and encouraging originality, we have internal policies to encourage employees to be dedicated to innovation and creation, and to protect innovation achievements. We also respect intellectual property rights of other parties, and protect legitimate rights and interests of IPR owners through user agreements, platform IPR protection mechanisms and other measures. Once receiving an infringement complaint, we will delete and block the suspected infringement item in accordance with relevant laws and regulations and the complaint materials. We have taken various measures to strengthen the protection of IPR owners, including: (i) handling valid complaints and deleting violation items on both platforms at the same time; (ii) formulating an infringement determination manual and conducting internal publicity to improve the quality of complaint handling; and (iii) developing an "IPR Protection Platform" to integrate complaint channels and improve transparency.

We actively participate in communication and research activities targeted at protection and use of Internet IPRs. We are the vice president unit of the Patent Protection Association of China (PPAC), and have been awarded the titles of "National Outstanding Intellectual Property Enterprise" and "Zhongguancun's Intellectual Property Leading Model Enterprise". In 2019, we also won the "21st China Patent Excellence Award" issued by the National Intellectual Property Administration, PRC and the World Intellectual Property Organization.

(VI) Compliance in advertisement

Pursuant to the *Advertising Law of the People's Republic of China,* the *Regulations on Control of Advertisement*, the *Interim Measures for the Administration of Internet Advertising and relevant laws* and regulations, we have set up an advertising business acceptance, review and file management system, developed advertising review specifications, and continuously improve advertising review standards and processes.

We strengthen the construction of the advertising review team, and organise learning and training to publicise compliance knowledge and cases of violations in order to increase the awareness of advertising risks and compliance capabilities. At the same time, we developed a sensitive thesaurus filtering system to screen and investigate illegal words in advertisements released, and carried out strict control over advertising and marketing materials through multiple review methods such as machine identification and manual review, so as to ensure that the published content conforms to relevant laws and regulations, and that risks of violations of the law are properly controlled.

Additionally, in order to protect the rights and interests of consumers, we set up relevant special advertising review regulations and focus on review of advertisements in special industries that are related to people's health and safety, such as medical treatment, medicine, health food, cosmetics and beauty services.

(VII) Customer service

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

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

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

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

In 2019, we obtained the COPC (Customer Operations Performance Center) certification, an international authoritative standard for customer service performance and management, and won the annual championship of "Golden Headset", a selection activity of the best customer center in China for two consecutive years, issued by the CCM World Group.

VII. ANTI-CORRUPTION

(I) Anti-fraud

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

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

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

In addition, the *Employee Manual and Code of Conduct* has been formulated and distributed to all employees. The Manual contains internal rules and guidelines on professional ethics, anti-fraud mechanisms, negligence of duty in management, and corruption.

2. *Integrity management system*

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

The Committee's main responsibilities include: (i) formulating and amending the Company's professional conduct system; (ii) building the Company's integrity culture system and constantly deepening the development of the Company's integrity culture; (iii) formulating and implementing integrity strategies to identify and prevent integrity risks comprehensively; (iv) presiding over and leading the Company's investigation and handling of disciplinary breaches, and making qualitative decisions on major, difficult and complex cases; (v) accepting and making a decision on appeals on disciplinary treatment from employees; and (vi) coordinating the establishment of the Reporting Platform, Investigation and Handling Platform, Adjudication Platform, Grievance Platform, Enforcement Platform and Document and File Management Platform, which were integrated into the Case Investigation Platform. The Committee adopts a three-in-one mode, consisting of prevention, publicity and investigation, to promote the stable operation of the anti-fraud system.

In addition, we have established three lines of defence mechanism to reduce the risk of fraud. The first line of defence mainly includes the business and functional departments of the Company's business groups, responsible for daily operations and management, and the design and implementation of relevant controls to risks. The second line of defence is mainly composed of the Company's Internal Control Department and other relevant departments, which are responsible for formulating risk management and internal control policies and implementing a comprehensive control system. The third line of defence mainly consists of the Company's Internal Audit Department and Fraud Investigation Team. The Internal Audit Department is responsible for providing independent assessments of the effectiveness of the Company's risk management and internal control systems, and supervising the management to continuously improve the risk management and internal control. The Fraud Investigation Team is responsible for receiving clues from multiple channels, following up in a timely manner and independently investigating suspected fraud.

3. *Development of integrity culture*

In 2019, we clarified our integrity concept as "making anti-corruption as one of our organisational capabilities and core competitiveness", and completed the oath taking on "Seven Clean and Self-discipline Declarations of Meituan" for all management and employees level by level.

We conducted online and offline training on integrity and policies for all employees, and all of them need to pass the test after training, so that all employees understand and follow the Code of Conduct for *"Sunny Workplace"*. In 2019, we conducted a total of 335 integrity training sessions and pushed 101 integrity-related articles. The coverage rate of online integrity training is 100%.

We set April 28 each year as the Values Day to promote the value of integrity across the Company. Since 2017, we have taken the employees' integrity index survey for three consecutive years, which includes the research on employees' perception of integrity and attitude to integrity, integrity behaviour, and integrity policies, and have shared the survey results with the whole Company.

4. *Whistle-blowing and inspection mechanism*

We set up the Sunny Platform to guide our employees to take the initiative to report receiving of gifts and conflicts of interest. We also accept employees' reports of violations of laws and discipline through a whistle-blowing mechanism. With a protection policy for whistleblowers, we have taken a number of measures to protect whistleblowers and their legitimate rights and interests from infringement. The Department of Supervision accepts reports on fraud in a timely manner and forms a fraud investigation team for investigation. We have a complaint and clarification mechanism to ensure fairness and accuracy of the investigation. Employees found guilty of fraud will be dismissed. The Company will transfer the case to the judicial authorities for matters that violate national laws.

We continuously participate in the activities of the "Sunshine Integrity Alliance" (the first anti-corruption voluntary organisation of Internet enterprises) and carry out anti-corruption joint actions through an inter-enterprise information sharing mechanism. We disclosed our achievements of ecological anti-corruption work in 2019, and cooperated with all relevant parties to supervise corporate compliance operations.

(II) Anti-money laundering and counter-terrorism financing

We abide by anti-money laundry laws and regulations such as the *Anti-Money Laundering Law of the People's Republic of China*, *the Provisions on Anti-money Laundering through Financial Institutions*, the *Measures for the Administration of Financial Institutions' Reporting of Large-sum Transactions and Suspicious Transactions, the Measures for Administration of Client Identity Identification and Preservation of Client Identity Information and Trading Records of Financial Institutions, the Measures for the Administration of the Reporting by Financial Institutions of Suspicious Transactions Involving Terrorist Financing, the Administrative Measures for Anti-money Laundering and Counter-terrorism Financing of Payment Institutions and the Administrative Measures for Anti-money Laundering and Counter-Terrorism Financing of Internet Financial Institutions (Trial)*. We enhance client identification management through increasing investment in anti-money laundering professionals, improving anti-money laundering monitoring and analysis capabilities, and continuously improving the construction of mechanisms and systems in all aspects of anti-money laundering.

In 2019, in accordance with the latest regulatory documents, the Company formulated and revised policies to continuously improve its basic management system, including *the Administrative Measures for the Organizational Structure and Job Responsibilities Regarding Anti-money Laundering, Administrative Measures for Customer Risk Rating and Classification and Administrative Measures for Customer Identity Identification, Administrative Measures for Money Laundering Risk Assessment, Administrative Measures for the Reporting of Large-sum Transactions and Suspicious Transactions, Administrative Measures for Emergency Disposal of Major Money Laundering Risks, Administrative Measures for Performance Evaluation of Anti-money Laundering Work* and *Administrative Measures for Internal Audit and Inspection Regarding Anti-money Laundering,* etc. In managing the process of anti-money laundering and counter-terrorism financing, the Company put in place different policies based on different nodes, including *the Administrative Measures for Monitoring the Anti-money Laundering and Counter-Terrorism Financing List, Administrative Measures for Internal Reporting of Money Laundering and Terrorism Financing Activities, Administrative Measures for Internal Sharing of Information on Money Laundering Risk, Administrative Measures for Assisting Anti-money Laundering Investigation, Administrative Measures for the Reporting of Money Laundering Risk and Administrative Measures for Documents Regarding Anti-money Laundering Work,* so as to further improve the anti-money laundering system.

We established an anti-money laundering center and specified competent anti-money laundering departments and their responsibilities. We enhanced our anti-money laundering workforce by setting up anti-money laundering compliance staff, suspicious transaction supervising staff, and an anti-money laundering supporting group. Each branch is also equipped with anti-money laundering work groups and a responsible department to guarantee uniform implementation and centralized management of anti-money laundering and counter-terrorism financing measures.

In accordance with the "Know Your Customer" and "risk-based" principles, we verified the authenticity of qualifications and license information input by all merchants when they joined the platform, and verified merchant identities through verification channels such as banks and third parties. Through the combination of system screening and manual analysis, we have established a suspicious transaction supervising, monitoring, analysing and screening mechanism to monitor and identify possible money laundering and terrorism financing risks related to our business, and reported confirmed suspicious transactions (behaviours) to relevant authorities in a timely manner. We continuously improve the accuracy and efficiency of monitoring and screening of money laundering through regular evaluation and system optimization.

We maintain good communication and interaction with anti-money laundering authorities, regulators and industrial self-regulatory organisations, and actively assist the above departments and organisations in popularizing anti-money laundering knowledge to the public. For example, in 2019, we promoted anti-money laundering knowledge through Qiandai's official website, and cooperated with the People's Bank of China, Tianjin Branch to distribute leaflets with anti-money laundering knowledge to the public during food delivery. In Nanjing, we worked with schools to promote students' knowledge about anti-money laundering. Through the above interactions, we not only maintained a good relationship with regulators, but also promoted anti-money laundering knowledge to the public.

VIII. COMMUNITY INVESTMENT

While seeking our own development, we actively communicate with communities to understand their needs, carry out public welfare and charity activities with the idea of "Internet +", and contribute to poverty alleviation work.

(I) Public welfare platform and projects

In June 2018, we officially launched gongyi.meituan.com, an information platform of the second batch of Internet fund raising information platforms of charitable organizations designated by the Ministry of Civil Affairs. We have made full use of our own business advantages and the characteristics of the "Internet + public welfare" model to drive businesses in the life service industry to innovate public welfare products, create closed-loops of online and offline scenarios, and diversify their participation in the cause of public welfare to help effectively solve social problems.

1. *Join forces with platform merchants*

We launched the "Public Welfare Merchant Program", which aims to build bridges, provide tools to drive life service merchants to participate in public welfare activities, and integrate public welfare into the daily business behaviour of merchants relying on the advantages and capabilities of our rich life service scenarios. As of the end of 2019, the plan has covered catering, hotel, takeaway, ticketing, education and training, parent-child, and other businesses, with a total of 130,000 participating merchants. Based on the resource advantages and operating characteristics of various industries, it focuses on supporting different social issues.

- Join forces with the hotel business: During the China Charity Day 2019 event, we worked with well-known hotel groups such as Wyndham and Country Garden to jointly launch the hotel industry's first charity action "Check-in with Love", focusing on the problem of left-behind children, and nearly 5,000 hotels under these hotel groups became one of the first hotel public welfare merchants. On one hand, the plan calls on the community to pay attention to the problem of left-behind children through joint advocacy with merchants. On the other hand, merchants who join the above plan will donate a small amount of money through each order completed on the Meituan Dianping platform to support professional public welfare projects targeted at left-behind children. We also help left-behind children grow up healthily through the improvement of hardware education facilities, children's psychological counseling, urban interaction and integration, etc. As of the end of 2019, 10,000 hotel merchants have joined the action.

- Join forces with the catering business: During the World Food Day 2019 event, the Company and the United Nations World Food Programme jointly launched the healthy living theme action "Reject Hidden Hunger", driving 57 leading Chinese restaurant chains and 3,000 stores in China to launch the "Rainbow Charity Package" where every time a loving merchant completes a sale through Meituan, a donation is made to the World Food Programme's "Nutrition Meal for Preschool Children" charity project.

- Join forces with the ticket business: On the eve of the International Autism Day in 2019, we launched the "Blink with the Stars – Autism Family Care Program" with Haichang Ocean Park and One Foundation. On one hand, through the advantages of our online platform, it can popularize the overall situation of autism to users and improve the public awareness of autism. On the other hand, by combining the advantages of offline resources of each theme park under Haichang Ocean Park, we build scenarios and opportunities for autistic families and the general public to understand and interact with each other and promote the public's comprehensive understanding of the autism group through offering the autistic families free entry to the park and organising interactive activities such as parent-child charity runs in the park. Through online and offline linkage and connection, the concept of public welfare has been more comprehensively popularised to the public and has received recognition and good feedback from multiple parties.

2. *Drive users to participate*

We integrate public welfare into users' lives through various channels and guide users to participate in public welfare:

- Combining with consumption scenarios: Based on user consumption habits, we actively push various types of high-quality public welfare projects into user consumption scenarios through big data analysis, forming a "scenario + public welfare" innovation model. We hope to match the project with consumption scenarios that can arouse the public's emotional resonance, and then guide the users to participate in public welfare. During the Chinese New Year in 2019, we launched a charity activity on the theme of "Warming the New Year". In the consumption scene during the Chinese New Year, we combined the elements of family reunion, Chinese New Year's Eve feast, new clothes and other emotional resonance in the traditional customs of Chinese New Year, advocating users to help those who are in difficulties to have a warm new year. A total of 850,000 users participated in this project.

- Integrating user behavior: We combine public welfare with user behaviour, and guide users to participate in public welfare in various forms when enjoying life services. We use "energy donation" to guide users to pay attention to environmental protection behaviours in takeaway consumption. Users who choose the "no tableware" option during takeaway ordering can get corresponding energy for public welfare funds, and donate such funds to support environmental public welfare projects. We use "donations by answering questions" to enable users to participate in online public welfare questions answering every day, promoting online participation of users through public welfare funds and disseminating public welfare knowledge in the answers.

- Engaging with public welfare festivals: We organise events and promote public welfare concepts during important public welfare festivals, including the World Environment Day, Earth Day, the Chinese Charity Day and the World Food Day. For example, in 2019, during the Environmental Day, we launched a promotion campaign themed "Beautiful China, I am an Actor – Happy Life, Green Consumption" to raise users' environmental awareness.

3. *Call for employee participation*

We actively encourage employees to participate in public welfare activities and pass on the power of public welfare.

- Family Day: We set up a public welfare programme on the Family Day. Family members of employees create paintings for public welfare projects and donate all proceeds from love auctions to public welfare projects;
- Clothes donation: We organise donation activities for employees' clothes, and put a collection box in office area to collect employees' unused items for donation;
- Blood donation: We regularly organise employee blood donations in some areas to support local medical care;
- Party member public welfare: We organise employees who are members of the Party to help schools for migrant workers' children in Picun, Beijing through various means;
- Sunny Bazaar: All kinds of gifts declared through the Sunny Workplace are sold in charity bazaars and all the proceeds are donated to public welfare projects.

(II) Poverty alleviation

We actively responded to the CPC Central Committee and the State Council's policy of "Targeted Poverty Alleviation and Targeted Poverty Lift", and conducted preliminary exploration and practice in poverty alleviation in respect of employment, training, consumption, public welfare and tourism, based on actual conditions and business characteristics.

1. *Employment poverty alleviation*

The booming new Internet platform business has become the main force to absorb employment. Under the influence of our platform, being a delivery rider has become the first job that many workers choose when they come to a city, which brings them opportunities to improve their lives, and help them get rid of poverty and become rich. In 2019, there were a total of 3.987 million delivery riders who received income on our platform, among whom 257,000 came from poor households listed in the national poverty registration system. Statistics show that 253,000 out of 257,000 delivery riders have already boosted their family income and got rid of poverty with a poverty alleviation rate as high as 98.4%. Taking up a career as a delivery rider has become an effective way of employment for poverty alleviation, and it is unlikely for them to return to poverty afterwards.

2. *Training poverty alleviation*

We carried out the "New Young Dreamers Plan" based on industry analysis, experience sharing, case sharing, discussion and exchange, on-site practice, etc. provided by the Hotel School of Meituan University with the focus on six core courses, namely new catering, food delivery operations, homestay hotel services, hotel management, rural tourism, and Internet marketing. The plan provides poverty alleviation entrepreneurship and employment training for entrepreneurs in catering and homestay hotel services and employees in the service industry in poverty-stricken areas. As of the end of 2019, we completed 26 on-site teaching sessions for a total of 4,194 trainees.

3. *Consumption poverty alleviation*

Through the "Must-Eat List • Helping Tibetan Area and Xinjiang "food consumption poverty alleviation project, we have explored an effective way to "build a direct platform for consumption between poverty-stricken areas and consumers". With the help of Kuailv Jinhuo and other business segments, we have taken ingredients from poverty-stricken areas out of the mountains, and advocated restaurants to purchase high-quality ingredients from poverty-stricken areas and make dishes to enhance the added value of these agricultural products; we have also encouraged consumers to go to restaurants for indirect alleviation. We have united relevant parties such as farmers, consumers, merchants, riders and platforms to form a win-win ecosystem and drive the supply-side reform of agricultural production in poverty-stricken areas.

4. *Public welfare poverty alleviation*

We support various public welfare poverty alleviation projects through gongyi.meituan.com. In 2018, we initiated "Lush Mountain Public Welfare Action" with the Lush Mountain Fund, and a number of merchants on the platform volunteered to become "Merchants of Lush Mountain Public Welfare". Merchants of Lush Mountain Public Welfare donate a certain amount of money from each food delivery order for environmental protection and public welfare. As of the end of 2019, more than 120,000 merchants became "Merchants of Lush Mountain Public Welfare", to whom 120 million users placed nearly 500 million orders, and the merchants donated over RMB6.35 million for public welfare in environmental protection. The funds have supported five economic crop plantations for ecological poverty alleviation in Yunnan and Gansu provinces, including Sichuan pepper, Orah mandarin, Chinese aralis (烏龍頭), toon (香椿), piteguo (啤特果) and mango. Thanks to gongyi.meituan.com, we also raise funds for poverty alleviation projects. In 2019, a total of RMB29 million was raised for poverty alleviation projects from 2.8 million person-times donations.

5. *Tourism poverty alleviation*

With an organic integration of characteristics of local tourism and the Company's internet traffic and channel advantages, we developed a practical poverty alleviation model through tourism promotion for local people. Through sales of special agricultural products, Internet marketing and brand promotion for poverty-stricken areas, a two-way interaction has been formed between "going out" of local specialities and "coming in" of tourists to achieve effective poverty alleviation. In 2019, we signed a strategic cooperation agreement with the Department of Culture and Tourism of Gansu Province, to carry out in-depth cooperation on the development and marketing of tourism products in poverty-stricken areas under the cooperation framework of "Internet + Tourism Poverty Alleviation".

Our public welfare and poverty alleviation practices have received widespread attention from the society. In 2019, we won the "Public Welfare Innovation Award of the Fourteenth People's CSR Award" hosted by People's Daily, and the "Targeted Poverty Alleviation Award at the Twelfth China CSR Summit" organised by Xinhuanet.

IX. WE TAKE ACTION TO COMBAT CORONAVIRUS

Since the outbreak of COVID-19, we have actively responded to national calls to fight against the pandemic. We have established a high-level anti-pandemic headquarter to formulate strategies, prevented and controlled risks, protected employees' health and safety, and actively shouldered social responsibilities. In combating the outbreak of coronavirus, we took proactive measures in assisting and supporting merchants and continued to launch measures and tools to support merchants' operation and provide assurance to our customers. After the outbreak is contained, we launched the "Spring Wind Project: Recovery Assistance" and "Return Plan in Spring" for coronavirus prevention and work resumption to facilitate economic recovery.

We value employees' health and safety, and have adopted various measures to ensure employees' safety, including: (i) delaying the resumption of work in accordance with local policies, and encouraging employees to adopt flexible working hours and locations after resuming work to avoid crowds; (ii) transforming densely populated office areas, regularly disinfecting all office areas, providing masks and measuring body temperature of employees in office area, and advocating staggered meal breaks among employees; (iii) establishing an information collection system to keep track of employees' daily physical conditions, and handling in updates on abnormal situations in a timely manner; and (iv) launching a psychological counselling hotline and psychological training courses to help to relieve tension and anxiety of employees. We provided more support to employees in Hubei Province where the pandemic is more severe, including arranging a local senior manager in charge, providing protective supplies to employees and their families, providing employees with special assistance funds and insurance, and integrating local resources to provide assistance channels.

We put great efforts into consumer service protection, including: (i) extending the emergency service guarantee policy for travel orders, and accelerating the refund process for hotels, travel, train and air tickets orders; (ii) cooperating with supermarkets, drug stores, convenience stores, and fruit and vegetable stores in Wuhan to provide instant delivery of foodstuffs, medicines, daily-use consumer goods, etc.; (iii) launching "contactless delivery" service, releasing "contactless restaurant service specifications" and piloting unmanned-automobile delivery in some cities to improve the health protection of delivery riders and users in multiple scenarios such as take-out, dining at restaurants and shopping; (iv) releasing the "Online Information Disclosure Guide of Catering Merchants' Sanitary Services", and launching the "Reassuring" series of service labels to guide merchants for streamlined, standardised and online pandemic prevention and safety measures for safe resumption of work. Users can find relevant tags on the platform or scan the "Reassurance Code" offline to view detailed information for reassured consumption; (v) launching the "Reassuring Consumption Month" plan, delaying the expiring date of vouchers for Meituan delivery service, and providing RMB400 million of vouchers for consumption in March 2020; and (vi) launching the "Reassuring Booking" service, which allows users to book online with discounts in advance and with more convenience.

We assisted business partners to reduce the negative impact of the pandemic, and launched a number of merchant protection and assistance programs, including: (i) exempting monthly commission for all catering takeaway merchants in Wuhan until the lockdown on the city is lifted, and returning 3% to 5% of the commission to high-quality takeaway merchants nationwide for online promotion and marketing; (ii) exempting monthly commission for dine-in catering and local life service merchants in Hubei in February and March 2020; (iii) providing free insurance products for catering merchants in the Wuhan area; (iv) donating 10,000 sets of cashier systems for catering merchants in Hubei; (v) launching RMB350 million of special support funds for nationwide merchants to resume operations; (vi) cooperating with bank partners to provide more than RMB20 billion loans with preferential interest rates to merchants; (vii) providing RMB1 billion subsidies to hotels, B&B and scenic spot merchants, mainly for online promotion and marketing; and (viii) providing more than 1,000 online courses for free by relying on Meituan University, and launching a "business refueling plan" to provide targeted training to merchants in pandemic response, food safety, store operation and post-pandemic reserve.

We provided support to delivery riders who persisted in serving during the pandemic, including: (i) collecting daily health information such as body temperature; (ii) providing protection subsidies to delivery riders for an amount up to a RMB300,000; and (iii) providing free masks to them.

We took full advantages of the e-commerce platform for life services in combination with the characteristics of our businesses, to live up to our commitment as a corporate citizen through the following initiatives: (i) Meituan Charity Foundation donated RMB200 million and we established a national medical care support fund. An online fundraising channel for combating the pandemic was launched for charitable organisations through gongyi.meituan.com, providing a convenient channel for donations from Meituan Dianping users and merchants; (ii) online merchant resources were united to provide free psychological counselling assistance services to front-line medical staff, diagnosed patients, quarantined suspected patients and their families in Hubei; (iii) we worked with online merchants and delivery resources to provide free meals for front-line pandemic prevention workers; (iv) Kuailv Jinhuo established the "Green Channel" for medical institutions to ensure the supply of food for the front-line medical staff; (v) 300,000 Meituan Bike's bikes were deployed in Hubei for public use for free, and an "undifferentiated disinfection" initiative was launched to disinfect all shared bikes in areas where the Company is responsible for in many cities; (vi) the "Return Plan in Spring" was launched to facilitate employment, recruiting 1,000 graduates, and 200,000 delivery riders through partners; and (vii) we launched a real-name riding system by adding QR codes to public transportation (subway and trams) and taxis in many cities, to support the traceability of pandemic prevention and control. As of early March 2020, the system has been launched in Shenyang, Changchun, Xiamen, Dongguan, Nanjing, Zhangzhou, Foshan and other places, and the list of cities is growing.

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

OPINION

What we have audited

The consolidated financial statements of Meituan Dianping (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 150 to 272, which comprise:

- the consolidated statement of financial position as at December 31, 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income/(loss) for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("**ISAs**"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("**IESBA Code**"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Revenue recognition
- Impairment assessments of goodwill

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition	
Refer to Notes 2.26, 4.5, 4.8 and 6 to the consolidated financial statements. The Group provides an e-commerce platform that enables merchants to sell their services or products to transacting users through the platform. The Group mainly generates revenue in the way of transaction commission, online marketing fees and others. Revenue of RMB97.5 billion was recognised for the current year. We focused on this area as significant efforts were spent on auditing the accuracy of revenue recognition due to the magnitude of revenue amount and the huge volume of revenue transactions recorded in the operating systems and then interfaced with the financial system.	Our procedures in relation to the revenue recognition included: We understood and tested management's process and controls in respect of revenue recognition and calculation derived from different services. We discussed with management and evaluated their judgements made in determining the method and timing of revenue recognition and calculation. We tested the general control environment and automated controls of the information technology systems used in the transaction processes. We tested the interface between the operating and financial systems. We tested, on a sample basis, transactions by checking the cash receipt, reviewing the underlying contracts, identifying the key terms and attributes from the contracts and checking them against the underlying data from the system used in the transaction processes, and then recalculating the revenue amount. Based on the procedures performed, we found that the Group's revenue recognition was supported by the evidence obtained.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessments of goodwill	
Refer to Notes 2.9, 2.10, 4.4 and 16 to the consolidated financial statements. As at December 31, 2019, the net carrying amount of goodwill amounted to RMB27.7 billion. Under International Accounting Standards ("**IAS**") 36 Impairment of Assets, the Group is required to perform goodwill impairment assessment both annually and whenever there is an indication that a cash-generating unit ("**CGU**") to which goodwill has been allocated may be impaired. The Group engaged an independent external valuer to prepare the goodwill impairment testing. The recoverable amounts of CGUs were determined based on the value-in-use calculations using cash flow projections. We focused on this area due to (a) the magnitude of the carrying amount of goodwill; and (b) the process of goodwill impairment assessment was complex and involved significant judgements and estimates which included assumptions such as annual revenue growth rate for the 5-year period, gross profit, terminal revenue growth rate and pre-tax discount rate.	Our procedures in relation to the impairment assessments of goodwill included: We tested management's assessment including periodic impairment indications evaluation as to whether indicators of impairment exist by corroborating with management and market information. We understood and tested management's process and controls in respect of the impairment assessments, including the implementation of impairment standard, the determination of appropriate valuation models and assumptions and the calculation of impairment provisions. We evaluated the independent valuer's objectivity and competency. We assessed the reasonableness of the basis that management used to identify separate group of CGUs for the allocation of goodwill. We assessed the appropriateness of the valuation models, with the involvement of our internal valuation experts. We performed retrospective assessment through comparing historical results to the budgeted results, to assess the reliability of the management's forecast. We assessed the key assumptions adopted including annual revenue growth rate for the 5-year period and gross profit rate by examining the approved financial/business forecast models, and comparing actual results for the year against the previous period taking into consideration of market trends and our industry knowledge. We assessed terminal revenue growth rate and pre-tax discount rate with the involvement of our internal valuation experts.

Key Audit Matter	How our audit addressed the Key Audit Matter
	We independently tested, on a sample basis, the accuracy of mathematical calculation applied in the valuation models and the calculation of impairment charges. We evaluated the reasonableness of management's forecast performance and assessed management's sensitivity analysis around the key assumptions, to ascertain the extent to which adverse changes, would result in the goodwill being impaired. Based on the procedures performed, we considered that the key assumptions adopted by management in the assessment of goodwill impairment are supported by the evidence obtained.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Jack Li.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, March 30, 2020

CONSOLIDATED INCOME STATEMENT

	Note	Year ended December 31, 2019 RMB'000	2018 RMB'000
Revenues			
Commission	6	65,525,997	47,012,249
Online marketing services	6	15,840,078	9,391,406
Interest revenue	6	786,032	456,077
Other services and sales	6	15,376,424	8,367,546
		97,528,531	65,227,278
Cost of revenues	7	(65,208,143)	(50,122,320)
Gross profit		32,320,388	15,104,958
Selling and marketing expenses	7	(18,819,067)	(15,871,901)
Research and development expenses	7	(8,445,664)	(7,071,900)
General and administrative expenses	7	(4,338,954)	(5,546,037)
Net provision for impairment losses on financial assets		(645,685)	(285,655)
Fair value changes on investments measured at fair value through profit or loss	19	77,699	1,836,382
Other gains, net	9	2,531,143	748,356
Operating profit/(loss)		2,679,860	(11,085,797)
Finance income	10	166,217	294,047
Finance costs	10	(191,042)	(44,732)
Fair value changes of convertible redeemable preferred shares	28	—	(104,606,058)
Share of gains/(losses) of investments accounted for using equity method	12	107,353	(48,267)
Profit/(loss) before income tax		2,762,388	(115,490,807)
Income tax expenses	13	(526,223)	(1,888)
Profit/(loss) for the year		2,236,165	(115,492,695)
Profit/(loss) for the year attributable to:			
Equity holders of the Company		2,238,769	(115,477,171)
Non-controlling interests		(2,604)	(15,524)
		2,236,165	(115,492,695)
Earnings/(loss) per share for profit/(loss) for the year attributable to the equity holders of the Company			
Basic earnings/(loss) per share (RMB)	14	0.39	(42.40)
Diluted earnings/(loss) per share (RMB)	14	0.38	(42.40)

The notes on pages 158 to 272 are an integral part of these consolidated financial statements.

		Year ended December 31,	
		2019	2018
	Note	RMB'000	RMB'000
Other comprehensive income/(loss):			
Items that may be reclassified to profit or loss			
Share of other comprehensive income of investments accounted for using the equity method	12,26	**3,905**	—
Items that may not be reclassified to profit or loss			
Currency translation differences	26	**678,973**	(7,617,689)
Preferred shares fair value change due to own credit risk	28	**—**	(186,013)
Other comprehensive income/(loss) for the year, net of tax		**682,878**	(7,803,702)
Total comprehensive income/(loss) for the year		**2,919,043**	(123,296,397)
Total comprehensive income/(loss) for the year attributable to:			
Equity holders of the Company		**2,921,721**	(123,281,091)
Non-controlling interests		**(2,678)**	(15,306)
		2,919,043	(123,296,397)

The notes on pages 158 to 272 are an integral part of these consolidated financial statements.

	Note	As of December 31, 2019 RMB'000	As of December 31, 2018 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**5,376,217**	3,978,815
Intangible assets	16	**32,699,575**	33,876,004
Deferred tax assets	18	**590,054**	445,041
Investments accounted for using the equity method	12	**2,283,590**	2,103,403
Financial assets at fair value through profit or loss	19	**7,166,122**	6,241,972
Prepayments, deposits and other assets	21	**1,762,312**	866,884
		49,877,870	47,512,119
Current assets			
Inventories	22	**275,227**	400,244
Trade receivables	23	**676,762**	466,340
Prepayments, deposits and other assets	21	**9,591,157**	9,064,945
Short-term investments	20	**49,435,599**	41,829,964
Restricted cash	24	**8,760,115**	4,256,120
Cash and cash equivalents	24	**13,396,185**	17,043,692
Assets classified as held for sale		**—**	88,087
		82,135,045	73,149,392
Total assets		**132,012,915**	120,661,511
EQUITY			
Share capital	25	**389**	384
Share premium	25	**260,359,929**	258,284,687
Other reserves	26	**(4,447,252)**	(5,741,347)
Accumulated losses		**(163,800,621)**	(166,039,390)
Equity attributable to equity holders of the Company		**92,112,445**	86,504,334
Non-controlling interests		**(58,051)**	5,438
Total equity		**92,054,394**	86,509,772

	Note	As of December 31, 2019 RMB'000	2018 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	18	1,388,469	1,195,869
Deferred revenues	27	389,028	624,999
Borrowings	31	466,676	470,056
Lease liabilities	2.29	992,233	—
Other non-current liabilities		129,552	35,759
		3,365,958	2,326,683
Current liabilities			
Trade payables	29	6,766,253	5,340,963
Payables to merchants		7,495,262	7,596,388
Advances from transacting users		3,855,559	3,226,407
Deposits from transacting users	2.14	2,491,947	3,341,276
Other payables and accruals	30	7,237,412	7,303,407
Borrowings	31	3,552,587	1,800,000
Deferred revenues	27	4,567,171	3,102,882
Lease liabilities	2.29	534,566	—
Income tax liabilities		91,806	58,223
Liabilities directly associated with assets classified as held for sale		—	55,510
		36,592,563	31,825,056
Total liabilities		39,958,521	34,151,739
Total equity and liabilities		132,012,915	120,661,511

The notes on pages 158 to 272 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 150 to 272 were approved by the Board of Directors on March 30, 2020 and were signed on its behalf:

Wang Xing
Director

Mu Rongjun
Director

	Note	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
		Attributable to equity holders of the Company						
As of January 1, 2019		384	258,284,687	(5,741,347)	(166,039,390)	86,504,334	5,438	86,509,772
Comprehensive income								
Profit/(loss) for the year		–	–	–	2,238,769	2,238,769	(2,604)	2,236,165
Other comprehensive income								
Share of other comprehensive income of investments accounted for using the equity method	12,26	–	–	3,905	–	3,905	–	3,905
Currency translation differences	26	–	–	679,047	–	679,047	(74)	678,973
Total comprehensive income		–	–	682,952	2,238,769	2,921,721	(2,678)	2,919,043
Transaction with owners in their capacity as owners								
Share-based compensation expenses	32	–	–	2,181,436	–	2,181,436	–	2,181,436
Exercise of option and RSU vesting		5	2,075,242	(1,614,957)	–	460,290	–	460,290
Disposal of a subsidiary	11	–	–	10,617	–	10,617	386	11,003
Transaction with non-controlling interests		–	–	34,047	–	34,047	(61,197)	(27,150)
Total transaction with owners in their capacity as owners		5	2,075,242	611,143	–	2,686,390	(60,811)	2,625,579
As of December 31, 2019		389	260,359,929	(4,447,252)	(163,800,621)	92,112,445	(58,051)	92,054,394

	Note	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
		Attributable to equity holders of the Company						
As of January 1, 2018		98	9,338,529	466,103	(50,363,846)	(40,559,116)	57,734	(40,501,382)
Adjustment on adoption of IFRS9, net of tax		—	—	(423,731)	411,371	(12,360)	—	(12,360)
As of January 1, 2018		98	9,338,529	42,372	(49,952,475)	(40,571,476)	57,734	(40,513,742)
Comprehensive loss								
Loss for the year		—	—	—	(115,477,171)	(115,477,171)	(15,524)	(115,492,695)
Other comprehensive loss								
Preferred shares fair value change due to own credit risk		—	—	(186,013)	—	(186,013)	—	(186,013)
Currency translation differences		—	—	(7,617,907)	—	(7,617,907)	218	(7,617,689)
Total comprehensive loss		—	—	(7,803,920)	(115,477,171)	(123,281,091)	(15,306)	(123,296,397)
Transaction with owners in their capacity as owners								
Issuance of ordinary shares		283	248,944,408	609,744	(609,744)	248,944,691	—	248,944,691
Business combinations		—	—	231,736	—	231,736	—	231,736
Repurchase of ordinary shares	25	(2)	(811,142)	—	—	(811,144)	—	(811,144)
Share-based compensation expenses	32	—	—	1,816,453	—	1,816,453	—	1,816,453
Exercise of option and RSU vesting		5	842,199	(685,701)	—	156,503	—	156,503
Cancellation of ordinary shares		—	(29,307)	—	—	(29,307)	—	(29,307)
Dividends		—	—	—	—	—	(4,000)	(4,000)
Transaction with non-controlling interests		—	—	47,969	—	47,969	(32,990)	14,979
Total transaction with owners in their capacity as owners		286	248,946,158	2,020,201	(609,744)	250,356,901	(36,990)	250,319,911
As of December 31, 2018		384	258,284,687	(5,741,347)	(166,039,390)	86,504,334	5,438	86,509,772

	Note	Year ended December 31, 2019 RMB'000	2018 RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations	35	6,037,524	(8,981,189)
Income tax paid		(463,304)	(198,629)
Net cash flows generated from/(used in) operating activities		5,574,220	(9,179,818)
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,984,976)	(2,210,249)
Proceeds from disposals of property, plant and equipment		62,334	24,698
Purchase of intangible assets		(16,760)	(69,712)
Proceeds from disposals of intangible assets		1,938	3,897
Payments for business combinations, net of cash acquired		(1,365,975)	(7,260,087)
Purchase of investments of term deposits with initial term over three months and wealth management products		(177,154,553)	(91,205,155)
Proceeds from disposals of term deposits with initial term over three months and wealth management products		170,248,473	75,235,650
Acquisition of investments accounted for using the equity method		(141,025)	(163,675)
Proceeds from disposal of equity investments and refund of prepayment for investments		323,377	3,453,916
Acquisition of investments measured at fair value		(455,987)	(1,599,549)
Cash inflow arising from disposal of subsidiaries, net of cash disposed		35,808	231
Gains received from investments of term deposits with initial term over three months and wealth management products		1,315,886	533,068
Dividends received		13,761	65,954
Loan to related party		(35,365)	—
Increase in prepayment for investments		(20,954)	(247,673)
Net cash flows used in investing activities		(10,174,018)	(23,438,686)

	Note	Year ended December 31, 2019 RMB'000	2018 RMB'000
Cash flows from financing activities			
Proceeds from borrowings, excluding asset-backed securities ("**ABS**")		**3,640,000**	2,305,000
Repayments of borrowings, excluding ABS		**(2,250,000)**	(1,057,000)
Proceeds from ABS, net		**467,000**	470,000
Repayments of ABS		**(107,969)**	—
Finance costs paid		**(218,692)**	(62,043)
Proceeds from issuance of ordinary shares, net		**—**	28,516,174
Proceeds from exercise of option and RSU vesting		**444,915**	158,054
Repurchase of ordinary shares		**—**	(854,630)
Payment for acquisitions of non-controlling interests		**(75,162)**	(176,261)
Lease payments		**(785,825)**	—
Dividends paid to non-controlling interests		**—**	(4,000)
Net cash flows generated from financing activities		**1,114,267**	29,295,294
Net decrease in cash and cash equivalents		**(3,485,531)**	(3,323,210)
Cash and cash equivalents at the beginning of the year		**17,043,692**	19,408,839
Exchange (loss)/gain on cash and cash equivalents		**(173,442)**	1,009,587
Cash and cash equivalents reclassified from the assets classified as held for sale/(included in the assets classified as held for sale)		**11,466**	(51,524)
Cash and cash equivalents at the end of the year	24	**13,396,185**	17,043,692

1 GENERAL INFORMATION, REORGANIZATION AND BASIS OF PRESENTATION

1.1 General information

Meituan Dianping (formerly known as Internet Plus Holdings Ltd.) ("**the Company**") was incorporated in the Cayman Islands on September 25, 2015 as an exempted company with limited liability. The registered office is at PO Box 309, Ugland House, Grand Cayman, KYI-1104, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries, including structured entities (collectively, the "**Group**"), provides platform which uses technology to connect consumers and merchants and offers diversified daily services, including food delivery, in-store dining, hotel and travel booking and other services.

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

The Financial Information is presented in Renminbi ("**RMB**"), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**") issued by International Accounting Standards Board ("**IASB**") and disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss, which are carried at fair value.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.1 Changes in accounting policies

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time commencing January 1, 2019:

IFRS 16	Leases
IFRIC 23	Uncertainty over income tax treatments
IFRS 9 (Amendment)	Prepayment features with negative compensation
IAS 28 (Amendment)	Long-term Interests in Associates and Joint Ventures
IAS 19 (Amendment)	Plan amendment, curtailment or settlement
IFRSs (Amendment)	Annual Improvements to IFRS Standards 2015 – 2017 Cycle

The Group had to change its accounting policies as a result of adopting IFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on January 1, 2019. The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.1 Changes in accounting policies (Continued)

***(a) New and amended standards adopted by the Group** (Continued)*

(i) Practical expedients applied

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

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

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

(ii) Measurement of lease liabilities

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.1 Changes in accounting policies (Continued)

(a) New and amended standards adopted by the Group *(Continued)*

(iii) Measurement of right-of-use assets

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

(iv) Adjustments recognised in the balance sheet on January 1, 2019

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.1 Changes in accounting policies (Continued)

(b) New standards and amendments not yet adopted by the management of the Group

A number of new standards and amendments to existing standards have been issued but are not yet effective for the financial year beginning January 1, 2019, and have not been early adopted by the Group's management. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

		Effective for accounting year beginning on or after
IAS 28 and IFRS 10 (Amendment)	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	A date to be determined by the IASB
IAS 1 and IAS 8 (Amendment)	Definition of material	January 1, 2020
IFRS 3 (Amendment)	Definition of a business	January 1, 2020
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting	January 1, 2020
IFRS 17	Insurance Contracts	January 1, 2021
IAS 1 (Amendment)	Classification of liabilities as current or non-current	January 1, 2022

The Group is in the process of assessing potential impact of the above new standards and amendments to standards that is relevant to the Group upon initial application. According to the preliminary assessment made by the Directors of the Company, management does not anticipate any significant impact on the Group's financial positions and results of operations upon adopting the above new standards amendments to existing standards. The management of the Group plans to adopt these new standards and amendments to existing standards when they become effective.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement (including structured entities) with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, consolidated statement of comprehensive income/(loss), consolidated statement of changes in equity and consolidated statement of financial position respectively.

2.2.1 Business combinations

The Group applies the acquisition method to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Subsidiaries *(Continued)*

2.2.1 Business combinations (Continued)

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, amount of any non-controlling interest in the acquiree, and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss. Amounts classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2.2.2 Changes in ownership interests in subsidiaries without change of control

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

2.2.3 Disposal of subsidiaries

When the Group ceases to consolidate a subsidiary because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. The Group's investments in associates in the form of redeemable instruments are financial assets designated at fair value through profit or loss. All investments in associates in the form of ordinary shares with significant influence are accounted for using the equity method of accounting, after initially being recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an investment accounted for using the equity method equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group determines at each reporting date whether there is any objective evidence that investments accounted for using the equity method are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the investment and its carrying value and recognises the amount in "Other gains, net" in the consolidated income statement.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Joint arrangements

The Group has applied IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealized gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.5 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.6 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("**CODM**"). The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as executive Directors.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Foreign currency translation

2.7.1 Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("**the functional currency**"). The Company's functional currency is USD as its key activities and transactions are denominated in USD. The Company's primary subsidiaries were incorporated in the PRC and these subsidiaries considered RMB as their functional currency. The Group's presentation currency is RMB.

2.7.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in consolidated income statement on a net basis within "Other gains, net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in consolidated income statement as part of the "Fair value changes on investments measured at fair value through profit or loss".

2.7.3 Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position

- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and

- all resulting exchange differences are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Foreign currency translation *(Continued)*

2.7.3 Group companies (Continued)

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified into income statement, as part of "Other gains, net".

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.8 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

• computer equipment (including servers)	3 years
• furniture and appliances	5 years
• leasehold improvements	the shorter of the term of the lease or the estimated useful lives of the assets
• bike and vehicle	2-4 years

Property, plant and equipment arising from business acquisition is depreciated over the remaining useful life.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Property, plant and equipment *(Continued)*

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount, and are recognised in "Other gains, net" in the consolidated income statement.

2.9 Intangible assets

2.9.1 Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the aggregate purchase consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes at the operating segments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Intangible assets *(Continued)*

2.9.2 Other intangible assets

Other intangible assets mainly include trade name, user generated content, software purchased from third parties, online payment license, technology and licenses, user list and supplier relationship. They are initially recognised and measured at cost or fair value if they are acquired in business combinations. Other intangible assets are amortized over their estimated useful lives using the straight-line method which reflects the pattern in which the intangible asset's future economic benefits are expected to be consumed.

The Group amortizes intangible assets with a limited useful life using the straight-line method over the following periods:

• trade name	2 – 25 years
• user generated content	5 years
• software and others	3 -10 years
• online payment license	15 years
• technology and licenses	2 – 5 years
• user list	5 years
• supplier relationship	2 – 8 years

When determining the length of useful life of an intangible asset, management take into account the (i) estimated period during which such asset can bring economic benefits to the Group; and (ii) the useful life estimated by comparable companies in the market.

2.9.3 Research and development

Research expenditures are recognised as an expenses as incurred. Costs incurred on development projects are capitalized as intangible assets when recognition criteria are met, including (a) it is technically feasible to complete the software so that it will be available for use; (b) management intends to complete the software and use or sell it; (c) there is an ability to use or sell the software; (d) it can be demonstrated how the software will generate probable future economic benefits; (e) adequate technical, financial and other resources to complete the development and to use or sell the software are available; and (f) the expenditure attributable to the software during its development can be reliably measured. Other development costs that do not meet those criteria are expensed as incurred. There were no development costs meeting these criteria and capitalized as intangible assets as of December 31, 2019 and 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Impairment of non-financial assets

Goodwill is not subject to amortization and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.11 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under IFRS 9 Financial Instruments; and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.12 Financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and

- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income ("**OCI**"). For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("**FVOCI**").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition

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

(c) Derecognition

The Group derecognises a financial asset, if the part being considered for derecognition meets one of the following conditions:(i) the contractual rights to receive the cash flows from the financial asset expire; or (ii) the contractual rights to receive the cash flows of the financial asset have been transferred, the Group transfers substantially all the risks and rewards of ownership of the financial asset; or (iii) the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement that meets all the conditions of de-recognition of transfer of cash flows ("**pass through**" requirements) and transfers substantially all the risks and rewards of ownership of the financial asset.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.12 Financial assets *(Continued)*

(c) Derecognition (Continued)

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss or retained earnings:

– the carrying amount of the financial asset transferred; and

– the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised directly in equity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability.

As part of its operations, the Group securitizes financial assets, generally through the sale of these assets to special purpose vehicles which issue securities to investors. Further details on prerequisites for derecognition of financial assets are set out above. When the securitization of financial assets that qualify for derecognition, the relevant financial assets are derecognised in their entirety and a new financial asset or liabilities is recognised regarding the interest in the unconsolidated securitization vehicles that the Group acquired. When the securitization of financial assets that do not qualify for derecognition, the relevant financial asset are not derecognised, and the consideration paid by third parties are recorded as a financial liability; when the securitization of financial assets that partially qualify for derecognition, the book value of the transferred asset should be recognised between the derecognised portion and the retained portion based on their respective relative fair values, and the difference between the book value of the derecognised portion and the total consideration paid for the derecognised portion shall be recorded in profit or loss.

(d) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("**FVPL**"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.12 Financial assets *(Continued)*

(d) Measurement (Continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within "Other gains, net" in the period in which it arises.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.12 Financial assets *(Continued)*

(d) Measurement (Continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss when the Group's right to receive payments is established.

Changes in the fair value of financial assets measured at FVPL are recognised in other gains in profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(e) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group has three types of financial assets that are subject to IFRS 9's new ECL model (Note 3.1 (b)):

- loan receivables
- trade receivables
- prepayment, deposits and other assets (excluding tax prepayment, loan receivables and long-term investments measured at amortized cost)

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.14 Deposits from transacting users

Deposits from transacting users are the deposits received from transacting users of bike-sharing services, which are redeemable at any time upon the requests from transacting users.

2.15 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.16 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business.

Trade and other receivables are generally due for settlement within 1 year and therefore are all classified as current.

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. They are subsequently measured at amortised cost using the effective interest method, less loss allowance.

Other receivables are recognised initially at fair value and subsequently measured at amortized cost using the effective interest method, less allowance for impairment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.17 Cash and cash equivalents and restricted cash

Cash and cash equivalents includes cash in hand, deposits held at call with banks within three months, certain amounts of cash held in accounts managed by other financial institutions in connection with the provision of services and sale of goods.

Cash that restricted from withdrawal, use or pledged as security is reported separately on the face of the consolidated statements of financial position, and is not included in the total cash and cash equivalents in the consolidated statements of cash flows.

2.18 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or share options are shown in equity as a deduction from the proceeds. Convertible redeemable preferred shares are classified as liabilities (Note 28).

2.19 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortized cost using the effective interest method.

2.20 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Convertible redeemable preferred shares ("Preferred Shares")

Holders of Series A, B, and C Preferred Shares issued by the Company are redeemable upon occurrence of certain future events. These instruments can also be converted into ordinary shares of the Company at any time at the option of the holders, or automatically upon occurrence of an initial public offering of the Company, or when agreed by majority of the holders as detailed in Note 28.

The Group designated the Preferred Shares as financial liabilities at fair value through profit or loss. They are initially recognised at fair value. Any directly attributable transaction costs are recognised as finance costs in profit or loss. Before January 1, 2018, all fair value changes is recognised profit or loss under IAS 39. From January 1, 2018, the component of fair value changes relating to the Company's own credit risk is recognised in OCI. Amounts recorded in OCI related to credit risk are not subject to recycling in profit or loss, but are transferred to retained earnings when realized. Fair value changes relating to market risk are recognised in profit or loss.

The Preferred Shares were classified as non-current liabilities unless the Preferred Shares holders can demand the Company to redeem the Preferred Shares within 12 months after the end of the reporting period.

All of Preferred Shares were converted to Class B ordinary shares upon completion of the Listing on September 20, 2018. The fair value of each of Preferred Shares is equal to the fair value of each of ordinary shares on the conversion date, which is the offer price in the Listing.

2.22 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

2.22.1 Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.22 Current and deferred income tax *(Continued)*

2.22.2 Deferred income tax

(a) Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

(b) Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the subsidiaries and associates' undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.22 Current and deferred income tax *(Continued)*

2.22.2 Deferred income tax (Continued)

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.23 Employee benefits

2.23.1 Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick and maternity leave are not recognised until the time of leave.

2.23.2 Pension obligations and other social welfare benefits

The Group contributes on a monthly basis to various defined contribution plans organised by the relevant governmental authorities. The Group's liability in respect of these plans is limited to the contributions payable in each period. The Group's contributions to these plans are expensed as incurred. Assets of the plans are held and managed by government authorities and are separated from those of the Group.

2.23.3 Bonus plan

The expected cost of bonuses is recognised as a liability when the Group has a present legal or constructive obligation for payment of bonuses as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonuses are expected to be settled within 1 year and are measured at the amounts expected to be paid when they are settled.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.24 Share-based payments

The Group has operated share incentive plans including share option schemes and share award schemes. The Internet Plus Holdings Ltd. 2015 Share Incentive Plan (or the "**2015 Share Incentive Plan**") was administered until the initial public offering, after which it was replaced by the Meituan Dianping Post-IPO Share Option Scheme and Post-IPO Share Award Scheme. Share-based compensation benefits are provided to employees via the 2015 Share Incentive Plan, the Post-IPO Share Option Scheme and the Post-IPO Share Award Scheme. The Group receives services from employees and other qualifying participants as consideration for equity instruments (including share options and RSUs) of the Group. The fair value of the services received in exchange for the grant of the equity instruments is recognised as an expense in the consolidated income statement.

2.24.1 Share options

For grant of share options, the total amount to be expensed is determined by reference to the fair value of the options granted by using Black-Scholes models:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

2.24.2 RSUs

For grant of RSUs, the total amount to be expensed is determined by reference to the fair value of the Company's shares at the grant date.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognizing the expense during the period between service commencement period and grant date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.24 Share-based payments *(Continued)*

2.24.3 Modifications and Cancellations

The Group may modify the terms and conditions on which share incentive awards were granted. If a modification increases the fair value of the equity instruments granted, the incremental fair value granted is included in the measurement of the amount recognised for the services received over the remainder of the vesting period.

A grant of share incentive awards, that is cancelled or settled during the vesting period, is treated as an acceleration of vesting. The Group immediately recognises the amount that otherwise would have been recognised for services received over the remainder of the vesting period.

2.25 Provisions

Provisions for service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.26 Revenue recognition

Revenue is principally comprised of commissions, online marketing services, interest revenue and other services and sales. The Group recognises revenue when or as the control of the promised goods or services is transferred to a customer, netting of value-added taxes ("VAT"). Depending on the terms of the contract and the laws that apply to the contract, if control of the goods and services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or services.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.26 Revenue recognition *(Continued)*

Contracts with customers may include multiple performance obligations. For such arrangements, the Group allocates revenue to each performance obligation based on its relative standalone selling price. The Group generally determines standalone selling prices based on the prices charged to customers. If the standalone selling price is not directly observable, it is estimated using expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information. Revenue arrangements with multiple performance obligations are not significant to the Group's total revenue.

In accordance with the principal versus agent considerations prescribed by IFRS 15, the Group evaluates whether it acts as the principal or agent in each of its revenue streams to determine whether revenue should be recorded on a gross or net basis. The Group is acting as the principal if, individually or in combination, it controls the specified good or service before being transferred to the customer, is primarily responsible for fulfilling the contract, is subject to inventory risk, and has discretion in establishing prices. An agent arranges for goods or services to be provided by the principal to its end customer, which normally receives a commission or fee for these activities.

2.26.1 The accounting policy for the Group's principal revenue sources

(a) Commissions

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

Under certain circumstances, the Group provides delivery service mainly to transacting users as a principal, and earns the delivery service fee collecting from transacting users as revenue on a gross basis.

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

The on-demand delivery services facilitate food and non-food ordering and offer delivery service to transacting users through the Group's platform. Meanwhile, the Group provides platform service to merchants and certain business partners in certain regions within the PRC, displaying the food or other goods information to transacting users. Upon the completion of a transaction, both the delivery service and the platform service are rendered. The Group recognises the delivery service fees collected from transaction users and the commissions as revenue at the same time. The amounts to be remitted to third-party merchants, after netting the commission revenue from the cash payments by transacting users, are recorded as payables to merchants. In instances where the Group is not responsible for delivery, only commission revenue is recognised once a transaction is completed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.26 Revenue recognition *(Continued)*

2.26.1 The accounting policy for the Group's principal revenue sources (Continued)

(a) Commissions (Continued)

In-store, hotel & travel services

The Group's in-store, hotel & travel services provides merchants platform to display their own services or goods. Transacting users can purchase the vouchers or make reservations offered by merchants via the Group's platform. When the vouchers are redeemed at merchants site, upon room check-in for hotel reservations, or on the departure date of the packaged tours, commission revenues are recognised.

Under all circumstances, cash payments received from transacting users are initially recorded as advances from transacting users, as unredeemed vouchers can be returned by users at any time. When revenues are recognised at the point in time as determined above, the amounts to be remitted to third-party merchants are recorded as payables to merchants.

(b) Online marketing services

The Group provides online marketing services to merchants or marketers. Some of the merchants or marketers pay the Group for performance-based marketing only when a user clicks on marketer's link on the Group's websites or/and mobile applications, or when the advertisement is viewed by a pre-determined number of users. The Group recognises revenue each time a user clicks on the marketer's link or when its information is viewed by pre-determined number of users.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.26 Revenue recognition *(Continued)*

2.26.1 The accounting policy for the Group's principal revenue sources (Continued)

*(b) **Online marketing services** (Continued)*

The Group also offers display-based marketing services in the form of key words search, banners, and textual or graphical marketer's link. The marketers pay the Group based on the period their advertisements are displayed on the Group's websites and/or mobile applications. The revenue is recognised on a pro-rata basis over the contractual service period, which is normally less than 1 year, starting on the date when the advertisement is first displayed on the Group's websites and/or mobile applications.

For certain merchants, the Group provides value-added marketing services under an annual plan, and charges an annual fee for such plan. The Group recognises revenue ratably as the value-added marketing services are provided over the plan period.

*(c) **Interest revenue***

The Group directly offers loans, including joint loans together with other institutions, through its online platform to merchants or individual users via qualified subsidiary. The loan principal is funded entirely or partially by the Group, and loan receivables due from such loan facilitation are recorded on the statement of financial position. Interest revenue is calculated by applying the effective interest rate to the gross carrying amount of a loan receivable except for loan receivables that subsequently become credit-impaired. For credit-impaired loan receivables, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

*(d) **Other services and sales***

Other services and sales comprise primarily revenue generated from business to business food distribution services ("B2B food distribution services"), car-hailing services, bike-sharing services, loan facilitation and relative post-origination services and other products or services. The Group recognises revenues when the respective services are rendered, or when the control of the products are transferred to the customers.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.26 Revenue recognition *(Continued)*

2.26.1 The accounting policy for the Group's principal revenue sources (Continued)

***(d) Other services and sales** (Continued)*

The Group's local transportation services mainly provide car-hailing and bike-sharing services to its transacting users. Currently, for bike-sharing services and car-hailing services other than aggregated model, the Group recognises revenues substantially for the fees collected from transacting users. Revenues from car-hailing services of aggregated model are immaterial to the Group. As to the transportation services relating to the taxi services, the Group acts as an agent by connecting transacting users with taxi drivers, and does not earn any fee from either party, and therefore recognises no revenue.

The Group's B2B food distribution services provide supply chain solution to merchants in the catering industry mainly through sales of food ingredients. The Group recognises goods sold revenue on a gross basis when the control of inventories is transferred.

In certain cases, the Group also provides loan facilitation services to borrowers and lenders, and provides post-origination services (e.g. cash process, collection and SMS services) to lenders and regard facilitation services and post origination services as two distinctive performance obligations. The borrowers are commonly merchants or individual users who utilize the Group's online platform. For loan facilitation services, the Group determines that it is not the legal lender or borrower in the loan origination and repayment process, but acting as an intermediary to bring both parties together. Therefore, the Group does not record the loans receivable or payable arising from the loan facilitation activities. Loan facilitation services are recognised at point of time when the loan contract established between borrowers and lenders and post-origination services are recognised over the loan contract period.

The Group also generates other revenues from a long-term business cooperation agreement with Maoyan, which provides that Maoyan shall be the Group's exclusive business partner for the movie ticketing business. Through this cooperation agreement, the Group provides Maoyan with user traffic and other sources over the cooperation period in a straight line basis. Please refer to Note 27 for further details.

2.26.2 Contract Balances

When either party to a contract has performed, the Group presents the contract in the statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for goods and services that the Group has transferred to a customer. A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due. The Group's contract assets are mainly trade receivables due from online marketing services and loan facilitation services.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.26 Revenue recognition *(Continued)*

2.26.2 Contract Balances (Continued)

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group presents the contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. The Group's contract liabilities are mainly resulted from the business cooperation agreement with Tianjin Maoyan Culture Media Co., Ltd. (the "**Maoyan**"), and online marketing services, which are recorded as deferred revenues.

The Group generally expenses contract acquisition cost when incurred because the amortization period would have been 1 year or less.

2.26.3 Incentives

The Group provides various types of incentives to transacting users, delivery riders, borrowers, drivers and merchants under online marketing services or supply chain solution service, including discounted coupons (with a minimum value to use), direct payment deduction, red packet, interest reduction/exemption coupons and discounts on goods or services. The major accounting policy for incentives is described as follows.

(a) Incentives to customers

The Group records such incentives as deduction of revenue, to the extent of the revenue collected from the customers. The exceeded amount is recorded as selling and marketing expenses. The incentives on delivery service or local transporting service to transacting users, the incentives to crowdsourced delivery riders on behalf of merchants or individual users, the interest favorable offered to borrowers, and discounts on online marketing services or supply chain solution service to merchants are classified as such.

(b) Incentives to transacting users

If the substantial services to transacting users are provided by the third parties, the incentives at the Group's discretion in order to stimulate the transaction volume on the online platform are recorded as selling and marketing expenses. The incentives to transacting users where the Group is not responsible for delivery and substantially all of the incentives for in-store, hotel & travel services are classified as such.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.26 Revenue recognition *(Continued)*

2.26.3 Incentives (Continued)

(c) Incentives to vendors

In circumstance where the Group is responsible for the delivery service, the incentive to delivery riders is recognised as cost of revenue as it is part of the Group's fulfilment costs for completion of the delivery performance obligation. In connection with car-hailing services, the incentives to drivers are recorded as cost of revenue.

(d) Incentives on behalf of third parties

For certain business partners in certain regions within the PRC in food delivery business, they setup the incentive plans via the Group's system to maintain local market and manage the daily operation. The Group receives and pays the incentives on behalf of such business partners to transacting users, which is not treated as the Group's incentives.

For all the business lines, the Group may facilitate cash refunds or incentives to its transacting users for unsatisfactory goods or services rendered by the merchants, but merchants are contractually responsible and liable for the quality of the goods or services. The Group also holds the contractual right to claim reimbursements from merchants. For those which are not refunded by merchants, the refunds or incentives from the Group to transacting users are recorded as a reduction of revenue unless there are objective evidence that they are not paid on behalf of merchants.

The total incentives recorded as selling and marketing expenses have been included in Note 7-Transacting User incentives.

2.26.4 Practical Expedients and Exemptions

The transaction price allocated to the performance obligations that are unsatisfied, or partially unsatisfied, has not been disclosed, as substantially all of the Group's contracts have a duration of 1 year or less. The unsatisfied performance obligation related to the Maoyan cooperation agreement has been included in deferred revenues (Note 27).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.27 Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Interest income is presented as interest revenue where it is calculated using the effective interest rate method and earned from financial assets that are held for micro loan business. Any other gains from short term and long term investment is included in "Other gains, net".

2.28 Dividend income

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

2.29 Leases

2.29.1 Accounting policies applied since January 1, 2019

The Group leases various offices, warehouses and retail stores. Rental contracts are typically made for fixed periods of 1 to 10 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.29 Leases *(Continued)*

2.29.1 Accounting policies applied since January 1, 2019 (Continued)

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From January 1, 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

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

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

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

Lease payments are allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

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

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.29 Leases *(Continued)*

2.29.1 Accounting policies applied since January 1, 2019 (Continued)

The Group considers the lease as a single transaction in which the asset and liabilities are integrally linked. There is no net temporary difference at inception. Subsequently, the differences arisen on settlement of the liability and the amortisation of leased assets, there will be a net temporary difference on which deferred tax is recognised.

Right-of-use assets are presented in "Property, plant and equipment" on face of the Group's consolidated statement of financial position.

2.29.2 Accounting policies applied before January 1, 2019

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognised as income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2.30 Dividends distribution

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

2.31 Government subsidies

Subsidies from the government are recognised at their fair value where there is a reasonable assurance that the subsidies will be received and the Group will comply with all attached conditions. Under these circumstances, the subsidies are recognised as income or matched with the associated costs which the subsidies are intended to compensate.

3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk, and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group.

3.1 Financial risk factors

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the Group entities' functional currency. The functional currency of the Company is USD whereas functional currency of the subsidiaries operating in the PRC is RMB. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and tries to minimize these exposures through natural hedges, wherever possible and may enter into forward foreign exchange contracts, when necessary.

The Group operates mainly in the PRC with most of the transactions settled in RMB, management considers that the business is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities of the Group are denominated in the currencies other than the respective functional currencies of the Group's entities.

(ii) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates and the Group has no significant interest-bearing assets except for cash and cash equivalents, restricted cash and short-term investments measured at amortized cost, and details of which have been disclosed in Note 24 and Note 20, respectively.

The Group's exposure to changes in interest rates is also attributable to its borrowings, details of which has been disclosed in Note 31. Borrowings carried at floating rates expose the Group to cash flow interest rate risk whereas those carried at fixed rates expose the Group to fair value interest rate risk.

As of December 31, 2019, the Group's borrowings were borrowings that carried at fixed rates, which did not expose the Group to cash flow interest rate risk.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Market risk (Continued)

(iii) Price risk

The Group is exposed to price risk in respect of financial assets at fair value through profit or loss and short-term investments measured at fair value through profit or loss held by the Group. The Group is not exposed to commodity price risk. To manage its price risk arising from the investments, the Group diversifies its portfolio. Each investment is managed by senior management on a case by case basis. The sensitivity analysis is performed by management, see Note 3.3 for detail.

(b) Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, restricted cash, short-term investment measured at amortized cost, trade receivables, prepayments, deposits and other assets, and financial assets at fair value through profit or loss. The carrying amounts of each class of the above financial assets represent the Group's maximum exposure to credit risk in relation to financial assets. The Group is also exposed to credit risk in relation to its financial guarantee contracts.

To manage risk arising from cash and cash equivalents, restricted cash, short-term investments measured at amortized cost and long-term investments measured at amortized cost, the Group only transacts with state-owned or reputable financial institutions in mainland China and reputable international financial institutions outside of mainland China. There has been no recent history of default in relation to these financial institutions. These instruments are considered to have low credit risk because they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term. The identified credit losses are immaterial.

To manage risk arising from trade receivables and contract assets, the Group has policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and the management performs ongoing credit evaluations of its counterparties. The credit period granted to the customers is usually no more than 150 days and the credit quality of these customers is assessed, which takes into account their financial position, past experience and other factors.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts.

The expected loss rates are based on the payment profiles of sales over a period of 36 months or enough credit cycle for those new lines of business which continue operation for less than 3 years before December 31, 2019 or January 1, 2019 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forwardlooking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the urban per capita disposable income and the total retail sales of consumer goods of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 180 days past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

For prepayments, deposits and other assets (excluding loan receivables, tax prepayments and long-term investments measured at amortized cost), management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables and prepayments to merchants based on historical settlement records and past experiences. Impairment on prepayments, deposits and other assets is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counter party's ability to meet its obligations
- actual or expected significant changes in the operating results of the counter party
- significant increases in credit risk on other financial instruments of the same counter party
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the counter party, including changes in the payment status and operating results of the counter party.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

Category	Group definition of category		Basis for recognition of expected credit loss provision
	Other receivables excluding loan receivables and prepayments to merchants	Prepayment to merchants	
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows		12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	A significant increase in credit risk is presumed if repayments are 30 days past due	The Group terminates its corporation with merchants	Lifetime expected losses
Non-performing	Repayments are 90 days past due	The Group terminates its corporation with merchants for more than 60 days	Lifetime expected losses
Write-off	Repayments are 180 days past due and there is no reasonable expectation of recovery	The Group terminates its corporation with merchants for more than 180 days and there is no reasonable expectation of recovery	Asset is written off

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

To manage risk arising from loan receivables and financial guarantee contracts, standardized credit management procedures are performed. For pre-approval investigation, the Group optimizes the review process by using big data technology through its platform and system, including credit analysis, assessment of collectability of borrowers, monitoring the cash flow status of the merchants, possibility of misconduct and fraudulent activities. In terms of credit examining management, specific policies and procedures are established to assess loans offering. For subsequent monitoring, the Group monitors the cash flow and operation status of each borrowers. Once the loan was issued, all borrowers would be assessed by fraud examination model to prevent fraudulent behaviors. In post-loan supervision, the Group establishes risk monitoring alert system through periodical monitoring. The estimation of credit exposure for risk management purposes is complex and requires use of models as the exposure varies with changes in market conditions, expected cash flows and passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default corrections between counterparties. The Group measures credit risk using Probability of Default ("**PD**"), Exposure at Default ("**EAD**") and Loss Given Default ("**LGD**"). This is consistent with the general approach used for the purposes of measuring ECL under IFRS 9. The maximum credit risk from financial guarantee contracts as of December 31, 2019 was RMB15 million, the majority of which were not credit-impaired on initial recognition and not significant increase in credit risk subsequently. The Group has recognised guarantee liability at each of the reporting date.

(i) ECL model for loan receivables, as summarized below:

- The loan receivables that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group. The expected credit loss is measured on a 12-month basis.

- If a significant increase in credit risk (as defined below) since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. The expected credit loss is measured on lifetime basis.

- If the financial instrument is credit-impaired (as defined below), the financial instrument is then moved to 'Stage 3'. The expected credit loss is measured on lifetime basis.

- In Stages 1 and 2, interest income is calculated on the gross carrying amount (without deducting the loss allowance). If a financial asset subsequently becomes credit-impaired (Stage 3), the Group is required to calculate the interest income by applying the effective interest method in subsequent reporting periods to the amortized cost of the financial asset (the gross carrying amount net of loss allowance) rather than the gross carrying amount.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

(i) ECL model for loan receivables, as summarized below: *(Continued)*

The impairment of loan receivables was provided based on the ‘three-stages’ model by referring to the changes in credit quality since initial recognition.

The key judgments and assumptions adopted by the Group in addressing the requirements of the standard are discussed below:

(1) Significant increase in credit risk (SICR)

The Group considers loan receivables to have experienced a significant increase in credit risk when backstop criteria has been met. A backstop is applied and the loan receivables are considered to have experienced a significant increase in credit risk if the borrower is past due more than 1 day on its contractual payments.

(2) Definition of default and credit-impaired assets

The Group defines a financial instrument as in default, when the borrower is more than 90 days past due on its contractual payments. This has been applied to all loan receivables held by the Group.

(3) Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The expected credit loss is measured on either a 12-month (“**12M**”) or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the PD, EAD, and LGD.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each portfolio. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summarized. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

(i) ECL model for loan receivables, as summarized below: *(Continued)*

(4) Forward-looking information incorporated in the ECL models

The calculation of ECL incorporates forward-looking information. The Group has performed historical analysis and identified the per capita disposable income of urban residents as the key economic variables impacting credit risk and expected credit losses.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and has analyzed the non-linearities and asymmetries within the Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

(5) Grouping of instruments for losses measured on a collective basis

For ECL provisions modeled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

(ii) Loss allowance

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stage 2 or 3 due to loan receivables experiencing significant increases (or decreases) of credit risk in the period, and the subsequent "step up" (or "step down") between 12-month and lifetime ECL;
- Additional allowances for new financial instruments recognised, as well as releases for loan receivables derecognised in the period;
- Loan receivables derecognised and write-offs of allowances related to assets that were written off during the period.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

(ii) Loss allowance *(Continued)*

The gross carrying amount of the loan receivables explains their significance to the changes in the loss allowance as discussed above:

	Stage 1 12-month ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL RMB'000	Total RMB'000
Gross carrying amount as at December 31, 2018	3,870,816	81,658	35,596	3,988,070
Transfers:				
Transfer from Stage 1 to Stage 2	(126,514)	126,514	—	—
Transfer from Stage 1 to Stage 3	(220,960)	—	220,960	—
Transfer from Stage 2 to Stage 1	25	(25)	—	—
Transfer from Stage 2 to Stage 3	—	(57,282)	57,282	—
Transfer from Stage 3 to Stage 1	—	—	—	—
Transfer from Stage 3 to Stage 2	—	—	—	—
Loan receivables derecognised during the period other than write-off	(14,372,029)	(20,950)	(3,847)	(14,396,826)
New loan receivables originated	16,382,420	—	—	16,382,420
Write-off	—	—	(250,614)	(250,614)
Gross carrying amount as at December 31, 2019	5,533,758	129,915	59,377	5,723,050

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

(ii) Loss allowance *(Continued)*

The following tables explain the changes in the loss allowance for loan receivables between the beginning and the end of the period due to these factors:

	Stage 1 12-month ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL RMB'000	Total RMB'000
Loss allowance as at December 31, 2018	(49,064)	(66,330)	(35,596)	(150,990)
Transfers:				
Transfer from Stage 1 to Stage 2	2,775	(101,774)	—	(98,999)
Transfer from Stage 1 to Stage 3	4,847	—	(220,960)	(216,113)
Transfer from Stage 2 to Stage 1	(1)	20	—	19
Transfer from Stage 2 to Stage 3	—	46,080	(57,282)	(11,202)
Transfer from Stage 3 to Stage 1	—	—	—	—
Transfer from Stage 3 to Stage 2	—	—	—	—
Loan receivables derecognised during the period other than write-off	315,259	16,854	3,847	335,960
New loan receivables originated	(359,358)	—	—	(359,358)
Write-off	—	—	250,614	250,614
Accrual and reversal	(87,088)	1,659	—	(85,429)
Loss allowance as of December 31, 2019	(172,630)	(103,491)	(59,377)	(335,498)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

(iii) Write-off policy

The Group writes off loan receivables, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include ceasing enforcement activity.

The Group may write-off loan receivables that are still subject to enforcement activity.

(iv) Modification

The Group rarely modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximizing recovery. The Group considers the impact from such modification is not significant.

(c) Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying business, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate cash and cash equivalents or adjust financing arrangements to meet the Group's liquidity requirements.

The table below analyzes the Group's non-derivative financial liabilities. The amount disclosed in the table is the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As of December 31, 2019					
Trade payables	6,766,253	—	—	—	6,766,253
Payables to merchants	7,495,262	—	—	—	7,495,262
Advances from transacting users	3,855,559	—	—	—	3,855,559
Deposits from transacting users	2,491,947	—	—	—	2,491,947
Other payables and accruals (excluding salaries and benefits payable, and other tax payable)	3,474,669	—	—	—	3,474,669
Borrowings	3,666,595	466,676	—	—	4,133,271
Lease liabilities	605,233	491,197	586,922	9,361	1,692,713
Other non-current liabilities	—	3,336	126,311	—	129,647
Financial guarantee contracts (Note 2.11)	14,977	—	—	—	14,977
	28,370,495	961,209	713,233	9,361	30,054,298

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk (Continued)

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As of December 31, 2018					
Trade payables	5,340,963	—	—	—	5,340,963
Payables to merchants	7,596,388	—	—	—	7,596,388
Advances from transacting users	3,226,407	—	—	—	3,226,407
Deposits from transacting users	3,341,276	—	—	—	3,341,276
Other payables and accruals (excluding salaries and benefits payable, and other tax payable)	4,019,881	—	—	—	4,019,881
Borrowings	1,800,000	470,056	—	—	2,270,056
Other non-current liabilities	—	3,336	32,760	—	36,096
Financial guarantee contracts (Note 2.11)	769,230	22,164	—	—	791,394
	26,094,145	495,556	32,760	—	26,622,461

3.2 Capital management

The Group's objectives when managing capital are to:

- Safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders; and
- Maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital (including share capital, share premium and preferred shares on an as-if-converted basis) by regularly reviewing the capital structure. As a part of this review, the Group considers the cost of capital and the risks associated with the issued share capital. In the opinion of the Directors of the Company, the Group's capital risk is low.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation

3.3.1 Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

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

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

The following table presents the Group's assets that are measured at fair value as of December 31, 2019.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As of December 31, 2019				
Financial assets				
Short-term investments at fair value through profit or loss (Note 20)	—	—	23,988,182	23,988,182
Financial assets at fair value through profit or loss (Note 19)	2,076,995*	—	5,089,127	7,166,122
	2,076,995*	—	29,077,309	31,154,304

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

3.3.1 Fair value hierarchy (Continued)

The following table presents the Group's assets that are measured at fair value as of December 31, 2018.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As of December 31, 2018				
Financial assets				
Short-term investments at fair value through profit or loss (Note 20)	—	—	15,067,960	15,067,960
Financial assets at fair value through profit or loss (Note 19)	1,337,725*	—	4,904,247	6,241,972
	1,337,725*	—	19,972,207	21,309,932

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

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

3.3.2 Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments; and
- The discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate; and
- The latest round financing, i.e. the prior transaction price or the third-party pricing information; and
- A combination of observable and unobservable inputs, including risk-free rate, expected volatility, discount rate for lack of marketability, market multiples, etc.

There was no change to valuation techniques during the year ended December 31, 2019.

All of the resulting fair value estimates are included in level 3, where the fair values have been determined based on present values and the discount rates used were adjusted for counterparty or own credit risk.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

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

The following table presents the changes in level 3 items including short-term investments at fair value through profit or loss, investments in unlisted companies and contingent consideration for the year ended December 31, 2019 and 2018.

	Short-term investments at fair value through profit or loss RMB'000	Financial assets at fair value through profit or loss Investments in unlisted companies RMB'000	Total RMB'000
As of January 1, 2019	15,067,960	4,904,247	19,972,207
Acquisitions	143,080,844	475,903	143,556,747
Disposals/settlements	(134,898,095)	(219)	(134,898,314)
Reclassification	—	319,373	319,373
Change in fair value	637,410	(661,571)	(24,161)
Currency translation differences	100,063	51,394	151,457
As of December 31, 2019	23,988,182	5,089,127	29,077,309
Net unrealized gains/(losses) for the year	147,157	(661,790)	(514,633)

	Short-term investments at fair value through profit or loss RMB'000	Financial assets at fair value through profit or loss Investments in unlisted companies RMB'000	Contingent consideration RMB'000	Total RMB'000
As of January 1, 2018	17,030,574	4,080,221	25,099	21,135,894
Acquisitions	61,352,377	1,616,220	—	62,968,597
Business combinations	380,000	12,880	—	392,880
Disposals/settlements	(63,714,108)	(3,154,736)	(29,307)	(66,898,151)
Reclassification	—	(50,000)	—	(50,000)
Change in fair value	306,954	2,338,030	4,208	2,649,192
Currency translation differences	(287,837)	61,632	—	(226,205)
As of December 31, 2018	15,067,960	4,904,247	—	19,972,207
Net unrealized gains for the year	107,609	1,190,333	—	1,297,942

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

3.3.4 Valuation process, inputs and relationships to fair value

The Group has a team that manages the valuation of level 3 instruments for financial reporting purposes. The team manages the valuation exercise of the investments on a case by case basis. At least once every year, the team would use valuation techniques to determine the fair value of the Group's level 3 instruments. External valuation experts will be involved when necessary.

The valuation of the level 3 instruments mainly included Preferred Shares in 2018 (Note 28), short-term investments at fair value through profit or loss (Note 20) and investments at fair value through profit or loss (Note 19). As these instruments are not traded in an active market, their fair values have been determined by using various applicable valuation techniques, including discounted cash flows and market approach. Major assumptions used in the valuation for Preferred Shares are presented in Note 28.

The following table summarizes the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements except Preferred Shares which present in Note 28.

Description	Fair value at December 31, 2019 RMB'000	2018 RMB'000	Unobservable inputs	Range of inputs at December 31, 2019	2018	Relationship of unobservable inputs to fair value
Investment in unlisted companies	**5,089,127**	4,904,247	Expected volatility	**40%-55%**	35%-50%	The higher the expected volatility, the lower the fair value
			Discount for lack of marketability ("DLOM")	**15%-25%**	10%-28%	The higher the DLOM, the lower the fair value
Short-term investments at fair value through profit or loss	**23,988,182**	15,067,960	Expected rate of return	**1.7%-7%**	2.1%-6.6%	The higher the expected rate of return, the higher the fair value

If the fair values of financial assets at fair value through profit or loss held by the Group had been 10% higher/lower, the profit/loss before income tax for the years ended December 31, 2019 and 2018 would have been approximately RMB717 million higher/lower and RMB624 million lower/higher, respectively.

There were no transfers between level 1, 2 and 3 of fair value hierarchy classifications during the years ended December 31, 2019 and 2018.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

4.1 Recognition of share-based compensation expenses

The Group set up the 2015 Share Incentive Plan, Post-IPO Share Option Plan and Post-IPO Share Award Plan and granted restricted share units and options to employees and other qualifying participants. The fair value of the options and restricted share units is determined by the Black-Sholes option-pricing model at the grant date, and is expected to be expensed over the respective vesting period. Significant estimates on assumptions, including underlying equity value, risk-free interest rate, expected volatility, dividend yield, and terms, are made by the Directors and third-party valuers.

The Group has also authorized the repurchase of ordinary shares from certain employees, founders, and shareholders of the Company. Judgment is required to determine whether the repurchase establishes "past practice" for which the Group has now created an obligation to settle in cash, and accordingly reclassifies all outstanding awards to cash-settled. The Group has determined that no valid expectation for the Company to settle such share-based awards in cash is created, such that all awards remain equity-settled awards.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

4.2 Estimation of the fair value of financial assets and financial liabilities

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Changes in these assumptions and estimates could materially affect the respective fair value of these financial assets (Note 3.3).

The convertible redeemable preferred shares issued by the Company are not traded in an active market and the respective fair value is determined by using valuation techniques. The Group applied the discounted cash flow method to determine the underlying equity value of the Company and adopted option-pricing method and equity allocation model to determine the fair value of the convertible redeemable preferred shares. Key assumptions such as the timing of the liquidation, redemption or IPO event as well as the probability of the various scenarios were based on the Group's best estimates.

Upon the Listing on September 20, 2018, all the outstanding Preferred Shares of the Company have been converted into ordinary shares.

4.3 Impairment provision for trade receivables and prepayments, deposits and other assets

The loss allowances for trade receivables and prepayments, deposits and other assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Noted 3.1(b).

4.4 Recoverability of non-financial assets

The Group tests whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.9. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The recoverable amount of a cash generating unit (CGU) is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a 5-year period.

Cash flows beyond the 5-year period are extrapolated using the estimated growth rates stated in Note 16. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

Details of impairment charge, key assumptions and impact of possible changes in key assumptions are disclosed in Note 16.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

4.5 Incentives

As disclosed in Note 2.26, the Group provides incentives to its transacting users in various forms including discounted coupons (with a minimum value to use), direct payment deduction, red packet, interest reduction/exemption coupons and discounts on goods or services. All incentives given to the accounting customers are recorded as a reduction of revenue to the extent of the revenue earned from that customer on a transaction by transaction basis. For certain other incentives, management judgment is required to determine whether the incentives are in substance a payment on behalf of customers and should therefore be recorded as a reduction of revenue or selling and marketing expenses. Some of the factors considered in management's evaluation if such incentives are in substance a payment on behalf of customers include whether the incentives are given at the Group's discretion and the objectives, business strategy and design of the incentive programs.

4.6 Business combinations

Business combinations are accounted for under acquisition method. The determination and allocation of fair values to the identifiable assets acquired and liabilities assumed is based on various assumptions and valuation methodologies requiring considerable management judgment. The most significant variables in these valuations are discount rates, terminal values, the number of years on which to base the cash flow projections, as well as the assumptions and estimates used to determine the cash inflows and outflows. The Group determines discount rates to be used based on the risk inherent in the related activity's current business model and industry comparisons. Terminal values are based on the expected life of assets and forecasted life cycle and forecasted cash flows over that period. Although the Group believes that the assumptions applied in the determination are reasonable based on information available at the date of acquisition, actual results may differ from the forecasted amounts and the difference could be material.

4.7 Useful lives and amortization of intangible assets

The Group's management determines the estimated useful lives and related amortization for the Group's intangible assets with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Management will revise the amortization charges where useful lives are different from that of previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in useful lives and therefore amortization expense in future periods.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

4.8 Principal versus agent considerations

Determining whether the Group is acting as a principal or as an agent in the provision of certain services to its customers requires judgment and consideration of all relevant facts and circumstances. In evaluation of the Group's role as a principal or agent, the Group considers, individually or in combination, whether the Group controls the specified good or service before it is transferred to the customer, is primarily responsible for fulfilling the contract, is subject to inventory risk, and has discretion in establishing prices.

4.9 Current and deferred income tax

The Group is subject to income taxes in several jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences or tax losses are recognised when management considers that it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. As of December 31, 2019, the Group did not recognise deferred income tax asset of RMB6.6 billion in respect of cumulative tax losses. The outcome of their actual utilization may be different from management's estimation.

4.10 Presentation and measurement of investments in associates

The Group made certain investments in the form of convertible redeemable preferred shares or ordinary shares with preferential rights of investee companies. As the Group has significant influence on these investee companies, judgement is required in determining whether these investments are in substance existing ownership interests, if not, they are accounted for as hybrid financial instruments, which should be measured at fair value through profit or loss. Different conclusions around these judgements may affect how these investments presented and measured in the consolidated statement of financial position of the Group.

5 SEGMENT REPORTING

5.1 Segment reporting

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

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

Food delivery

The food delivery segment offers food ordering and delivery service through the Group's platform. Revenues from the food delivery segment are primarily derived from (a) platform service to merchants to display the food information and connect transacting users; (b) food delivery service; (c) online marketing services in various advertising formats provided to merchants.

In-store, hotel & travel

The in-store, hotel & travel segment offers merchants to sell vouchers, coupons, tickets and reservations on the Group's platform. Revenues from the in-store, hotel & travel segment are primarily derived from (a) commissions from merchants for vouchers, coupons, tickets and reservations sold on the Group's platform; and (b) online marketing services to merchants, including performance-based and display-based marketing services, as well as marketing services provided under annual plans.

New initiatives and others

Revenues from the new initiatives and other segment are primarily derived from (a) B2B food distribution services; (b) micro loan business; (c) car-hailing services; (d) Meituan Instashopping.

The CODM assesses the performance of operating segments mainly based on segment revenues and segment cost of revenues. The revenues from external customers reported to CODM are measured as segment revenues, which is the revenues derived from customers in each segment.

The Group's cost of revenues for the food delivery segment primarily consists of (a) food delivery rider costs; (b) payment processing costs; (c) employee benefits expenses; (d) depreciation of property, plant and equipment; (e) bandwidth and server custody fees.

5 SEGMENT REPORTING *(Continued)*

5.1 Segment reporting *(Continued)*

The Group's cost of revenues for the in-store, hotel & travel segment primarily consists of (a) payment processing costs; (b) depreciation of property, plant and equipment; (c) online traffic costs; (d) bandwidth and server custody fees; (e) employee benefits expenses.

The Group's cost of revenues for the new initiatives and others segment primarily consists of (a) cost of goods sold; (b) car-hailing driver related costs; (c) other outsourcing labor costs; (d) depreciation of property, plant and equipment; (e) payment processing costs.

There were no separate segment assets and segment liabilities information provided to the CODM, as CODM does not use this information to allocate resources to or evaluate the performance of the operating segments.

The revenue is mainly generated in China.

The segment information provided to the Group's CODM for the reportable segments for the years ended December 31, 2019 and 2018 is as follows:

	Year ended December 31, 2019			
	Food delivery RMB'000	In-store, hotel & travel RMB'000	New initiatives and others RMB'000	Total RMB'000
Commission	49,646,589	11,679,344	4,200,064	65,525,997
Online marketing services	5,103,794	10,516,428	219,856	15,840,078
Other services and sales (including interest revenue)	92,822	79,700	15,989,934	16,162,456
Revenues in total	54,843,205	22,275,472	20,409,854	97,528,531
Cost of revenues	(44,610,017)	(2,529,117)	(18,069,009)	(65,208,143)
Gross profit	10,233,188	19,746,355	2,340,845	32,320,388
Gross margin	18.7%	88.6%	11.5%	33.1%

5 SEGMENT REPORTING *(Continued)*

5.1 Segment reporting *(Continued)*

	Year ended December 31, 2018			
	Food delivery RMB'000	In-store, hotel & travel RMB'000	New initiatives and others RMB'000	Total RMB'000
Commission	35,719,208	9,042,303	2,250,738	47,012,249
Online marketing services	2,334,999	6,734,901	321,506	9,391,406
Other services and sales (including interest revenue)	88,876	63,157	8,671,590	8,823,623
Revenues in total	38,143,083	15,840,361	11,243,834	65,227,278
Cost of revenues	(32,874,886)	(1,745,006)	(15,502,428)	(50,122,320)
Gross profit/(loss)	5,268,197	14,095,355	(4,258,594)	15,104,958
Gross margin	13.8%	89.0%	(37.9%)	23.2%

The reconciliation of gross profit before income tax is shown in the consolidated income statement.

There is no concentration risk as no revenue from a single external customer was more than 10% of the Group's total revenues for the years ended December 31, 2019 and 2018.

5.2 Segment assets

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

6 REVENUES BY TYPE

	Year ended December 31,	
	2019 RMB'000	2018 RMB'000
Commission	**65,525,997**	47,012,249
Online marketing services	**15,840,078**	9,391,406
Other services and sales (including interest revenue)	**16,162,456**	8,823,623
	97,528,531	65,227,278

Further disaggregation of revenues are included in Note 5.

7 EXPENSES BY NATURE

	Year ended December 31,	
	2019	2018
	RMB'000	RMB'000
Food delivery rider costs	41,041,513	30,516,055
Employee benefits expenses (Note 8)	17,754,642	15,226,535
Transacting User incentives	8,149,976	5,400,781
Cost of goods sold	7,492,322	3,133,770
Depreciation of property, plant and equipment	3,654,793	4,252,292
Car-hailing driver related costs	3,119,491	4,463,320
Other outsourcing labor costs	2,991,197	2,087,398
Payment processing costs	2,189,646	1,524,853
Promotion and advertising	2,126,910	3,272,934
Amortization of intangible assets	1,191,007	1,114,509
Bandwidth and server custody fees	726,443	484,494
Online traffic costs	509,581	215,215
Rental, facility and utilities	271,012	970,058
Tax surcharge expenses	247,989	215,178
Professional fees	218,732	340,714
Impairment provision and restructuring expense for Mobike restructuring plan	88,612	358,790
Auditor's remuneration		
– Audit and audit-related services	41,281	48,770
– Non-audit services	4,108	3,899
Impairment provision on Mobike tradename (Note i)	—	1,346,000
Others (Note ii)	4,992,573	3,636,593
Total cost of revenues, selling and marketing expenses, research and development expenses and general and administrative expenses	96,811,828	78,612,158

(i) Impairment loss on Mobike tradename has been recognised based on management's further business plan change.

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

8 EMPLOYEE BENEFITS EXPENSES

	Year ended December 31,	
	2019	2018
	RMB'000	RMB'000
Wages, salaries and bonuses	**12,416,342**	10,695,178
Other employee benefits	**1,950,296**	1,602,448
Pension costs – defined contribution plans (Note i)	**1,197,133**	1,063,796
Share-based compensation expenses (Note 32)	**2,190,871**	1,865,113
	17,754,642	15,226,535

(i) Pension costs – defined contribution plans

Employees of the Group companies in the PRC are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group contributes funds which are calculated on fixed percentage of the employees' salary (subject to a floor and cap) as set by local municipal governments to each scheme locally to fund the retirement benefits of the employees.

(a) Share-based compensation expenses have been charged to the consolidated income statement as follows:

	Year ended December 31,	
	2019	2018
	RMB'000	RMB'000
Cost of revenues	**60,498**	48,474
Selling and marketing expenses	**264,538**	184,628
Research and development expenses	**838,746**	664,068
General and administrative expenses	**1,027,089**	967,943
	2,190,871	1,865,113

8 EMPLOYEE BENEFITS EXPENSES *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include one Director whose emolument is reflected in the analysis shown in Note 8(c) for the year ended December 31, 2019 (2018: one). All of these individuals have not received any emolument from the Group as an inducement to join or leave the Group or compensation for loss of office during the year ended December 31, 2019 and 2018. The emoluments payable to the remaining individuals for the years ended December 31, 2019 and 2018 are as follows:

	Year ended December 31,	
	2019	2018
	RMB'000	RMB'000
Basic salaries	**8,274**	7,955
Bonus	**10,358**	10,186
Pension costs and other employee benefits	**623**	617
Share-based compensation expenses	**363,067**	283,524
	382,322	302,282

The emoluments fell within the following bands:

	Number of individuals Year ended December 31,	
	2019	2018
Emolument bands (in HK dollar)		
HK$60,000,001 – HK$70,000,000	—	1
HK$70,000,001 – HK$80,000,000	**2**	1
HK$100,000,001 – HK$110,000,000	—	1
HK$110,000,001 – HK$120,000,000	—	1
HK$130,000,001 – HK$140,000,000	**1**	—
HK$140,000,001 – HK$150,000,000	**1**	—
	4	4

8 EMPLOYEE BENEFITS EXPENSES *(Continued)*

(c) Directors' and chief executive's emoluments

The remuneration of every Director and the chief executive is set out below:

For the year ended December 31, 2019:

Name	Fees RMB'000	Basic salaries RMB'000	Bonuses RMB'000	Pension costs and other employee benefits RMB'000	Share-based compensation expenses RMB'000	Total RMB'000
Wang Xing	—	2,520	2,772	169	—	5,461
Mu Rongjun	—	2,041	1,796	155	37,371	41,363
Wang Huiwen	—	2,040	1,995	156	144,923	149,114
LAU, Chi Ping Martin	—	—	—	—	—	—
SHEN, Nanpeng Neil	—	—	—	—	—	—
Orr Gordon Robert Halyburton	500	—	—	—	1,264	1,764
Shum Heung Yeung Harry	500	—	—	—	1,264	1,764
Leng Xuesong	500	—	—	—	1,264	1,764
Total	1,500	6,601	6,563	480	186,086	201,230

For the year ended December 31, 2018:

Name	Fees RMB'000	Basic salaries RMB'000	Bonuses RMB'000	Pension costs and other employee benefits RMB'000	Share-based compensation expenses RMB'000	Total RMB'000
Wang Xing	—	2,440	2,085	168	—	4,693
Zhang Tao	—	1,800	—	117	—	1,917
Mu Rongjun	—	2,000	2,072	154	35,261	39,487
Wang Huiwen	—	2,000	1,695	154	139,510	143,359
Ye Shuhong	—	2,000	2,072	133	—	4,205
LAU, Chi Ping Martin	—	—	—	—	—	—
SHEN, Nanpeng Neil	—	—	—	—	—	—
Orr Gordon Robert Halyburton	141	—	—	—	601	742
Shum Heung Yeung Harry	141	—	—	—	601	742
Leng Xuesong	141	—	—	—	601	742
Total	423	10,240	7,924	726	176,574	195,887

8 EMPLOYEE BENEFITS EXPENSES *(Continued)*

(c) Directors' and chief executive's emoluments *(Continued)*

(i) Directors' termination benefits

No Director's termination benefit subsisted at the end of the year or at any time during the year ended December 31, 2019 and 2018.

(ii) Consideration provided to third parties for making available Directors' services

No consideration provided to or receivable by third parties for making available Director's services subsisted at the end of the year or at any time during the year ended December 31, 2019 and 2018.

(iii) Information about loans, quasi-loans and other dealings in favor of Directors, controlled bodies corporate by and connected entities with such Directors

Except as disclosed in Note 36, there were no other loans, quasi-loans and other dealings in favor of Directors, their controlled bodies corporate and connected entities subsisted at the end of the year or at any time during the year ended December 31, 2019 and 2018.

(iv) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended December 31, 2019 and 2018.

(v) Waiver of Director's emoluments

The non-executive Directors have not received any remuneration for the year ended December 31, 2019. None of the other directors waived or has agreed to waive any emoluments during the year ended December 31, 2019 and 2018.

(vi) Inducement to join the Group and compensation for loss of office

No Director received any emolument from the Group as an inducement to join or leave the Group or compensation for loss of office during the year ended December 31, 2019 and 2018.

9 OTHER GAINS, NET

	Year ended December 31,	
	2019	2018
	RMB'000	RMB'000
Interest income from investments measured at amortized cost	876,467	226,114
Fair value changes of short-term investments measured at fair value through profit or loss (Note 3.3)	637,410	306,954
Subsidies and tax preference (Note i)	589,912	198,762
Gains from remeasurement of investments (Note ii) (Note 12)	176,880	—
Gains from the disposal of investments	160,884	29,426
Dilution gain/(loss) (Note 12)	91,360	(6,294)
Foreign exchange loss, net	(81,872)	(1,485)
Gains from the disposal of subsidiaries (Note 11)	40,177	—
Change in fair value from contingent consideration (Note 3.3)	—	4,208
Others	39,925	(9,329)
	2,531,143	748,356

(i) Since April 1, 2019, taxpayers in producer services and consumer services industry are allowed to enjoy additional 10% of input VAT amount to deduct from tax payable. As a result, the Group recognised a gain of RMB299.9 million.

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

10 FINANCE INCOME/(COSTS)

	Year ended December 31,	
	2019	2018
	RMB'000	RMB'000
Finance income		
Interest income from bank deposits	166,217	294,047
Finance costs		
Interest expense on bank borrowings	(91,199)	(24,601)
Interest in respect of lease liabilities	(85,028)	—
Bank charges and others	(14,815)	(20,131)
Total	(191,042)	(44,732)

11 SUBSIDIARIES

The Company's major subsidiaries (including controlled and structured entities) during the year ended December 31, 2019 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group.

Name	Place of incorporation/ establishment and kind of legal entity	Date of incorporation/ establishment	Particulars of issued/paid-in capital	Effective interest held (b) As of December 31, 2019	2018	Principal activities and place of operation
Subsidiaries						
Directly held:						
Meituan Corporation	Cayman, limited liability company	July 29, 2010	USD50,000	100%	100%	Investment holding in Cayman
DianPing Holdings Limited ("DianPing")	Cayman, limited liability company	December 20, 2005	USD50,000	100%	100%	Investment holding in Cayman
Internet Plus (HongKong) Limited	Hong Kong, limited liability company	November 27, 2015	HKD1	100%	100%	Investment holding in Hong Kong
Kangaroo Technology Corporation	Cayman, limited liability company	April 1, 2016	USD50,000	100%	100%	Investment holding in Cayman
mobike Ltd ("Mobike")	Cayman, limited liability company	April 2, 2015	USD50,000	100%	100%	Investment holding in Cayman
Indirectly held:						
Beijing SanKuai On-line Technology Co., Ltd.	Beijing, the PRC, limited liability company	May 6, 2011	USD2,676,260,000	100%	100%	E-commerce service platform in the PRC
Beijing Kuxun Technology Co., Ltd.	Beijing, the PRC, limited liability company	April 27, 2006	USD54,665,694	100%	100%	Online hotel and travel services in the PRC
Hanhai Information Technology (Shanghai) Co., Ltd.	Shanghai, the PRC, limited liability company	March 16, 2006	USD195,000,000	100%	100%	Multimedia information technology services in the PRC
Tianjin Sankuai Technology Co., Ltd	Tianjin, the PRC, limited liability company	July 12, 2013	RMB2,940,000,000	100%	100%	E-commerce service platform in the PRC
Xiamen Sankuai On-line Technology Co., Ltd.	Xiamen, the PRC, limited liability company	March 25, 2014	USD549,049,120	100%	100%	E-commerce service platform in the PRC
Hucheng Information Technology (Shanghai) Co., Ltd.	Shanghai, the PRC, limited liability company	January 11, 2016	USD200,000,000	100%	100%	Multimedia information technology services in the PRC
Mobike (Beijing) Information Technology Co., Ltd.	Beijing, the PRC, limited liability company	January 12, 2016	USD199,000,000	100%	100%	Bike-sharing services in the PRC
Shanghai Sankuai Zhisong Technology Co., Ltd.	Shanghai, the PRC, limited liability company	November 27, 2018	USD320,000,000	100%	100%	Delivery services in the PRC
Tianjin Xiaoyi Technology Co., Ltd.	Tianjin, the PRC, limited liability company	February 13, 2018	USD500,000,000	100%	100%	Supply chain service in the PRC

11 SUBSIDIARIES (Continued)

Name	Place of incorporation/ establishment and kind of legal entity	Date of incorporation/ establishment	Particulars of issued/paid-in capital	Effective interest held (b) As of December 31, 2019	2018	Principal activities and place of operation
Structured entities(a):						
Beijing SanKuai Technology Co., Ltd.	Beijing, the PRC, limited liability company	April 10, 2007	RMB2,940,000,000	100%	100%	E-commerce service platform in the PRC
Shanghai SanKuai Technology Co., Ltd.	Shanghai, the PRC, limited liability company	September 19, 2012	RMB5,000,000	100%	100%	Online retail platform in the PRC
Beijing Sankuai Cloud Computing Technology Co., Ltd.	Beijing, the PRC, limited liability company	June 17, 2015	RMB870,000,000	100%	100%	RMS system and cloud computing in the PRC
Beijing Kuxun Interation Technology Co., Ltd.	Beijing, the PRC, limited liability company	March 29, 2006	RMB52,000,000	100%	100%	Multimedia information technology services in the PRC
Shanghai Hantao Information Consulting Co., Ltd.	Shanghai, the PRC, limited liability company	September 23, 2003	RMB10,000,000	100%	100%	Merchant information advisory services in the PRC
Beijing Qiandaibao Payment Technology Co., Ltd.	Beijing, the PRC, limited liability company	November 25, 2008	RMB404,000,000	100%	100%	Online payment services in the PRC

Note (a) As described in Note 2.2, the Company does not have directly or indirectly legal ownership in equity of these structured entities or their subsidiaries. Nevertheless, under certain Contractual Arrangements entered into with these structured entities and their registered owners, the Company and its other legally owned subsidiaries has rights to exercise power over these structured entities, receives variable returns from its involvement in these structured entities, and has the ability to affect those returns through its power over these structured entities. As a result, they are presented as consolidated structured entities of the Company.

Note (b) The Effective interest held has no change after December 31, 2019 until the report date.

11 SUBSIDIARIES *(Continued)*

Disposal of subsidiaries

	Year ended December 31, 2019 RMB'000	Year ended December 31, 2018 RMB'000
Total consideration received or receivable		
– Cash consideration received	35,808	3,055
– Equity interests received	19,819	—
Total disposal consideration	55,627	3,055
Total net assets disposed	15,450	3,055
– Cash and cash equivalents	12,997	2,824
– Restricted cash	2,231	—
– Trade receivables	386	—
– Prepayments, deposits and other assets – current	200,235	239
– Inventories	2,167	—
– Property, plant and equipment	16,148	—
– Intangible assets	60	–
– Trade payables	(166,443)	(8)
– Other payables and accruals	(27,936)	—
– Advance from paying users	(15,532)	—
– Deposit from transacting users	(9,249)	—
– Non-controlling interests disposed	386	—
Gain on disposal before income tax (Note 9)	40,177	—
Income tax expense on gain	(117)	—
Gain on disposal after income tax	40,060	—

In 2019, the Group entered into a number of agreements to sell the Mobike subsidiaries overseas. The transactions were all completed in 2019 and the assets and liabilities classified as held for sale were nil at the year ended December 31, 2019.

In October 2019, the Group sold approximately 64% shares of one subsidiary and held remaining 5% of equity interest of this company in form of ordinary shares. Consequently, the Group derecognised the assets and liabilities of the company and respective non-controlling interests at their carrying amount at the date of transfer, and recognised the remaining equity interests in this company at fair value on the date of transfer.

12 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	As of December 31,	
	2019	2018
	RMB'000	RMB'000
Associates	2,269,638	2,089,677
Joint ventures	13,952	13,726
	2,283,590	2,103,403

(a) Investments in associates using the equity method

	As of December 31,	
	2019	2018
	RMB'000	RMB'000
At the beginning of the year	2,089,677	1,939,107
Additions	141,025	163,675
Reclassification (Note i)	(142,493)	50,000
Dilution gain/(loss)	91,360	(6,294)
Dividends from an associate	(4,953)	(14,675)
Disposals	(33,116)	(563)
Share of gains/(losses) of investments accounted for using equity method	107,353	(48,267)
Share of other comprehensive income	3,905	—
Currency translation differences	16,880	6,694
At the end of the year	2,269,638	2,089,677

(i) In 2019, the Group reclassified an investment from investment accounted for using equity method to investment at fair value through profit or loss due to certain contractual rights attached to the investment have been changed. The Group remeasured the investment at fair value of RMB319.4 million based on the valuation result.

12 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(Continued)*

(b) **The Group has interests in a number of individually immaterial associates that are accounted for using the equity method.**

	As of December 31,	
	2019	2018
	RMB'000	RMB'000
Aggregate carrying amount of individually immaterial associates	**2,269,638**	2,089,677
Aggregate amounts of the Group's share of:		
– Profit/(loss) from operations	**107,353**	(48,267)
– Other comprehensive income	**3,905**	—
Total comprehensive income/(loss)	**111,258**	(48,267)

RMB1.1 billion of investments accounted for using equity method is denominated in USD, other balances are denominated in RMB(2018:1.0 billion).

13 TAXATION

(a) Value Added Tax

The Group is mainly subject to 6% VAT, and surcharges on VAT payments according to PRC tax law.

(b) Income tax

Cayman Islands

Under the current laws of the Cayman Islands, the Company and its subsidiaries incorporated in the Cayman Islands are not subject to tax on income or capital gain. Additionally, the Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

British Virgin Islands

Under the current laws of the British Virgin Islands, entities incorporated in British Virgin Islands are not subject to tax on their income or capital gains.

13 TAXATION *(Continued)*

(b) Income tax *(Continued)*

Hong Kong

Hong Kong profits tax rate is 16.5%. No Hong Kong profits tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax for the years ended December 31, 2019 and 2018.

PRC corporate income tax ("CIT")

CIT provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC and was calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The general PRC CIT rate is 25% during the years ended December 31, 2019 and 2018.

Certain subsidiaries of the Group in the PRC are subject to "high and new technology enterprises" and, accordingly, a preferential income tax rate of 15% for the years ended December 31, 2019 and 2018. In addition, certain PRC subsidiaries of the Group are subject to "small and thin-profit enterprises" under the EIT Law, and accordingly, a preferential income tax rate of 20% for the years ended December 31, 2019 and 2018. As a result, such PRC subsidiaries were eligible for a preferential enterprise income tax rate for their respective tax holiday.

Withholding tax on undistributed dividends

Pursuant to the CIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from China effective from January 1, 2008. The withholding tax rate may be lowered to a minimum of 5% if there is a tax arrangement between China and the jurisdiction of the foreign investors. However, the 5% withholding tax rate does not automatically apply and certain requirements must be satisfied. For the years ended December 31, 2019 and 2018, the Group has incurred net accumulated operating losses and does not have any profit distribution plan.

	Year ended December 31,	
	2019	2018
	RMB'000	RMB'000
Current income tax	**(482,154)**	(251,390)
Deferred income tax (Note18)	**(44,069)**	249,502
Total income tax expenses – net	**(526,223)**	(1,888)

13 TAXATION *(Continued)*

(b) Income tax *(Continued)*

The tax on the Group's profit or loss before income tax differs from the theoretical amount that would arise using the tax rate of 25% for the years ended December 31, 2019 and 2018, being the tax rate of the major subsidiaries of the Group.

The difference is analyzed as follows:

	Year ended December 31,	
	2019	2018
	RMB'000	RMB'000
Profit/(loss) before tax	**2,762,388**	(115,490,807)
Tax calculated at statutory income tax rate of 25% in mainland China	**(690,597)**	28,872,702
Tax effects of:		
– Different tax rates available to different jurisdictions	**(460,243)**	(26,036,837)
– Preferential income tax rates applicable to subsidiaries	**502,450**	17,289
– Expenses not deductible for income tax purposes	**(37,581)**	(18,409)
– Super deduction for research and development expenses	**498,142**	97,397
– Utilization of previously unrecognised tax losses	**432,959**	213,025
– Tax losses for which no deferred income tax assets were recognised	**(1,768,349)**	(2,728,131)
– Temporary differences utilized/(for which no deferred income tax assets was recognised), net	**996,996**	(248,345)
– Withholding tax	**—**	(170,579)
Total income tax expenses	**(526,223)**	(1,888)

14 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share for the years ended December 31, 2019 and 2018 were calculated by dividing the earnings/(loss) attributable to the Company's equity holders by the weighted average number of ordinary shares in issue during the year.

	Year ended December 31,	
	2019	2018
Earnings/(loss) attributable to equity holders of the Company (RMB'000)	**2,238,769**	(115,477,171)
Weighted average number of ordinary shares in issue (thousand)	**5,767,906**	2,723,795
Basic earnings/(loss) per share (RMB)	**0.39**	(42.40)

(b) Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has three categories of dilutive potential ordinary shares: preferred shares for 2018, share options and RSUs. As the Group incurred losses for the years ended December 31, 2018, the dilutive potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilution. Accordingly, diluted loss per share for the years ended December 31,2018 was the same as basic loss per share.

	Year ended December 31,	
	2019	2018
Earnings/(loss) attributable to equity holders of the Company (RMB'000)	**2,238,769**	(115,477,171)
Weighted average number of ordinary shares in issue (thousand)	**5,767,906**	2,723,795
Adjustments for RSUs and share options granted to employees (thousand)	**155,004**	—
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings/(loss) per share (thousand)	**5,922,910**	2,723,795
Diluted earnings/(loss) per share (RMB)	**0.38**	(42.40)

15 PROPERTY, PLANT AND EQUIPMENT

	Computer equipment RMB'000	Furniture and appliances RMB'000	Bike and vehicle RMB'000	Leasehold improvements RMB'000	Assets under construction RMB'000	Right-of-use assets RMB'000	Total RMB'000
Cost							
At December 31, 2018	3,198,019	100,342	5,152,325	182,058	194,512	—	8,827,256
Adjustment on adoption of IFRS16	—	—	—	—	—	2,021,192	2,021,192
At January 1, 2019	3,198,019	100,342	5,152,325	182,058	194,512	2,021,192	10,848,448
Additions	1,377,383	104,468	920,527	6,604	516,624	594,696	3,520,302
Disposal	(69,419)	(118,105)	(650,009)	(20,061)	(6,023)	(449,094)	(1,312,711)
Transfers	—	—	354,885	154,041	(563,745)	—	(54,819)
Currency translation differences	—	1	4,095	—	—	—	4,096
At December 31, 2019	4,505,983	86,706	5,781,823	322,642	141,368	2,166,794	13,005,316
Accumulated depreciation							
At January 1, 2019	(1,231,642)	(47,329)	(3,420,977)	(77,979)	—	—	(4,777,927)
Depreciation	(1,105,763)	(42,485)	(1,554,568)	(131,069)	—	(820,908)	(3,654,793)
Disposal	49,063	74,010	481,399	2,797	—	215,128	822,397
Currency translation differences	—	(1)	(3,333)	—	—	—	(3,334)
At December 31, 2019	(2,288,342)	(15,805)	(4,497,479)	(206,251)	—	(605,780)	(7,613,657)
Impairment							
At January 1, 2019	—	—	(70,514)	—	—	—	(70,514)
Additions	(30)	—	(8,181)	—	(13,968)	—	(22,179)
Disposal	30	—	71,198	—	(6,023)	—	77,251
At December 31, 2019	—	—	(7,497)	—	(7,945)	—	(15,442)
Net carrying amount							
At January 1, 2019 on adoption of IFRS16	1,966,377	53,013	1,660,834	104,079	194,512	2,021,192	6,000,007
At December 31, 2019	2,217,641	70,901	1,276,847	116,391	133,423	1,561,014	5,376,217

Right-of-use assets of the Group are offices, warehouses and retail stores.

15 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Computer equipment RMB'000	Furniture and appliances RMB'000	Bike and vehicle RMB'000	Leasehold improvements RMB'000	Assets under construction RMB'000	Total RMB'000
Cost						
At January 1, 2018	1,429,448	20,579	—	131,720	13,178	1,594,925
Additions	1,811,575	72,233	223,068	70,116	174,698	2,351,690
Business combinations	8,936	40,523	5,111,531	9,750	178,458	5,349,198
Disposal	(52,049)	(33,273)	(12,860)	(48,578)	(48,982)	(195,742)
Transfers	—	215	103,575	19,050	(122,840)	—
Currency translation differences	109	65	1,153	—	—	1,327
Assets classified as held for sale	—	—	(274,142)	—	—	(274,142)
At December 31, 2018	3,198,019	100,342	5,152,325	182,058	194,512	8,827,256
Accumulated depreciation						
At January 1, 2018	(602,067)	(17,230)	—	(59,946)	—	(679,243)
Depreciation	(649,209)	(39,518)	(3,543,866)	(19,699)	—	(4,252,292)
Disposal	19,601	9,414	6,670	1,666	—	37,351
Currency translation differences	33	5	(379)	—	—	(341)
Assets classified as held for sale	—	—	116,598	—	—	116,598
At December 31, 2018	(1,231,642)	(47,329)	(3,420,977)	(77,979)	—	(4,777,927)
Impairment						
At January 1, 2018	—	—	—	—	—	—
Additions	—	—	(212,464)	—	—	(212,464)
Assets classified as held for sale	—	—	141,950	—	—	141,950
At December 31, 2018	—	—	(70,514)	—	—	(70,514)
Net carrying amount						
At January 1, 2018	827,381	3,349	—	71,774	13,178	915,682
At December 31, 2018	1,966,377	53,013	1,660,834	104,079	194,512	3,978,815

15 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Depreciation expenses have been charged to the consolidated income statement as follows:

	Year ended December 31,	
	2019	2018
	RMB'000	RMB'000
Cost of revenues	**2,717,465**	4,158,424
Selling and marketing expenses	**516,988**	19,475
Research and development expenses	**233,764**	39,361
General and administrative expenses	**186,576**	35,032
	3,654,793	4,252,292

16 INTANGIBLE ASSETS

	Trade name RMB'000	User generated content RMB'000	Software and others RMB'000	Online payment license RMB'000	Technology and licenses RMB'000	User list RMB'000	Supplier relationship RMB'000	Goodwill RMB'000	Total RMB'000
Cost									
At January 1, 2019	5,006,300	490,000	1,865,688	390,000	849,830	907,000	28,700	27,861,023	37,398,541
Additions	–	–	22,746	–	–	–	–	–	22,746
Disposal	–	–	(10,801)	–	–	–	–	(12,001)	(22,802)
At December 31, 2019	5,006,300	490,000	1,877,633	390,000	849,830	907,000	28,700	27,849,022	37,398,485
Accumulated amortization									
At January 1, 2019	(565,565)	(318,500)	(652,138)	(62,833)	(240,174)	(169,616)	(7,453)	–	(2,016,279)
Amortization	(203,419)	(98,000)	(528,817)	(26,000)	(149,351)	(181,400)	(4,020)	–	(1,191,007)
Disposal	–	–	2,633	–	–	–	–	–	2,633
At December 31, 2019	(768,984)	(416,500)	(1,178,322)	(88,833)	(389,525)	(351,016)	(11,473)	–	(3,204,653)
Impairment									
At January 1, 2019	(1,347,510)	–	–	–	(3,238)	–	(88)	(155,422)	(1,506,258)
Disposal	–	–	–	–	–	–	–	12,001	12,001
At December 31, 2019	(1,347,510)	–	–	–	(3,238)	–	(88)	(143,421)	(1,494,257)
Net carrying amount									
At 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
At December 31, 2019	2,889,806	73,500	699,311	301,167	457,067	555,984	17,139	27,705,601	32,699,575

16 INTANGIBLE ASSETS *(Continued)*

	Trade name RMB'000	User generated content RMB'000	Software and others RMB'000	Online payment license RMB'000	Technology and licenses RMB'000	User list RMB'000	Supplier relationship RMB'000	Goodwill RMB'000	Total RMB'000
Cost									
At January 1, 2018	3,406,300	490,000	1,321,837	390,000	186,360	67,000	28,700	15,025,019	20,915,216
Additions	–	–	69,712	–	–	–	–	–	69,712
Business combinations	1,600,000	–	478,265	–	663,470	840,000	–	12,836,004	16,417,739
Disposal	–	–	(4,106)	–	–	–	–	–	(4,106)
Assets classified as held for sale	–	–	(20)	–	–	–	–	–	(20)
At December 31, 2018	5,006,300	490,000	1,865,688	390,000	849,830	907,000	28,700	27,861,023	37,398,541
Accumulated amortization									
At January 1, 2018	(309,145)	(220,500)	(201,111)	(36,833)	(100,812)	(30,150)	(3,433)	–	(901,984)
Amortization	(256,420)	(98,000)	(451,241)	(26,000)	(139,362)	(139,466)	(4,020)	–	(1,114,509)
Disposal	–	–	209	–	–	–	–	–	209
Assets classified as held for sale	–	–	5	–	–	–	–	–	5
At December 31, 2018	(565,565)	(318,500)	(652,138)	(62,833)	(240,174)	(169,616)	(7,453)	–	(2,016,279)
Impairment									
At January 1, 2018	(1,510)	–	–	–	(3,238)	–	(88)	(155,422)	(160,258)
Additions	(1,346,000)	–	–	–	–	–	–	–	(1,346,000)
At December 31, 2018	(1,347,510)	–	–	–	(3,238)	–	(88)	(155,422)	(1,506,258)
Net carrying amount									
At January 1, 2018	3,095,645	269,500	1,120,726	353,167	82,310	36,850	25,179	14,869,597	19,852,974
At December 31, 2018	3,093,225	171,500	1,213,550	327,167	606,418	737,384	21,159	27,705,601	33,876,004

16 INTANGIBLE ASSETS *(Continued)*

Amortization expenses have been charged to the consolidated income statement as follows:

	Year ended December 31,	
	2019	2018
	RMB'000	RMB'000
Selling and marketing expenses	**768,079**	656,729
General and administrative expenses	**242,504**	288,860
Cost of revenues	**176,636**	167,093
Research and development expenses	**3,788**	1,827
	1,191,007	1,114,509

The addition of the goodwill arose from the business combination in each year. Majority of the Group's goodwill are related to the strategic transaction of Mobike in 2018. The Group entered into a 5-year strategic cooperation agreement with one platform in 2017 with a total consideration of USD200 million (equivalent to RMB1,307 million, of which RMB1,281 million was capitalized). The Group amortized the amount within the contract period.

Impairment of goodwill

The Group carries out its annual impairment test on goodwill by comparing the recoverable amounts of cash generating unit ("**CGU**") to the carrying amounts. The recoverable amount of a CGU was determined based on value-in-use calculations. These calculations used pre-tax cash flow projections based on financial budgets approved by management covering a 5-year period with a terminal value related to the future cash flows extrapolated using the estimated growth rates stated below beyond the 5-year period. The Group believes that it is appropriate to cover a 5-year period in its cash flow projection, because it captures the development stage of the Group's businesses during which the Group expects to experience a high growth rate. The accuracy and reliability of the information is reasonably assured by the appropriate budgeting, forecast and control process established by the Group. The management leveraged their extensive experiences in the industries and provided forecast based on past performance and their expectation of future business plans and market developments.

16 INTANGIBLE ASSETS *(Continued)*

Impairment of goodwill *(Continued)*

Management reviews the business performance based on type of business and monitors the goodwill at the operating segment level. The following is a summary of goodwill allocation for each operating segment:

Year ended December 31, 2019	Opening RMB'000	Addition RMB'000	Reallocation RMB'000	Impairment RMB'000	Disposal RMB'000	Closing RMB'000
Food delivery	4,845,229	—	—	—	—	4,845,229
In-store, hotel & travel	18,950,647	—	—	—	—	18,950,647
Bike-sharing services	3,707,427	—	—	—	—	3,707,427
New initiatives and others (excluding bike-sharing services)	202,298	—	—	—	—	202,298
	27,705,601	—	—	—	—	27,705,601

Year ended December 31, 2018	Opening RMB'000	Addition RMB'000	Reallocation (Note i) RMB'000	Impairment RMB'000	Disposal RMB'000	Closing RMB'000
Food delivery	3,116,702	1,728,527	—	—	—	4,845,229
In-store, hotel & travel	11,438,285	7,392,786	119,576	—	—	18,950,647
Bike-sharing services	—	3,707,427	—	—	—	3,707,427
New initiatives and others (excluding bike-sharing services)	314,610	7,264	(119,576)	—	—	202,298
	14,869,597	12,836,004	—	—	—	27,705,601

(i) In 2018, the Group decided to reallocate certain goodwill of Restaurant Management System ("RMS") from new initiatives and others segment to in-store hotel and travel due to business structure adjustment.

The goodwill balance mainly arose from the strategic transaction of Meituan and Dianping and business combination of Mobike. Goodwill is attributable to the acquired transacting volume and economies of scale expected to be derived from combining with the operations of the Group.

Impairment review on the goodwill of the Group has been conducted by the management as at December 31, 2019 and 2018, according to IAS 36 "Impairment of assets". For the purposes of impairment review, the recoverable amount of goodwill is determined based on value-in-use calculations. The value-in-use calculations use cash flow projections based on business plan for the purpose of impairment reviews covering a 5-year period.

16 INTANGIBLE ASSETS *(Continued)*

Impairment of goodwill *(Continued)*

The key assumptions used in the significant CGU value-in-use calculations are as follows:

As of December 31, 2019

	Food delivery	In-store, hotel & travel	Bike-sharing services
Annual revenue growth rate for the 5-year period (%)	**5%-31%**	**13%-32%**	**11%-166%**
Gross profit rate	**20%-27%**	**88%-90%**	**29%-49%**
Terminal revenue growth rate (%)	**3.0%**	**3.0%**	**3.0%**
Pre-tax discount rate (%)	**28%**	**27%**	**31%**

As of December 31, 2018

	Food delivery	In-store, hotel & travel	Bike-sharing services
Annual revenue growth rate for the 5-year period (%)	5%-36%	5%-35%	10%-77%
Gross profit rate	16%-30%	87%-90%	(8%)-64%
Terminal revenue growth rate (%)	2.5%	2.5%	2.5%
Pre-tax discount rate (%)	30%	32%	30%

The budgeted gross margins used in the goodwill impairment testing, were determined by the management based on past performance and its expectation for market development. The expected revenue growth rate and gross profit rates are following the business plan approved by the Company. Discount rates reflect market assessments of the time value and the specific risks relating to the industry.

New initiatives and others includes different small CGUs. Those CGUs cover the business of RMS, B2B food distribution services and micro loan business. The discount rate used in the impairment testing for the CGUs in new initiatives and others segments is from 27% to 31%, while the terminal revenue growth rate is 3.0% and 2.5% respectively for the years ended December 31, 2019 and 2018.

Reasonable possible changes in key assumptions would not lead to impairment as of December 31, 2019 and 2018, respectively.

17 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

	Note	As of December 31, 2019 RMB'000	2018 RMB'000
Assets as per consolidated statements of financial position			
Financial assets at fair value through profit or loss:			
– Financial assets at fair value through profit or loss	19	**7,166,122**	6,241,972
– Short-term investments at fair value through profit or loss	20	**23,988,182**	15,067,960
		31,154,304	21,309,932
Financial assets at amortized cost:			
– Trade receivables	23	**676,762**	466,340
– Prepayments, deposits and other assets (excluding tax prepayments)	21	**8,847,078**	6,895,162
– Short-term investments measured at amortized cost	20	**25,447,417**	26,762,004
– Restricted cash	24	**8,760,115**	4,256,120
– Cash and cash equivalents	24	**13,396,185**	17,043,692
– Assets classified as held for sale		—	88,087
		57,127,557	55,511,405
Liabilities as per consolidated statement of financial position			
Financial liabilities at amortized cost:			
– Trade payables	29	**6,766,253**	5,340,963
– Payables to merchants		**7,495,262**	7,596,388
– Advances from transacting users		**3,855,559**	3,226,407
– Deposits from transacting users		**2,491,947**	3,341,276
– Other payables and accruals (excluding salaries and benefits payable and other tax payable)	30	**3,474,669**	4,019,499
– Other non-current liabilities		**129,552**	35,759
– Borrowings	31	**4,019,263**	2,270,056
– Lease liabilities		**1,526,799**	—
– Liabilities directly associated with assets classified as held for sale		—	55,510
		29,759,304	25,885,858

18 DEFERRED INCOME TAXES

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

(a) Deferred tax assets

	As of December 31,	
	2019	2018
	RMB'000	RMB'000
The balance comprises temporary differences attributable to:		
– Tax losses	**848,365**	1,373,351
– Others	**35,820**	142,294
Total gross deferred tax assets	**884,185**	1,515,645
Set-off of deferred tax assets pursuant to set-off provisions	**(294,131)**	(1,070,604)
Net deferred tax assets	**590,054**	445,041

	As of December 31,	
	2019	2018
	RMB'000	RMB'000
Deferred tax assets:		
– to be recovered after 12 months	**154,255**	208,424
– to be recovered within 12 months	**435,799**	236,617
	590,054	445,041

18 DEFERRED INCOME TAXES *(Continued)*

(b) Deferred tax liabilities

	As of December 31, 2019 RMB'000	As of December 31, 2018 RMB'000
The balance comprises temporary differences attributable to:		
– Intangible assets arising from business combinations	**(750,046)**	(886,398)
– Investments using the equity method or at fair value	**(438,363)**	(416,830)
– Deferred revenues	**(469,175)**	(862,290)
– Others	**(25,016)**	(100,955)
Total gross deferred tax liabilities	**(1,682,600)**	(2,266,473)
Set-off of deferred tax liabilities pursuant to set-off provisions	**294,131**	1,070,604
Net deferred tax liabilities	**(1,388,469)**	(1,195,869)

	As of December 31, 2019 RMB'000	As of December 31, 2018 RMB'000
Deferred tax liabilities:		
– to be recovered after 12 months	**(859,574)**	(839,227)
– to be recovered within 12 months	**(528,895)**	(356,642)
	(1,388,469)	(1,195,869)

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

	Tax losses RMB'000	Others RMB'000	Total RMB'000
At January 1, 2019	**1,373,351**	**142,294**	**1,515,645**
Charged to consolidated income statement	**(524,986)**	**(106,474)**	**(631,460)**
At December 31,2019	**848,365**	**35,820**	**884,185**
At January 1, 2018	768,674	10,723	779,397
Business combinations	599,743	—	599,743
Credited to consolidated income statement	4,934	131,571	136,505
At December 31, 2018	1,373,351	142,294	1,515,645

18 DEFERRED INCOME TAXES *(Continued)*

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

	Intangible assets RMB'000	Investments using the equity method or at fair value RMB'000	Deferred revenues RMB'000	Others RMB'000	Total RMB'000
At January 1, 2019	**(886,398)**	**(416,830)**	**(862,290)**	**(100,955)**	**(2,266,473)**
Credited/(charged) to consolidated income statement	**136,352**	**(18,015)**	**393,115**	**75,939**	**587,391**
Charged to other comprehensive loss	**—**	**(3,518)**	**—**	**—**	**(3,518)**
At December 31,2019	**(750,046)**	**(438,363)**	**(469,175)**	**(25,016)**	**(1,682,600)**
At January 1, 2018	(582,895)	(418,791)	(584,567)	—	(1,586,253)
Business combinations	(775,789)	—	(10,467)	—	(786,256)
Credited/(charged) to consolidated income statement	472,286	8,922	(267,256)	(100,955)	112,997
Charged to other comprehensive loss	—	(6,961)	—	—	(6,961)
At December 31, 2018	(886,398)	(416,830)	(862,290)	(100,955)	(2,266,473)

The Group only recognises deferred income tax assets for cumulative tax losses if it is probable that future taxable amounts will be available to utilize those tax losses. Management will continue to assess the recognition of deferred income tax assets in future reporting periods. As at December 31, 2019 and 2018, the Group did not recognise deferred income tax assets of RMB6.6 billion and RMB5.1 billion in respect of cumulative tax losses amounting to RMB28.7 billion and RMB22.8 billion. These tax losses will expire from 2020 to 2024, and certain subsidiaries of the Group may extend to 2029 if they can maintain the "high and new technology enterprises" qualification at that time.

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As of December 31,	
	2019	2018
	RMB'000	RMB'000
Non-current		
Investments at fair value through profit or loss (Note a)	**7,166,122**	6,241,972

(a) Investments at fair value through profit or loss

	Year ended of December 31,	
	2019	2018
	RMB'000	RMB'000
At the beginning of the year	**6,241,972**	5,919,594
Additions	**475,903**	1,616,220
Business combinations	**—**	12,880
Change in fair value	**77,699**	1,836,382
Disposals (Note i)	**(219)**	(3,154,736)
Reclassification (Note 12)	**319,373**	(50,000)
Currency translation differences	**51,394**	61,632
At the end of the year	**7,166,122**	6,241,972

(i) During the year ended December 31, 2018, the Group disposed several investments at fair value through profit or loss with the aggregate amount of RMB3.2 billion.

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

(a) Investments at fair value through profit or loss *(Continued)*

	As of December 31,	
	2019	2018
	RMB'000	RMB'000
Investments in associates at fair value through profit or loss (Note i)	**1,376,375**	2,015,957
Other investments at fair value through profit or loss (Note ii)	**5,789,747**	4,226,015
	7,166,122	6,241,972

(i) Investments in associates at fair value through profit or loss

	Year ended December 31,	
	2019	2018
	RMB'000	RMB'000
At the beginning of the year	**2,015,957**	1,608,298
Additions	**26,000**	634,551
Business combinations	—	7,580
Change in fair value	**(669,320)**	(14,746)
Disposals	—	(177,982)
Reclassification	—	(50,000)
Currency translation differences	**3,738**	8,256
At the end of the year	**1,376,375**	2,015,957

For the years ended December 31, 2019 and 2018, the Group made investment in some convertible redeemable preferred shares or ordinary shares with preferential rights issued by private investee companies. The Group maintained significant influence in these companies.

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

(a) Investments at fair value through profit or loss *(Continued)*

(ii) Other investments at fair value through profit or loss

	Year ended December 31,	
	2019	2018
	RMB'000	RMB'000
At the beginning of the year	**4,226,015**	4,311,296
Additions	**449,903**	981,669
Business combinations	—	5,300
Change in fair value	**747,019**	1,851,128
Disposals	**(219)**	(2,976,754)
Reclassification	**319,373**	—
Currency translation differences	**47,656**	53,376
At the end of the year	**5,789,747**	4,226,015

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

RMB3.4 billion of investments at fair value through profit or loss is denominated in USD, other balances are denominated in RMB (2018: RMB3.0 billion).

20 SHORT-TERM INVESTMENTS

	As of December 31,	
	2019	2018
	RMB'000	RMB'000
Short-term investments measured at		
– Amortized cost	**25,447,417**	26,762,004
– Fair value through profit or loss	**23,988,182**	15,067,960
	49,435,599	41,829,964

(a) Short-term investments measured at amortized cost

Short-term investments measured at amortized cost are fixed rate certificate of deposit and term deposit above 3 months and within 1 year.

Note 3.1 (b) sets out information about the impairment of financial assets and the Group's exposure to credit risk.

There is also no exposure to price risk as the investments will be held to maturity.

(b) Short-term investments measured at fair value through profit or loss

The short-term investments measured at fair value through profit or loss are wealth management products. The principal and returns on all of these wealth management products are not guaranteed, hence their contractual cash flows do not qualify for solely payments of principal and interest. Therefore, they are measured at fair value through profit or loss. The fair values are within level 3 of the fair value hierarchy (Note 3.3). Changes in fair value (realized and unrealized) of these financial assets had been recognised in "Other gains, net" in the consolidated income statement.

(c) Short-term investments are denominated in the following currencies:

	As of December 31,	
	2019	2018
	RMB'000	RMB'000
USD	**32,630,495**	34,050,792
RMB	**16,805,104**	7,340,865
HKD	—	438,307
	49,435,599	41,829,964

The majority of short-term investments denominated in USD currency units are held by the companies with the same functional currency, therefore, there is no exposure to foreign currency risk.

21 PREPAYMENTS, DEPOSITS AND OTHER ASSETS

	As of December 31,	
	2019	2018
	RMB'000	RMB'000
Non-current		
Recoverable value-added tax	**972,099**	—
Prepayment for investments	**282,044**	249,957
Long-term investments measured at amortized cost	**200,275**	—
Prepayment for fixed assets	**159,703**	97,920
Rental deposits	**135,813**	147,678
Receivables from investment disposal	**—**	282,919
Loan receivables (Note i)	**—**	74,625
Others	**12,378**	13,785
	1,762,312	866,884
Current		
Loan receivables (Note i)	**5,387,552**	3,762,455
Tax prepayments	**1,534,292**	3,036,667
Prepayments to merchants (Note ii)	**408,248**	220,454
Contract assets	**373,609**	105,630
Amounts due from related parties (Note 36)	**324,741**	195,202
Receivables from third-party payment service providers	**303,868**	131,568
Receivables from investment disposal	**287,577**	130,362
Deposits	**147,940**	155,826
Prepayments for channel marketing fee	**102,593**	346,834
Prepayments for rental	**—**	153,427
Others	**720,737**	826,520
	9,591,157	9,064,945

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

(i) Loan receivables are derived from micro loan business. Loan receivables are recorded initially at fair value and subsequently measured at amortized cost using the effective interest method, less allowance for impairment. The loan periods extended by the Group to the merchants or individuals are generally within 12 months. Breakdown for loan receivables included both current and non-current portion as follows:

	As of December 31,	
	2019	2018
	RMB'000	RMB'000
Unsecured loan receivables	5,723,050	3,988,070
Less: allowance for impairment	(335,498)	(150,990)
	5,387,552	3,837,080

Movements on the Group's allowance for impairment of loan receivables are as follows:

	Year ended December 31,	
	2019	2018
	RMB'000	RMB'000
At the beginning of the year	(150,990)	(57,074)
Provision	(435,122)	(208,326)
Receivables written off during the year as uncollectable	250,614	114,410
At the end of the year	(335,498)	(150,990)

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

(ii) Prepayments to merchants are derived from in-store, hotel & travel services. The Group prepays the third-party merchants prior to their merchant's sales campaign of vouchers on the Group's online platform. The Group recognises commission revenue from in-store, hotel & travel services when the vouchers and reservations are redeemed by transacting users to enjoy the goods or services. At each period end, prepayments to merchants are assessed for impairment to ensure the recoverability, by considering reliability of the assets and existence of advances from transacting users.

	As of December 31,	
	2019	2018
	RMB'000	RMB'000
Prepayments to merchants	**473,361**	298,128
Less: allowance for impairment(a)	**(65,113)**	(77,674)
	408,248	220,454

(a) Majority of loss allowance are related to the non-performing balances for which 100% provision have been provided.

Movements on the Group's allowance for impairment of prepayments to merchants are as follows:

	Year ended December 31,	
	2019	2018
	RMB'000	RMB'000
At the beginning of the year	**(77,674)**	(277,582)
(Provision)/reversal	**(11,502)**	19,251
Receivables written off during the year as uncollectable	**24,063**	180,657
At the end of the year	**(65,113)**	(77,674)

22 INVENTORIES

	As of December 31,	
	2019	2018
	RMB'000	RMB'000
Raw materials	**98,047**	141,195
Finished goods	**265,975**	370,079
	364,022	511,274
Less: provision for impairment	**(88,795)**	(111,030)
	275,227	400,244

23 TRADE RECEIVABLES

	As of December 31,	
	2019	2018
	RMB'000	RMB'000
Trade receivables	**832,616**	590,409
Less: allowance for impairment	**(155,854)**	(124,069)
	676,762	466,340

The Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of the contract assets and trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At each reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

23 TRADE RECEIVABLES *(Continued)*

Movements on the Group's allowance for impairment of trade receivables are as follows:

	Year ended December 31,	
	2019	2018
	RMB'000	RMB'000
At the beginning of the year	**(124,069)**	(29,461)
Provision	**(86,664)**	(131,472)
Assets (transferred from derecognition of held for sale)/ classified as held for sale	**(7,030)**	14,600
Reversal	**26,478**	8,011
Receivables written off during the year as uncollectable	**35,431**	14,253
At the end of the year	**(155,854)**	(124,069)

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

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

	As of December 31,	
	2019	2018
	RMB'000	RMB'000
Trade receivables		
Up to 3 months	**544,784**	281,353
3 to 6 months	**87,114**	126,376
6 months to 1 year	**34,574**	56,574
Over 1 year	**10,290**	2,037
	676,762	466,340

The majority of the Group's trade receivables were denominated in RMB.

The maximum exposure to credit risk as of December 31, 2019 and 2018 was the carrying value of the trade receivables. The Group did not hold any collateral as security.

24 CASH AND BALANCES WITH BANK AND FINANCIAL INSTITUTIONS

(a) Cash and cash equivalents

	As of December 31,	
	2019	2018
	RMB'000	RMB'000
Cash in hand and cash in bank	**6,747,736**	9,629,534
Term deposit with initial terms within three months	**6,294,862**	5,576,350
Cash held in other financial institutions (Note i)	**353,587**	1,837,808
	13,396,185	17,043,692

Cash and cash equivalents are denominated in the following currencies:

	As of December 31,	
	2019	2018
	RMB'000	RMB'000
RMB	**7,578,796**	5,629,279
USD	**5,660,813**	11,247,166
JPY	**60,863**	88,196
Others	**95,713**	79,051
	13,396,185	17,043,692

(i) Cash and cash equivalents of the Group primarily represent bank deposits and fixed deposits with maturities less than three months. As of December 31, 2019 and 2018, the Group had certain amounts of cash held in accounts managed by other financial institutions in connection with the provision of online and mobile commerce and related services in the amount of RMB354 million and RMB1,838 million, respectively, which have been classified as cash and cash equivalents on the consolidated statements of financial position.

24 CASH AND BALANCES WITH BANK AND FINANCIAL INSTITUTIONS *(Continued)*

(b) Restricted cash

Restricted cash are dominated in the following currencies:

	As of December 31,	
	2019	2018
	RMB'000	RMB'000
RMB	**8,704,305**	3,628,619
USD	**55,810**	625,935
Others	**—**	1,566
	8,760,115	4,256,120

As of December 31, 2019, RMB231 million and USD6 million (equivalent to approximately RMB42 million) restricted deposits were held by bank as letter of guarantee. Other restricted cash balances are those held in bank account which are subject to certain restriction according to agreement with certain parties.

As of December 31, 2018, RMB178 million and USD85 million (equivalent to approximately RMB583.4 million) restricted deposits were held by bank as letter of guarantee. The USD85 million (equivalent to approximately RMB583.4 million) was pledged to China Merchants Bank Co., Ltd. for the loans of RMB300 million.

25 SHARE CAPITAL AND SHARE PREMIUM

As at December 31, 2019 and 2018, the authorized share capital of the Company comprises 10,000,000,000 ordinary shares with par value of USD0.00001 per share.

Issued:

	Number of ordinary shares '000	Nominal value of ordinary shares USD'000	Share capital RMB'000	Share premium RMB'000	Total RMB'000
At January 1, 2019	**5,727,447**	**57**	**384**	**258,284,687**	**258,285,071**
Exercise of option and RSU vesting	**81,219**	**1**	**5**	**2,075,242**	**2,075,247**
At December 31, 2019	**5,808,666**	**58**	**389**	**260,359,929**	**260,360,318**
At January 1, 2018	1,548,664	15	98	9,338,529	9,338,627
Issuance of ordinary shares	4,136,806	41	283	248,944,408	248,944,691
Exercise of option and RSU vesting	67,649	1	5	842,199	842,204
Repurchase of ordinary shares	(24,667)	—	(2)	(811,142)	(811,144)
Cancellation of ordinary shares	(1,005)	—	—	(29,307)	(29,307)
At December 31, 2018	5,727,447	57	384	258,284,687	258,285,071

26 OTHER RESERVES

	Capital reserve RMB'000	Share-based compensation reserve RMB'000	Currency translation reserve RMB'000	Others RMB'000	Total RMB'000
As of January 1, 2019	**20**	**2,594,722**	**(8,118,061)**	**(218,028)**	**(5,741,347)**
Issuance of ordinary shares					
Share-based compensation expenses	—	2,181,436	—	—	2,181,436
Exercise of option and RSU vesting	—	(1,614,957)	—	—	(1,614,957)
Transaction with non-controlling interests	—	—	—	34,047	34,047
Disposal of a subsidiary	—	—	—	10,617	10,617
Share of other comprehensive income of investments accounted for using the equity method	—	—	—	3,905	3,905
Currency translation differences	—	—	679,047	—	679,047
As of December 31, 2019	**20**	**3,161,201**	**(7,439,014)**	**(169,459)**	**(4,447,252)**
As of December 31, 2017	20	1,232,234	(500,154)	(265,997)	466,103
Adjustment on adoption of IFRS9 (net of tax)	—	—	—	(423,731)	(423,731)
As of January 1, 2018	20	1,232,234	(500,154)	(689,728)	42,372
Issuance of ordinary shares	—	—	—	609,744	609,744
Business combinations	—	231,736	—	—	231,736
Share-based compensation expenses	—	1,816,453	—	—	1,816,453
Exercise of option and RSU vesting	—	(685,701)	—	—	(685,701)
Transaction with non-controlling interests	—	—	—	47,969	47,969
Preferred shares fair value change due to own credit risk	—	—	—	(186,013)	(186,013)
Currency translation differences	—	—	(7,617,907)	—	(7,617,907)
As of December 31, 2018	20	2,594,722	(8,118,061)	(218,028)	(5,741,347)

27 DEFERRED REVENUES

	As of December 31,	
	2019	2018
	RMB'000	RMB'000
Non-Current		
Business cooperation agreement with Maoyan	**388,967**	611,233
Others	**61**	13,766
	389,028	624,999
Current		
Online marketing services	**4,299,191**	2,856,343
Business cooperation agreement with Maoyan	**222,267**	222,267
Mobike monthly pass	**44,010**	24,221
Others	**1,703**	51
	4,567,171	3,102,882
	4,956,199	3,727,881

Movements on the Group's deferred revenues are as follows:

	Year ended December 31,	
	2019	2018
	RMB'000	RMB'000
At the beginning of the year	**3,727,881**	2,947,715
Add:		
Receipt from online marketing customers	**18,028,480**	10,586,871
Receipt from Mobike monthly pass	**555,360**	515,620
Receipt from others	**4,141**	22,651
Less:		
Business cooperation agreement with Maoyan amortization (Note i)	**(222,267)**	(222,267)
Online marketing revenue recognition	**(16,596,552)**	(9,627,170)
Mobike monthly pass revenue recognition	**(535,571)**	(491,398)
Other revenue recognition	**(5,273)**	(4,077)
Liabilities directly associated with assets classified as held for sale	**—**	(64)
At the end of the year	**4,956,199**	3,727,881

(i) In July 2016, as part of the Group's disposal of Maoyan, the Group entered into a business cooperation agreement with Maoyan for a 5-year period. Subsequently in September 2017, the agreement was extended for another 14 months to September 30, 2022. The Group recognises the revenue over the contract period.

27 DEFERRED REVENUES *(Continued)*

Majority of the deferred revenues balance at the beginning of 2019 has been recognised as revenue during 2019.

28 CONVERTIBLE REDEEMABLE PREFERRED SHARES

On October 6, 2015, the Company issued a total of 1,954,217,809 shares of Series A-1 through A-11 Preferred Shares.

In November 2015, the Company issued Series B Preferred Shares at an issue price of USD3.86 per share. Series B Preferred Shares were continuously issued beginning from November 2015 to August 2016 and total 801,039,606 shares were issued.

In October 2017, the Company issued Series C Preferred Shares at an issue price of USD5.59 per share. Total of 733,575,936 shares were issued.

In April 2018, the Company issued 167,703,791 shares of Series A-12 Preferred Shares in connection with the acquisition of Mobike.

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

Upon the Listing on September 20, 2018, all the outstanding Preferred Shares of the Company have been converted into ordinary shares.

The key terms of all series of Preferred Shares effective and applicable during period ended September 20, 2018 are as follows:

28 CONVERTIBLE REDEEMABLE PREFERRED SHARES *(Continued)*

Conversion

Each Preferred Share may, at the option of the holders, be converted at any time after the original issue date into fully-paid and non-assessable ordinary shares at an initial conversion ratio of 1:1 subject to (i) adjustment for share splits and combinations; (ii) adjustment for ordinary share dividends and distributions; (iii) adjustments for other dividends; and (iv) adjustment in Preferred Share conversion price for dilutive issuances.

In addition, each Preferred Share shall automatically be converted, without the payment of any additional consideration, into fully-paid and non-assessable ordinary shares based on the then-effective applicable conversion price upon the earlier of:

(i) the closing of a Qualified IPO, or

(ii) the date specified by written consent or agreement of holders of a majority of the outstanding Preferred Shares; provided, however, that (a) no Series B Preferred Shares can be converted into ordinary shares without the prior written consent or agreement of holders of a majority of the outstanding Series B Preference shares, voting as a separate class; and (b) no Series C Preferred Shares can be converted into ordinary shares without the prior written consent or agreement of holders of a majority of the outstanding Series C Preferred Shares, voting as a separate class.

"Qualified IPO" is defined as a firm underwritten initial public offering of the ordinary shares and the listing of such shares for trading on the New York Stock Exchange, NASDAQ Global Market, Main Board of the Hong Kong Stock Exchange or any other internationally recognised stock exchange as approved by the Company and the holders of at least a majority of voting power of all Preferred Shares (voting as a single class), with a minimum valuation of a certain amount on a fully diluted basis immediately prior to the consummation of the offering or agreed in writing by the holders of at least a majority of voting power of all outstanding Preferred Shares (voting as a single class), at least a majority of voting power of all outstanding Series C Preferred Shares (voting as a separate class), and a majority of voting power of all outstanding Series C Preferred Shares held by certain Series C shareholders.

Prior to the issuance of Series C Preferred Shares, specific conditions attached to above conversion rights in relation to Series C shareholders as summarized above were not applicable.

28 CONVERTIBLE REDEEMABLE PREFERRED SHARES *(Continued)*

Liquidation preference

Upon Liquidation Event, whether voluntary or involuntary, before any distribution or payment shall be made to the ordinary shareholders, each holder of Series B and Series C Preferred Shares shall be entitled to receive an "Liquidation Preference Amount" equal to the greater of (i) 120% of the Series B or C issuance price plus all declared but unpaid dividends and (ii) amount each holder would have received had the Series B and C Preferred Shares been converted into ordinary shares immediately prior to the closing of such Liquidation Events, and each holder of Series A Preferred Shares shall be entitled to receive 100% of the issuance price, plus all declared but unpaid dividends.

If the assets of the Company shall be insufficient to make payment of the foregoing amounts in full on all the Preferred Shares, then such assets shall be distributed among the holders of Preferred Share, ratably in proportion to the full amounts to which they would otherwise be respectively entitled thereon. After distribution or payment in full of the amount distributable or payable on any Preferred Shares, the assets of the Company legally available for distribution shall be distributed pro-rata among the holders of the ordinary shares.

The Liquidation Events are defined to include: (i) any liquidation, winding-up, or dissolution of any group company (as defined in the share purchase agreement); (ii) any merger, acquisition, sale of voting control, amalgamation or consolidation of any group company, as a result of which the shareholders of the Company will cease to own a majority of the Equity Securities or voting power of the surviving entity; (iii) any sale of any group company or any sale or distribution of all or substantially all of the assets of any group company; (iv) the exclusive licensing of all or substantially all of the intellectual property of any group company to a third-party unaffiliated with any group company; or (v) any transfer in which a majority of the outstanding voting power of the Company is transferred; unless waived in writing by the holders of at least a majority of the then outstanding Preferred Shares. There is no liquidation events triggered throughout the period ended September 20, 2018.

Redemption features

Subject to the law and applicable provisions of these Articles, if any, the Company may purchase its own shares as the Directors may determine and agree with the shareholder. Under specific conditions as provided in the Article of Association, the holders of Series C Preferred Shares shall be entitled to sell their Series C Preferred Shares to the Company on the same terms and in the same manner on a pro rata basis.

28 CONVERTIBLE REDEEMABLE PREFERRED SHARES *(Continued)*

Dividends

Non-cumulative dividends of 8% per annum when and if declared by the board of the Company (the "**Board**"), with preference to Series C preferred shareholders, followed by series B preferred shareholders, followed by each tranche of Series A from A-12 until A-1, and then ordinary shares, in that order.

Voting rights

Each Preferred share has voting rights equivalent to the number of ordinary shares into which such Preferred shares could be then convertible.

The Group monitors Series A, B, and C Preferred Shares on a fair value basis which is in accordance with its risk management strategy and does not bifurcate any embedded derivatives from the host instruments and designates entire instruments as a financial liability at fair value through profit or loss with the changes in the fair value recorded in the consolidated income statement.

The movements of the convertible redeemable preferred share are set out as below:

	RMB'000
At January 1, 2018	101,418,292
Issuance of Series A-12 preferred shares	5,888,472
Change in fair value	104,792,071
Includes: change in fair value due to own credit risk	186,013
Currency translation differences	8,336,605
Transfer to ordinary shares	(220,435,440)
At December 31, 2018	—

29 TRADE PAYABLES

	As of December 31,	
	2019	2018
	RMB'000	RMB'000
Trade payables	**6,766,253**	5,340,963

29 TRADE PAYABLES *(Continued)*

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

	As of December 31,	
	2019	2018
	RMB'000	RMB'000
Trade payables		
Up to 3 months	**6,353,368**	5,067,050
3 to 6 months	**237,151**	168,162
6 months to 1 year	**119,630**	102,764
Over 1 year	**56,104**	2,987
	6,766,253	5,340,963

The majority of the Group's trade payables were denominated in RMB.

30 OTHER PAYABLES AND ACCRUALS

	As of December 31,	
	2019	2018
	RMB'000	RMB'000
Salaries and benefits payable	**2,881,176**	2,598,340
Deposits	**1,803,783**	1,183,676
Other tax payable	**881,567**	685,568
Amounts due to related parties (Note 36)	**351,249**	407,248
Amounts collected for third parties	**312,191**	15,653
Accrued expenses	**205,715**	347,315
Advance from customers	**104,252**	52,916
Payables for acquisition	**55,718**	1,443,877
Others	**641,761**	568,814
	7,237,412	7,303,407

31 BORROWINGS

	As of December 31,	
	2019	2018
	RMB'000	RMB'000
Included in non-current liabilities		
Asset-backed securities	**466,676**	470,056
Included in current liabilities		
Bank loan — unsecured	**3,190,000**	1,200,000
Bank loan — secured	—	600,000
Asset-backed securities	**362,587**	—
	3,552,587	1,800,000

(a) Bank borrowings of RMB3.2 billion will be repayable in 2020 and bear annual average interest rate of 5.199% (2018: 5.597%).

For the year ended December 31, 2019, the weighted average effective interest rate was 5.242% (2018: 5.980%).

(b) The Group has securitized certain loan receivables and issued RMB500 million ABS in 2019. During 2019, the Group issued ABS of RMB500 million, of which RMB467 million represented senior tranche and RMB33 million represented subordinate tranches, which were fully acquired by the Group. These ABS bore interest at 4.59%-5.3% per annum in 2019.

32 SHARE-BASED PAYMENTS

On October 6, 2015, the board of Directors of the Company approved the establishment of the Company's 2015 Share Incentive Plan ("**2015 Share Incentive Plan**"), an equity-settled share-based compensation plan with the purpose of attracting, motivating, retaining and rewarding certain employees, consultants, and Directors. The 2015 Share Incentive Plan is valid and effective for 10 years from the date of approval by the board of Directors. The Group has reserved 598,483,347 ordinary shares under the 2015 Share Incentive Plan, and permits the awards of options and RSUs of the Company's ordinary shares.

On April 4, 2018, the Company and Mobike entered into a strategic transaction, and the Group assumed all the outstanding incentive share awards of Mobike (the "**Mobike option replacement**"). The number and types of the shares issuable upon the exercise of the Mobike option replacement, and the applicable exercise price for share options were adjusted according to the same term as the 2015 Share Incentive Plan. After the replacement awards were issued, Mobike's original incentive plan ceased to operate.

A total of 21,290,122 share options were assumed by the Group in the acquisition of Mobike. The Mobike option replacement has been analyzed to determine whether the awards relate to pre-combination or post-combination services or both. To the extent Mobike option replacement is for pre-combination services, a portion of the value of the awards has been allocated to the consideration transferred for the acquiree. To the extent the Mobike option replacement is for post-combination services, the value of the awards is recognised as compensation expenses attributable to post-combination services.

The incremental fair value, calculated as the difference between the fair value of share option award assumed by the Group in the Mobike option replacement and the fair value of the outstanding incentive share awards of Mobike as of the acquisition date, has been included in the measurement of the amount recognised for the services received over the remainder of the vesting period, and is recognised in the Group's consolidated income statement as share-based compensation expenses.

In addition, according to the merger agreement with Mobike, RSUs of the Company with a total valuation of USD60 million shall be granted to current Mobike officers, Directors, and employees, and subject to the Company's 2015 Share Incentive Plan. The Company recorded share-based compensation expenses over the service period based on its best estimate of the grant day fair value of related RSUs.

32 SHARE-BASED PAYMENTS *(Continued)*

As of August 30, 2018, the Group has authorized and reserved 683,038,063 ordinary shares under the 2015 Share Incentive Plan for awards of options and RSUs of the Company's ordinary shares. All the share options and RSUs under the 2015 Share Incentive Plan were granted between May 31, 2006 and August 2, 2018 and the Company will not grant further share options and RSUs under the 2015 Share Incentive Plan after the Listing.

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

As of December 31, 2019, the Group has authorised and reserved a total of 912,013,581 ordinary shares under the 2015 Share Incentive Plan, Post-IPO Share Option Scheme and Post-IPO Share Award Scheme for awards of options and RSUs of the Company's ordinary shares.

Share options

Options granted typically expire in 10 years from the respective grant dates. For previously granted options that were near its expiration date (i.e., 10 years after grant date) in 2018 and 2019, their expiration date was extended to October 5, 2025. The options have graded vesting terms, and vest in tranches from the grant date over 4 years, on condition that employees remain in service without any performance requirements.

The options may be exercised at any time after they have vested subject to the terms of the award agreement and are exercisable for a maximum period of 10 years after the date of grant.

32 SHARE-BASED PAYMENTS *(Continued)*

Share options ***(Continued)***

Movements in the number of share options granted and their related weighted average exercise prices are as follows:

	Number of share options	Weighted average exercise price per share option (HKD)
Outstanding as of December 31, 2018	**116,321,663**	**22.69**
Granted during the year	**740,000**	**69.10**
Forfeited during the year	**(7,484,459)**	**25.45**
Exercised during the year	**(35,867,197)**	**13.18**
Outstanding as of December 31, 2019	**73,710,007**	**27.81**
Vested and exercisable as of December 31, 2019	**32,713,923**	**21.23**
Outstanding as of December 31, 2017	121,961,415	15.23
Granted during the year	24,081,670	36.90
Mobike option replacement	21,290,122	10.50
Forfeited during the year	(9,581,909)	13.38
Exercised during the year	(41,429,635)	4.71
Outstanding as of December 31, 2018	116,321,663	22.69
Vested and exercisable as of December 31, 2018	44,792,530	11.86

The weighted average remaining contractual life of outstanding share options was 7 years and 7 years as of December 31, 2019 and 2018. The weighted average price of the shares at the time these options were exercised was HKD68.56 per share (equivalent to approximately RMB60.64 per share) during the year ended December 31, 2019.

32 SHARE-BASED PAYMENTS *(Continued)*

Fair value of share options

The Group has used the discounted cash flow method to determine the underlying equity fair value of the Company and adopted option-pricing model and equity allocation model to determine the fair value of the underlying ordinary shares. Key assumptions, such as discount rate and projections of future performance, are determined by the Group with best estimate.

Based on fair value of the underlying ordinary shares, the Group has used Black-Scholes model to determine the fair value of the share option as of the grant date. Key assumptions are set as below:

	Year ended December 31,	
	2019	**2018**
Risk-free interest rates	**1.5%**	3.2% – 3.8%
Expected term – years	**6.3**	2.8-6.8
Expected volatility	**40%**	45.0% – 50.0%
Fair value of ordinary shares (HKD)	**28.41**	40.60 – 48.67
Exercise price (HKD)	**69.10**	0-40.60
Dividend yield	**—**	—

The weighted average fair value of granted options was HKD28.41 and HKD28.92 per share, for the years ended December 31, 2019 and 2018, respectively.

RSUs

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

32 SHARE-BASED PAYMENTS *(Continued)*

RSUs *(Continued)*

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

	Number of RSUs	Weighted average grant date fair value per RSU (HKD)
Outstanding as of December 31, 2018	**164,133,960**	**35.87**
Granted during the year	**47,430,198**	**69.43**
Vested during the year	**(45,351,471)**	**31.23**
Forfeited during the year	**(23,336,696)**	**43.41**
Outstanding as of December 31, 2019	**142,875,991**	**47.26**
Outstanding as of December 31, 2017	114,505,992	26.18
Granted during the year	87,668,245	45.16
Vested during the year	(26,219,723)	23.09
Forfeited during the year	(11,820,554)	37.40
Outstanding as of December 31, 2018	164,133,960	35.87

The fair value of each RSU at the grant dates is determined by reference to the fair value of the underlying ordinary shares on the date of grant.

The total share-based compensation expenses recognised in the consolidated income statement are RMB2.2 billion and RMB1.9 billion for the years ended December 31, 2019 and 2018, respectively. The following table sets forth a breakdown of the share-based compensation expenses by nature:

	Year ended December 31,	
	2019	2018
	RMB'000	RMB'000
Share options	**301,568**	373,874
RSUs	**1,879,868**	1,442,579
Incremental fair value for repurchase of ordinary shares (Note 25)	—	48,660
Others	**9,435**	—
	2,190,871	1,865,113

33 DIVIDENDS

No dividends have been paid or declared by the Company during each of the years ended December 31, 2019 and 2018.

34 COMMITMENTS

(a) Capital commitments

	As of December 31,	
	2019	2018
	RMB'000	RMB'000
Within 1 year	**23,658**	37,426
1 – 2 years	**91**	3,628
	23,749	41,054

	As of December 31,	
	2019	2018
	RMB'000	RMB'000
Purchase of other property, plant and equipment	**23,749**	41,054

(b) Operating lease commitments

The Group leases office under non-cancelable operating lease agreements.

From January 1, 2019, the Group has recognised right-of-use assets for these leases:

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

35 NOTE TO CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Cash used in operations

	Note	Year ended December 31, 2019 RMB'000	2018 RMB'000
Profit/(Loss) before income tax		**2,762,388**	(115,490,807)
Adjustments for			
Depreciation and amortization	15,16	**4,845,800**	5,366,801
Provision for doubtful accounts	7	**645,685**	285,655
Non-cash employee benefits expense – share-based payments	8	**2,190,871**	1,865,113
Gains from business and investments disposals	9	**(292,421)**	(23,132)
Gains from the remeasurement of investments	9	**(176,880)**	—
Fair value changes of convertible redeemable preferred shares	28	**—**	104,606,058
Impairment provision and restructuring expense for Mobike restructuring plan		**88,612**	358,790
Impairment provision for Mobike tradename		**—**	1,346,000
Share of (gains)/losses of investments accounted for using equity method	12	**(107,353)**	48,267
Change in fair value from investments measured at fair value through profit or loss	19	**(77,699)**	(1,836,382)
Dividend income and interest classified as investing cash flows		**(1,527,405)**	(584,347)
Finance costs		**220,362**	62,099
Net exchange differences		**111,045**	1,485
Change in working capital			
(Increase)/decrease in restricted cash		**(4,504,029)**	594,744
Increase in trade receivables		**(272,974)**	(135,879)
Increase in prepayments, deposits and other assets		**(1,703,120)**	(3,722,048)
Decrease/(increase) in inventories		**94,966**	(168,664)
Increase in trade payables		**1,291,272**	2,100,697
Decrease in payables to merchants		**(101,126)**	(1,767,485)
Increase in advances from transacting users		**640,892**	439,578
Increase in deferred revenues		**1,228,319**	745,054
Increase in other payables and accruals		**1,508,703**	1,676,265
Increase in other non-current liabilities		**34,955**	16,906
Decrease in deposits from transacting users		**(866,003)**	(4,765,957)
Decrease in assets classified as held for sale		**211,905**	—
Decrease in liabilities directly associated with assets classified as held for sale		**(209,241)**	—
Cash generated from/(used in) operations		**6,037,524**	(8,981,189)

35 NOTE TO CONSOLIDATED STATEMENTS OF CASH FLOWS *(Continued)*

(b) Major non-cash transactions

Other than the acquisition of right-of-use assets described in Note 15, the share based awards described in Note 32, there were no other material non-cash transactions during the year ended December 31, 2019.

(c) Reconciliation of liabilities generated from financing activities

	Liabilities from financing activities		
	Borrowings RMB'000	Leases RMB'000	Total RMB'000
Liabilities from financing activities as of December 31, 2018	2,270,056	—	2,270,056
Recognised on adoption of IFRS 16 (Note 2)	—	1,846,656	1,846,656
Liabilities from financing activities as of January 1, 2019	2,270,056	1,846,656	4,116,712
Cash flow	1,749,031	(785,825)	963,206
Acquisitions – leases	—	465,968	465,968
Recognization of issuance cost	176	—	176
Liabilities from financing activities as of December 31, 2019	4,019,263	1,526,799	5,546,062

35 NOTE TO CONSOLIDATED STATEMENTS OF CASH FLOWS *(Continued)*

(c) Reconciliation of liabilities generated from financing activities *(Continued)*

	Liabilities from financing activities			
	Borrowings due within 1 year RMB'000	Borrowings due after 1 year RMB'000	Convertible redeemable preferred shares RMB'000	Total RMB'000
Liabilities from financing activities as of January 1, 2018	162,000	—	101,418,292	101,580,292
Cash flow	1,248,000	470,000	—	1,718,000
Business combinations	390,000	—	5,888,472	6,278,472
Fair value changes of convertible redeemable preferred shares	—	—	104,792,071	104,792,071
Currency translation differences	—	—	8,336,605	8,336,605
Recognization of issuance cost	—	56	—	56
Proceeds from issuance of ordinary shares, net	—	—	(220,435,440)	(220,435,440)
Liabilities from financing activities as of December 31, 2018	1,800,000	470,056	—	2,270,056

36 RELATED PARTY TRANSACTIONS

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

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

36 RELATED PARTY TRANSACTIONS *(Continued)*

(a) Names and relationships with related parties

The following companies are significant related parties of the Group that had transactions and/or balances with the Group during the year.

Name of related parties	Relationship
Tencent Group	One of the Company's shareholders
Changsha Xiangjiang Longzhu Private Equity Investment Fund Enterprise (Limited Partnership)	Associate of the Group
Tianjing Maoyan and its subsidiaries	Associate of the Group
Jilin billion-Allians Bank Co., Ltd.	Associate of the Group
Beijing Wisdom Map Technology Co., Ltd.	Associate of the Group
Dalian Tongda Enterprise Management Co., Ltd.	Associate of the Group
Dalian Sen Cheng Logistics Co., Ltd.	Associate of the Group
AsiaSea Co., Ltd.	Associate of the Group
Acewill information Technology (Beijing) Co., Ltd.	Associate of the Group
Hefei Haizhitun Technology Co., Ltd.	Associate of the Group

(b) Significant transactions with related parties

	Year ended December 31,	
	2019	2018
	RMB'000	RMB'000
(i) Sales of service		
Associate of the Group	**1,069,898**	414,204
One of the Company's shareholders	**12,656**	3
	1,082,554	414,207
(ii) Purchase of goods and service		
One of the Company's shareholders	**1,849,435**	963,941
Associate of the Group	**538,918**	532,984
	2,388,353	1,496,925
(iii) Sales of investments		
Associate of the Group	**—**	38,776

36 RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balances with related parties

	As of December 31,	
	2019	2018
	RMB'000	RMB'000
(i) Other receivables from related parties		
Associate of the Group	**290,917**	19,654
One of the Company's shareholders	**33,824**	175,548
	324,741	195,202
(ii) Other payables to related parties		
Associate of the Group	**271,702**	378,972
One of the Company's shareholders	**79,547**	28,276
	351,249	407,248

(d) Key management compensation

	Year ended December 31,	
	2019	2018
	RMB'000	RMB'000
Fees	**1,500**	–
Basic salaries	**12,721**	5,970
Bonuses	**13,147**	8,491
Pension costs and other employee benefits	**758**	375
Share-based compensation expenses	**488,139**	233,504
Others	**190**	88
	516,455	248,428

37 CONTINGENCIES

The Group did not have any material contingent liabilities as of December 31, 2019 and 2018, except for the financial guarantee amount, disclosed in Note 3.1(c).

38 FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Financial position of the Company

	Note	As of December 31, 2019 RMB'000	2018 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries		65,246,403	63,064,966
Prepayments, deposits and other assets		32,426,176	27,281,595
		97,672,579	90,346,561
Current assets			
Short-term investments		27,676,401	33,105,050
Prepayments, deposits and other assets		93,317	20,104
Cash and cash equivalents		6,151,379	3,960,689
		33,921,097	37,085,843
Total assets		131,593,676	127,432,404
EQUITY			
Share capital	25	389	384
Share premium	25	260,359,929	258,284,687
Other reserves	38(b)	(3,095,017)	(4,712,673)
Accumulated losses	38(b)	(126,520,961)	(127,527,156)
Equity attributable to equity holders of the Company		130,744,340	126,045,242
LIABILITIES			
Current liabilities			
Other payables and accruals		849,336	1,387,162
Total liabilities		849,336	1,387,162
Total equity and liabilities		131,593,676	127,432,404

The statement of financial position of the Company was approved by the Board of Directors on March 30, 2020 and was signed on its behalf.

Wang Xing	**Mu Rongjun**
Director	*Director*

38 FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

(b) Reserve movement of the Company

	Other reserves RMB'000	Accumulated losses RMB'000
As of January 1, 2019	**(4,712,673)**	**(127,527,156)**
Comprehensive income		
Profit for the year	—	**1,006,195**
Other Comprehensive income		
Currency translation differences	**1,051,177**	—
Total comprehensive loss	**(3,661,496)**	**(126,520,961)**
Transaction with owners in their capacity as owners		
Share-based compensation expenses	**2,181,436**	—
Exercise of option and RSU vesting	**(1,614,957)**	—
Total transaction with owners in their capacity as owners	**566,479**	—
As of December 31, 2019	**(3,095,017)**	**(126,520,961)**
As of January 1, 2018	610,928	(22,654,077)
Comprehensive loss		
Loss for the year	—	(104,263,335)
Other Comprehensive loss		
Preferred shares fair value change due to own credit risk	(186,013)	—
Currency translation differences	(5,244,707)	—
Total comprehensive loss	(4,819,792)	(126,917,412)
Transaction with owners in their capacity as owners		
Share-based compensation expenses	(48,660)	—
Business combinations	231,736	—
Issuance of ordinary shares	609,744	(609,744)
Exercise of option and RSU vesting	(685,701)	—
Total transaction with owners in their capacity as owners	107,119	(609,744)
As of December 31, 2018	(4,712,673)	(127,527,156)

39 SUBSEQUENT EVENTS

After the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country. The pandemic has already caused severe disruptions to the daily operations of the Group's merchants, including restaurants, local services merchants and hotels, which in turn resulted in downward pressure on the Group's operations. The Group will pay close attention to the development of the COVID-19 outbreak and continuously evaluate its impact on the financial position and operating results of the Group.

"AGM"	the forthcoming annual general meeting of the Company to be held on May 20, 2020
"Articles" or "Articles of Association"	the articles of association of the Company adopted on August 30, 2018 with effect from the Listing Date, as amended from time to time
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Company
"Auditor"	the external auditor of the Company
"Beijing Kuxun Interaction"	Beijing Kuxun Interaction Technology Co., Ltd. (北京酷訊互動科技有限公司), a limited liability company incorporated under the laws of the PRC on March 29, 2006 and our Consolidated Affiliated Entity
"Beijing Kuxun Technology"	Beijing Kuxun Technology Co., Ltd. (北京酷訊科技有限公司), a limited liability company incorporated under the laws of the PRC on April 27, 2006 and our indirect wholly-owned subsidiary
"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 Online"	Beijing Sankuai Online Technology Co., Ltd. (北京三快在線科技有限公司), a limited liability company incorporated under the laws of the PRC on May 6, 2011 and our indirect wholly-owned subsidiary
"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 indirectly wholly owned by a trust established by Mu Rongjun (as settlor) for the benefit of Mu Rongjun and his family
"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 ordinary shares of the share capital of the Company with a par value of US$0.00001 each, conferring weighted voting rights in the Company such that a holder of a Class A Share is entitled to ten votes per share on any resolution tabled at the Company's general meeting, save for resolutions with respect to any Reserved Matters, in which case they shall be entitled to one vote per share
"Class B Shares"	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
"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 (美團點評) (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 (美團點評) and its subsidiaries and Consolidated Affiliated Entities, as the case may be
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Consolidated Affiliated Entities"	the entities we control through the Contractual Arrangements, namely, the Onshore Holdcos and their respective subsidiaries (each a "Consolidated Affiliated Entity")
"Contractual Arrangement(s)"	the series of contractual arrangements entered into between WFOEs, Onshore Holdcos and Registered Shareholders (as applicable)

"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Wang Xing and the directly and indirectly held companies through which Wang Xing has an interest in the Company
"Crown Holdings"	Crown Holdings Asia Limited, a limited liability company incorporated under the laws of the BVI, which is indirectly wholly owned by a trust established by Wang Xing (as settlor) for the benefit of Wang Xing and his family
"Director(s)"	the director(s) of the Company
"Group", "our Group" or "the Group", "we", "us", or "our"	the Company and its subsidiaries and Consolidated Affiliated Entities from time to time
"Hong Kong dollars" or "HK dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Securities and Futures Ordinance" or "SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"IFRS"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"Independent Third Party(ies)"	person(s) or company(ies) which, to the best of the Directors' knowledge having made all due and careful enquiries, is/are not connected (within the meaning of the Listing Rules) with the Company
"IPO"	initial public offering
"Kevin Sunny"	Kevin Sunny Holding Limited, a limited liability company incorporated under the laws of the BVI on May 22, 2018, which is wholly owned by Wang Huiwen
"Listing"	the listing of the Class B Shares on the Main Board of the Stock Exchange
"Listing Date"	September 20, 2018
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time

"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange, which is independent from and operates in parallel with the GEM of the Stock Exchange
"Meituan Finance"	Beijing Meituan Finance Technology Co., Ltd. (北京美團金融科技有限公司), a limited liability company incorporated under the laws of the PRC on August 9, 2017 and our Consolidated Affiliated Entity
"Memorandum" or "Memorandum of Association"	the memorandum of association of the Company adopted on August 30, 2018 with effect from the Listing Date, as amended from time to time
"Mobike"	mobike Ltd., an exempted company with limited liability incorporated under the laws of the Cayman Islands on April 2, 2015 and our direct wholly owned subsidiary
"Mobike Beijing"	Mobike (Beijing) Information Technology Co., Ltd. (摩拜(北京)信息技術有限公司), a limited liability company incorporated under the laws of the PRC on January 12, 2016 and our indirect wholly owned subsidiary
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Onshore Holdcos," each an "Onshore Holdco"	Tianjin Antechu Technology, Shanghai Lutuan, Beijing Kuxun Interaction, Shanghai Sankuai Technology, Meituan Finance, Beijing Sankuai Cloud Computing, Beijing Xinmeida, Chengdu Meigengmei, Beijing Mobike, Beijing Sankuai Technology and Shanghai Hantao
"Post-IPO Share Award Scheme"	the post-IPO scheme award scheme adopted by the Company on August 30, 2018
"Post-IPO Share Option Scheme"	the post-IPO share option scheme adopted by the Company on August 30, 2018
"PRC"	the People's Republic of China
"PRC Legal Advisor"	Han Kun Law Offices, legal advisor to the Company as to PRC laws
"Pre-IPO ESOP"	the pre-IPO employee stock incentive scheme adopted by the Company dated October 6, 2015, as amended from time to time
"Prospectus"	prospectus of the Company dated September 7, 2018
"Registered Shareholders"	the registered shareholders of the Onshore Holdcos
"Reporting Period"	the year ended December 31, 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 share unit(s)
"Sankuai Cloud Online"	Sankuai Cloud Online Technology Co., Ltd. (三快雲在線(北京)科技有限公司), a limited liability company incorporated under the laws of the PRC on November 3, 2015 and our indirect wholly-owned subsidiary
"Shanghai Hanhai"	Hanhai Information Technology (Shanghai) Co., Ltd. (漢海信息技術(上海)有限公司), a limited liability company incorporated under the laws of the PRC on March 16, 2006 and our indirect wholly-owned subsidiary
"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 Juzuo"	Shanghai Juzuo Technology Co., Ltd. (上海駒座科技有限公司), a limited liability company incorporated under the laws of the PRC on April 12, 2018 and our indirect wholly-owned subsidiary
"Shanghai Lutuan"	Shanghai Lutuan Technology Co., Ltd. (上海路團科技有限公司), a limited liability company incorporated under the laws of the PRC on January 12, 2017 and our Consolidated Affiliated Entity
"Shanghai Sankuai Technology"	Shanghai Sankuai Technology Co., Ltd. (上海三快科技有限公司), a limited liability company incorporated under the laws of the PRC on September 19, 2012 and our Consolidated Affiliated Entity
"Share(s)"	the Class A Shares and Class B Shares in the share capital of the Company, as the context so requires
"Shareholder(s)"	holder(s) of the Share(s)
"Shared Patience"	Shared Patience Inc., a limited liability company incorporated under the laws of the BVI, which is wholly owned by Wang Xing

"Shared Vision"	Shared Vision Investment Limited, a limited liability company incorporated under the laws of the BVI, which is wholly owned by Mu Rongjun
"Shenzhen Sankuai Online"	Shenzhen Sankuai Online Technology Co., Ltd. (深圳三快在線科技有限公司), a limited liability company incorporated under the laws of the PRC on November 18, 2015 and our indirect wholly-owned subsidiary
"Shenzhen Tencent Computer"	Shenzhen Tencent Computer Systems Co., Ltd. (深圳市騰訊計算機系統有限公司), a company established in the PRC on November 11, 1998 and a wholly owned subsidiary of Tencent
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"substantial shareholder"	has the meaning ascribed to it in the Listing Rules
"Tianjin Antechu Technology"	Tianjin Antechu Technology Co., Ltd. (天津安特廚科技有限公司), a limited liability company incorporated under the laws of the PRC on January 17, 2018 and our Consolidated Affiliated Entity
"Tianjin Wanlong"	Tianjin Wanlong Technology Co., Ltd. (天津萬龍科技有限公司), a limited liability company incorporated under the laws of the PRC on August 18, 2015 and our indirect wholly-owned subsidiary
"Tianjin Xiaoyi Technology"	Tianjin Xiaoyi Technology Co., Ltd. (天津小蟻科技有限公司), a limited liability company incorporated under the laws of the PRC on February 13, 2018 and our indirect wholly-owned subsidiary
"Tencent"	Tencent Holdings Limited (HKEx Stock Code: 700), or Tencent Holdings Limited and/or its subsidiaries, as the case may be
"United States", "U.S." or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US dollars", "U.S. dollars" or "US$"	United States dollars, the lawful currency of the United States
"VIE(s)"	variable interest entity(ies)
"weighted voting right"	has the meaning ascribed to it in the Listing Rules

"WFOEs", each a "WFOE"	Tianjin Xiaoyi Technology, Shanghai Juzuo, Beijing Kuxun Technology, Tianjin Wanlong, Beijing Sankuai Online, Shenzhen Sankuai Online, Shanghai Hanhai, Sankuai Cloud Online and Mobike Beijing
"WVR Beneficiaries"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Wang Xing, Mu Rongjun and Wang Huiwen, being the holders of the Class A Shares, entitling each to weighted voting rights
"WVR Structure"	has the meaning ascribed to it in the Listing Rules
"%"	per cent

Unless otherwise expressly stated or the context otherwise requires, all data in this document is as of the date of this document.

The English names of the PRC entities, PRC laws or regulations, and the PRC governmental authorities referred to in this document are translations from their Chinese names and are for identification purposes. If there is any inconsistency, the Chinese names shall prevail.

Certain amounts and percentage figures included in this document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

"Active Merchant"	a merchant that meets any of the following conditions in a given period: (i) completed at least one transaction on our platform, (ii) purchased any online marketing services from us, (iii) processed offline payment at least once through our integrated payment systems, or (iv) generated any order through our ERP systems
"DAU"	daily active user
"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
"SKU"	the stock keeping unit
"Transacting User"	a user account that paid for transactions of products and services on our platform in a given period, regardless of whether the account is subsequently refunded
"transaction"	the number of transactions is generally recognized based on the number of payments made. (i) With respect to our in-store business, one transaction is recognized if a user purchases multiple vouchers with a single payment; (ii) with respect to our hotel-booking business, one transaction is recognized if a user books multiple room nights with a single payment; (iii) with respect to our attraction, movie, air and train ticketing businesses, one transaction is recognized if a user purchases multiple tickets with a single payment; (iv) with respect to our bike-sharing business, if a user uses a monthly pass, then one transaction is recognized only when the user purchases or claims the monthly pass, and subsequent rides are not recognized as transactions; if a user does not use a monthly pass, then one transaction is recognized for every ride