美团

Meituan

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

Stock Code: 3690

ANNUAL REPORT 2020

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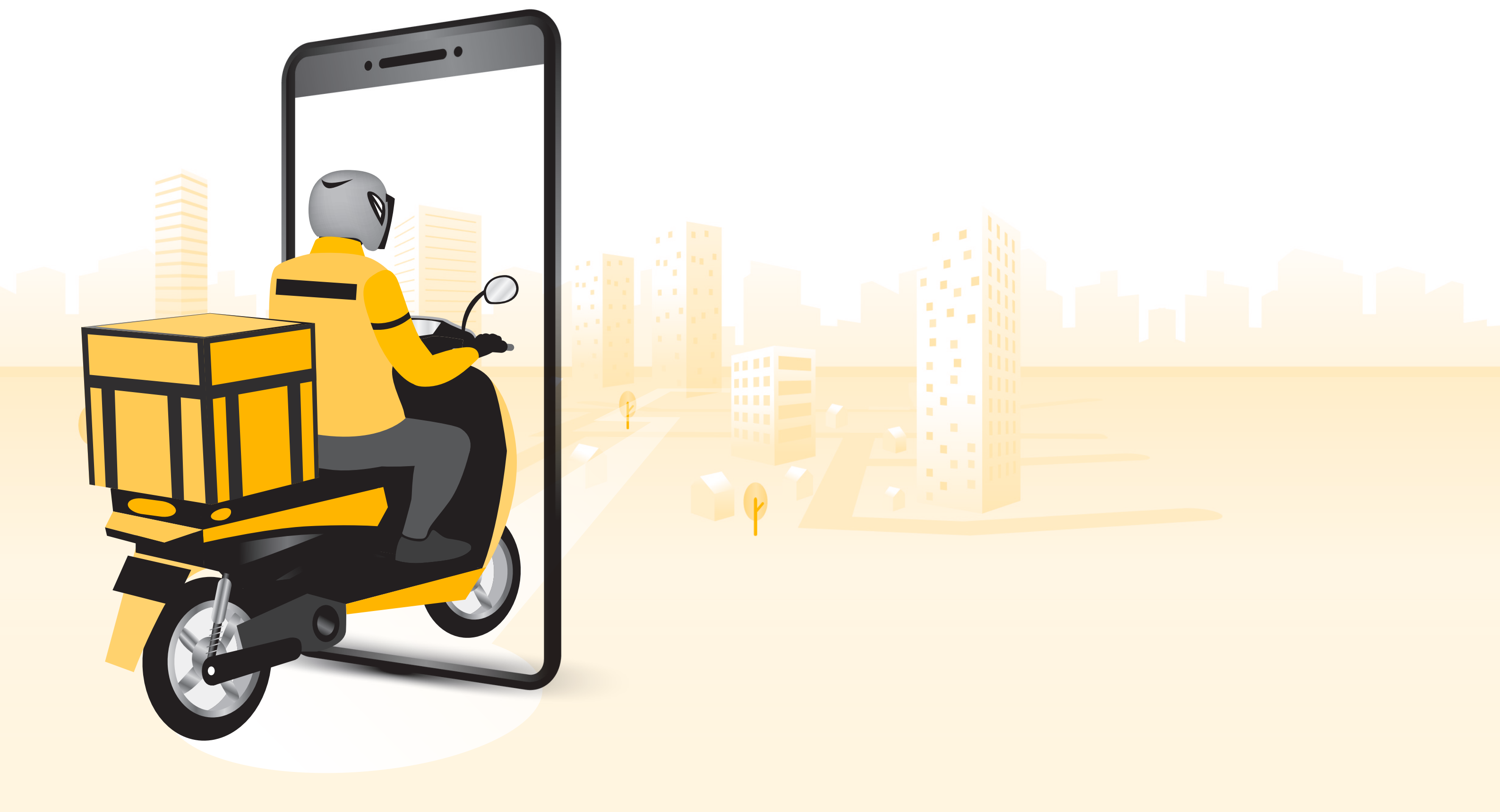

BOARD OF DIRECTORS

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

Ms. Xu Sijia (徐思嘉)
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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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 45.82% 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 10.07% 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 2.91% 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 14.27% 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

	Year ended December 31,				
	2016	2017	2018	2019	**2020**
	(RMB in thousands)				
Revenues	12,988,077	33,927,987	65,227,278	97,528,531	**114,794,510**
Gross profit	5,941,236	12,219,504	15,104,958	32,320,388	**34,050,142**
Profit/(loss) before income tax	(10,631,096)	(18,933,663)	(115,490,807)	2,762,388	**4,437,875**
Profit/(loss) for the year	(5,794,998)	(18,987,881)	(115,492,695)	2,236,165	**4,707,612**
Profit/(loss) for the year attributable to equity holders of the Company	(5,789,900)	(18,916,617)	(115,477,171)	2,238,769	**4,708,313**
Total comprehensive income/(loss) for the year	(8,642,934)	(15,558,395)	(123,296,397)	2,919,043	**1,728,980**
Total comprehensive income/(loss) for the year attributable to equity holders of the Company	(8,637,836)	(15,487,131)	(123,281,091)	2,921,721	**1,729,681**

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As of December 31,				
	2016	2017	2018	2019	**2020**
	(RMB in thousands)				
ASSETS					
Non-current assets	28,082,028	29,196,028	47,512,119	49,877,870	**78,268,647**
Current assets	23,634,532	54,438,135	73,149,392	82,135,045	**88,306,155**
Total assets	51,716,560	83,634,163	120,661,511	132,012,915	**166,574,802**
EQUITY					
Equity attributable to equity holders of the Company	(25,622,386)	(40,559,116)	86,504,334	92,112,445	**97,693,027**
Non-controlling interests	47,035	57,734	5,438	(58,051)	**(58,752)**
Total Equity	(25,575,351)	(40,501,382)	86,509,772	92,054,394	**97,634,275**
LIABILITIES					
Non-current liabilities	64,815,964	103,618,175	2,326,683	3,365,958	**17,792,886**
Current liabilities	12,475,947	20,517,370	31,825,056	36,592,563	**51,147,641**
Total liabilities	77,291,911	124,135,545	34,151,739	39,958,521	**68,940,527**
Total equity and liabilities	51,716,560	83,634,163	120,661,511	132,012,915	**166,574,802**

FINANCIAL INFORMATION BY SEGMENT

	Unaudited Three Months Ended		
	December 31, 2020	December 31, 2019	**Year-over-year change**
	(RMB in thousands, except for percentages)		
Revenues:			
Food delivery	**21,537,985**	15,715,710	**37.0%**
In-store, hotel & travel	**7,135,360**	6,356,945	**12.2%**
New initiatives and others	**9,244,159**	6,085,598	**51.9%**
Total revenues	**37,917,504**	28,158,253	**34.7%**
Operating profit/(loss):			
Food delivery	**882,352**	482,829	**82.7%**
In-store, hotel & travel	**2,821,935**	2,331,277	**21.0%**
New initiatives and others	**(6,002,831)**	(1,318,445)	**355.3%**
Unallocated items[1]	**(554,152)**	(71,801)	**NA**
Total operating (loss)/profit	**(2,852,696)**	1,423,860	**(300.3%)**

	Year Ended		
	December 31, 2020	December 31, 2019	**Year-over-year change**
	(RMB in thousands, except for percentages)		
Revenues:			
Food delivery	**66,265,319**	54,843,205	**20.8%**
In-store, hotel & travel	**21,252,398**	22,275,472	**(4.6%)**
New initiatives and others	**27,276,793**	20,409,854	**33.6%**
Total revenues	**114,794,510**	97,528,531	**17.7%**
Operating profit/(loss):			
Food delivery	**2,833,369**	1,415,880	**100.1%**
In-store, hotel & travel	**8,180,933**	8,403,293	**(2.6%)**
New initiatives and others	**(10,854,996)**	(6,749,149)	**60.8%**
Unallocated items[1]	**4,170,796**	(390,164)	**NA**
Total operating profit	**4,330,102**	2,679,860	**61.6%**

1 Unallocated items include (i) share-based compensation expenses, (ii) amortization of intangible assets resulting from acquisitions, (iii) fair value changes on other financial investments at fair value through profit or loss, (iv) other gains, net, (v) impairment of goodwill, (vi) impairment and expense provision/(reversal) for Mobike restructuring plan, and (vii) net provision for impairment losses on financial assets.

OPERATING METRICS

	Twelve Months Ended		
	December 31, 2020	December 31, 2019	**Year-over-year change**
	(in millions, except for percentages)		
Number of Transacting Users	**510.6**	450.5	**13.3%**
Number of Active Merchants	**6.8**	6.2	**10.1%**
	(units, except for percentages)		
Average number of transactions per annual Transacting User	**28.1**	27.4	**2.5%**

	Three Months Ended		
	December 31, 2020	December 31, 2019	**Year-over-year change**
	(in millions, except for percentages)		
Gross Transaction Volume of food delivery	**156,287.3**	112,138.1	**39.4%**
Number of food delivery transactions	**3,331.3**	2,505.3	**33.0%**
Number of domestic hotel room nights	**119.7**	110.0	**8.8%**

	Year Ended		
	December 31, 2020	December 31, 2019	**Year-over-year change**
	(in millions, except for percentages)		
Gross Transaction Volume of food delivery	**488,851.2**	392,722.5	**24.5%**
Number of food delivery transactions	**10,147.4**	8,722.1	**16.3%**
Number of domestic hotel room nights	**354.5**	392.5	**(9.7%)**

To our Shareholders:

2020 was indeed an unusual year. COVID-19 has significantly impacted the world, changed the way people eat, travel, and shop, and brought lots of challenges and uncertainties around. During this very tough period, our most important tasks were helping the broader society fight COVID-19, meeting the daily needs of consumers and facilitating business owners recover. As a leading online platform, we also took this chance to accelerate the digitization process for the industry, increased our investments in business areas that will bring benefit to everyone, and explored opportunities in frontier technology and innovations that will fuel the long-term development of the society. Going forward, we remain committed to our mission that "We help people eat better, live better" and will stay focused on our "Food + Platform" strategy.

On behalf of the Board, I am pleased to present the Group's annual results for the year ended December 31, 2020.

FINANCIAL PERFORMANCE HIGHLIGHTS

As China's economic recovery accelerated as a result of the effective containment of the COVID-19 pandemic, our businesses recovered steadily during 2020. Total revenues increased by 17.7% year over year to RMB114.8 billion from RMB97.5 billion in 2019. Although the operating loss for new initiatives and others segment expanded as we further accelerated our business expansion efforts to satisfy consumers' growing needs, our food delivery and in-store, hotel & travel segments achieved an aggregate operating profit by segment of RMB11.0 billion in 2020, an increase from RMB9.8 billion in 2019. Both adjusted EBITDA and adjusted net profit experienced negative year-over-year growth and decreased to RMB4.7 billion and RMB3.1 billion in 2020, respectively. Our operating cash flow increased to RMB8.5 billion in 2020 from RMB5.6 billion in 2019. We had cash and cash equivalents of RMB17.1 billion and short-term treasury investments of RMB44.0 billion as of December 31, 2020, compared to the balances of RMB13.4 billion and RMB49.4 billion, respectively, as of December 31, 2019.

BUSINESS REVIEW AND OUTLOOK

Food delivery

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

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

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

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

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

In-store, hotel & travel

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

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

For our in-store dining business, we introduced more options for quality light meal restaurants to our platform during 2020, which helped to further expand our merchant base and increase both orders and revenues. For top national and local chain restaurants, we have designed innovative transaction-based products and supported their unique advertising needs. The number of these types of restaurants significantly increased throughout our ecosystem, with their sales also growing considerably as a result of our tailored services. By optimizing the operation system, we further leverage the merchant base of our food delivery business to expand our in-store dining merchant base. As a result, more high potential restaurants have adopted our in-store marketing products and our platform captured more cross-selling opportunities. For other in-store services, we effectively managed multiple service categories and improved our multi-dimensional operational capabilities in 2020 by correctly identifying the changes in consumer habits and future consumption trends. After the most severe periods of the COVID-19 pandemic, some new categories have proven to be quite popular, such as auto-related services and escape rooms, with both of these categories achieving relatively high year-over-year growth rates in GTV in the period to outpace their pre-pandemic growth. Other critical categories also maintained their high-growth trajectories, including medical aesthetics, healthcare, petcare, and more. For example, our medical aesthetics sales grew by more than 70% year over year in the fourth quarter. Meanwhile, we advanced our operational capabilities and better organized theme-based consumption festivals around holiday seasons, helping to better satisfy consumer demands and encourage local spending during 2020. For example, during the fourth quarter of 2020, we launched a series of promotional campaigns during Mid-Autumn Festival, National Day, Christmas and other festivals, such as "Double 11 Carnival," "Double 12 Carnival," "Wedding Festival," "Mid-Autumn and National Day Food Festival" and more, all of these theme-based promotional campaigns were exceptionally well received by the market.

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

New initiatives and others

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

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

Company Outlook for 2021

Overall, our food delivery and in-store, hotel & travel businesses continued to deliver solid results, demonstrated their unique values and have increasingly become a new infrastructure for peoples’ daily life in this challenging year of 2020. We reaffirm our belief that our food delivery and in-store, hotel & travel businesses have a significant runway for future growth and operation optimization over the long term. While our significant investments in new initiatives hampered our overall profitability in 2020, these new initiatives are also creating increasing value for consumers, merchants, our business partners, and the broader society. We remain committed to making investments in big opportunities that are capable of delivering long-term growth and providing consumers and all participants with more value. We believe community e-commerce is one of such big opportunities, and we will allocate sufficient resources to accelerate its development in 2021 while continuously improve its operating efficiency. Increasing investments in new initiatives may continue to cause significant negative impacts on our overall financial results, and the Company may continue to record operating losses in the next few quarters as we ramp up our community e-commerce business. However, we have always focused on long-term growth rather than short-term profits, adhering to a long-term oriented investment philosophy. More importantly, we remain optimistic about the prospects of China’s economic development. We believe that our determination to accelerate the digitization and online operation of the boarder industry over the long term will allow us to benefit from the digitization trend and industry growth. As such, we will continue to help merchants enhance operational efficiency across industries through innovations and better services, provide more convenience, as well as quality products and services at affordable cost for consumers, and create more value for the society with the help of technology, fulfilling our mission that “We help people eat better, live better.”

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to our consumers, merchants, business 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 and determination. In 2021, we will continue to serve our consumers and merchants, and create more value for the society.

Wang Xing
Chairman

Hong Kong, March 26, 2021

Fourth Quarter of 2020 Compared to Fourth Quarter of 2019

The following table sets forth the comparative figures for the fourth quarter of 2020 and 2019:

	Unaudited Three Months Ended	
	December 31, 2020	December 31, 2019
	(RMB in thousands)	
Revenues		
Commission	**24,373,609**	18,357,737
Online marketing services	**6,060,683**	4,937,769
Interest revenue	**252,335**	197,759
Other services and sales	**7,230,877**	4,664,988
	37,917,504	28,158,253
Cost of revenues	**(28,461,795)**	(18,440,124)
Gross profit	**9,455,709**	9,718,129
Selling and marketing expenses	**(7,675,340)**	(5,349,095)
Research and development expenses	**(3,249,199)**	(2,239,885)
General and administrative expenses	**(1,950,943)**	(1,232,474)
Net provision for impairment losses on financial assets	**(54,187)**	(332,004)
Fair value changes on other financial investments at fair value through profit or loss	**(661,883)**	72,443
Other gains, net	**1,283,147**	786,746
Operating (loss)/profit	**(2,852,696)**	1,423,860
Finance income	**69,724**	53,519
Finance costs	**(149,735)**	(45,095)
Share of gains of investments accounted for using equity method	**117,398**	57,646
(Loss)/profit before income tax	**(2,815,309)**	1,489,930
Income tax credits/(expenses)	**571,017**	(29,645)
(Loss)/profit for the period	**(2,244,292)**	1,460,285
Non-IFRS measures:		
Adjusted EBITDA	**(589,128)**	2,178,650
Adjusted net (loss)/profit	**(1,436,520)**	2,270,219

Revenues

Our revenues increased by 34.7% to RMB37.9 billion for the fourth quarter of 2020 from RMB28.2 billion in the same period of 2019. The increase was mainly driven by the solid revenue growth of our food delivery business, the steady recovery of our in-store, hotel & travel businesses, and robust revenue growth of our new initiatives.

The following table sets forth our revenues by segment and type in absolute amount for the fourth quarter of 2020 and 2019:

	Unaudited Three Months Ended December 31, 2020			
	Food delivery	In-store, hotel & travel	New initiatives and others	Total
	(RMB in thousands)			
Revenues				
Commission	**19,058,227**	**3,581,958**	**1,733,424**	**24,373,609**
Online marketing services	**2,441,964**	**3,538,844**	**79,875**	**6,060,683**
Other services and sales (including interest revenue)	**37,794**	**14,558**	**7,430,860**	**7,483,212**
Total	**21,537,985**	**7,135,360**	**9,244,159**	**37,917,504**

	Unaudited Three Months Ended December 31, 2019			
	Food delivery	In-store, hotel & travel	New initiatives and others	Total
	(RMB in thousands)			
Revenues				
Commission	13,963,448	3,203,847	1,190,442	18,357,737
Online marketing services	1,732,259	3,131,896	73,614	4,937,769
Other services and sales (including interest revenue)	20,003	21,202	4,821,542	4,862,747
Total	15,715,710	6,356,945	6,085,598	28,158,253

Our revenues from the food delivery segment increased by 37.0% to RMB21.5 billion for the fourth quarter of 2020 from RMB15.7 billion for the same period of 2019. Commission revenue increased by 36.5% to RMB19.1 billion as a result of the increase in Gross Transaction Volume mainly driven by the increase in order volume by 33.0% under the combined effect of the increase in Transacting User base and their purchase frequency, as we continuously improved our food delivery membership program to enlarge the member scale and carried out more marketing campaigns in different channels to stimulate consumption. Online marketing services revenue increased by 41.0% to RMB2.4 billion as a result of the increase in Active Merchants using our online marketing services due to their growing willingness to acquire online traffic.

Our revenues from the in-store, hotel & travel segment increased by 12.2% to RMB7.1 billion for the fourth quarter of 2020 from RMB6.4 billion for the same period of 2019. Commission revenue increased by 11.8% to RMB3.6 billion due to the increase in Gross Transaction Volume driven by increased Active Merchants and consumers' growing in-store consumption demands. Online marketing services revenue increased by 13.0% to RMB3.5 billion due to the increase in the number of online marketing Active Merchants.

Our revenues from the new initiatives and others segment increased by 51.9% to RMB9.2 billion for the fourth quarter of 2020 from RMB6.1 billion for the same period of 2019, mainly due to the increase in revenues from the retail businesses, B2B food distribution services and ride-sharing services as we expanded these businesses to satisfy consumers' growing needs.

Costs and Expenses

The following table sets forth a breakdown of our costs and expenses by function for the periods indicated:

	Unaudited Three Months Ended				
	December 31, 2020		December 31, 2019		
	Amount	**As a percentage of revenues**	Amount	As a percentage of revenues	**Year-over-year change**
	(RMB in thousands, except for percentages)				
Costs and Expenses:					
Cost of revenues	**28,461,795**	**75.1%**	18,440,124	65.5%	**54.3%**
Selling and marketing expenses	**7,675,340**	**20.2%**	5,349,095	19.0%	**43.5%**
Research and development expenses	**3,249,199**	**8.6%**	2,239,885	8.0%	**45.1%**
General and administrative expenses	**1,950,943**	**5.1%**	1,232,474	4.4%	**58.3%**
Net provision for impairment losses on financial assets	**54,187**	**0.1%**	332,004	1.2%	**(83.7%)**

Cost of Revenues

Our cost of revenues increased by 54.3% to RMB28.5 billion for the fourth quarter of 2020 from RMB18.4 billion in the same period of 2019, and increased by 9.6 percentage points to 75.1% from 65.5% as a percentage of revenues on a year-over-year basis. The increase in amount primarily attributable to the increased food delivery rider costs in line with the increase of the order volume, and more expenditures for our new initiatives such as cost of goods sold. At the same time, more investments in new initiatives with lower gross margin resulted in the increase as a percentage of revenues on a year-over-year basis.

Selling and Marketing Expenses

Our selling and marketing expenses was RMB7.7 billion for the fourth quarter of 2020 and RMB5.3 billion for the same period of 2019, and increased by 1.2 percentage points to 20.2% from 19.0% as a percentage of revenues on a year-over-year basis. The increase was primarily attributable to the increase in Transacting User incentives because of the enlarged food delivery membership subscribers base and the rapid growth of some of our new initiatives, and the increase in promotion and advertising expenses mainly driven by our enlarged branding and promotional campaigns to enhance our brand recognition and stimulate user growth and consumption.

Research and Development Expenses

Our research and development expenses increased to RMB3.2 billion for the fourth quarter of 2020 from RMB2.2 billion in the same period of 2019, and increased by 0.6 percentage points to 8.6% from 8.0% as a percentage of revenues on a year-over-year basis. The increase in both amount and as a percentage of revenues were mainly driven by the increased number of employees due to our businesses expansion, higher average salary and the increase in share-based compensation.

General and Administrative Expenses

Our general and administrative expenses increased to RMB2.0 billion for the fourth quarter of 2020 from RMB1.2 billion in the same period of 2019, and increased by 0.7 percentage points to 5.1% from 4.4% as a percentage of revenues on a year-over-year basis. The increase in both amount and as a percentage of revenues was primarily attributable to the increase in employee benefits expenses due to the increased number of employees, higher average salary, and the increase in share-based compensation.

Net Provision for Impairment Losses on Financial Assets

Our net provision for impairment losses on financial assets decreased to RMB54.2 million for the fourth quarter of 2020 from RMB332.0 million in the same period of 2019, and decreased by 1.1 percentage points to 0.1% from 1.2% as a percentage of revenues, primarily due to decreased impairment provision for financial assets, such as loan receivables, prepayments, and other receivables.

Fair Value Changes on Other Financial Investments at Fair Value Through Profit or Loss

Our loss in fair value changes on other financial investments at fair value through profit or loss was negative RMB661.9 million for the fourth quarter of 2020, compared with a gain of RMB72.4 million in the same period of 2019. This was primarily due to the fair value changes in our investments in listed entities.

Other Gains, Net

Our other gains, net for the fourth quarter of 2020 increased by RMB496.4 million to RMB1.3 billion compared to the same period of 2019, which was primarily due to an RMB852.9 million increase in dilution gain, partially offset by increased foreign exchange losses, the decreased tax return and preference and the decrease in gains from treasury investments.

Operating (Loss)/Profit

As a result of the foregoing, our operating loss and margin for the fourth quarter of 2020 was negative RMB2.9 billion and negative 7.5% respectively, compared to operating profit of RMB1.4 billion and 5.1% in the same period of 2019.

Operating (loss)/profit and margin by segment are set forth in the table below.

	Unaudited Three Months Ended				
	December 31, 2020		December 31, 2019		
	Amount	**As a percentage of revenues**	Amount	As a percentage of revenues	**Year-over-year change**
	(RMB in thousands, except for percentages)				
Food delivery	**882,352**	**4.1%**	482,829	3.1%	**82.7%**
In-store, hotel & travel	**2,821,935**	**39.5%**	2,331,277	36.7%	**21.0%**
New initiatives and others	**(6,002,831)**	**(64.9%)**	(1,318,445)	(21.7%)	**355.3%**
Unallocated items	**(554,152)**	**NA**	(71,801)	NA	**NA**
Total operating (loss)/profit	**(2,852,696)**	**(7.5%)**	1,423,860	5.1%	**(300.3%)**

Our operating profit from the food delivery segment increased to RMB882.4 million for the fourth quarter of 2020 from RMB482.8 million for the same period of 2019, mainly driven by the growth in gross profit due to increased food delivery business scale and average value per order, partially offset by the increase in operating expenses resulted from the revenues growth and higher user subsidies. Our operating margin for this segment increased by 1.0 percentage points to 4.1% from 3.1% on a year-over-year basis due to the increase in average value per order offset by lower Monetization Rate and higher user subsidy ratio.

Our operating profit from the in-store, hotel & travel segment increased by 21.0% to RMB2.8 billion for the fourth quarter of 2020 from RMB2.3 billion for the same period of 2019. The increase was mainly due to the increase in revenue, partially offset by the increase in employee benefits expenses and other outsourcing labor costs. Our operating margin for this segment increased by 2.8 percentage points to 39.5% from 36.7% on a year-over-year basis, mainly due to the improved marketing and online traffic acquisition efficiency, partially offset by the increased offline promotion expenses.

Our operating loss from the new initiatives and others segment expanded to negative RMB6.0 billion for the fourth quarter of 2020 from negative RMB1.3 billion for the same period of 2019, which was primarily attributable to (i) the rapid expansion in operating loss of our retail businesses, (ii) the increase in operating loss of our bike-sharing services resulted from the heavy depreciation costs due to the launch of new bikes and electric mopeds, (iii) the increase in some expenditures in research and development of advanced technologies, and (iv) partially offset by the decrease in operating loss from our restaurant management systems. As a result of foregoing, our operating margin for this segment decreased by 43.2 percentage points to negative 64.9% from negative 21.7% on a year-over-year basis.

(Loss)/Profit before Income Tax

Primarily as a result of the foregoing, our loss before income tax for the fourth quarter of 2020 was negative RMB2.8 billion, compared to a profit before income tax of RMB1.5 billion in the same period of 2019.

Income Tax Credits/(Expenses)

We had income tax credits of RMB571.0 million for the fourth quarter of 2020, compared to income tax expenses of RMB29.6 million in the same period of 2019, primarily due to the taxable income position turned to tax loss position as a result of business expansion.

(Loss)/Profit for the Period

As a result of the foregoing, we had a loss of negative RMB2.2 billion for the fourth quarter of 2020, compared to a profit of RMB1.5 billion for the same period of 2019.

Fourth Quarter of 2020 Compared to Third Quarter of 2020

The following table sets forth the comparative figures for the fourth quarter of 2020 and the third quarter of 2020:

	Unaudited Three Months Ended December 31, 2020	September 30, 2020
	(RMB in thousands)	
Revenues		
Commission	**24,373,609**	23,128,278
Online marketing services	**6,060,683**	5,659,942
Interest revenue	**252,335**	218,687
Other services and sales	**7,230,877**	6,394,375
	37,917,504	35,401,282
Cost of revenues	**(28,461,795)**	(24,578,273)
Gross profit	**9,455,709**	10,823,009
Selling and marketing expenses	**(7,675,340)**	(5,835,574)
Research and development expenses	**(3,249,199)**	(2,970,120)
General and administrative expenses	**(1,950,943)**	(1,415,119)
Net provision for impairment losses on financial assets	**(54,187)**	(130,285)
Fair value changes on other financial investments at fair value through profit or loss	**(661,883)**	5,779,364
Other gains, net	**1,283,147**	472,408
Operating (loss)/profit	**(2,852,696)**	6,723,683
Finance income	**69,724**	45,678
Finance costs	**(149,735)**	(111,506)
Share of gains of investments accounted for using equity method	**117,398**	92,698
(Loss)/profit before income tax	**(2,815,309)**	6,750,553
Income tax credits/(expenses)	**571,017**	(429,552)
(Loss)/profit for the period	**(2,244,292)**	6,321,001
Non-IFRS measures:		
Adjusted EBITDA	**(589,128)**	2,675,399
Adjusted net (loss)/profit	**(1,436,520)**	2,054,996

Revenues

Our revenues increased by 7.1% to RMB37.9 billion for the fourth quarter of 2020 from RMB35.4 billion for the third quarter of 2020. All business segments achieved growth on a quarter-over-quarter basis as we strengthened our food delivery and in-store, hotel & travel businesses while continuously developing new initiatives.

The following table sets forth our revenues by segment and type in absolute amount for the fourth quarter of 2020 and the third quarter of 2020:

	Unaudited Three Months Ended December 31, 2020			
	Food delivery	In-store, hotel & travel	New initiatives and others	Total
	(RMB in thousands)			
Revenues				
Commission	19,058,227	3,581,958	1,733,424	24,373,609
Online marketing services	2,441,964	3,538,844	79,875	6,060,683
Other services and sales (including interest revenue)	37,794	14,558	7,430,860	7,483,212
Total	21,537,985	7,135,360	9,244,159	37,917,504

	Unaudited Three Months Ended September 30, 2020			
	Food delivery	In-store, hotel & travel	New initiatives and others	Total
	(RMB in thousands)			
Revenues				
Commission	18,251,171	3,321,348	1,555,759	23,128,278
Online marketing services	2,407,888	3,147,357	104,697	5,659,942
Other services and sales (including interest revenue)	33,757	9,373	6,569,932	6,613,062
Total	20,692,816	6,478,078	8,230,388	35,401,282

Our revenues from the food delivery segment increased by 4.1% to RMB21.5 billion for the fourth quarter of 2020 from RMB20.7 billion for the third quarter of 2020, as a result of the increase in the order volume by 3.7%.

Our revenues from the in-store, hotel & travel segment increased by 10.1% to RMB7.1 billion for the fourth quarter of 2020 from RMB6.5 billion for the third quarter of 2020. Commission revenue increased by 7.8% to RMB3.6 billion, which was primarily attributable to the recovery of consumption in hotel and in-store businesses affected by both effective control of the COVID-19 pandemic domestically and year-end holiday season. Online marketing service revenue increased by 12.4% to RMB3.5 billion due to the increase in the number of online marketing Active Merchants and the average revenue per online marketing Active Merchants, as a result of their growing willingness to acquire online traffic during the holidays and the innovative products and services we offered to certain merchants.

Our revenues from the new initiatives and others segment increased by 12.3% to RMB9.2 billion for the fourth quarter of 2020 from RMB8.2 billion for the third quarter of 2020, which was primarily due to the increase in the revenues from the B2B food distribution services and retail businesses as a result of business expansion.

Costs and Expenses

The following table sets forth a breakdown of our costs and expenses by function for the periods indicated:

	Unaudited Three Months Ended				
	December 31, 2020		September 30, 2020		**Quarter-over-quarter change**
	Amount	**As a percentage of revenues**	Amount	As a percentage of revenues	
	(RMB in thousands, except for percentages)				
Costs and Expenses:					
Cost of revenues	**28,461,795**	**75.1%**	24,578,273	69.4%	**15.8%**
Selling and marketing expenses	**7,675,340**	**20.2%**	5,835,574	16.5%	**31.5%**
Research and development expenses	**3,249,199**	**8.6%**	2,970,120	8.4%	**9.4%**
General and administrative expenses	**1,950,943**	**5.1%**	1,415,119	4.0%	**37.9%**
Net provision for impairment losses on financial assets	**54,187**	**0.1%**	130,285	0.4%	**(58.4%)**

Cost of Revenues

Our cost of revenues increased by 15.8% to RMB28.5 billion for the fourth quarter of 2020 from RMB24.6 billion for the third quarter of 2020, and increased by 5.7 percentage points to 75.1% from 69.4% as a percentage of revenues. The increase in amount was mainly attributable to our continuously investments in our new initiatives and the increased food delivery rider costs due to the increase of order volume and seasonal incentives to food delivery riders. The increase as a percentage of revenues on a quarter-over-quarter basis mainly resulted from the rapid expansion of our retail businesses in their early stage.

Selling and Marketing Expenses

Our selling and marketing expenses increased to RMB7.7 billion for the fourth quarter of 2020 from RMB5.8 billion for the third quarter of 2020, and increased by 3.7 percentage points to 20.2% from 16.5% as a percentage of revenues on a quarter-over-quarter basis. The increase was primarily attributable to increase in Transacting User incentives due to seasonal marketing campaigns for all business segments, and increased promotion and advertising expenses due to our enlarged branding and promotional campaigns to enhance our brand recognition and stimulate user growth and consumption.

Research and Development Expenses

Our research and development expenses increased to RMB3.2 billion for the fourth quarter of 2020 from RMB3.0 billion for the third quarter of 2020, and increased by 0.2 percentage points to 8.6% from 8.4% as a percentage of revenues. The increase in both amount and as a percentage of revenues was primarily attributable to the increased number of employees due to our new businesses expansion, higher average salary and the increase in share-based compensation.

General and Administrative Expenses

Our general and administrative expenses increased to RMB2.0 billion for the fourth quarter of 2020 from RMB1.4 billion for the third quarter of 2020, and increased by 1.1 percentage points to 5.1% from 4.0% as a percentage of revenues. The increase in both amount and as a percentage of revenues was primarily attributable to increase in employee benefits expenses due to the increased number of employees, higher average salary, and the increase in share-based compensation.

Net Provision for Impairment Losses on Financial Assets

Our net provision for impairment losses on financial assets decreased to RMB54.2 million for the fourth quarter of 2020 from RMB130.3 million for the third quarter of 2020, and decreased by 0.3 percentage points to 0.1% from 0.4% as a percentage of revenues, which was primarily due to the decreased impairment provision for loan receivables.

Fair Value Changes on Other Financial Investments at Fair Value Through Profit or Loss

Our loss in fair value changes on other financial investments at fair value through profit or loss was negative RMB661.9 million for the fourth quarter of 2020, compared to a gain of RMB5.8 billion for the third quarter of 2020. This was primarily due to the fair value changes in our investments in listed entities.

Other Gains, Net

Our other gains, net for the fourth quarter of 2020 increased by RMB810.7 million to RMB1.3 billion compared to the third quarter of 2020, which was mainly attributable to an RMB852.9 million of dilution gain.

Operating (Loss)/Profit

As a result of the foregoing, our operating loss for the fourth quarter of 2020 was negative RMB2.9 billion, compared to an operating profit of RMB6.7 billion for the third quarter of 2020.

Operating (loss)/profit and operating margin by segment are set forth in the table below.

	Unaudited Three Months Ended				
	December 31, 2020		September 30, 2020		
	Amount	As a percentage of revenues	Amount	As a percentage of revenues	Quarter-over-quarter change
	(RMB in thousands, except for percentages)				
Food delivery	**882,352**	**4.1%**	768,477	3.7%	**14.8%**
In-store, hotel & travel	**2,821,935**	**39.5%**	2,787,256	43.0%	**1.2%**
New initiatives and others	**(6,002,831)**	**(64.9%)**	(2,028,909)	(24.7%)	**195.9%**
Unallocated items	**(554,152)**	**NA**	5,196,859	NA	**(110.7%)**
Total operating (loss)/profit	**(2,852,696)**	**(7.5%)**	6,723,683	19.0%	**(142.4%)**

Our operating profit from the food delivery segment increased to RMB882.4 million for the fourth quarter of 2020 from RMB768.5 million for the third quarter of 2020, which was mainly attributable to the growth in gross profit due to the increase in food delivery business scale, partially offset by the increased expenditures of user subsidies and marketing campaigns to drive the revenues growth. The operating margin for this segment increased to 4.1% from 3.7% on a quarter-over-quarter basis due to improved Monetization Rate as a result of the order mix change.

Our operating profit from the in-store, hotel & travel segment remained stable of RMB2.8 billion for the fourth quarter of 2020. The operating margin for this segment decreased by 3.5 percentage points to 39.5% on a quarter-over-quarter basis mainly due to the increased expenditure on promotion and advertising, partially offset by the improved operation efficiency.

Our operating loss from the new initiatives and others segment expanded to negative RMB6.0 billion for the fourth quarter of 2020 from negative RMB2.0 billion for the third quarter of 2020, and the operating margin for this segment decreased by 40.2 percentage points to negative 64.9% from negative 24.7% on a quarter-over-quarter basis. The significant negative impact on both amount and as a percentage of revenues was primarily attributable to (i) the increase in operating loss from the retail businesses driven by our rapid business expansion, and (ii) the increase in operating loss from our ride-sharing services affected by both lower turnover rate due to bad weather conditions and heavier depreciation costs due to massive assets purchase in the second half of 2020.

(Loss)/Profit before Income Tax

Primarily as a result of the foregoing, our loss before income tax for the fourth quarter of 2020 was negative RMB2.8 billion, compared to a profit before income tax of RMB6.8 billion for the third quarter of 2020.

Income Tax Credits/(Expenses)

We had income tax credits of RMB571.0 million for the fourth quarter of 2020, compared to income tax expenses of RMB429.6 million for the third quarter of 2020, primarily due to the taxable income position turned to tax loss position as a result of business expansion.

(Loss)/Profit for the Period

As a result of the foregoing, we had a loss of negative RMB2.2 billion for the fourth quarter of 2020, compared to a profit of RMB6.3 billion for the third quarter of 2020.

Year ended December 31, 2020 Compared to Year ended December 31, 2019

The following table sets forth the comparative figures for the years ended December 31, 2020 and 2019:

	Year Ended	
	December 31, 2020	December 31, 2019
	(RMB in thousands)	
Revenues		
Commission	**74,213,352**	65,525,997
Online marketing services	**18,908,045**	15,840,078
Interest revenue	**884,897**	786,032
Other services and sales	**20,788,216**	15,376,424
	114,794,510	97,528,531
Cost of revenues	**(80,744,368)**	(65,208,143)
Gross profit	**34,050,142**	32,320,388
Selling and marketing expenses	**(20,882,685)**	(18,819,067)
Research and development expenses	**(10,892,514)**	(8,445,664)
General and administrative expenses	**(5,593,895)**	(4,338,954)
Net provision for impairment losses on financial assets	**(467,690)**	(645,685)
Fair value changes on other financial investments at fair value through profit or loss	**4,955,909**	77,699
Other gains, net	**3,160,835**	2,531,143
Operating profit	**4,330,102**	2,679,860
Finance income	**213,684**	166,217
Finance costs	**(370,016)**	(191,042)
Share of gains of investments accounted for using equity method	**264,105**	107,353
Profit before income tax	**4,437,875**	2,762,388
Income tax credits/(expenses)	**269,737**	(526,223)
Profit for the year	**4,707,612**	2,236,165
Non-IFRS measures:		
Adjusted EBITDA	**4,737,837**	7,253,634
Adjusted net profit	**3,120,605**	4,656,685

Revenues

Our revenues increased by 17.7% to RMB114.8 billion in 2020 from RMB97.5 billion in 2019. The increase was primarily due to solid revenue growth of our food delivery business and business expansion in our new initiatives, especially retail businesses to meet various demands of both consumers and merchants.

The following table sets forth our revenues by segment and type in absolute amount in 2020 and 2019:

	Year Ended December 31, 2020			
	Food delivery	In-store, hotel & travel	New initiatives and others	Total
	(RMB in thousands)			
Revenues				
Commission	**58,592,036**	**10,193,162**	**5,428,154**	**74,213,352**
Online marketing services	**7,565,111**	**11,018,337**	**324,597**	**18,908,045**
Other services and sales (including interest revenue)	**108,172**	**40,899**	**21,524,042**	**21,673,113**
Total	**66,265,319**	**21,252,398**	**27,276,793**	**114,794,510**

	Year Ended December 31, 2019			
	Food delivery	In-store, hotel & travel	New initiatives and others	Total
	(RMB in thousands)			
Revenues				
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
Total	54,843,205	22,275,472	20,409,854	97,528,531

Our revenues from the food delivery segment increased by 20.8% to RMB66.3 billion in 2020 from RMB54.8 billion in 2019. Commission revenue increased by 18.0% to RMB58.6 billion on a year-over-year basis as a result of the increase in GTV by 24.5%, which was primarily attributable to (i) the increase in order volume by 16.3% due to the acquisition of new users, promotion of food delivery membership program and development of various consumption scenarios, and (ii) the increase in average value per order by 7.0% because of higher portion of orders from branded merchants on our platform. Online marketing services revenue increased by 48.2% to RMB7.6 billion primarily due to the increase in the number of Active Merchants and their average marketing expenditure due to their growing willingness to acquire more online traffic.

Our revenues from the in-store, hotel & travel segment decreased by 4.6% to RMB21.3 billion in 2020 from RMB22.3 billion in 2019. Commission revenue decreased by 12.7% to RMB10.2 billion mainly due to the decreased consumption in hotel & travel businesses due to the COVID-19 pandemic. Online marketing service revenue increased by 4.8% to RMB11.0 billion driven by the increase in the number of online marketing Active Merchants of our in-store business.

Our revenues from the new initiatives and others segment increased by 33.6% to RMB27.3 billion in 2020 from RMB20.4 billion in 2019 mainly due to the increase in revenues from the retail businesses, B2B food distribution services and ride-sharing services as we expanded these businesses to satisfy consumers' growing needs.

Costs and Expenses

The following table sets forth a breakdown of our costs and expenses by function for the years indicated:

	Year Ended				
	December 31, 2020		December 31, 2019		
	Amount	**As a percentage of revenues**	Amount	As a percentage of revenues	**Year-over-year change**
	(RMB in thousands, except for percentages)				
Costs and Expenses:					
Cost of revenues	**80,744,368**	**70.3%**	65,208,143	66.9%	**23.8%**
Selling and marketing expenses	**20,882,685**	**18.2%**	18,819,067	19.3%	**11.0%**
Research and development expenses	**10,892,514**	**9.5%**	8,445,664	8.7%	**29.0%**
General and administrative expenses	**5,593,895**	**4.9%**	4,338,954	4.4%	**28.9%**
Net provision for impairment losses on financial assets	**467,690**	**0.4%**	645,685	0.7%	**(27.6%)**

Cost of Revenues

Our cost of revenues increased by 23.8% to RMB80.7 billion in 2020 from RMB65.2 billion in 2019 and increased by 3.4 percentage points to 70.3% from 66.9% as a percentage of revenues on a year-over-year basis. The increase in amount was primarily attributable to the increase in food delivery rider costs in line with the increase of order volume, and more expenditures for our new initiatives such as cost of goods sold. As the same time, more investments in new initiatives with lower gross margin resulted in the increase as a percentage of revenues on a year-over-year basis.

Selling and Marketing Expenses

Our selling and marketing expenses increased by RMB2.1 billion to RMB20.9 billion in 2020 from RMB18.8 billion in 2019, and decreased by 1.1 percentage points to 18.2% from 19.3% as a percentage of revenues on a year-over-year basis. The increase in amount was primarily attributable to the increase in promotion and advertising expenses mainly driven by our enlarged branding and promotional campaigns to enhance our brand recognition and stimulate user growth and consumption, and the increase in employee benefits expenses mainly due to increased number of employees as a result of our new business expansion and higher average salary. The total Transacting User incentives kept stable on a year-over-year basis, which resulted in the decrease of selling and marketing expenses as a percentage of revenues in 2020.

Research and Development Expenses

Our research and development expenses increased to RMB10.9 billion in 2020 from RMB8.4 billion in 2019, and increased by 0.8 percentage points to 9.5% from 8.7% as a percentage of revenues. The increase in both amount and as a percentage of revenues was mainly driven by the increased number of employees due to our businesses expansion, higher average salary and the increase in share-based compensation.

General and Administrative Expenses

Our general and administrative expenses increased to RMB5.6 billion in 2020 from RMB4.3 billion in 2019, and increased by 0.5 percentage points to 4.9% from 4.4% as a percentage of revenues. The increase in both amount and as a percentage of revenues was primarily attributable to the increase in employee benefits expenses due to the increased number of employees, higher average salary, and the increase in share-based compensation.

Net Provision for Impairment Losses on Financial Assets

Our net provision for impairment losses on financial assets decreased to RMB467.7 million in 2020 from RMB645.7 million in 2019, and decreased by 0.3 percentage points to 0.4% from 0.7% as a percentage of revenues primarily due to the decreased impairment provision for financial assets.

Fair Value Changes on Other Financial Investments at Fair Value Through Profit or Loss

Our gain in fair value changes on other financial investments at fair value through profit or loss was RMB5.0 billion in 2020, compared with a gain of RMB77.7 million in 2019. This was primarily due to the fair value changes in our investments in listed entities.

Other Gains, Net

Our other gains, net in 2020 increased by RMB629.7 million to RMB3.2 billion compared to the year of 2019. The increase was primarily due to the increase in tax return and preference and dilution gain, partially offset by the decrease in gains from treasury investments and disposal and remeasurement of equity investments.

Operating Profit

As a result of the foregoing, our operating profit and margin in 2020 was RMB4.3 billion and 3.8%, respectively, compared to RMB2.7 billion and 2.7% in 2019.

Operating profit/(loss) and margin by segment are set forth in the table below.

	Year Ended				
	December 31, 2020		December 31, 2019		
	Amount	**As a percentage of revenues**	Amount	As a percentage of revenues	**Year-over-year change**
	(RMB in thousands, except for percentages)				
Food delivery	**2,833,369**	**4.3%**	1,415,880	2.6%	**100.1%**
In-store, hotel & travel	**8,180,933**	**38.5%**	8,403,293	37.7%	**(2.6%)**
New initiatives and others	**(10,854,996)**	**(39.8%)**	(6,749,149)	(33.1%)	**60.8%**
Unallocated items	**4,170,796**	**NA**	(390,164)	NA	**NA**
Total operating profit	**4,330,102**	**3.8%**	2,679,860	2.7%	**61.6%**

Our operating profit from the food delivery segment increased to RMB2.8 billion in 2020 from RMB1.4 billion in 2019, mainly driven by the expansion of business scale, higher average value per order and improved operating efficiency, partially offset by the increase in food delivery rider costs and employee benefits expenses. Our operating margin for this segment increased by 1.7 percentage points to 4.3% from 2.6% on a year-over-year basis mainly due to higher average value per order and improved operating efficiency, offset by higher delivery cost and other cost per order.

Our operating profit from the in-store, hotel & travel segment decreased by 2.6% to RMB8.2 billion in 2020 from RMB8.4 billion in 2019 mainly due to the decrease in segment revenue and the increase in employee benefits expenses, partially offset by the decrease in Transacting User incentives. Our operating margin for this segment increased by 0.8 percentage points to 38.5% from 37.7% on a year-over-year basis mainly due to the improved online traffic acquisition efficiency.

Our operating loss from the new initiatives and others segment expanded to negative RMB10.9 billion in 2020 from negative RMB6.7 billion in 2019, which was primarily attributable to (i) the increase in operating loss of our retail businesses, driven by rapid business expansion, and (ii) the increase in loss from some new initiatives, partially offset by the decrease in operating loss from our restaurant management systems. Our operating margin for this segment decreased by 6.7 percentage points to negative 39.8% from negative 33.1% on a year-over-year basis, which was primarily attributable to the rapid expansion of our retail businesses.

Profit before Income Tax

Primarily as a result of the foregoing, our profit before income tax in 2020 was RMB4.4 billion, compared to a profit before income tax of RMB2.8 billion in 2019.

Income Tax Credits/(Expenses)

We had income tax credits of RMB269.7 million in 2020, compared to income tax expenses of RMB526.2 million in 2019, primarily due to the increased tax losses in 2020.

Profit for the Year

As a result of the foregoing, we had a profit of RMB4.7 billion in 2020, compared to a profit of RMB2.2 billion in 2019.

Reconciliation of Non-IFRS Measures to the Nearest IFRS Measures

To supplement our consolidated results which are prepared and presented in accordance with IFRS, we also use adjusted EBITDA and adjusted net (loss)/profit as additional financial measures, which are not required by, or presented in accordance with IFRS. We believe that these non-IFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of items that our management does not consider to be indicative of our operating performance such as certain non-cash items and certain impact of investment transactions. The use of these non-IFRS measures has 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 measures may be defined differently from similar terms used by other companies.

The following tables set forth the reconciliations of our non-IFRS measures for the fourth quarter of 2020 and 2019, the third quarter of 2020 and the years ended December 31, 2020 and 2019, to the nearest measures prepared in accordance with IFRS.

	Unaudited		
	Three Months Ended		
	December 31, 2020	December 31, 2019	September 30, 2020
	(RMB in thousands)		
(Loss)/profit for the period	**(2,244,292)**	1,460,285	6,321,001
Adjusted for:			
Share-based compensation expenses	**1,041,671**	700,133	838,709
Fair value gains on investments[1]	**(191,031)**	(72,443)	(5,779,364)
Gains on disposal of investments and subsidiaries	**–**	(43,889)	–
Impairment of goodwill	**–**	–	58,166
Amortization of intangible assets resulting from acquisitions	**133,007**	165,547	160,857
Impairment and expense provision/(reversal) for Mobike restructuring plan	**738**	7,977	(2,819)
Net provision for impairment losses on financial assets	**–**	57,333	–
Tax effects on non-IFRS adjustments	**(176,613)**	(4,724)	458,446
Adjusted net (loss)/profit	**(1,436,520)**	2,270,219	2,054,996
Adjusted for:			
Income tax (credits)/expenses, except for tax effects on non-IFRS adjustments	**(394,404)**	34,369	(28,894)
Share of gains of investments accounted for using equity method	**(117,398)**	(57,646)	(92,698)
Finance income	**(69,724)**	(53,519)	(45,678)
Finance costs	**149,735**	45,095	111,506
Other gains except for (gains)/losses related to fair value change, disposal and remeasurement of investments and subsidiaries	(430,233)	(742,857)	(472,408)
Amortization of software and others	75,597	135,776	75,060
Depreciation on property, plant and equipment	1,633,819	547,213	1,073,515
Adjusted EBITDA	(589,128)	2,178,650	2,675,399

(1) Represents gains from fair value changes on investments, including (i) fair value changes on other financial investments at fair value through profit or loss, and (ii) dilution gain.

	Year Ended December 31, 2020	December 31, 2019
	(RMB in thousands)	
Profit for the year	**4,707,612**	2,236,165
Adjusted for:		
Share-based compensation expenses	**3,277,476**	2,190,871
Fair value gains on investments[1]	**(5,809,527)**	(169,059)
Gains on disposal of investments and subsidiaries	**–**	(201,061)
Gains from the remeasurement of investments	**–**	(176,880)
Impairment of goodwill	**58,166**	–
Amortization of intangible assets resulting from acquisitions	**615,578**	662,190
Impairment and expense (reversal)/provision for Mobike restructuring plan	**(5,272)**	88,612
Net provision for impairment losses on financial assets	**–**	57,333
Tax effects on non-IFRS adjustments	**276,572**	(31,486)
Adjusted net profit	**3,120,605**	4,656,685
Adjusted for:		
Income tax (credits)/expenses, except for tax effects on non-IFRS adjustments	**(546,309)**	557,709
Share of gains of investments accounted for using equity method	**(264,105)**	(107,353)
Finance income	**(213,684)**	(166,217)
Finance costs	**370,016**	191,042
Other gains except for (gains)/losses related to fair value change, disposal and remeasurement of investments and subsidiaries	**(2,307,217)**	(2,061,842)
Amortization of software and others	**375,908**	528,817
Depreciation on property, plant and equipment	**4,202,623**	3,654,793
Adjusted EBITDA	**4,737,837**	7,253,634

(1) Represents gains from fair value changes on investments, including (i) fair value changes on other financial investments at fair value through profit or loss, and (ii) dilution gain.

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 or senior notes. We had cash and cash equivalents of RMB17.1 billion and short-term treasury investments of RMB44.0 billion as of December 31, 2020, compared to the balance of RMB13.4 billion and RMB49.4 billion as of December 31, 2019.

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

	Year Ended	
	December 31, 2020	December 31, 2019
	(RMB in thousands)	
Net cash generated from operating activities	**8,475,013**	5,574,220
Net cash used in investing activities	**(21,232,004)**	(10,174,018)
Net cash generated from financing activities	**17,418,081**	1,114,267
Net increase/(decrease) in cash and cash equivalents	**4,661,090**	(3,485,531)
Cash and cash equivalents at the beginning of the year	**13,396,185**	17,043,692
Exchange loss on cash and cash equivalents	**(963,716)**	(173,442)
Cash and cash equivalents reclassified from the assets classified as held for sale	**–**	11,466
Cash and cash equivalents at the end of the year	**17,093,559**	13,396,185

Net Cash Generated from Operating Activities

Net cash generated from operating activities represents the cash generated from our operations minus the income tax paid. Cash generated from our operations primarily consisted of our profit for the year, as adjusted by non-cash items and changes in working capital.

For the year ended December 31, 2020, net cash generated from operating activities was RMB8.5 billion, which was primarily attributable to our profit before income tax, as adjusted by (i) depreciation and amortization and share-based payments, partially offset by fair value changes on other financial investments at fair value through profit or loss and dividend income and interest classified as investing cash flows, and (ii) changes in working capital, which primarily comprised an increase in trade payables, other payables and accruals and payables to merchants, partially offset by an increase in restricted cash and prepayments, deposits and other assets.

Net Cash Used in Investing Activities

For the year ended December 31, 2020, net cash used in investing activities was RMB21.2 billion, which was mainly attributable to purchase of property, plant and equipment, land use rights, and investments in some listed or unlisted entities, partially offset by net cash generated from treasury investments.

Net Cash Generated from Financing Activities

For the year ended December 31, 2020, net cash generated from financing activities was RMB17.4 billion, which was mainly attributable to issuance of notes payable and proceeds from borrowings, partially offset by repayments of borrowings and lease payments.

Gearing ratio

As of December 31, 2020, our gearing ratio, calculated as total borrowings and notes payable divided by total equity attributable to equity holders of the Company, was approximately 22%.

Contingent Liabilities

The Group did not have any material contingent liabilities as of December 31, 2020.

Investments Held

As of December 31, 2020, our investment portfolio amounted to approximately RMB24,044 million (December 31, 2019: RMB9,450 million) as recorded in the consolidated statement of financial position under various categories including:

- investments in associates and joint ventures which are accounted for using equity method;
- other financial investments at fair value through profit or loss;
- other financial investments at fair value through other comprehensive income.

Changes in respective items in the consolidated statement of financial position have been disclosed in the notes to the consolidated financial statements in this annual report.

We manage our investment portfolio with the primary objective to continue to implement the "Food + Platform" strategy. We focus on investments that can broaden our consumer and merchant base, improve our product and service offerings, enhance our delivery network, or participate in the development of frontier technology. Our investments include hotel chains that would bring additional supply to our platform, merchant-enabling solutions that improve the overall efficiency of the service industry, such as payment systems and supply chain management, mobility technology that enables future synergies with our platform, and cutting-edge technology, such as AI and robotics, to help us strengthen our business and improve efficiency.

The fair value of our stakes in listed investee entities amounted to RMB27,954 million as of December 31, 2020 (December 31, 2019: RMB3,221 million). Other than Li Auto Inc. as disclosed in Note 12 and Note 19 to the consolidated financial statements, none of the carrying amount of any of our investments constitutes 5% or more of our total assets as of December 31, 2020.

Save as disclosed herein, there are no material changes in our investment portfolio affecting the Company's performance that need to be disclosed under paragraph 32 of Appendix 16 to the Listing Rules.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

For the year ended December 31, 2020, 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, 2020, we did not pledge any assets for fund raising.

Future Plans for Material Investments and Capital Assets

As of December 31, 2020, we did not have other plans for material investments and capital assets.

Employees

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

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 42, 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 has served as a director of Li Auto Inc. (NASDAQ Ticker: LI) since July 2019.

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 41, 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 42, is a Co-founder and an executive Director of the Company. He is responsible for the on-demand delivery and certain new initiatives of the Company. After withdrawing from his day-to-day duties in December 2020, Wang Huiwen has continued to perform his director's duties by devoting himself to the strategic planning, organizational growth and talent development of the Company.

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

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

Non-executive Directors

Lau Chi Ping Martin (劉熾平), aged 48, is 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) (HKEx Stock: 9618). From March 2014 to August 2020, Lau Chi Ping Martin served as a director of Leju Holdings Limited (NYSE Ticker: LEJU). In July 2016, Lau Chi Ping was appointed as a director of Tencent Music Entertainment Group (formerly known as China Music Corporation) (NYSE Ticker: TME). In December 2017, Lau Chi Ping Martin was appointed as a director of Vipshop Holdings Limited (NYSE Ticker: VIPS), an online discount retailer company listed on the New York Stock Exchange.

Neil Nanpeng Shen (沈南鵬), aged 53, is 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 Ninebot Limited (SHSE Stock Code: 689009) since July 2015, a non-executive director of Noah Holdings Limited (NYSE Ticker: NOAH) since January 2016, a non-executive director of BTG Hotels Group Co., Ltd. (SHSE Stock Code: 600258) since January 2017 and an independent non-executive director of Pinduoduo Inc. (NASDAQ Ticker: PDD) since April 2018.

Neil Nanpeng Shen served as a non-executive director of China Renaissance Holdings Limited (HKEx Stock Code: 1911) from June 2018 to June 2020 and a non-executive director of 360 Security Technology Inc. (SHSE Stock Code: 601360) from February 2018 to May 2020.

Independent Non-executive Directors

Orr Gordon Robert Halyburton, aged 58, 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 the China-Britain Business Council.

Leng Xuesong (冷雪松), aged 52, 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 has also served as non-executive director of China Index Holdings Limited (NASDAQ Ticker: CIH) since July 2019.

Shum Heung Yeung Harry (沈向洋), aged 54, is 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 been an independent non-executive director of Youdao, Inc. (NYSE Ticker: DAO) since October 2019.

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

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

SENIOR MANAGEMENT

Wang Xing (王興), aged 42, 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 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.

Wang Huiwen (王慧文), aged 42, is a Co-founder and an executive Director of the Company. For further details, please see the section headed "Directors and Senior Management — Executive Directors" above.

Chen Shaohui (陳少暉), aged 40, 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 August 2018, Chen Shaohui was appointed as a director of Beijing Enlight Media Co., Ltd. (SZSE Stock Code: 300251). In July 2018, Chen Shaohui was appointed as a non-executive director of Maoyan Entertainment (HKEx Stock Code: 1896).

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

Chen Liang (陳亮), aged 41, is 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 45, 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.

SIMPLICATION OF COMPANY NAME AND STOCK SHORT NAME

Subsequent to the passing of a special resolution regarding the simplification of company name at the extraordinary general meeting held on September 29, 2020, the name of the Company was changed from "Meituan Dianping" to "Meituan" and the Chinese name of "美团" has been adopted as the dual foreign name of the Company in place of its old Chinese name of "美团点评" with effect from September 30, 2020. The Certification of Incorporation on Change of Name was issued by the Registrar of Companies in the Cayman Islands on September 30,2020 certifying the change of English name and the dual foreign name of the Company. The Certificate of Registration of Alteration of Registered Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on October 22, 2020 confirming the registration of the name of the Company has been changed from "Meituan Dianping 美团点评" to "Meituan 美团" in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

The Chinese stock short name for trading in the shares of the Company on the Stock Exchange has been changed from "美團點評-W" to "美團-W" from October 29, 2020. The English short name for trading in the shares of the Company on the Stock Ex-change remains unchanged as "MEITUAN-W" and the stock code of the Company remains unchanged as "3690".

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 offers diversified daily services, including food delivery, in-store, hotel and travel booking and other services and sales. 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, 2020 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 recognised 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, 2020.

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**"). As of December 31, 2020, we have utilized an amount of RMB3,934.3 million out of the IPO Proceeds in the manner set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. As of December 31, 2020, the unutilized net proceeds was in the amount of approximately RMB24,581.9 million. The Company intends to apply them in the same manner and proportion as stated in the Prospectus.

For the year ended December 31, 2020, the Group applied the IPO Proceeds in the following manner:

	Use of proceeds as stated in the Prospectus (in RMB'000) (approximate)	Actual use of proceeds in 2020 (in RMB'000) (approximate)	Net proceeds unutilized as of 31 December 2020 (in RMB'000) (approximate)	Expected time of use
35% to upgrade our technology and enhance our research and development capabilities	9,980,661	1,964,198	8,016,463	by end of 2022
35% to develop new services and products	9,980,661	1,970,090	8,010,571	by end of 2022
20% to selectively pursue acquisitions or investments in assets and businesses which are complementary to our business and are in line with our strategies;	5,703,235	–	5,703,235	by end of 2022
10% for working capital and general corporate purpose	2,851,617	–	2,851,617	by end of 2022
	28,516,174	3,934,288	24,581,886	

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, 2020, 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, 2020, 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 26 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group during the Reporting Period are set out on page 156 in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As of December 31, 2020, the Company's reserves available for distribution, amounted to approximately RMB263.2 billion.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as of December 31, 2020 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, Mr. Wang Huiwen, Mr. Lau Chi Ping Martin and Mr. Neil Nanpeng Shen 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.

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 or until the third annual general meeting of the Company after the Listing Date (whichever is earlier), upon which the service contracts were automatically renewed. 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 Directors shall continue for three years after the Listing Date 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) unless 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. On April 12, 2021, each of the non-executive Directors entered into an appointment letter with the Company on similar terms for three years. 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, 2020.

Each of the independent non-executive Directors has entered into an appointment letter with the Company. The initial term of their appointments 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) unless 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. On April 12, 2021, each of the independent non-executive Directors entered into an appointment letter with the Company for three years, under which each of the independent non-executive Directors will receive 1) an annual fixed cash compensation of RMB500,000 per annum, 2) 15,000 RSUs for the first year under the new term and 3) a share based compensation in the form of RSUs in the amount of RMB1,000,000 per annum for the second and third year.

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, 2020, 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%
			739 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%

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)	Shared Vision	7,330,000 Class A Shares	1.00%
			500,001 Class B Shares	0.01%
	Beneficial interest (L)	—	5,499,999 Class B Shares	0.11%
WANG Huiwen[4]	Beneficiary and founder of a Trust (L)	Trust	36,400,000 Class A Shares	4.95%
			2,134,660 Class B Shares	0.04%
	Interest in controlled corporation (L)	Aim Mars Investment Limited	36,400,000 Class A Shares	4.95%
			2,134,660 Class B Shares	0.04%
	Interest in controlled corporation (L)	Kevin Sunny	36,400,000 Class A Shares	4.95%
			2,134,660 Class B Shares	0.04%
	Interest in controlled corporation (L)	Galileo Space Limited	5,321,335 Class B Shares	0.10%
	Beneficial interest (L)	—	12,822,605 Class B Shares	0.25%
SHEN Nanpeng Neil[5]	Interest in controlled corporations (L)	Sequoia Capital China Funds, Sequoia Capital Global Growth Funds and Other Controlled Entities	387,668,586 Class B Shares	7.53%
	Beneficial interest (L)	—	9,520,506 Class B Shares	0.18%
ORR Gordon Robert Halyburton[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, 2020, 500,001 Class B Shares were issued to Shared Vision with respect to the vesting of 500,001 RSUs granted to Mu Rongjun under the Pre-IPO ESOP.

(4) Kevin Sunny is wholly owned by Aim Mars Investment Limited. The entire interest in Aim Mars Investment Limited is held through a trust established by Wang Huiwen (as settlor) for the benefit of Wang Huiwen and his family. Wang Huiwen is deemed to be interested in the 36,400,000 Class A Shares held by Aim Mars Investment Limited under the SFO. Galileo Space Limited is wholly-controlled by Wang Huiwen. Wang Huiwen was granted RSUs equivalent to 15,700,000 Class B Shares, and options with respect to 7,578,600 Class B Shares under the Pre-IPO ESOP. As at December 31, 2020, (i) 972,160 Class B Shares were issued to Kevin Sunny with respect to the exercise of 972,160 share options; and 1,162,500 Class B Shares were issued to Kevin Sunny with respect to the vesting 1,162,500 RSUs under the Pre-IPO ESOP; (ii) 1,550,500 Class B Shares were issued to Galileo Space Limited with respect to the exercise of 1,550,500 share options; and 6,770,835 Class B Shares were issued to Galileo Space Limited with respect to the vesting 6,770,835 RSUs under the Pre-IPO ESOP.

(5) Sequoia Capital China Funds refers to Sequoia Capital China I, L.P., Sequoia Capital China Partners Fund I, L.P., Sequoia Capital China Principals Fund I, L.P., Sequoia Capital China II, L.P., Sequoia Capital China Partners Fund II, L.P., Sequoia Capital China Principals Fund II, L.P., Sequoia Capital 2010 CV Holdco, Ltd., SCC Venture V Holdco I, Ltd., SCC Venture VI Holdco, Ltd., SCC Venture VI Holdco B, Ltd., SCC Growth 2010-Top Holdco, Ltd., Sequoia Capital 2010 CGF Holdco, Ltd., SCC Growth IV Holdco A, Ltd. and Sequoia Capital China Growth Fund IV, L.P. (which hold approximately 0.79%, 0.09%, 0.12%, 2.40%, 0.06%, 0.40%, 0.61%, 0.01%, 0.03%, 0.01%, 0.88%, 0.07%, 0.02% and 0.12%, respectively, of the outstanding Shares), and Sequoia Capital Global Growth Funds refers to Sequoia Capital Global Growth Fund, L.P., Sequoia Capital Global Growth Principals Fund, L.P. and SC GGFII Holdco, Ltd. (which hold approximately 0.36%, 0.01% and 0.50%, respectively, of the outstanding Shares). The Sequoia Capital China Funds and the Sequoia Capital Global Growth Funds may act together with respect of the holding, disposal and casting of voting rights of the Shares.

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

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

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

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

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

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

Save as disclosed above, as of December 31, 2020, none of the Directors or the chief executives of the Company had or was deemed to have any interest or short position in the 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, 2020, 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%
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	12.11%
Tencent Mobility Limited[3]	Beneficial interest	383,955,705 Class B Shares	7.46%
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%
THL A Limited[3]	Beneficial interest	496,661 Class B Shares	0.01%
THL A25 Limited[3]	Beneficial interest	12,912 Class B Shares	0.00%
Distribution Pool Limited[3]	Beneficial interest	1,018,420 Class B Shares	0.02%

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 B Shares – Sequoia			
Sequoia Capital China Funds, Sequoia Capital Global Growth Funds and Other Controlled Entities[4]	Beneficial interest	387,668,586 Class B Shares	7.53%
	Other	9,520,506 Class B Shares	0.18%

Notes:

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

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

(3) Huai River Investment Limited, a company incorporated under the laws of the British Virgin Islands, Tencent Mobility Limited, a company incorporated under the laws of Hong Kong, Morespark Limited, a company incorporated under the laws of Hong Kong, Great Summer Limited, a company incorporated under the laws of the British Virgin Islands, Distribution Pool Limited, a company incorporated under the laws of the British Virgin Islands, THL A Limited and THL A25 Limited and companies incorporated under the laws of the British Virgin Islands, are wholly owned subsidiaries of Tencent.

(4) Sequoia Capital China Funds refers to Sequoia Capital China I, L.P., Sequoia Capital China Partners Fund I, L.P., Sequoia Capital China Principals Fund I, L.P., Sequoia Capital China II, L.P., Sequoia Capital China Partners Fund II, L.P., Sequoia Capital China Principals Fund II, L.P., Sequoia Capital 2010 CV Holdco, Ltd., SCC Venture V Holdco I, Ltd., SCC Venture VI Holdco, Ltd., SCC Venture VI Holdco B, Ltd., SCC Growth 2010-Top Holdco, Ltd., Sequoia Capital 2010 CGF Holdco, Ltd., SCC Growth IV Holdco A, Ltd. and Sequoia Capital China Growth Fund IV, L.P. (which hold approximately 0.79%, 0.09%, 0.12%, 2.40%, 0.06%, 0.40%, 0.61%, 0.01%, 0.03%, 0.01%, 0.88%, 0.07%, 0.02% and 0.12%, respectively, of the outstanding Shares), and Sequoia Capital Global Growth Funds refers to Sequoia Capital Global Growth Fund, L.P., Sequoia Capital Global Growth Principals Fund, L.P. and SC GGFII Holdco, Ltd. (which hold approximately 0.36%, 0.01% and 0.50%, respectively, of the outstanding Shares). The Sequoia Capital China Funds and the Sequoia Capital Global Growth Funds may act together with respect of the holding, disposal and casting of voting rights of the Shares.

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

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

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

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

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, 2020	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, 2020
Directors									
Mu Rongjun	July 1, 2017 to July 1, 2018	6 years	US$3.86-US$5.18	5,000,000	0	0	0	0	5,000,000
Wang Huiwen	February 1, 2015 to July 1, 2018	4-6 years	US$1.005-US$5.18	5,055,940	0	0	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	62,912,454	21,276,793 US$0.000017-US$5.18	HK$174.9024	4,654	3,849,333	37,781,674
Total				72,968,394	21,276,793 US$0.000017-US$5.18	HK$174.9024	4,654	3,849,333	47,837,614

Note:

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

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, 2020	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, 2020
Directors							
Mu Rongjun	July 1, 2017	6 years	666,666	166,667	0	0	499,999
Wang Huiwen	January 1, 2016 to July 1, 2018	4 to 6 years	10,124,999	2,358,334	0	0	7,766,665
Other Employees	December 29, 2010 to August 2, 2018	0 to 6 years	81,642,506	33,170,683	6,707,035	0	41,764,788
Total			92,434,171	35,695,684	6,707,035	0	50,031,452

Note:

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

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 8.08% 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, 2020, a total of 3,351,316 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.

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	Exercise Price	Number of Shares underlying options outstanding as of January 1, 2020	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, 2020
Other Employees	July 5, 2019	HK$70.0	4 years[1]	HK$69.1	740,000	0	30,000 HK$69.1	HK$259.0000	0	0	710,000
Other Employees	April 24,2020	HK$100	5.2 years[2]	HK$100.15	0	1,356,000	226,000 HK$100.15	HK$266.7327	0	0	1,130,000
Other Employees	July 20,2020	HK$191.1	4 years[3]	HK$195.98	0	1,255,316	0	0	0	0	1,255,316
Total					740,000	2,611,316	256,000	HK$265.8266	0	0	3,095,316

Notes:

(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.

(2) The share options are exercisable in instalments from the commencement of the relevant vesting period until April 24, 2030. Subject to the terms of the Post-IPO Share Option Scheme and the share option award agreements signed by the grantees, the first 1/6 of the options can be exercised on June 30, 2020 and each 1/6 of the total options will become exercisable in each subsequent year.

(3) The share options are exercisable in instalments from the commencement of the relevant vesting period until July 20, 2030. Subject to the terms of the Post-IPO Share Option Scheme and the share option award agreements signed by the grantees, the first 10% of the options can be exercised on June 30, 2021, 20% of the options can be exercised on June 30, 2022, 30% of the options can be exercised on June 30, 2023, 40% of the options can be exercised on June 30, 2024.

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 4.62% 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, 2020, 105,774,045 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 180,521,265 Shares (including Award Shares which have been cancelled or forfeited in accordance with the Post-IPO Share Award Scheme), representing 3.07% 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, 2020	Number of Shares underlying RSUs granted during the Reporting Period	RSUs vested during the Reporting Period	RSUs cancelled during the Reporting Period	RSUs lapsed during the Reporting Period	Number of Shares underlying RSUs outstanding as of December 31, 2020
Directors								
Orr Gordon Robert Halyburton	November 23, 2018	6.25% to vest in each quarter commencing from December 20, 2018 until September 20, 2022	41,250	0	15,000	0	0	26,250
Leng Xuesong	November 23, 2018	6.25% to vest in each quarter commencing from December 20, 2018 until September 20, 2022	41,250	0	15,000	0	0	26,250
Shum Heung Yeung Harry	November 23, 2018	6.25% to vest in each quarter commencing from December 20, 2018 until September 20, 2022	41,250	0	15,000	0	0	26,250
Other Employees	October 4, 2018 to October 21, 2020	4 to 5.2 years	50,584,766	44,797,063	13,779,747	4,984,456	0	76,617,626
Total			50,708,516	44,797,063	13,824,747	4,984,456	0	76,696,376

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 2020.

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

On September 30, 2020, Meituan (for itself and on behalf of other members of the Group) entered into a new framework agreement with Shenzhen Tencent Computer (for itself and on behalf of other members of Tencent) ("**2020 Marketing and Promotion Services Framework Agreement**"), pursuant to which Tencent would provide marketing and promotional services for the Company on Tencent's relevant platforms (including but not limited to joint-membership services, traffic services, standard marketing and promotion services, provision of links and downloads to our products, content and services and other similar marketing services). In return for these marketing and promotional services, the Company would provide marketing and promotion services for Tencent on the Company's platform. The service fees will be determined after arm's length negotiation between the parties with reference to the market rates, according to one or more of the following manners including cost-per-time, cost-per-click, cost-per-mille, cost-per-sale and cost-per-download. The term of the 2020 Marketing and Promotion Services Framework Agreement commenced on January 1, 2021 and expires on December 31, 2023. For further details, please refer to the announcement of the Company dated September 30, 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, 2020 is RMB560 million, while the actual transaction amount for the year ended December 31, 2020 is approximately RMB340 million.

Cloud Services and Technical Services Framework Agreement

On September 1, 2018, Meituan (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) ("**2018 Cloud Services and Technical Services Framework Agreement**"), 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 expired on December 31, 2020.

On September 30, 2020, Meituan (for itself and on behalf of other members of the Group) entered into a new framework agreement with Shenzhen Tencent Computer (for itself and on behalf of other members of Tencent) ("**2020 Technical Services Cooperation Framework Agreement**"), on terms substantially the same as the 2018 Cloud Services and Technical Services Framework Agreement. The term of the 2020 Technical Services Cooperation Framework Agreement commenced on January 1, 2021 and expires on December 31, 2023. For further details, please refer to the announcement of the Company dated September 30, 2020.

The annual cap for the year ended December 31, 2020 is RMB500 million, while the actual transaction amount for the year ended December 31, 2020 is approximately RMB159 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 (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) ("**2018 Payment Services Framework Agreement**"), 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 websites. 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 expired on December 31, 2020.

On September 30, 2020, Meituan (for itself and on behalf of other members of the Group) entered into a new framework agreement with Shenzhen Tencent Computer (for itself and on behalf of other members of Tencent) ("**2020 Payment Services Framework Agreement**"), on terms substantially the same as the 2018 Payment Services Framework Agreement. The term of the 2020 Payment Services Framework Agreement commenced on January 1, 2021 and expires on December 31, 2023.

Since the highest of the applicable percentage ratios of the annual caps under the 2020 Payment Services Framework Agreement calculated under Chapter 14A of the Listing Rules will be 0.1% or more but less than 5%, the transactions contemplated under the 2020 Payment Services Framework Agreement will be exempt from the independent shareholders' approval requirements, but are subject to the announcement requirements under Chapter 14A of the Listing Rules, and will constitute partially-exempt continuing connected transactions of the Company for the financial years ended December 31, 2021, December 31, 2022 and December 31, 2023, respectively. For further details, please refer to the announcement of the Company dated September 30, 2020.

The annual cap for the year ended December 31, 2020 is RMB2.5 billion, while the actual transaction amount for the year ended December 31, 2020 is approximately RMB1,490 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.

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 by the Group in 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.

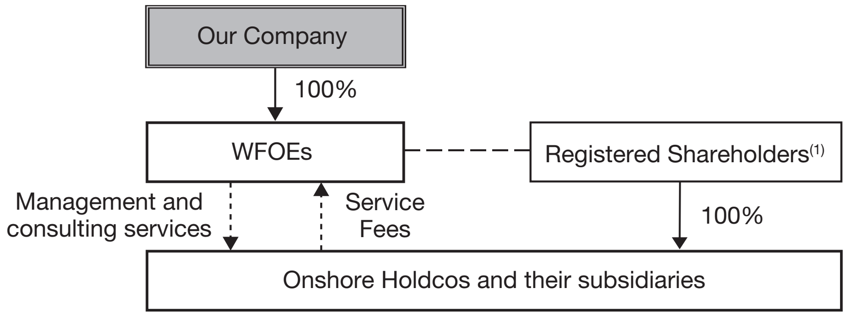
Certain related party transactions as disclosed in Note 37 to the consolidated financial statements constituted as connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules and are in compliance with the disclosure requirements under Chapter 14A of the 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 50.97% and Mu Rongjun as to 49.03%; 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) (2020 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 comprises 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 entered into between each Onshore Holdco (other than Shanghai Hantao and Beijing Sankuai Technology) and the relevant WFOE on August 21, 2018, the exclusive business cooperation agreement entered into by and between Shanghai Hantao and the relevant WFOE on November 13, 2018 and the exclusive business cooperation agreement entered into by and between Beijing Sankuai Technology and the relevant WFOE on November 30, 2020 (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 each Onshore Holdco (other than Shanghai Hantao, Beijing Sankuai Cloud Computing and Beijing Sankuai Technology), relevant WFOE and the relevant Registered Shareholders on August 21, 2018, the exclusive option agreement entered into among Shanghai Hantao, relevant WFOE and the relevant Registered Shareholders on November 13, 2018, the exclusive option agreement entered into among Beijing Sankuai Cloud Computing, relevant WFOE and the relevant Registered Shareholders on December 1, 2019 and the exclusive option agreement entered into among Beijing Sankuai Technology, relevant WFOE and the relevant Registered Shareholders on November 30, 2020 (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 each Onshore Holdco (other than Shanghai Hantao, Beijing Sankuai Cloud Computing and Beijing Sankuai Technology), the relevant WFOE and the relevant Registered Shareholders on August 21, 2018, the equity pledge agreement entered into among Shanghai Hantao, relevant WFOE and the relevant Registered Shareholders on November 13, 2018, the equity pledge agreement entered into among Beijing Sankuai Cloud Computing, relevant WFOE and the relevant Registered Shareholders on December 1, 2019 and the equity pledge agreement entered into among Beijing Sankuai Technology, relevant WFOE and the relevant Registered Shareholders on November 30, 2020 (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 (other than Shanghai Hantao, Beijing Sankuai Cloud Computing and Beijing Sankuai Technology) on August 21, 2018, the powers of attorney executed by the Registered Shareholders in connection with their rights in Shanghai Hantao on November 13, 2018, the powers of attorney executed by the Registered Shareholders in connection with their rights in Beijing Sankuai Cloud Computing on December 1, 2019 and the powers of attorney executed by the relevant Registered Shareholders in connection with their rights in Beijing Sankuai Technology on November 30, 2020 (collectively, the "**Powers of Attorney**"), the relevant 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

Pursuant to the loan agreements entered into between the relevant WFOEs (other than in the case of Mobike Beijing, Shanghai Hanhai, Sankuai Cloud Online, Tianjin Hanbo and Tianjin Wanlong) and the Registered Shareholders on August 21, 2018, and the loan agreements entered into between Shanghai Hanhai, being the WFOE, and the Registered Shareholders of Shanghai Hantao on November 13, 2018, and the loan agreements entered into between Sankuai Cloud Online, being the WFOE, and the Registered Shareholders of Beijing Sankuai Cloud Computing on December 1, 2019, and the loan agreements entered into between Tianjin Hanbo, being the WFOE, and the Registered Shareholders of Beijing Sankuai Technology on November 30, 2020 (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.

Change of the corresponding WFOE and Capital Injection to Beijing Sankuai Technology

Beijing Sankuai Online was the original corresponding WFOE under the Contractual Arrangements with respect to Beijing Sankuai Technology. For the purpose of separating the businesses of Beijing Sankuai Online and Beijing Sankuai Technology (including its subsidiaries) such that each of them has clearly defined separate roles and responsibilities within the Group, which is expected to reduce operational overlap, allowing the Company to allocate resources more efficiently and streamline the operations of the Group as a whole, the corresponding WFOE entity relating to Beijing Sankuai Technology has been changed from Beijing Shankuai Online to another wholly-owned subsidiary of the Company, Tianjin Hanbo, by execution of a new set of Contractual Arrangements in lieu of the original Contractual Arrangements relating to Beijing Sankuai Technology.

Concurrently with the change of the corresponding WFOE above, on November 30, 2020, Tianjin Hanbo, being the new 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 RMB2,793 million and RMB2,687 million, respectively (the "**New Loan Agreements**"). Pursuant to the New Loan Agreements, Tianjin Hanbo agreed to provide loans to Wang Xing and Mu Rongjun to be used exclusively for the following purpose: (i) with respect to loans provided to Wang Xing, all of which are used for repayment of the loans to Beijing Sankuai Online under the original Contractual Arrangements, and (ii) with respect to loans provided to Mu Rongjun, of which RMB147 million are used for repayment of the loans to Beijing Sankuai Online under the original Contractual Arrangements, and remaining RMB2,540 million are used for injecting to Beijing Sankuai Technology as share capital. The terms of the New Loan Agreements are identical to the terms of the original Loan Agreements save for the lender, the loan amount and the use of such loans.

Upon completion of the change of the corresponding WFOE and the capital injection under the New Loan Agreements, the relevant parties, including the Tianjin Hanbo, Beijing Sankuai Technology and its Registered Shareholders, entered into a new set of Contractual Arrangements, including the powers of attorney, the exclusive business cooperation agreement, the exclusive option agreement, the equity pledge agreement, the New Loan Agreements, the confirmations from such Registered Shareholders and the spouse undertakings on November 30, 2020 (collectively known as the "**Beijing Sankuai Technology VIE Agreements**") to terminate and replace the original Contractual Arrangements relating to Beijing Sankuai Technology. The terms of the Beijing Sankuai Technology VIE Agreements are identical to the terms of the original Contractual Arrangements of Beijing Sankuai Technology.

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 recognised 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, 2020, 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 RMB3.8 billion for the year ended December 31, 2020, representing approximately 3.3% of the total revenue for the year of the Group. The total assets of the Onshore Holdcos and their respective subsidiaries amounted to RMB20.9 billion as of December 31, 2020, representing approximately 12.5% 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) (2020 Version). 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 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 reproduced (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, 2020 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 RMB204.5 million.

LEGAL PROCEEDINGS AND COMPLIANCE

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

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

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

PERMITTED INDEMNITY PROVISION

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

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

There were no important events affecting the Company and its subsidiaries which occurred after December 31, 2020 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.

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 26, 2021

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 standards 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 overseeing 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 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 interest 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 or until the third annual general meeting of the Company after the Listing Date (whichever is earlier), upon which the service contracts were automatically renewed. 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 the Listing Date 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), unless 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. On April 12, 2021, each of the non-executive Directors entered into an appointment letter with the Company on similar terms for three years.

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 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), unless 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. On April 12, 2021, each of the independent non-executive Directors entered into an appointment letter with the Company on similar terms for three years.

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 met six times during the Reporting Period. The attendance of each Director at Board, committee and shareholders 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	General Meeting of Shareholders
Executive Directors						
Wang Xing	6/6					1/2
Mu Rongjun	6/6		1/1			1/2
Wang Huiwen	6/6			1/1		2/2
Non-executive Directors						
Lau Chi Ping Martin	6/6					0/2
Neil Nanpeng Shen	6/6					0/2
Independent Non-executive Directors						
Orr Gordon Robert Halyburton	6/6	4/4			2/2	2/2
Leng Xuesong	6/6	4/4	1/1	1/1	2/2	2/2
Shum Heung Yeung Harry	6/6	4/4	1/1	1/1	2/2	0/2

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 20, 2020, 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 20, 2020. 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.

On September 29, 2020, the Company held an extraordinary general meeting to approve the change of the English name of the Company from "Meituan Dianping" to "Meituan" and the adoption of the Chinese name of "美团" as the dual foreign name of the Company in place of its old Chinese name of "美团点评".

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 93. 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 includes:

(a) reviewing the 2020 interim report;

(b) reviewing the Company's quarterly result announcements for the first quarter ended March 31, 2020 and the third quarter ended September 30, 2020, 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;

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

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

(g) reviewing the Company's ESG work.

The Audit Committee annually reviews the relationship of the Company with the Auditor and recognises 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 93.

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

(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, makes 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 93.

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

(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 of the board diversity policy of the Company, the Nomination Committee considered the gender, age, cultural and education background, professional experience, knowledge, independency, length of service of the candidates for re-election of the retiring independent non-executive Directors, Orr Gordon Halyburton, Leng Xuesong and Shum Heung Yeung Harry, in 2020. After due consideration of the aforesaid mentioned factors and the previous contributions of the independent non-executive Directors, the Nomination Committee was satisfied that Orr Gordon Halyburton, Leng Xuesong and Shum Heung Yeung Harry 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 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 compliance or explanation 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 two times. Individual attendance of each Corporate Governance Committee member is set out on page 93.

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

(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. 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 regulatory policies.

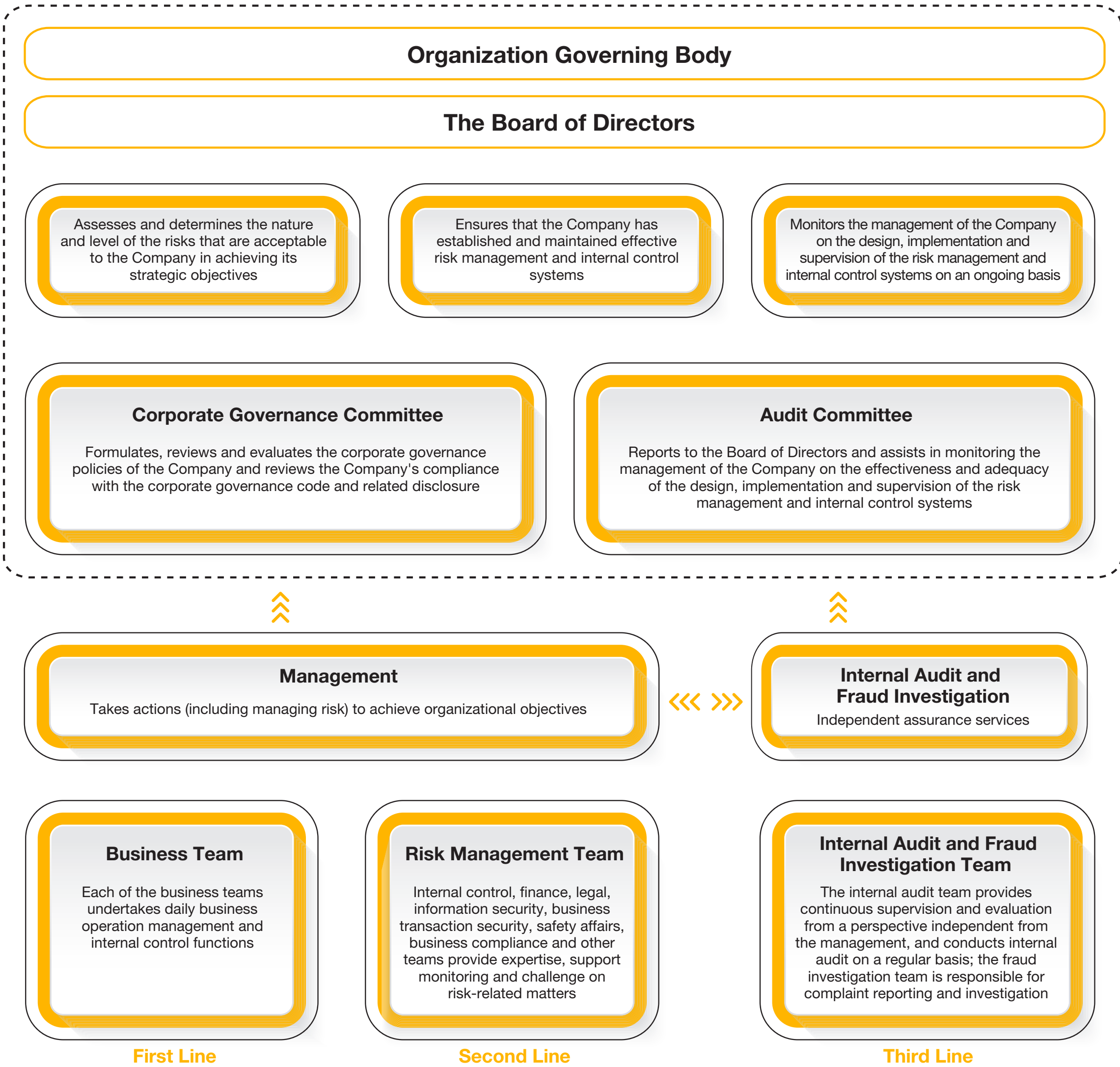
The Board acknowledges that it is the Board's responsibility to ensure that the Company has established and maintained adequate and effective risk management and internal control systems. The Board delegates its responsibility to the Audit Committee to review the practices of management with respect to the design, implementation and supervision of risk management and internal control systems. This review formally takes place at each quarter, 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 including 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 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 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 capability, with an aim to ensure long-term growth and sustainable development of the Company's business.

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.



Organization Governing Body – Oversight

The Organization Governing Body mainly comprises of the Board of Directors, Corporate Governance Committee and Audit Committee of the Company. It is responsible for ensuring appropriate structures and processes are in place for effective governance and ensuring that the organizational objectives and activities are aligned with the prioritized interests of the stakeholders.

Management

First Line – Operation and Management

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

Second Line – Risk Management

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

Internal Audit and Fraud Investigation – Independent Assurance

The Third Line mainly consists of the functions of internal audit and fraud investigation of the Company. The internal audit department is responsible for providing an independent and objective assurance and consulting 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 whistleblower 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.

Risk Management Process

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, each business group and functional department 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 management teams. The internal control department reviews and evaluates the actions made in response to the significant risks from time to time.

The Company recognises the importance of employees' risk awareness for risk management and internal control. Through thematic training and activities, risk research and investigation, project collaboration, promotional material etc., our 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 2020, management of the Company identified six major risks through the above risk management process. Compared with last year, in light of the constantly changing external environment and the continuous expansion of the Company's business scale and scope of operation, the management is of view that the top six risks disclosed in 2019 still persist, albeit with an adjusted risk level. In particular, there is a considerable increase in "Compliance Risk" and a slight decrease in "Human Resources Risk", while the other risk levels are mostly unchanged.

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 constantly changing external environment, the Company's risk profile may change and the list below is not intended to be exhaustive.

Compliance Risk

The internet and technology industry is evolving, thus regulatory authorities in numerous jurisdictions have been, in an attempt to keep up with such evolution, developing more comprehensive and stringent laws and regulations to regulate the industry, including obtaining and maintaining necessary licenses, approvals and permits relevant to applicable business. The Company, when conducting its business, is required to comply with new applicable laws and regulations in different jurisdictions, such as regulations relating to anti-monopoly, data protection, internet information security, IP, financial compliance, etc. In addition, along with the continuous expansion of the Company's business, certain innovative businesses may encounter uncertainties in the applicable laws and regulations in such sector or regulatory policy development. For example, on 7 February 2021, the Anti-monopoly Commission of the State Council promulgated the Guidelines to Anti-Monopoly in the Field of Internet Platforms, or the Anti-Monopoly Guidelines for Internet Platforms. The Anti-Monopoly Guidelines for Internet Platforms is consistent with the Anti-Monopoly Law and further clarifies the principles of Anti-Monopoly law enforcement in the platform economy, provides clearer guidelines for operators in the platform economy to operate in compliance with laws and regulations, and promotes the orderly, innovative and healthy development of the platform economy. At the end of 2020, the company received enquiries from the State Administration for Market Regulation regarding the declaration of business operators' concentration. The Company recently received a notice from the State Administration for Market Regulation regarding a fine of RMB500,000 imposed as a result of an unreported case of business operators' concentration. The Company may, in the future, receive more Anti-monopoly enquires or investigations and may be imposed of fines, penalties or rectification orders as a result of such enquires or investigations. Regulatory environment tends to change, which has profound effect on the healthy and sustainable development of the internet and technology industry, while also requires the Company to actively strengthen and improve its compliance work. We may, from time to time, face regulatory investigation and penalty or be involved in corresponding legal proceedings, which in turn could have a negative impact on the business, financial condition and operating results.

The Company has several professional departments and teams that work closely with management of business groups and identify changes in any relevant laws, regulations and regulatory policies, so as to take appropriate actions or measures, update and improve internal system and processes continuously, to facilitate that the Company is in compliance with applicable laws, regulations and regulatory policies.

Market Competition and Innovation Risk

The Company faces competition in every aspect of its business, and particularly from other companies in the on-demand delivery businesses, in-store services businesses, hotel & travel services and new initiatives. 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. In the meantime, the pace of technology innovation will have a certain impact on the Company's competitive position as users increasingly demand for innovation in services and products.

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 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 cyber-attacks, enabling the Company to strengthen customer trust and enhance its user experience. During the year, the Audit Committee reviewed cybersecurity updates during the first quarter and third quarter Audit Committee meeting.

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 customers 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, proactively responds to societal concerns and deals with crises in a lawful and reasonable manner and protects the Company's reputation 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. 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 value 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 potential fraudulent conduct. Any fraudulent conduct will be dealt with strictly in accordance with the relevant rules and regulations of the Company. Cases involving breaches of national laws and regulations will be immediately transferred to judicial departments. 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.

Human Resources Risk

The internet industry is highly dependent on the basic qualities of its employees; therefore, gradually improving core personnel capabilities to catch up with the Company's rapid development is essential to the strategic 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, raising employees' qualities; (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; and (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.

Internal Control

Based on the Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organization 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 the achievement of its operational, reporting and compliance objectives.

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 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. 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 issue identified is 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 and judges the regulations and industry trend, optimizes the internal control policy of food safety, guides and supervises the implementation of food safety laws and regulations requirements and internal compliance measures in all food business segments, and enables partners such as merchants and suppliers to jointly mitigate food safety risks; and (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 internal control policy 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 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 receive 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 recognises 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 20, 2020. Notice of the meeting was sent to the Shareholders on April 17, 2020, 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 ir@meituan.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

Xu Sijia, 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. Xu Sijia has been appointed to succeed Wang Yixiang as joint company secretary of the Company effective since July 31, 2020. For further details, please refer to the announcement of the Company dated July 31, 2020.

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, a senior manager of corporate services division of Tricor Services Limited, as the other joint company secretary to assist Xu Sijia to discharge her duties as a company secretary of the Company. Lau Yee Wa's primary contact person at the Company is Xu Sijia.

For the year ended December 31, 2020, Xu Sijia and Lau Yee Wa 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, 2020.

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, and for the year ended December 31, 2020 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, 2020, and are not 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, 2020 was approximately as follows:

Type of Services	Amount (RMB' 000)
Audit and audit-related services	48,889
Non-audit services[1]	1,898
Total	50,787

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.

REPORT OVERVIEW

Meituan (hereinafter referred to as "the Company", "Company" or "We") prepared this report in accordance with the *Environmental, Social and Governance ("ESG") Reporting Guide* set out in Appendix 27 to the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("HKEx")*, and upholds the principle of materiality, quantitative, balance and consistency required by the *ESG Reporting Guide.*

This report aims to reflect our ESG performance in 2020 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.

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 the public to take part in public welfare activities

ESG management

In order to better practice our ESG concept and strategy, bolster our competitiveness in terms of sustainable development, form a long-term ESG working mechanism, promote harmonious co-development with stakeholders and contribute to our middle to long-term strategic goals, we enacted a three-tier – governance, management and execution – governance structure, with documented rules guide the work and responsibilities of each tier to promote our ESG work.

- **Tier 1: Governance**

    The Board of Directors is the highest decision-making body on ESG management. It supervises ESG matters and is generally responsible for ESG strategies and reporting. It authorises the Audit Committee to supervise ESG management and is briefed by that committee on major ESG-related matters.

    The Audit Committee is responsible for confirming important ESG matters, reviewing prospects, strategies, framework, principles and policies. It reviews and monitors ESG practice and the achievement of ESG goals, and briefs the board on the aforesaid.

- **Tier 2: Management**

    The Committee on Safety and Risk Management (Safety and Risk Committee) is the management body of ESG matters in the Company. It discusses important ESG matters, guides practice, and reviews ESG prospects, strategies, framework, principles, policies and achievements of ESG goals.

- Tier 3: Execution

  Comprised of representatives from relevant functions, the ESG Execution Team promotes the execution of management strategies and realization of goals. It evaluates priorities and risks, organises training to raise employees' ESG awareness, conducts relevant research and reports to the management and governance levels regularly.

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, their main concerns and the main communication channels are as follows:

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

Materiality assessment

In 2020, we conducted a materiality assessment on 11 aspects listed in the ESG Reporting Guide as a reference for our actions and reports, based on continual communication with key stakeholders and our operational characteristics.

The material aspects we identified included product responsibility, anti-corruption, community investment, employment and supply chain management. Relevant aspects included use of resources, emissions, the environment and natural resources, health and safety, labour standards, and development and training. We will discuss these aspects in this report.

ENVIRONMENT

We have realized that our business will have environmental impacts. To improve the environmental performance of our operations, we identified the major environmental challenges facing us. We have reviewed our major business procedures to reduce our negative impacts to the environment, enhanced environmental protection capability across the industry, and improved our overall performance of environmental protection.

Practising green operations

We strictly observe 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*. An Environment, Health and Safety (EHS) working group manages our environmental affairs and authorises directors of relevant departments to supervise environmental matters. It promotes environmental management in daily operations, and controls risks, so as to reduce our impact.

Creating green offices

Electricity and water are the main resources consumed in our offices and operations. A unified, refined online system manages data of both resources consumption and waste treatment in our offices across the country, to improve the efficiency of our environmental management.

In terms of energy saving, we have promoted multiple measures in offices to conserve electricity, including: (i) we have expanded the application of energy-saving LEDs, replaced manually-controlled lights with sound-activated ones, and shortened the duration of lighting. Personnel regularly inspect offices to ensure that lights are turned off in unmanned areas; (ii) we have saved electricity in air-conditioning by deploying centralized control systems in selected meeting rooms and cafeteria to control the temperature and the switch on/off of air-conditioning in the back-stage, and reduce energy waste; and (iii) we shut down nonessential equipment in offices and washrooms during nonworking hours. Additionally, we posted awareness-raising notices in relevant places, such as the air-conditioning temperature control panel.

In terms of resources saving, we have introduced multiple measures to save water and paper. In some office areas, inductive water-saving tap have been installed and awareness-raising water-saving and paper-saving tips have been posted to enhance employees' saving awareness. We have set a default to double-sided printing in all printers to encourage employees to double-print documents. There are recycling boxes beside printers to collect waste paper.

In terms of waste treatment, we strictly follow local authorities' rules on waste treatment in our areas of operation. At our Beijing and Shanghai offices, dustbins are classified to collect different waste. Hazardous waste from offices – such as fluorescent tubes, batteries, toner cartridges and ink cartridges – is collected separately and disposed of by certified agencies.

Environment management of data center

We do not have our own data center. When renting such facilities, we take their resource consumption and impact on the environment into consideration.

In 2020, we continued to rent the data center in Zhongwei City, in the Ningxia Hui Autonomous Region (hereinafter referred to as "Ningxia Zhongwei"). This center aims to supply electricity by utilizing clean energy – hydropower, wind power, photovoltaic power, etc – whose power usage effectiveness (PUE) reaches 1.1, which is at the forefront of the industry[1].

Ningxia Zhongwei Data Center is a large scale, natural cooling data center currently in use. It uses high-efficiency direct natural cooling and indirect evaporative cooling. A wind wall system forms a cold air channel and a hot air channel in the machine room, improving the cooling effect. With its sophisticated machine room structure, server layout, temperature control and heat recovery, Ningxia Zhongwei Data Center has a significant advantage in energy preservation over traditional large-scale data centers' cooling solutions.

Ningxia Zhongwei Data Center's energy-saving and emissions-reducing measures include: (i) utilising variable frequency pumps and wind turbines of Electrical Commutation (EC) and other equipment to reduce the energy consumption; (ii) using software to regulate the cooling system's airflow, optimise its heat exchange efficiency and reduce its consumption; (iii) using a building automation (BA) control system to conduct real-time analysis of data and operation load of environmental sensors according to changes in seasons, and adjust operation modes of the cooling system with an aim to reduce energy consumption by fully tapping into natural resources; and (iv) refining motor capacity to use power and resources more efficiently.

We work with industry peers to develop technology related to green data centers, and participated in the drafting of the Open Data Center Committee ("ODCC")'s Cold Plate Liquid Cooling. This set of standards respond to the green development trend and policy requirements concerning the data center, helps the industry explore the application of cold plate liquid cooling in data centers: higher cooling efficiency for the data room than air-cooled cooling. technology, optimizing overall data center energy efficiency.

1 According to National Data Center Application Development Guidelines (2019) issued by The Information and Communication Development Department of the Ministry of Industry and Information Technology of the People's Republic of China in September 2020, as of the end of 2018, the average PUE of hyperscale data centers was 1.40, and the average PUE of large-scale data centers was 1.54. The average design PUEs of hyperscale and large-scale data centers were 1.32 and 1.40, respectively.

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 protection measures and seek solutions to the challenges that arise from those businesses.

Measures taken by Meituan Food Delivery to promote environmental protection in the industry

In August 2017, Meituan Food Delivery launched the "Lush Mountain Plan": the food delivery industry's first action plan to focus on environmental protection. It promoted environmental protection process throughout the food delivery value chain and among consumers.

In 2020, responding to *Opinions on Further Enhancing the Governance and Treatment of Plastics Pollution*, we unleashed the platform's potential to drive sustainable development. The "Lush Mountain Plan" proposed three environmental targets for 2025: (i) for all merchants, building a supply chain of green packaging and providing solutions of packages that can be recycled or reused, or that is biodegradable; (ii) promoting a market-based mechanism for recycling, and connecting upstream and downstream elements of the industry to normalise the recycling of containers in more than 20 provinces; and (iii) enhancing guidance and incentives for consumers, and optimising our products and operations, to support 100 million users as they take actions of sustainable consumption – including not using tableware.

To reach the 2025 targets, the Lush Mountain Plan advocates environmental protection, researches environmentally friendly behaviour, explores closed-loop food delivery, and promotes public welfare activities:

Advocating Environmental protection concept: online courses and offline communication raise merchants' awareness of environmental protection and urge them to take actions. The last day of each month is Meituan Food Delivery Environmental Protection Day and we conduct advocacy and undertake activities for merchants and the public on festivals related to the environment, such as Arbor Day, World Earth Day, World Environment Day and the week for national promotion of energy conservation. We cooperate with the China Environmental Protection Foundation, the National Center of Ecological Education for Teenagers, the All-China Environment Federation and other organisations to hold creative competitions about environmentally-friendly packaging. And we set up the NGO Fund of Environmental-Protection Facilities Open to the Public, alongside other participating projects, to enhance public awareness of environmental protection.

Research on environment-friendly ways: we cooperated with universities, research institutes, trade associations and consultancies to explore industry-wide environment protection solutions and participate in the formulation of industry standards. Our *Report on Food Delivery Industry Insights of Environmental Protection* and *Three-year Progress of the Lush Mountain Plan* provided specific interpretations of environmental protection in the food delivery industry, in terms of basic understanding, industry trends and innovative plans. We have joined hands with the China Hospitality Association to publish the first *Guideline on Sustainable Catering Merchants*, to encourage the uptake of concepts such as sustainable food materials, delivery packages, energy efficiency management and back-end processing. In a think-tank capacity, we continue to play the role of “Advisory Panel of Environmental Protection for the Lush Mountain Plan Dedicated Fund” by conducting research and discussions for the industry. And to share expert views and drive the industry’s recycling development, we cooperate with the China Environmental Protection Foundation and the China Association of Circular Economy to create the Expert Opinions Column.

Exploring a scientific closed-loop: we endeavour to reduce waste generation throughout the whole life cycle of food delivery: (i) we continue to reduce the volume of tableware at source and to offer “tableware-free” solution for the reduction in disposable tableware usage; (ii) we cooperated with the China Packaging Federation, the Degradable Plastics Committee of the China Plastics Processing Industry Association and the China National Pulp and Paper Research Institute Co., Ltd. to issue the First Green Packaging Directory of the Lush Mountain Plan. A green packaging zone on our merchant-terminal platform provides an expanded range of environmentally-friendly products selection and packaging materials supply; (iii) we have set up the Incubation Project of Innovative Products for Food Delivery Packaging – a joint effort with package producers to conduct R&D and produce innovative, green packaging; (iv) we have united with foods and beverage brands to form a food delivery containers recycle union and collect and recycle food containers. More than 350 pilot stations have been built to recycle plastic containers in offices, communities, campuses and food and beverage outlets; and (v) we have joined a joint task force for the supply chain of green and recyclable plastics initiated by China Petroleum and Chemical Industry Federation and the China National Resources Recycling Association, establishing an evaluation system for plastic products that are easy to recycle and reuse. This will help to promote the application of green and recyclable plastics and to develop a supply chain for green plastics.

Promoting public welfare activities with a focus on environmental protection: we have partnered with the China Environmental Protection Foundation to establish the Lush Mountain Plan Dedicated Fund. This supports public welfare projects with a focus on environmental protection, hand in hand with merchants on the platform through the Lush Mountain Public Welfare Action. We have assisted environmental and social organisations to plant and protect economic forests for ecological benefits in places such as Qinghai, Guizhou and Yunnan. For the progress of the Lush Mountain Public Welfare Action, please refer to the section “Community Investment – Poverty Alleviation” in this report.

As of the end of 2020, environmental protection concepts popularised by the Lush Mountain Plan had been accessed more than 1 billion times online. One million people have participated in offline activities. Across the country, 20 million biodegradable packaging bags, 1 million paper food containers and 10,000 sets of recyclable tableware have been distributed to merchants. The first batch of nearly 350,000 pieces of biodegradable packaging bags, of 20 types. has been received for trial by merchants free of charge, as part of our Incubation Project of Innovative Products for Food Delivery Packaging. Over 350,000 Lush Mountain Public Welfare Merchants have been gathered together and approximately RMB14 million has been earmarked for environmental protection.

Meituan Bike's full-cycle green concept

Meituan Bike practices a full-cycle green concept, upholding the "3 Rs" – reduce, reuse, recycle – in design, procurement, manufacturing, placement, operation and scrapping. One hundred percent of scrapped bikes are reused or recycled. During the design process, the components are designed as universally adaptable and easy to maintain, and the frames are lightweight. We choose environment-friendly suppliers in the procurement phase, and produce durable products in the manufacturing process to extend product life and reduce waste. We also select environmentally-friendly lithium batteries to drive electric bikes. The launching stage is based on science and underpinned by smart scheduling. In the stage of maintenance and recycling, sets of wheels, smart locks and other components are renovated for reuse. Based on their condition, components or bikes are separated in storage for recycling and reuse under cooperation with the recycling industry, forming a closed-loop supply chain.

We cooperate with suppliers and government departments to collect and recycle Meituan Bike tyres for nonhazardous disposal and produce compliant recycling and reusable materials. In 2020, we initiated a public welfare project of Transforming Shared Bikes to Sports Ground by utilizing recycling materials of tyres in Meituan Bikes to construct plastic fields, improving facilities on campuses. As of December 31, 2020, we had recycled 24,000 tyres and donated to eight playgrounds – covering a total 5,500 m^2 – in areas including Guangdong, Guizhou, Tianjin, Sichuan, Hubei and Fujian.

Environmental performance indicators

Below are the key environmental performance indicators of the Company. The Company do not have our own 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.

Environmental performance indicators in the Company include offices, warehouses for Kuailv Jinhuo and warehouses and service stations for Meituan Grocery[2].

[2] With the improvement of the Company's capabilities concerning environmental statistics, data of Meituan Grocery has been disclosed since 2020.

"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, R&D park and surrounding workplaces, and the Shenya office in Shanghai. Customer service and R&D centers mainly include offices in Shijiazhuang, Yangzhou, Chengdu and Xiamen;

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

"Warehouses and service stations" refer to main warehouses and stations of service used by Kuailv Jinhuo and Meituan Grocery.

Emissions[3, 4, 5, 6]

HQ offices	2020
Total greenhouse gas (GHG) emissions (tonnes)	10,789.23
Total GHG emissions per employee in office (tonnes per employee)	0.35
Total GHG emissions per square metre floor area of the office (tonnes per square metre)	0.05
Total hazardous waste (tonnes)	0.62
Hazardous waste per capita[5] (tonnes per employee)	0.00
Total nonhazardous waste (tonnes)	2,533.51
Nonhazardous waste per capita[6] (tonnes per employee)	0.08

3 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.

4 GHG emissions include carbon dioxide, methane and nitrous oxide. GHG emissions data is presented in carbon dioxide equivalent and calculated based on the 2019 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.

5 The Company's hazardous wastes mainly contain waste fluorescent tubes, toner cartridges and ink cartridges from various types of offices, which are disposed of by qualified institutions. In 2020, the actual hazardous waste per capita in the HQ offices was 0.00002 tonnes, and the actual hazardous waste per capita in regional offices was 0.00028 tonnes. The data listed in the table above is rounded to two decimal places.

6 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.

Regional offices	2020
Total greenhouse gas (GHG) emissions (tonnes)	3,245.90
Total GHG emissions per employee in office (tonnes per employee)	0.14
Total GHG emissions per square metre floor area of the office (tonnes per square meter)	0.02
Total hazardous waste (tonnes)	6.21
Hazardous waste per capita[5] (tonnes per employee)	0.00
Total nonhazardous waste (tonnes)	1,943.10
Nonhazardous waste per capita[6] (tonnes per employee)	0.08

Warehouses and service stations	2020
Total greenhouse gas (GHG) emissions (tonnes)	20,805.87

Energy and resources consumption[7, 8, 9]

HQ offices	2020
Total energy consumption (MWh)	16,289.81
Total energy consumption per capita (MWh per employee)	0.53
Total energy consumption per square metre floor area (MWh per square metre)	0.07
Running water consumption (tonnes)	172,647.09
Running water consumption (tonnes)	5.79

Regional offices	2020
Total energy consumption (MWh)	5,462.38
Total energy consumption per capita (MWh per employee)	0.24
Total energy consumption per square metre floor area (MWh per square metre)	0.03
Running water consumption (tonnes)	69,889.11
Running water consumption (tonnes)	8.52

Warehouses and service stations	2020
Total energy consumption (MWh)	34,655.04
Running water consumption (tonnes)	203,561.50

7 Electricity costs of some offices, warehouses and service stations are included in property management fees. Electricity consumption cannot be counted separately and is not included in the total energy consumption.

8 The water resources used by the Company come from municipal water supply and there were no issue in sourcing water. Water fees of some of the offices, warehouses and service stations are included in property fees, and water consumption cannot be counted separately, and is not included in running water consumption.

9 Due to limited statistics capabilities, the packaging data is not included this year.

WORKPLACE

Employees are our most important assets. We strive to create a comfortable and harmonious workplace, ensure equal opportunities, protect employees' rights, provide competitive compensation and benefits that reflect employees' capabilities, and ensure there are sufficient resources and opportunities for learning. For more detail, please read Management Discussion and Analysis – Employees in this annual report.

Employment and labour standards

To protect employees' legitimate rights and prevent child and forced labour, 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*, the *Labour Protection Regulations for Women Workers* and the *Labour Protection Regulations for Juvenile Workers*. We have established internal policies and standardised management regarding recruitment, resignation, compensation, benefits, performance and promotion, in accordance with the measures described below.

Recruitment and dismissal

We recruit the candidates who have the most suitable qualifications for the job, treat different races, ethnicities, genders, ages and religious beliefs equally, and ensure that admission and development opportunities are accessible to all. In 2020, we enhanced our equal employment policy, and revised our *Policies on Release of Posts in Meituan*, to standardise and better manage recruitment and prevent the use of discriminatory words or other statements in breach of the spirit of equal opportunity in job descriptions. We continue to optimise the recruitment process, ensure that our policies instill both equality and diversity, and guarantee compliance by training employees involved in recruitment and conducting regular reviews.

During the interview process, we check candidates' education, qualifications and experience. Our *Policies on Background Checks and Management in Meituan* help to engage the candidates our business requires and to avoid child labour. Since our inception, there has been no illegal employment such as child labour.

We strictly abide by relevant laws and regulations when it comes to dismissal. Our *Policies on Dismissal Management* standardise the procedure, protecting employee rights during this period.

Compensation and benefits

We offer competitive salaries and performance-based cash bonuses and other incentives to our employees. Share-based incentives motivate employees to contribute to our corporate growth and development have been granted and are planned to continue to be granted to our employees. For more details, please read Report of the Board of Directors – Post-IPO Share Award Scheme in this annual report.

We contribute to social security provident funds for employees in line with the law and provide supplementary medical insurance and subsidies. Our Love Fund and *Love Fund Management Measures* help employees in need and their families.

Promotion and development

Based on the concept of flat ranking and broadband compensation, we established a position ranking and incentive system, and policies such as the *Management of Performance*, the *Rules on Position Ranking Management* and the *Plans to Review Position Ranking*. These improve performance management, standardise the system of position ranking, and build channels for promotion. The "flat" ranking helps employees to sharpen capacities according to the requirements of their positions, while "broadband" compensation broadens the incentive range within ranks. They are convenient and flexible means of motivating and recognising employees.

We objectively and fairly evaluate our employees' performances and help them improve their ability and develop through performance management. Based on values, performance contribution, leadership and professional competence, promotions are reviewed by the Internal Review Committee. Employees who make outstanding contributions enjoy fast promotion. Prior to the review, employees can participate in training to understand the promotion criteria and processes. After the review, employees can provide feedback through an open appeal channel.

Work-life balance

Our *Attendance Management Policy*, *Holiday Management Policy* and other policies manage the working hours of employees with certain flexibility and provide employees with holidays such as legal annual leave, additional leave and full-pay sick leave.

We offer recreational facilities including gyms and libraries, and hold online and offline activities during festivals such as International Women's Day and World Teachers' Day. We have created over 40 culture and sports clubs, where employees are free to join various clubs and participate in employee activities. These relieve stress and make full use of employees' spare time.

Communication

Internal channels, such as social platforms, human resource helpdesk and communication sessions, enable employees' suggestions and opinions to be heard and attended to in a timely manner and help management understand employees' requests. We also proactively communicate and explain the general concerns of employees through online and offline channels.

We have introduced the *Measures on Releasing Institutional Policies*, built a platform to release such policies and strengthened democratic management of the institutional process. Before the official release of major institutional policies that are directly relevant to employee interests, we conduct research and interviews with staff, so as to protect their rights.

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*, the *Fire Prevention Law of the People's Republic of China* and other laws and regulations concerning occupational health and safety and fire prevention. Internal policies – including the *Administrative Measures for Access Control of Office Areas*, *Fire Safety Management Policy of Meituan* and *No Smoking Management Policy in Office Area* – bolster our safety management. An EHS working group, and appointed safety specialists, enhance our safety management and reduce risks. Measures safeguarding workplace safety include: (i) building an emergency-response team and training and forming a team of certified emergency lecturers; (ii) installing automated external defibrillators to ensure that they are available in emergencies; (iii) setting up an office security system to manage the entry and exit of employees in working areas; (iv) conducting regular fire safety inspections in offices and rectifying identified hazards; and (v) conducting safety training and drills covering all employees to enhance employees' awareness of working and fire safety. Also, we have established an emergency process to ensure the timely and compliant handling of accidental injuries.

We care about our employees' physical and mental health. We test air quality, drinking water and lighting to provide a comfortable working environment. Consulting services and basic medicines are available at health stations in some offices. We provide annual physical examinations and medical reports interpretations, and host irregular health lectures to raise health awareness. We have an Employee Assistance Program and partner with external organisations to provide a mental health hotline and regular mental health training sessions to reduce employees' stress.

During the Covid-19 pandemic (hereinafter referred to as the "pandemic"), we took countermeasures in a timely manner to reduce the risk of infection. We installed devices to measure body temperature at all workplaces, and issued temperature-measuring stickers, masks and other disease prevention equipment. A daily reporting system collected information on employees' physical conditions. Nucleic acid testing was arranged for employees, and abnormalities were treated in a timely manner. All workplaces complied with local government requirements regarding the resumption of work and production. We strictly limited the number of employees on duty, took body temperatures, organised disinfection training and formulated emergency-response plans and drills for office working staff before resuming working and strengthen management to normalise disease prevention.

Employee training and development

We have established the "Internet Plus University" platform for all employees and continuously polished the training management mechanism. With the introduction of our *Policies on Internal Curriculum Management* and *Policies on Internal Lecturers*, we have standardised the planning, implementation and management of training.

We are committed to providing employees with training anytime, anywhere and as they want. And we have developed a "panoramic learning map", building a training system that focuses on four aspects: culture, general ability, professionalism and leadership. Courses have been enriched and the curriculum quality has been enhanced, thanks to the establishment of a Management School, schools for different majors, courses for different topics and the integration of learning and development projects.

Face-to-face classes, online courses and practical activities cover different roles, ranks and development stages. Training helps new recruits adapt to their positions; for example, the three-year Better U Plan covers skills development, business knowledge and corporate culture for campus-recruited employees to help them complete the roles conversion. Existing employees are equipped with technical training for cross-channel and multi-sector development based on requirements of working scenarios so as to raise employees' professional quality and competence. Step-by-step Leadership Echelon training is available to managers at all levels, and is tailored to their abilities and characteristics.

Alongside online and offline training courses and projects, flexible options such as community learning and live contests of knowledge and other innovative forms ignite employees' enthusiasm to learn. In this way, employees' demands for diversified learning and development are satisfied.

As of the end of 2020, we had held 1,335 internal courses and 3,178 internal lectures. In 2020, average training per employee – including online and face-to-face learning – was 23.04 hours.

SUPPLY CHAIN MANAGEMENT

Our main suppliers are delivery partners and providers of materials and services. Supply chain compliance and stable business partnerships are important for our sustainable operations, and we urge partners to improve their environmental and social risk management.

Management of supplier compliance

We have enhanced our procurement management and set up the *Purchasing Compliance and Code of Conduct*. We have also controlled key links by introducing 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*. These form a standardised management system that covers the whole procurement process and restrains procurement of all categories.

Prior to official engagement, we require suppliers to complete real-name authentication, and sign and abide by terms concerning anti-corruption, confidentiality and clean behaviour in our *Anti-Commercial Bribery Agreement*, *Confidentiality Agreement* and *Commitment of Self-discipline*. Suppliers can report any corruption-related issues regarding business cooperation to us via a questionnaire in the procurement system. We regularly review suppliers and set up a mechanism of supplier blacklist for centralized procurement. If a violation committed by a supplier is confirmed, cooperation will be suspended and the supplier's credentials will be cancelled.

Management of supply chain environmental and social risks

We pay attention to environmental and social risks during the process of supplier admission and cooperation.

We require suppliers to provide qualification and certification for relevant products or services, and proof that they have a disciplinary code and have broken no laws during the admission process of suppliers. We conduct on-site inspections and reviews for key suppliers. We require suppliers of specific categories to meet the qualification requirements of environmental management or occupational health and safety management system, and verify the authenticity and accuracy of information about suppliers. To further minimise environmental and social risks, we have introduced third-party on-site inspections for key suppliers, including on-site risk evaluation and information verification.

We manage and track suppliers' performance to continuously update the evaluation of their professional services during their performing contracts. Qualified suppliers are listed on our database, and all suppliers listed in the database have passed the supplier audit. If a supplier terminates its operation owing to environmental and social risks or problems, a back-up will be activated to ensure that products or services are delivered on time.

Management and protection of delivery riders

Our food delivery services require a large number of delivery personnel (referred to as "riders") to assist in the services. Delivery riders are full-time employees or contract workers of delivery partners. As we have not entered into an employment agreement with delivery riders, they are not our employees. The safety and rights of riders are an important part of our supply chain's social risk management and social responsibility fulfillment.

Delivery partners may use our logo, provided they comply with contracted operation and delivery standards. We require our partners to set strict recruitment standards for riders, and supervise riders according to our criteria. We conduct irregular facial recognition tests to confirm riders' identities and ensure the safety of our service.

From two perspectives – supervision over delivery partners and care for riders -– we have taken measures to ensure the safety of riders. Partners must have a compliant management system for traffic and fire safety, and must conduct regular training regarding traffic rules, riding-related safety, emergency response and dress codes. Evaluation standards must be set and riders may only work when they have passed an exam and equipped with knowledge and skills related to traffic and cycling safety. We have established a center to remotely monitor delivery partners, encourage them to upgrade their safety equipment. A mechanism to evaluate delivery partners' violations against safety policies has been put into place for implementation. Indicators are adjusted dynamically according to changes in the safety environment, e.g. the evaluation has incorporated indicators such as the rate of wearing masks and offline safety badges to strengthen safety management and supervision during the pandemic. Depending on the types of riders, we required partners to purchase employer's liability insurance for riders, or worked together with partners to launch personal accident insurance products for riders. The corresponding insurance products has been covered to all riders during their service and provided more protection for riders' personal safety and property security.

In 2020, we implemented measures to address and reduce safety risks for riders, including: (i) creating proper orders and riding routes based on a smart scheduling system, and sparing some flexible time to improve delivery safety; (ii) upgrading software and hardware for riders, including smart earphones, smart helmets, back-lights on helmets, voice control system, reinforcement gears and advanced reflective strips, etc. to reduce safety risks during operation and riding; (iii) rolling out a charging and battery replacement network, providing a densed network of charging and replacement devices, and mitigating fire risks when riders charge bikes themselves; (iv) encouraging partners to strengthen education and guidance of safety for riders and briefing riders on traffic safety, fire safety and emergency countermeasures; (v) incorporating safety into riders' bonuses, ensuring that they factor it into their work at the same time of focusing on delivery workload; and (vi) establishing a process to handle traffic accidents and safety incidents, and assigning full-time safety personnel to deal with such occurrences.

During the pandemic, we adopted timely measures to reduce health and safety risks for riders: (i) disinfecting and monitoring delivery sites across the country, with delivery boxes sterilised in mornings and evenings; (ii) launching contactless delivery, releasing *Specifications on Contactless Restaurant Services*, piloting unmanned delivery and providing smart food cabinets in some cities, to reduce the risk of cross-infection between clients and riders; (iii) bolstering protection for riders by establishing records of their health, and requesting them to check their temperature, wear a mask, report health conditions daily and accept random inspections. If abnormal symptoms were found, the riders concerned would stop work immediately and be referred to hospital for treatment; (iv) issuing health cards to all riders, requesting merchants and users record health and safety information on them, and requiring them to be available for checking; (v) educating riders about disease prevention and control, to improve riders' knowledge of disease prevention, distributing the *Manual on Psychological Protection of Riders Amidst the Pandemic* and, from the middle stage of the pandemic, offering psychological consulting; and (vi) providing free protection and subsidy solutions for tests, screening of suspected cases, quarantine, confirmation and treatment. Life and care funds, compensation and security subsidies were also offered to riders' family members infected by Covid-19.

On top of measures ensuring riders' safety, we have also paid attention to their voices through earnest talks or other channels, in an attempt to improve our products and services. In 2020, we held more than 50 talks with riders to gauge their expectations and concerns. The Tongzhou Project was created and initiated in response to their feedback in order to improve riders' experience from four perspectives, namely, the guarantee of work, experience improvement, career development and life care. Specific measures included: (i) enabling a function via which riders can rate merchants and make complaints, and helping them with the psychological pressure of overdue deliveries, customer complaints and other difficulties; (ii) providing material and spiritual care during important festivals and certain periods, including distributing information about preventing heatstroke in summer and keeping warm in winter; (iii) providing self-learning classes and Meituan University courses, including English for Food Delivery – an industry first – to improve their efficiency when processing orders placed by people from overseas; (iv) carrying out 717 Riders' Day and National Riders' Basketball League activities to foster a sense of identity; (v) opening a free, dedicated psychological consulting hotline in partnership with professional institutions for riders; (vi) launching the Rider Protection Plan and Rider Care Plan, with a RMB50,000 Rider Care Fund to cover 100 serious diseases; and (vii) launching the Meituan Public Welfare Foundation's Kangaroo Baby Public Welfare Program, to assist riders' children suffering from serious illnesses or accidental injuries. As of 31 December 2020, this had helped the children of 77 riders for the industry.

PRODUCT RESPONSIBILITY

Platform 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 the *Administration of Food Safety in Online Catering Services* and other laws and regulations, we review the qualifications of merchants and check the accuracy of their qualifications and service descriptions.

Safety guarantees

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, as well as our self-operated businesses.

Our Food Safety Committee formulates strategies, interprets laws and regulations with further implementations, and coordinates departments to ensure food safety. We establish food safety management system and food safety office at the company level, as well as quality control team in food line of business, comprehensively improved organizational personnel structure. 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.

Regulations such as the *Food Safety Management Measures for Meituan Online Food Ordering*, the *Online Catering Service Provider Review and Registration Specifications* and the *Management Specifications for Fresh Goods of Meituan Food Delivery* complete our food safety system. We undertake regular, scientific evaluation of our takeout food, to identify risks and propose improvements. To objectively evaluate the safety performance of online merchants, and the cleaning and disinfection of delivery boxes, we engaged third parties to carry out sampling tests and verification. Together with the China Cuisine Association and industry-leading catering partners, we formulated the *Code for Sealing of Delivery Food and Beverage*, based on the characteristics of Chinese food. We urge merchants to use it as a guide, to strengthen the standardisation of deliveries.

Our *Guidelines for Food Safety Management and Control of Self-operated Brand Commodities and Food* clarify responsibilities and requirements. Our updated, self-operated system covers supplier access, warehouse acceptance, shelf storage, warehouse storage, transportation and distribution, and complaint handling. In conjunction with third-party testers, we conduct regular sampling of fruits, vegetables, aquatic products, meat and poultry. This enhances safety and improves the management of suppliers.

Confronted with the pandemic, while meeting the fundamental catering service demands of users, we innovate food safety products and services considering key segments such as food safety and epidemic prevention, food delivery and cold chain food management. Meanwhile, we joined market supervision bodies to livestream food safety and pandemic prevention information that supported the safe resumption of work. Our *Guidelines for Disinfection of Imported Cold Chain Foods* and *Emergency Response Plan for Imported Cold Chain Foods* reduced risks in all links and protected the safety of employees, merchants, riders and users.

Training for employees, riders, suppliers and merchants nurtures our food safety culture. At regular training of Food Safety Lecture, industry experts share instructive practices, regulations and policies. Riders are regularly reminded of food safety and pandemic prevention requirements in the delivery process. Our weekly Safe Catering Column, for suppliers and merchants, shares popular science articles and practical suggestions. And, in 2020, we hosted our industry's first food safety quiz, to enhance the awareness of merchants with delivery businesses.

We actively participate in the social co-governance of food safety, strengthen cooperation with regulators and other parties, and maintain online and offline collaborative governance. By integrating government and business data, we improve the management of prior business qualification examination, accurate supervision of big data, and the severing of relationships with merchants who present problems. In collaboration with market supervision departments, we launched the Government-Enterprise Communication – Online Licensing service to help merchants apply for food licenses and qualifications more conveniently. This supports the evolution of the online smart governance model. We engage and cooperate with associations, universities, scientific research institutions, the China Cuisine Association, the China Chain Store and Franchise Association and other industry organisations. We also work with Renmin University's Center for Collaboration and Innovation of Food Safety Governance on the research of governance of small restaurants.

Ride safety

We continually improve the safety management mechanism to enhance users' safety.

We conduct daily management and monitoring of service quality and safety during the operation of online car-hailing. Abiding by the *Interim Measures for the Management of Online Taxi Booking Service*, we conduct pilot online car-hailing and information-matching. We and our service providers hold online car-hailing licenses in our areas of operation.

In 2020, we upgraded the Safety Committee to the Safety and Risk Management Committee. This enhanced the pre-control capacity of safety risks on the basis of rapid response and handling of incidents. Our traffic accident and safety incident response process, staffed by dedicated personnel, handles issues and accidents.

To regulate car-hailing and ensure passenger safety, vehicles and drivers are registered and reviewed in accordance with supervising regulations. Vehicles participating in the car-hailing service must conform to technical security standards. Drivers shall satisfy the requirements of driving experience, comply with safety operating rules and have no record of a serious traffic violation, criminal offense, or violent crime.

We manage and monitor service quality and safety during car-hailing operation hours. In 2020, the measures we have taken included: (i) conducting psychological health assessments, identifying drivers with high psychological risk, and taking timely countermeasures; (ii) providing online and offline pre-job training, daily training and error correction training for drivers, plus daily safety publicity for passengers and partners; (iii) conducting facial recognition for drivers before daily operation; (iv) developing functions such as trip recording and one-click alarms, setting up a 24-hour security officer and customer service duty system, checking the daily safety service behaviour of drivers, and constructing a hazard inspection and processing mechanism; (v) carrying out safe product strategy scenarios and sand table exercises to optimise the response and disposal process of risk order monitoring; and (vi) establishing classifications for crisis events, strengthening cooperation with public security organisations, and enhancing guidelines for emergency disposal procedures.

We also attach great importance to the safety management of the bike and electric bike sharing service. We manage the operation of shared bikes and electric bikes in line with relevant regulations issued by different cities for Internet bike and electric bike renting service. We increase bike and electric 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 bikes and electric bikes and their parts, which apply to production and maintenance processes. In 2020, no major accident was caused by quality flaws of shared bikes and electric bikes.

Merchants management

Abiding by the *Electronic Commerce Law of the People's Republic of China*, the *Tourism Law of the People's Republic of China* and the *Regulations on Travel Agencies*, we have formulated rules and regulations for the management of merchants from various platforms: namely, the *Policy on Merchant Integrity Management, Regulations for the Release of Merchant Information*, *Convention on Merchant Integrity and its Management Measures*, *Specifications on Meituan Food Delivery Provider's Service*, *Regulations for Non-reception of In-store Dining Merchants*, *Meituan's Regulations for the Release of Non-food Information*, *Management Measures for Contract Compliance Guarantee of In-store Merchants*, *Regulation on Meituan Alternative Accommodation Landlord's Integrity*, *Regulations for Ticket Supplier of Meituan In-store Business Group* and *Rules on Meituan Travel Merchants*.

We guide merchants to provide safe and healthy products and services to consumers. In 2020, we undertook multiple projects to standardise the quality of merchants to enhance consumers' experience. For instance, our *Standards for Online Information Disclosure of Catering Merchants' Health Services* guide merchants to strengthen self-discipline in information disclosure. Meanwhile, our Safe Restaurant project encouraged merchants to upload their pandemic prevention measures and the nucleic acid testing results of their staff to help users decide where to eat. Similarly, for hotel merchants, we worked with the China Hotel Association to implement the Safe Accommodation project. The *China Hotel Industry Pandemic Prevention and Self-discipline Convention* set out our standards for hotel hygiene and cleaning, again enabling users to make informed choices. We also collaborated with the China Tourist Attractions Association to create the *Convention on Self-discipline of Pandemic Prevention in Chinese Tourism Attractions*. This provided disclosure guidelines for our Safe Entertainment project, assisting tourist attractions to disclose epidemic prevention information, bolstering the safety of tourists. Merchants' awareness and service have been strengthened by these online training systems, regular group-based courses and lectures by experts.

We supervise and assess platform merchants' quality of service and take appropriate actions in the event of violations such as service non-performance and false advertising. Strict management and controls standardize the behaviour of merchants and safeguard consumers' rights and interests, by way of warnings, adjusting search results, obscuring ratings, or suspending businesses and stores, according to the severity of the violation.

Customer service

We constantly strive to improve customer satisfaction by providing high-quality customer service. We set up operation centers in Beijing, Shanghai, Shijiazhuang and Yangzhou with professional service teams. We practise smart customer service, equipping teams with intelligent assistant that quickly answer high-frequency and repetitive questions, automatically handle standardised tasks, deal with sudden peaks, and enhance our handling of customer issues.

We timely check and respond to customers' feedback and demands through different ways, including online customer service, telephone, Weixin, email and public opinion monitoring. Our ongoing enhancement and standardisation of the customer-complaint and problem-solving process includes specifying responsible parties at every key junction, from problem initiation to handling to solving, which facilitates the supervision on the problem solving and feedback of main responsible parties.

We allow customer service personnel flexibility, so that they can adapt to different situations and hence provide better service and a better experience for customers. For example, if we receive complaints about a merchant refusing to serve a customer, once these complaints are confirmed, personnel can suspend the merchant from the platform until the rectification is completed.

By soliciting feedback through questionnaires, we identify and analyse reasons for consumer dissatisfaction and areas that require work.

In 2020, for the third consecutive year, we won the CCM World Group's Golden Headset championship, which rates China's best customer service centers.

Intellectual property rights

We emphasis the importance of respecting and protecting intellectual property rights (IPR) and focus on their application and accumulation. We protect our IPR in accordance with the *Copyright Law of the People's Republic of China*, the *Patent Law of the People's Republic of China*, the *Trademark Law of the People's Republic of China*, and other relevant laws and regulations in China and the other jurisdictions in which we operate.

We have established effective mechanisms to control intellectual property risks, such as: (i) systematically identifying and evaluating intellectual property risks, making response plans, and improving prevention mechanisms; (ii) establishing evaluation procedures in key business links, including pre-examination rules for IPR in procurement, trademark reviews during new brand design, and the determining of IPR for major projects; (iii) monitoring and cracking down on external infringements by cleaning up fake trademarks and applications, to enhance the integrity of the market and protect the interests of users; (iv) enhancing our resilience to risk through external communication and cooperation. For example, we have joined LOT Network (License on Transfer Network) and OIN (Open Invention Network). Both help to create a safer domestic and international environment for business development; and (v) undertaking ongoing training and publicity to raise business departments' awareness of IPR risks.

By respecting and encouraging innovation, we strengthen our intellectual property management and accumulation. We have formulated the *Company Patent Strategy* to guide the accumulation and application of patents. Based on the standards of patent output and value evaluation, we have improved our innovation and patent applications by implementing our *Guidelines for Patent Application of Innovative Ideas*, reviewing pre-patent proposals and spurring innovation through spiritual and material incentives. In 2020, applications for trademarks, patents and software copyrights increased steadily, and Meituan itself was recognised as a Nationally Well-known Trademark.

We respect the IPR of other parties and protect owners' rights and interests with measures such as user agreements and protection mechanisms on our platform. On receiving infringement notices, we delete or block the offending item in accordance with relevant laws and regulations and complaint practices. We protect rights holders with a closed loop of front to back to co-governance, including: (i) front-end: building a brand protection database to intercept the source of infringing stores; (ii) back-end: launching and iterating our IPR protection platform (ipr.meituan.com) to meet the demands of brand rights protection and improve processing efficiency and transparency; and (iii) co-governance: governing jointly with regulatory and judicial institutions, including offering public welfare courses to merchants and issuing expert opinions on problematic complaints, to enhance merchants' legal awareness.

We participate in communication and research targeted at the protection and use of internet IPRs. We are the vice president unit of the Patent Protection Association of China and have been awarded the titles of National Outstanding Intellectual Property Enterprise, Zhongguancun's Intellectual Property Leading Model Enterprise and State Intellectual Property Office Auditor Practice Base. In 2020, we won the National Intellectual Property Administration's 22nd China Patent Excellence Award.

Data security and user privacy

Data security and user privacy protection are critical to our business. Pursuant to the *Civil Code of the People's Republic of China*, the *Cybersecurity Law of the People's Republic of China*, the *Cryptography Law of the People's Republic of China*, the *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*, the *Provisions on the Protection of Children's Personal Information Network*, and other relevant laws and regulations, we have implemented procedures and controls to protect user data and reduce the risk of leakage.

Our Data Security and Governance Committee prevents data risks through organizational guarantee, mechanism construction and targeted promotion. Our sound management is embodied in the *Meituan Privacy Policy*, *Regulations on Privacy Protection*, *Security Specification of Personal Sensitive Data Application*, *Regulations on Data Security* and *Employee Information Security and Confidentiality Behaviour Standard*. These regulate the collection and use of personal information, the application of cookies and similar technologies, the preservation and protection of personal information, sharing, transfer and public disclosure, and the protection of minors' personal information.

Our information security management covers authorisation, security assessment, encryption, data backup and vulnerability prevention and control. Our self-established user account with systematic and universal authorisation and management has enabled us to regularly check the status of user accounts and related authorisation information and to manage access via network devices. We periodically evaluate the security of our databases and servers. There is user data encryption at software and hardware level, and we strive to manage the storage of, and access to, user data with physical, electronic and other measures, in compliance with industry standards. Through confidentiality agreements, monitoring and auditing, we enhance our prevention of personal data being accessed without authorisation, disclosed in public, used, modified, damaged or lost. We have also developed backup procedures. For artificial intelligence and cloud platforms, local or off site backup is deployed depending on the nature of the business. We build prevention and control systems, classify and manage information security vulnerabilities and undertake daily inspections. We also have an emergency response mechanism, which includes hierarchical data security risk management, assessment of risks, formulation of disaster response plans, and conducting of regular drills.

A dedicated team enforces our privacy policies and coordinates with third parties to deal with security threats in a timely manner. We comply with industry standards for information security and user privacy; our main operating system holds ISO 27001 certification and passed the National Information System Security Level Protection Level 3 Certification.

Confidentiality agreements are signed with employees and relevant training is provided continually. All new employees take information security courses. Employees in high-risk positions must be trained immediately and pass an exam before officially beginning work. In everyday work, we educate all employees about information security and regulations via online and offline training. Our *Sunny Workplace Code of Conduct* includes stipulations regarding information security management, interaction security, and information release control of employee departure and transfer. Employees who leak data are strongly punished.

While protecting our own data security and user privacy, we actively promote the enhancement of industry-wide data security and user personal information management infrastructure. We formulated the *Security Specification on Third-Party Application Development* and the *Security Specification on Service Provider System*, reviewed the capabilities and qualifications of our service providers, and required partners to comply with our security specifications. As a member of the National Information Security Standardisation Technical Committee, we actively participated in the formulation of national standards for data security and user privacy. In 2020, we participated in the formulation of standards by the China Academy of Information and Communications Technology for the *App User Rights Protection Evaluation Specification* and the *Minimum Necessity Evaluation Specification for App Collection and Use of Personal Information*, and put forward suggestions on the development of industry standards.

Compliance of information

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*, the *Interim Measures for the Administration of Censorship on Advertisements for Drugs, Medical Devices, Dietary Supplement and Formula Foods for Special Medical Purposes* and other laws and regulations, we have set up advertising acceptance, review and file management systems. We continually enhance review 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 such as medical treatment, medicine and health food.

Compliance of UGC

For the quality of UGC (user-generated content), we comply with the *Measures for the Administration of Internet Information Services* and the *Regulations on Ecological Governance of Network Information Content*. On our platform, the *Integrity Convention of Meituan Dianping Users* clarifies responsibilities and obligations. Our review mechanism has improved UGC quality via automated and manual inspection. Our five-layer manual review mechanism assigns reviewers according to the content, with special personnel for high-risk material. By constantly enhancing automatic identification, adding semantic analysis models such as inappropriate language and advertisement, we have strengthened its accuracy and ability to respond to violations. Our capacity for immediate response and continuous management in accordance with corresponding regulations are established in smooth communication with regulatory authorities. For illegal content, we have implemented a hierarchical management policy with additional measures such as blocking and deleting.

Compliance of POI

We attach great importance to the quality and accuracy of POIs (points of interest, i.e., the places considered interesting or helpful by the users). We have implemented control for POI information review, and seek to enhance the quality of POI. Specifically: (i) establishing error correction and reporting procedures from users, merchants and many other sources to rectify inaccurate POI information in a timely manner; (ii) forging an automatic identification system to screen and filter improper and illegal POIs; (iii) adopting quality review and sampling inspection manually; and (iv) setting up communication channels with regulatory institutions and continuously optimize management according to regulatory requirements. In 2020, we iterated and optimized the POI review as well as anti-cheating strategies and expanded partial POI publishing qualification review requirements and information verification channels, which jointly improved the POI quality management.

ANTI-CORRUPTION

Anti-fraud

We strictly adhere to the *Criminal Law of the People's Republic of China*, the *Law on Repression of Unfair Competition of the People's Republic of China* and other relevant laws and regulations. We strengthen our anti-fraud management and internal systems and foster a culture of integrity.

Anti-fraud system and system construction

Internal systems – including the *Sunny Workplace Code of Conduct*, *Conflicts of Interest Avoidance and Sunny Declaration System*, *Prohibition of Private Agreements*, *Prohibition of Confidential Information Disclosure* and *Management System of Receiving Gifts* – prevent corruption risks and standardise the behaviour of employees. These rules apply to all employee and provide basic guidelines for the development of integrity.

Our Sunshine Committee implements the trinity model – prevention, investigation and publicity – to combat fraud. Adhering to our *Integrity Framework System – Sunshine Committee Operation Mechanism*, the Committee independently reports to the CEO and Board of Directors. The committee's main responsibilities include: (i) formulating and amending our professional conduct system; (ii) building and continually deepening our integrity culture; (iii) formulating and implementing strategies to identify and prevent risks; (iv) leading the investigation and handling of disciplinary breaches, and making qualitative decisions on major, difficult and complex cases; (v) accepting and adjudicating appeals from employees regarding disciplinary treatment; 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.

Additionally, taking the actual situation into account, we have built a multilateral risk management system covering all employees to reduce the risk of fraud. For details, please refer to the Risk Management and Internal Control – Organizational Structure for Risk Management section in the Corporate Governance Report included in this annual report.

Development of integrity culture

Anti-corruption is one of our organizational capabilities and a core element of our competitiveness. We have cultivated our integrity culture via training, assessments, and publicity.

Integrity training and system publicity for employees at different levels including the board of directors and senior management are conducted followed by exams about our *Sunny Workplace Code of Conduct*. In 2020, we conducted 291 integrity training or publicity sessions. The participants totaled 30,848. Board members undertook one training session and we held 14 anticorruption sessions for senior management. Overall participation in our annual integrity exam reached 99.4%, of whom 99.8%, passed.

We emphasise training and assessment for positions with a high risk of corruption. For example, employees involved with procurement are trained in antibribery and clean procurement. Irregular tests for all staff in the procurement department raise their awareness of bribery and fraud risks.

Our culture of integrity is bolstered by a series of publicity activities including the oath to uphold the *Seven Integrity Declarations of Meituan*, the initiative of *Five Knows of Integrity Cooperation of Meituan* issued to all partners and the second Cultural Values Day. And we have undertaken integrity index survey for four consecutive years since 2017, soliciting employees' perceptions of and attitude to integrity, behaviour and policies. We share the results with the whole company.

Whistle-blowing and inspection mechanism

Our Sunny Platform encourages employees to proactively report the receiving of gifts and conflicts of interest. We also accept employees' reports of violations of laws and commercial ethics through a whistle-blowing mechanism. A closed-loop management system integrates the accepting of reports, investigation and inquiry, qualitative judgment, appeals and penalties. Standardized clue operation is characterised by full coverage, no omissions, high efficiency and mandatory feedback. We protect whistleblowers and their rights and interests. Our Department of Supervision accepts reports on fraud and forms investigative teams. An appeal and clarification mechanism ensures the fairness and accuracy of the investigation. Employees found guilty of fraud are dismissed. Cases that violate national laws are referred to judicial authorities. In 2020, we disclosed cases four times: on the eve of the Spring Festival, Cultural Values Day on 28 April, the Dragon Boat Festival and the Mid-autumn Festival, notifying the integrity violations in a timely manner.

We co-founded the Sunshine Integrity Alliance in 2017 and continue to participate in its anticorruption actions via an inter-enterprise information sharing mechanism. Our annual anticorruption announcements also help to foster a clean community with our partners.

Anti-money laundering and counter-terrorism financing

We abide by 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 Counterterrorism Financing of Payment Institutions* and the *Administrative Measures for Anti-money Laundering and Counterterrorism Financing of Internet Financial Institutions (Trial)*.

In 2020, in accordance with the latest regulatory documents and requirements, we revised our *Administrative Measures for Anti-money Laundering and Counter-terrorism Financing, Administrative Measures for the Reporting of Large-sum Transactions and Suspicious Transactions, and Administrative Measures for Money Laundering Risk Assessment*. To enhance our anti-money-laundering efforts, we formulated three other documents including the *Administrative Measures for Branches' Reporting of Money Laundering and Terrorism Financing Activities*.

Our anti-money-laundering center is complemented by dedicated departments with specific responsibilities. Staff members focus on compliance, suspicious transactions, anti-money-laundering product designs and anti-money-laundering system support. Each branch has an anti-money-laundering team and department.

We identify and control money laundering risks through assessments of our businesses and products. Compliance solutions are proposed to those that are high risk. Risk is tracked throughout the business development process.

In accordance with our "Know Your Customer" and "risk-based" principles, we verify qualifications and licenses submitted by merchants, and verify merchant identities via third parties. Through system screening and manual analysis, we identify and monitor money-laundering and terrorism-financing risks related to our business, and report confirmed suspicious transactions to relevant authorities in a timely manner. We regularly enhance the accuracy and effectiveness of our monitoring system via evaluation and optimisation.

We attach great importance to employees understanding money laundering, and being vigilant for it. In 2020, we offered or participated in 18 training programmes that covered anti-money-laundering laws and regulations, the case study of suspicious transactions, and valuable experience shared by industry partners. We also raised awareness via the internal knowledge base, workgroups and our Weixin account. Offline campaigns at our branches, in business districts and among communities, involved a wide range of participants and achieved considerable results.

We communicate and interact with anti-money-laundering authorities, regulators and self-regulating industry organisations, and assist them to raise public awareness. In 2020, we cooperated with the People's Bank of China's Harbin Central sub-branch to publish the *Survey on the Pros and Cons of the Digital Identification Systems and Solutions for Risk Prevention on Anti-Money-Laundering Practice in China*.

We joined the Combating Money Laundering Forever campaign by the People's Bank of China's Changchun Central sub-branch, which raised public awareness and showcased relevant achievements. We also cooperated with the Dalian branches of the People's Bank of China and local Party and government offices to undertake a campaign titled Proper Use of Payment Codes and No Sharing of Credentials and Account. These activities benefited a number of merchants and community residents with wide coverage.

COMMUNITY INVESTMENT

While advancing our own development, we actively communicate with communities to understand their needs, and carry out public welfare and charity activities with the idea of "Internet +". We train life service practitioners through various channels, to boost the impact of our community investment.

Public welfare platform and projects

We officially launched gongyi.meituan.com, a fundraising information platform of charitable organizations designated by the Ministry of Civil Affairs. It aimed to provide charities with equal and accurate information and fundraising services, and create a secure, effective and convenient donation channel for the public.

Joining forces with platform merchants

We encouraged the integration of our Public Welfare Merchant Program into the daily business of merchants. As of the end of 2020, the plan had encompassed catering, hotel, food delivery, tickets, and other businesses, with more than 390,000 participating merchants. With the One Foundation and our public welfare merchants, we launched our Build Sports Fields for Kids in Mountainous Areas program. Its aim was to build multifunctional playgrounds for public kindergartens in remote mountainous areas and villages, to help their children grow up happily and healthily benefiting from sports education and outdoor facilities. As of December 2020, the programme had been implemented in Hezhang County, Weining County, Nayong County, Zhijin County and other counties of Guizhou province. A total of 13,000 public welfare merchants donated to, and constructed 12 such playgrounds. Merchants also participated in our Hidden Food Program, part of our Lush Mountain Public Welfare Action initiative, alerted users to tasty local food, so that small and micro businesses could make money despite the serious influence of the pandemic. In response to the Clean Plate campaign, we worked with catering brands to advocate reducing food waste by offering half-portion or small-portion dishes. We also endeavoured to popularise the idea of healthy and eco-friendly living with our public welfare merchants through initiatives such as Sustainable Lifestyle and Stop Eating Wildlife.

Encouraging users to participate

We promote public welfare projects via ever-expanding channels, to attract volunteers and help them better understand the concept and value of public welfare:

- Combining with consumption scenarios: Based on user consumption habits, we promote high-quality projects through big data analysis. This enables users to embrace and participate in public welfare while satisfying their daily needs. For example, we launched A Special Dish for Veterans on our payment page, Hope Kitchen and Nutrition Meals for Children in Rural Areas on our map page, and Helping and Protecting Struggling Kids on our wallet page. These aimed to prompt participation in public welfare by creating emotional resonance.

- Integrating user behavior: We combine public welfare with user behaviors and guide users to participate in public welfare in various forms when enjoying life services. We focus users' attention on environmental protection via takeaway food orders. Those who choose the "no tableware" option when ordering can get corresponding energy credits for public welfare funds, and donate those credits to environmental public welfare projects.

- Engaging with public welfare festivals: We organise events with different themes during important public welfare festivals. For example: (i) we cooperated with the United Nations World Food Programme to launch the Zero Waste for Takeaway Food initiative. This encouraged merchants to offer zero-waste packages, small-portion dishes and standard food descriptions, and encouraged users to order less and hence cut food waste by offering them small-portion dishes and making standard food descriptions; (ii) we cohosted a science quiz with China Science Communication. Designed to encourage the public to eat a balanced diet, the quiz attracted nearly 800,000 users, of whom more than 250,000 answered questions; and (iii) we participated in the ninth National Traffic Safety Day: a joint initiative by businesses and the police that uses video calls and interactive games to popularise the idea of safe driving.

Encouraging employee participation

Our employees are important participants in public welfare activities, through which they enhance their understanding of social values. Their contributions include donations, visits, a Public Welfare Day and public welfare salons:

- Monthly Donation Program: We encourage our employees to donate RMB1 per day to support the children of riders in the industry. In 2020, more than 10,000 employees joined the programme and donated RMB835,843, helping 22 children who suffer from serious diseases.

- Family Day: We set up a public welfare program on Family Day included a public welfare element. Family members of employees created paintings for welfare projects and donated proceeds from auctions to public welfare projects.

- Clothes donation: We collect donations of clothes from employees, and put boxes in offices to collect other donated items.

- Blood donation: We regularly organise employee blood donations in selected areas to support local medical care.

- Party member public welfare: We organize 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 our Sunny Workplace initiative are sold at charity bazaars and all proceeds are donated to public welfare projects.

Responding to unexpected disasters

In 2020, we actively responded to events of public health emergencies and natural disasters, and fulfilled our corporate social responsibility to guarantee people's livelihoods, stabilise employment and promote economic recovery.

- Fighting against Covid-19: We set up a special fund upon the outbreak of Covid-19 in January 2020. At the very beginning, we cooperated with the Chinese Red Cross Foundation and other charities to launch 12 public welfare activities, covering pandemic prevention and control, medical assistance, psychological assistance, medical care and post-pandemic support. Measures included: (i) offering free rides to medical staff and frontline workers; (ii) offering catering for medical staff and delivering food to hospitals and medical teams sent to Hubei to aid coronavirus control; (iii) providing psychological assistance to medical staff, patients and the public; (iv) providing frontline workers and policemen with special assistance funds; (v) launching the Salute to Heroes in Harm's Way program that linked more than 2,000 scenic spots across the country to provide free access to medical staff; and (vi) making appointments for nucleic acid tests in 39 cities – including Wuhan, Beijing, Guangzhou and Shanghai – available on meituan.com and dianping.com.

- Facilitating post-pandemic economic recovery: When the pandemic was contained, we launched the Spring Wind Project: Recovery Assistance to help life service providers resume work and production. Its measures included: (i) lowering commission rates and expanding the coverage of preferential loans to ease merchants' cashflow problems; (ii) strengthening supply chain management to ensure adequate inventory and normal prices; (iii) providing merchants with digital solutions such as "full-scenario attraction of customers", "new consumer experience" and "intelligent management" to enhance their digital operation capabilities; and (iv) working closely with government bodies in various cities to boost consumption by launching campaigns including the Safe Consumption Festival and offering consumers vouchers, coupons and discounts.

- Responding to Floods: We launched programs – including the Red Cross Society of China's 2020 Actions for Floods and the One Foundation's Aid to Floods in Southern China – to raise funds and provide necessities for people affected by floods.

Poverty Alleviation[10]

In 2020 – a rewarding year for the national poverty alleviation initiative – we launched the New Beginnings in Counties program, focusing on employment, training, digitalisation, tourism and public welfare. Through the program, a dual circulation of county-level economic development driven by employment and consumption, achieving both poverty alleviation and rural vitalization. Applying our own development philosophy to the challenge, we established a model of business driving poverty relief and poverty relief rewarding business, stimulating the self-development ability of the poor and consolidating the outcomes.

Employment poverty alleviation

We promoted the development of an industry value chain in urban areas, indirectly creating a large number of employment opportunities and effectively helping workers earn money. To mitigate poverty caused by the pandemic, we launched the Return Plan in Spring program with our partners. The plan established a green channel for left-behind populations listed in the national poverty register, creating more than 700,000 long-term and flexible employment opportunities across the country. We helped left-behind people by launching rider recruitment programs in poverty-stricken counties, implementing the New Employment for Counties program in 52 impoverished counties and communicating with provincial capitals and neighbouring areas. By the end of 2020, a total of 9.5 million delivery riders had earned income on our platform. Among them, around 2.3 million came from impoverished counties.

Training poverty alleviation

We began to offer training in employment and entrepreneurship in impoverished counties through the New Young Dreamers Plan, and launched the Life Service Digitalization Talent Pool with Meituan University in 2019. For life service entrepreneurs and employees in poverty-stricken areas, we provided training and on-site teaching in food delivery, hotel management, alternative accommodation services, rural tourism and internet marketing. These programmes have transformed poverty alleviation work from financial support to industry-based assistance. As of the end of 2020, we had held 31 practical training sessions for over 5,000 trainees in nine provinces and cities.

Consumption poverty alleviation

To enhance the online merchant rate and the digital infrastructure in impoverished counties and towns, we implemented the idea of boosting consumption by sending migrant workers out, attracting tourists and offering online services for merchants. We also assisted small, medium and micro businesses in poverty-stricken areas with supply-side reform, and helped merchants offer online services on various platforms, expand their takeaway business, enhance brand awareness and increase their income. In 2020, we offered online services for nearly 480,000 merchants in catering, tourism and hotel services in 814 impoverished counties. We achieved an online trade volume of approximately RMB3.479 billion, through 696 million orders.

10 See the Meituan Poverty Alleviation Report 2020 for more information.

Public welfare poverty alleviation

Using the internet, we connected merchants, users and people in poverty-stricken areas to accomplish poverty alleviation through technology-driven development, joint efforts and continual measures and investment. We initiated the Lush Mountain Public Welfare Action program and were promptly joined by a number of merchants on our platform. They donated money from each food delivery order for environmental protection and public welfare. As of the end of 2020, more than 350,000 merchants had donated a total RMB4.9 million to impoverished villages in areas such as Yunan, Gansu, Inner Mongolia and Qinghai. The funds have supported 15 economic crop plantations, including Sichuan pepper and Orah mandarin, benefitting 1,800 poor households. We launched the Transforming Shared Bikes to Sports Ground project in areas such as Guizhou, Sichuan, Hubei and Fujian, to help disadvantaged children. We also solicited funds for poverty alleviation projects through meituan.gongyi.com and had raised a total of RMB82 million from 7.6 million donations by the end of 2020.

Tourism poverty alleviation

We introduced the beautiful scenery of poverty-stricken areas to the outside world and attracted tourists by showcasing local characteristics. Meanwhile, we worked with local authorities to develop smart tourism in impoverished areas. We also assisted in the scientific management of scenic spots by digitalising ticket service and marketing statistics and designing staggered visiting times. We provided online services for 76,900 hotels in 807 impoverished counties across the country in 2020.

Building capacity for the life service industry

We endeavour to promote our industry's overall development by enhancing the quality of life for service practitioners. We responded to policies including the Guiding Opinions on Promoting Standardised and Healthy Development of Platform Economy, the Implementation Plan for National Vocational Education Reform and the Vocational Education Action Plan for 2019-2021 – issued by the Ministry of Human Resources and Social Security – by establishing the digital talent development platform Meituan University in 2019. We also formulated the *Meituan University Charter* and set up training schools for different segments of the service industry. Training covered catering, takeaways, hotel management, delivery, beauty care, wedding services, parent-child services and household retail.

In 2020, we established our Digital Talent Development System. Its four elements – capability standards, a learning map, curricula and certification – nurture digital talents and offer clear guidance. We collaborated with top national associations to analyse and define required standards for digital operation positions in catering, delivery, beauty service, scenic spots and hotels. After completing the Meituan University courses, trainees can take exams and obtain certificates jointly issued by the national associations and the university. With excellent performance in hotel management training, we have been honoured as one of the fourth group of vocational education and training evaluation organisations by the Ministry of Education ("MOE"). We have also been chosen to pilot the 1+X certificate programme: with the MOE's endorsement, we can issue Hotel Revenue Management Skills certificates to students in vocational colleges and practitioners in the industry.

Meituan University worked with China Entrepreneur and the China International Engineering Consulting Corporation to found the Economic Talent Development Committee. And to promote the development of talents in the life service industry, we formulated a Partners Sharing Plan with industrial associations and representative enterprises.

We launched the Spring Wind Project: Recovery Assistance in February 2020 and offered more than 1,500 free courses to help life service practitioners shed the problems of the pandemic and resume work and production. We introduced food security, work resumption measures and contactless operations to small, medium and micro businesses via live broadcasts for Spring Wind Lecture and courses such as Guard a Small Store.

As of the end of 2020, we had over 2,611 lecturers in the life service industry. We have developed more than 4,000 courses in practical operations, business operations, management and industry dynamics, with a cumulative output of approximately 1,000 training sessions for 3.88 million merchants and 23.76 million trainees. Offline courses have been utilised in 455 cities nationwide.

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

OPINION

What we have audited

The consolidated financial statements of Meituan (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 152 to 272, which comprise:

- the consolidated statement of financial position as at December 31, 2020;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

KEY AUDIT MATTERS

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

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

- Revenue recognition
- Impairment assessments of goodwill

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition	
Refer to notes 2.27, 4.5, 4.7 and 6 to the consolidated financial statements. The Group provides an e-commerce platform that enables merchants to sell their services or products to transacting users through the platform. The Group mainly generates revenue in the way of transaction commission, online marketing fees and others. Revenue of RMB114.8 billion was recognised for the current year. We 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, 2.11, 4.4 and 16 to the consolidated financial statements. As at December 31, 2020, the net carrying amount of goodwill amounted to RMB27.6 billion. Under International Accounting Standards ("**IAS**") 36 Impairment of Assets, the Group is required to perform goodwill impairment assessment both annually and whenever there is an indication that a cash-generating unit ("**CGU**") to which goodwill has been allocated may be impaired. The Group engaged an independent external valuer to prepare the goodwill impairment testing. The recoverable amounts of CGUs were determined based on the value-in-use calculations using cash flow projections. We focused on this area due to (a) the magnitude of the carrying amount of goodwill; and (b) the estimation of recoverable amount is subject to high degree of estimation uncertainty. The inherent risk in relation to the impairment assessment of goodwill is considered significant due to the complexity of the models, subjectivity of significant assumptions used, and significant judgements involved in selecting data, such as annual revenue growth rate for the 5-year period, gross profit, terminal revenue growth rate and pre-tax discount rate.	Our procedures in relation to the impairment assessments of goodwill included: We tested management's assessment including periodic impairment indications evaluation as to whether indicators of impairment exist by corroborating with management and market information. We obtained an understanding of the management's internal control and assessment process of goodwill impairment and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud. We evaluated the outcome of prior period assessment of the goodwill to assess the effectiveness of the management's estimation process. We evaluated and tested the key controls over the impairment of goodwill. We assessed the appropriateness of the valuation models and significant assumptions with the involvement of our internal valuation experts. We evaluated the independent valuer's objectivity and competency. We assessed the reasonableness of the basis that management used to identify separate group of CGUs for the allocation of goodwill. We assessed the key assumptions adopted including annual revenue growth rate for the 5-year period and gross profit rate by examining the approved financial/business forecast models, and comparing actual results for the year against the previous period taking into consideration of market trends and our industry knowledge. We assessed terminal revenue growth rate and pre-tax discount rate with the involvement of our internal valuation experts.

Key Audit Matter	How our audit addressed the Key Audit Matter
	We independently tested, on a sample basis, the accuracy of mathematical calculation applied in the valuation models and the calculation of impairment charges. We evaluated the reasonableness of management's forecast performance and assessed management's sensitivity analysis around the key assumptions, to ascertain the extent to which adverse changes, would result in the goodwill being impaired. We assessed the adequacy of the disclosures related to goodwill impairment in the context of the applicable financial reporting framework. We also considered whether the judgements made in selecting the models, significant assumptions and data would give rise to indicators of possible management bias. Based on the procedures performed, we considered that the risk assessment of goodwill impairment remained appropriate and the key assumptions adopted by management in the assessment of goodwill impairment are supported by the evidence obtained.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Jack Li.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, March 26, 2021

	Note	Year ended December 31, 2020 RMB'000	2019 RMB'000
Revenues			
Commission	6	**74,213,352**	65,525,997
Online marketing services	6	**18,908,045**	15,840,078
Interest revenue	6	**884,897**	786,032
Other services and sales	6	**20,788,216**	15,376,424
		114,794,510	97,528,531
Cost of revenues	7	**(80,744,368)**	(65,208,143)
Gross profit		**34,050,142**	32,320,388
Selling and marketing expenses	7	**(20,882,685)**	(18,819,067)
Research and development expenses	7	**(10,892,514)**	(8,445,664)
General and administrative expenses	7	**(5,593,895)**	(4,338,954)
Net provision for impairment losses on financial assets		**(467,690)**	(645,685)
Fair value changes on other financial investments at fair value through profit or loss	19	**4,955,909**	77,699
Other gains, net	9	**3,160,835**	2,531,143
Operating profit		**4,330,102**	2,679,860
Finance income	10	**213,684**	166,217
Finance costs	10	**(370,016)**	(191,042)
Share of gains of investments accounted for using equity method	12	**264,105**	107,353
Profit before income tax		**4,437,875**	2,762,388
Income tax credits/(expenses)	13	**269,737**	(526,223)
Profit for the year		**4,707,612**	2,236,165
Profit/(loss) for the year attributable to:			
Equity holders of the Company		**4,708,313**	2,238,769
Non-controlling interests		**(701)**	(2,604)
		4,707,612	2,236,165
Earnings per share for profit for the year attributable to the equity holders of the Company			
Basic earnings per share (RMB)	14	**0.81**	0.39
Diluted earnings per share (RMB)	14	**0.78**	0.38

The notes on pages 160 to 272 are an integral part of these consolidated financial statements.

	Note	Year ended December 31, 2020 RMB'000	2019 RMB'000
Other comprehensive (loss)/income:			
Items that may be reclassified to profit or loss			
Share of other comprehensive (loss)/income of investments accounted for using the equity method	12,27	**(300)**	3,905
Changes in the fair value of short-term treasury investments at fair value through other comprehensive income	27	**(60)**	—
Items that may not be reclassified to profit or loss			
Currency translation differences	27	**(2,920,302)**	678,973
Share of other comprehensive loss of investments accounted for using the equity method	12,27	**(142,357)**	—
Changes in the fair value of other financial investments at fair value through other comprehensive income	20,27	**84,387**	—
Other comprehensive (loss)/income for the year, net of tax		**(2,978,632)**	682,878
Total comprehensive income for the year		**1,728,980**	2,919,043
Total comprehensive income/(loss) for the year attributable to:			
Equity holders of the Company		**1,729,681**	2,921,721
Non-controlling interests		**(701)**	(2,678)
		1,728,980	2,919,043

The notes on pages 160 to 272 are an integral part of these consolidated financial statements.

	Note	As of December 31, 2020 RMB'000	2019 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**13,917,165**	5,376,217
Intangible assets	16	**31,676,381**	32,699,575
Deferred tax assets	18(a)	**448,670**	590,054
Long-term treasury investments	21	**612,967**	200,275
Other financial investments at fair value through profit or loss	19	**10,256,786**	7,166,122
Investments accounted for using the equity method	12	**13,180,943**	2,283,590
Other financial investments at fair value through other comprehensive income	20	**605,918**	—
Prepayments, deposits and other assets	22	**7,569,817**	1,562,037
		78,268,647	49,877,870
Current assets			
Inventories	23	**466,492**	275,227
Trade receivables	24	**1,030,948**	676,762
Prepayments, deposits and other assets	22	**12,940,125**	9,591,157
Short-term treasury investments	21	**43,999,364**	49,435,599
Restricted cash	25(b)	**12,775,667**	8,760,115
Cash and cash equivalents	25(a)	**17,093,559**	13,396,185
		88,306,155	82,135,045
Total assets		**166,574,802**	132,012,915
EQUITY			
Share capital	26	**395**	389
Share premium	26	**263,155,201**	260,359,929
Shares held for shares award scheme	26	—	—
Other reserves	27	**(6,262,066)**	(4,447,252)
Accumulated losses		**(159,200,503)**	(163,800,621)
Equity attributable to equity holders of the Company		**97,693,027**	92,112,445
Non-controlling interests		**(58,752)**	(58,051)
Total equity		**97,634,275**	92,054,394

	Note	As of December 31, 2020 RMB'000	2019 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	18(b)	**755,694**	1,388,469
Financial liabilities at fair value through profit or loss		**114,600**	—
Deferred revenues	28	**166,700**	389,028
Borrowings	31	**1,957,470**	466,676
Notes payable	32	**12,966,341**	—
Lease liabilities	15	**1,648,008**	992,233
Other non-current liabilities		**184,073**	129,552
		17,792,886	3,365,958
Current liabilities			
Trade payables	29	**11,967,026**	6,766,253
Payables to merchants		**9,414,936**	7,495,262
Advances from transacting users		**4,307,861**	3,855,559
Deposits from transacting users		**2,222,211**	2,491,947
Other payables and accruals	30	**10,557,218**	7,237,412
Borrowings	31	**6,395,002**	3,552,587
Deferred revenues	28	**5,052,830**	4,567,171
Lease liabilities	15	**1,089,847**	534,566
Income tax liabilities		**140,710**	91,806
		51,147,641	36,592,563
Total liabilities		**68,940,527**	39,958,521
Total equity and liabilities		**166,574,802**	132,012,915

The notes on pages 160 to 272 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 152 to 272 were approved by the Board of Directors on March 26, 2021 and were signed on its behalf:

Wang Xing
Director

Mu Rongjun
Director

	Note	Attributable to equity holders of the Company						Non-controlling interests RMB'000	Total RMB'000
		Share capital RMB'000	Share premium RMB'000	Shares held for shares award scheme RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Sub-total RMB'000		
As of January 1, 2020		389	260,359,929	—	(4,447,252)	(163,800,621)	92,112,445	(58,051)	92,054,394
Comprehensive income									
Profit for the year		—	—	—	—	4,708,313	4,708,313	(701)	4,707,612
Other comprehensive income									
Share of other comprehensive loss of investments accounted for using the equity method	12,27	—	—	—	(142,657)	—	(142,657)	—	(142,657)
Changes in the fair value of other financial investments at fair value through other comprehensive income	20,27	—	—	—	84,387	—	84,387	—	84,387
Changes in the fair value of short-term treasury investments at fair value through other comprehensive income	27	—	—	—	(60)	—	(60)	—	(60)
Currency translation differences	27	—	—	—	(2,920,302)	—	(2,920,302)	—	(2,920,302)
Total comprehensive income		—	—	—	(2,978,632)	4,708,313	1,729,681	(701)	1,728,980
Transaction with owners in their capacity as owners									
Share-based compensation expenses	27,33	—	—	—	3,272,930	—	3,272,930	—	3,272,930
Shares held for shares award scheme	26	1	—	(1)	—	—	—	—	—
Exercise of option and RSU vesting	26,27	5	2,795,272	1	(2,283,840)	—	511,438	—	511,438
Share of equity movement in an associate	12,27	—	—	—	21,671	—	21,671	—	21,671
Tax benefit from share-based payments		—	—	—	44,862	—	44,862	—	44,862
Appropriations to general reserves		—	—	—	108,195	(108,195)	—	—	—
Total transaction with owners in their capacity as owners		6	2,795,272	—	1,163,818	(108,195)	3,850,901	—	3,850,901
As of December 31, 2020		395	263,155,201	—	(6,262,066)	(159,200,503)	97,693,027	(58,752)	97,634,275

	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 for the year		–	–	–	2,238,769	2,238,769	(2,604)	2,236,165
Other comprehensive income								
Share of other comprehensive income of investments accounted for using the equity method	12,27	–	–	3,905	–	3,905	–	3,905
Currency translation differences	27	–	–	679,047	–	679,047	(74)	678,973
Total comprehensive income		–	–	682,952	2,238,769	2,921,721	(2,678)	2,919,043
Transaction with owners in their capacity as owners								
Share-based compensation expenses	27,33	–	–	2,181,436	–	2,181,436	–	2,181,436
Exercise of option and RSU vesting	26,27	5	2,075,242	(1,614,957)	–	460,290	–	460,290
Disposal of a subsidiary		–	–	10,617	–	10,617	386	11,003
Transaction with non-controlling interests		–	–	34,047	–	34,047	(61,197)	(27,150)
Total transaction with owners in their capacity as owners		5	2,075,242	611,143	–	2,686,390	(60,811)	2,625,579
As of December 31, 2019		389	260,359,929	(4,447,252)	(163,800,621)	92,112,445	(58,051)	92,054,394

	Note	Year ended December 31, 2020 RMB'000	2019 RMB'000
Cash flows from operating activities			
Cash generated from operations	36(a)	8,561,324	6,037,524
Income tax paid		(86,311)	(463,304)
Net cash flows generated from operating activities		8,475,013	5,574,220
Cash flows used in investing activities			
Purchase of property, plant and equipment		(11,222,560)	(2,984,976)
Proceeds from disposals of property, plant and equipment		279,764	62,334
Purchase of intangible assets		(22,966)	(16,760)
Purchase of land use rights		(4,578,910)	—
Proceeds from disposals of intangible assets		—	1,938
Payments for business combinations, net of cash acquired		(26,849)	(1,365,975)
Purchase of treasury investments		(196,817,451)	(177,154,553)
Proceeds from disposals of treasury investments		199,496,075	170,248,473
Acquisition of investments accounted for using the equity method		(2,367,376)	(141,025)
Proceeds from disposal of equity investments and refunds of prepayment for investments		601,370	323,377
Acquisition of other financial investments at fair value		(7,326,690)	(455,987)
Cash inflow arising from disposal of subsidiaries, net of cash disposed		—	35,808
Gains received from treasury investments		1,629,777	1,315,886
Dividends received		18,912	13,761
Loan to related parties		(875,919)	(35,365)
Increase in prepayment for investments		(19,181)	(20,954)
Net cash flows used in investing activities		(21,232,004)	(10,174,018)

		Year ended December 31,	
		2020	2019
	Note	**RMB'000**	RMB'000
Cash flows generated from financing activities			
Proceeds from borrowings, excluding asset-backed securities ("**ABS**")		**10,900,292**	3,640,000
Repayments of borrowings, excluding ABS		**(5,448,702)**	(2,250,000)
Proceeds from ABS, net		**—**	467,000
Repayments of ABS		**(830,031)**	(107,969)
Issuance of notes payable		**13,337,825**	—
Finance costs paid		**(218,611)**	(218,692)
Proceeds from exercise of option and RSU vesting		**499,088**	444,915
Payment for acquisitions of non-controlling interests		**—**	(75,162)
Lease payments		**(936,380)**	(785,825)
Increase in financial liabilities		**114,600**	—
Net cash flows generated from financing activities		**17,418,081**	1,114,267
Net increase/(decrease) in cash and cash equivalents		**4,661,090**	(3,485,531)
Cash and cash equivalents at the beginning of the year		**13,396,185**	17,043,692
Exchange loss on cash and cash equivalents		**(963,716)**	(173,442)
Cash and cash equivalents reclassified from the assets classified as held for sale		**—**	11,466
Cash and cash equivalents at the end of the year	25(a)	**17,093,559**	13,396,185

1 GENERAL INFORMATION AND BASIS OF PRESENTATION

1.1 General information

Meituan (formerly known as Meituan Dianping) ("**the Company**") was incorporated in the Cayman Islands ("**Cayman**") on September 25, 2015 as an exempted company with limited liability. The registered office is at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries, including structured entities (collectively, the "**Group**"), provides platform which uses technology to connect consumers and merchants and offers diversified daily services, including food delivery, in-store, hotel and travel booking and other services and sales.

The financial information is presented in Renminbi ("**RMB**"), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**") issued by International Accounting Standards Board ("**IASB**") and disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income, which are carried at fair value.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.1 Changes in accounting policies

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time commencing January 1, 2020:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Conceptual Framework	Revised Conceptual Framework for Financial Reporting
IFRS 16 (Amendments)	COVID-19 related rent concessions
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform
Amendments to IFRS	Annual Improvements to IFRS Standards 2018-2020 Cycle

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.1 Changes in accounting policies (Continued)

(b) New standards and amendments not yet adopted by the management of the Group

The following new and amended standards have been issued, but are not effective for the Group's financial year beginning on January 1, 2020 and have not been early adopted by the Group's management.

		Effective for accounting year beginning on or after
Amendments to IAS 28 and IFRS 10	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – phase 2	January 1, 2021
IAS 16 (Amendments)	Property, plant and equipment: proceeds before intended use	January 1, 2022
IAS 37 (Amendments)	Onerous contract – cost of fulfilling a contract	January 1, 2022
IAS 1 (Amendments)	Classification of liabilities as current and non-current	January 1, 2023
IFRS 17	Insurance contracts	January 1, 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
Amendments to IAS 8	Definition of Accounting Estimates	January 1, 2023

The Group is in the process of assessing potential impact of the above new standards and amendments to standards that is relevant to the Group upon initial application. According to the preliminary assessment made by the directors of the Company ("**Directors**"), management does not anticipate any significant impact on the Group's financial positions and results of operations upon adopting the above new standards and amendments to existing standards. The management of the Group plans to adopt these new standards and amendments to existing standards when they become effective.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement (including structured entities) with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

2.2.1 Business combinations

The Group applies the acquisition method to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's identifiable net assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Subsidiaries *(Continued)*

2.2.1 Business combinations (Continued)

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, amount of any non-controlling interest in the acquiree, and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss. Amounts classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2.2.2 Changes in ownership interests in subsidiaries without change of control

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

2.2.3 Disposal of subsidiaries

When the Group ceases to consolidate a subsidiary because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. The Group's investments in associates in the form of redeemable instruments are financial assets designated at fair value through profit or loss. All investments in associates in the form of ordinary shares with significant influence are accounted for using the equity method of accounting, after initially being recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an investment accounted for using the equity method equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group determines at each reporting date whether there is any objective evidence that investments accounted for using the equity method are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the investment and its carrying value and recognises the amount in "Other gains, net" in the consolidated income statement.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2.4 Joint arrangements

The Group has applied IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has both joint operations and joint ventures.

The Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Joint arrangements *(Continued)*

Interests in joint ventures are accounted for using the equity method. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill.

Where the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealized gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.5 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.6 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, mainly includes the executive Directors.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Foreign currency translation

2.7.1 Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Company's functional currency is USD as its key activities and transactions are denominated in USD. The Company's primary subsidiaries were incorporated in the PRC and these subsidiaries considered RMB as their functional currency. The Group's presentation currency is RMB.

2.7.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in consolidated income statement on a net basis within "Other gains, net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as investments at fair value through profit or loss are recognised in consolidated income statement as part of the "Fair value changes on other financial investments at fair value through profit or loss".

2.7.3 Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position

- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and

- all resulting exchange differences are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Foreign currency translation *(Continued)*

2.7.3 Group companies (Continued)

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified into income statement, as part of “Other gains, net”.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.8 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

• computer equipment (including servers)	3 years
• furniture and appliances	5 years
• bikes and electric mopeds	2-3 years
• leasehold improvements	the shorter of the term of the lease or the estimated useful lives of the assets
• others	2-3 years

Property, plant and equipment arising from business acquisition is depreciated over the remaining useful life.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Property, plant and equipment *(Continued)*

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount, and are recognised in "Other gains, net" in the consolidated income statement.

2.9 Intangible assets

2.9.1 Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the aggregate purchase consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes at the operating segments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Intangible assets *(Continued)*

2.9.2 Other intangible assets

Other intangible assets mainly include trade name, user generated content, software purchased from third parties, online payment license, technology and licenses, user list and supplier relationship. They are initially recognised and measured at cost or fair value if they are acquired in business combinations. Other intangible assets are amortized over their estimated useful lives using the straight-line method which reflects the pattern in which the intangible asset's future economic benefits are expected to be consumed.

The Group amortizes intangible assets with a limited useful life using the straight-line method over the following periods:

• trade name	2 – 25 years
• user generated content	5 years
• software and others	1 – 10 years
• online payment license	15 years
• technology and licenses	2 – 5 years
• user list	5 years
• supplier relationship	2 – 8 years

When determining the length of useful life of an intangible asset, management take into account the (i) estimated period during which such asset can bring economic benefits to the Group; and (ii) the useful life estimated by comparable companies in the market.

2.9.3 Research and development

Research expenditures are recognised as an expenses as incurred. Costs incurred on development projects are capitalized as intangible assets when recognition criteria are met, including (a) it is technically feasible to complete the software so that it will be available for use; (b) management intends to complete the software and use or sell it; (c) there is an ability to use or sell the software; (d) it can be demonstrated how the software will generate probable future economic benefits; (e) adequate technical, financial and other resources to complete the development and to use or sell the software are available; and (f) the expenditure attributable to the software during its development can be reliably measured. Other development costs that do not meet those criteria are expensed as incurred. There were no development costs meeting these criteria and capitalized as intangible assets as of December 31, 2020 and 2019.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Shares held for shares award scheme

The amount of the shares transferred by the Company to the Share Scheme Trust, is presented as "Shares held for shares award scheme".

When the Share Scheme Trust transfers the Company's shares to the awardees upon vesting, the related par value of the awarded shares vested are credited to "Shares held for shares award scheme", with a corresponding adjustment made to "Share premium".

2.11 Impairment of non-financial assets

Goodwill is not subject to amortization and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.12 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under IFRS 9 Financial Instruments; and

- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and

- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income ("**OCI**"). For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investments at fair value through other comprehensive income ("**FVOCI**").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition

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

(iii) Derecognition

The Group derecognises a financial asset, if the part being considered for derecognition meets one of the following conditions:(i) the contractual rights to receive the cash flows from the financial asset expire; or (ii) the contractual rights to receive the cash flows of the financial asset have been transferred, the Group transfers substantially all the risks and rewards of ownership of the financial asset; or (iii) the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement that meets all the conditions of de-recognition of transfer of cash flows ("pass through" requirements) and transfers substantially all the risks and rewards of ownership of the financial asset.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Financial assets *(Continued)*

(iii) Derecognition (Continued)

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss or retained earnings:

– the carrying amount of the financial asset transferred; and

– the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised directly in equity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability.

As part of its operations, the Group securitizes financial assets, generally through the sale of these assets to special purpose vehicles which issue securities to investors. Further details on prerequisites for derecognition of financial assets are set out above. When the securitization of financial assets that qualify for derecognition, the relevant financial assets are derecognised in their entirety and a new financial asset or liabilities is recognised regarding the interest in the unconsolidated securitization vehicles that the Group acquired. When the securitization of financial assets that do not qualify for derecognition, the relevant financial asset are not derecognised, and the consideration paid by third parties are recorded as a financial liability; when the securitization of financial assets that partially qualify for derecognition, the book value of the transferred asset should be recognised between the derecognised portion and the retained portion based on their respective relative fair values, and the difference between the book value of the derecognised portion and the total consideration paid for the derecognised portion shall be recorded in profit or loss.

(iv) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("**FVPL**"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Financial assets *(Continued)*

(iv) Measurement (Continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "Other gains, net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "Other gains, net". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "Other gains, net" and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within "Other gains, net" in the period in which it arises.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Financial assets *(Continued)*

(iv) Measurement (Continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in "Other gains, net" in profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments at FVOCI are not reported separately from other changes in fair value.

(v) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group has three types of financial assets that are subject to IFRS 9's new ECL model (Note 3.1 (b)):

- loan receivables
- trade receivables
- prepayment, deposits and other assets

While cash and cash equivalents, restricted cash, short-term treasury investments at amortized cost, short-term treasury investments at fair value through other comprehensive income and long-term treasury investments at amortized cost are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.14 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.15 Deposits from transacting users

Deposits from transacting users are the deposits received from transacting users of bike-sharing services, which are redeemable at any time upon the requests from transacting users.

2.16 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.17 Trade and other receivables

Trade receivables are amounts due from customers for goods and services provided in the ordinary course of business.

Trade and other receivables are generally due for settlement within 1 year and therefore are all classified as current.

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. They are subsequently measured at amortised cost using the effective interest method, less loss allowance.

Other receivables are recognised initially at fair value and subsequently measured at amortized cost using the effective interest method, less allowance for impairment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.18 Cash and cash equivalents and restricted cash

Cash and cash equivalents includes cash in hand, deposits held at call with banks within three months, certain amounts of cash held in accounts managed by other financial institutions in connection with the provision of services and sale of goods.

Cash that restricted from withdrawal, use or pledged as security is reported separately on the face of the consolidated statements of financial position, and is not included in the total cash and cash equivalents in the consolidated statements of cash flows.

2.19 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or share options are shown in equity as a deduction from the proceeds.

2.20 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortized cost using the effective interest method.

2.21 Borrowings, notes payable and borrowing costs

Borrowings and notes payable issued by the Group are initially recognised at fair value, net of transaction costs incurred. They are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over their contractual terms using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Notes payable are classified as non-current liabilities unless the Group has an unconditional obligation to settle the liability within 12 months after the end of the reporting period.

Borrowing costs are expensed in the period in which they are incurred.

Borrowings and notes payable are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.22 Financial liabilities at fair value through profit or loss

The Group irrevocably designate a financial liability at fair value through profit or loss when doing so results in more relevant information at initial recognition, because either:

(a) it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases; or

(b) a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel, for example, the Group's board of directors ("**Board**") and chief executive officer.

2.23 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

2.23.1 Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.23 Current and deferred income tax *(Continued)*

2.23.2 Deferred income tax

(a) Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

(b) Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the subsidiaries and associates' undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.23 Current and deferred income tax *(Continued)*

2.23.2 Deferred income tax (Continued)

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.24 Employee benefits

2.24.1 Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick and maternity leave are not recognised until the time of leave.

2.24.2 Pension obligations and other social welfare benefits

The Group contributes on a monthly basis to various defined contribution plans organised by the relevant governmental authorities. The Group's liability in respect of these plans is limited to the contributions payable in each period. The Group's contributions to these plans are expensed as incurred. Assets of the plans are held and managed by government authorities and are separated from those of the Group.

2.24.3 Bonus plan

The expected cost of bonuses is recognised as a liability when the Group has a present legal or constructive obligation for payment of bonuses as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonuses are expected to be settled within 1 year and are measured at the amounts expected to be paid when they are settled.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.25 Share-based payments

The Group has operated share incentive plans including share option schemes and share award schemes. The pre-IPO employee stock incentive scheme adopted by the Company dated October 6, 2015 ("**Pre-IPO ESOP**") was administered until the initial public offering, after which it was replaced by the post-IPO share option scheme adopted by the Company on August 30, 2018 ("**Post-IPO Share Option Scheme**") and the post-IPO share award scheme adopted by the Company on August 30, 2018 ("**Post-IPO Share Award Scheme**"). Share-based compensation benefits are provided to employees via the Pre-IPO ESOP, the Post-IPO Share Option Scheme and the Post-IPO Share Award Scheme. The Group receives services from employees and other qualifying participants as consideration for equity instruments (including share options and RSUs) of the Group. The fair value of the services received in exchange for the grant of the equity instruments is recognised as an expense in the consolidated income statement.

2.25.1 Share options

For grant of share options, the total amount to be expensed is determined by reference to the fair value of the options granted by using Black-Scholes models:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

2.25.2 RSUs

For grant of RSUs, the total amount to be expensed is determined by reference to the fair value of the Company's shares at the grant date.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognizing the expense during the period between service commencement date and grant date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.25 Share-based payments *(Continued)*

2.25.3 Modifications and Cancellations

The Group may modify the terms and conditions on which share incentive awards were granted. If a modification increases the fair value of the equity instruments granted, the incremental fair value granted is included in the measurement of the amount recognised for the services received over the remainder of the vesting period.

A grant of share incentive awards, that is cancelled or settled during the vesting period, is treated as an acceleration of vesting. The Group immediately recognises the amount that otherwise would have been recognised for services received over the remainder of the vesting period.

2.26 Provisions

Provisions for service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.27 Revenue recognition

Revenue is principally comprised of commission, online marketing services, interest revenue and other services and sales. The Group recognises revenue when or as the control of the promised goods or services is transferred to a customer, netting of value-added taxes ("VAT"). Depending on the terms of the contract and the laws that apply to the contract, if control of the goods and services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or services.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.27 Revenue recognition *(Continued)*

Contracts with customers may include multiple performance obligations. For such arrangements, the Group allocates revenue to each performance obligation based on its relative standalone selling price. The Group generally determines standalone selling prices based on the prices charged to customers. If the standalone selling price is not directly observable, it is estimated using expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information. Revenue arrangements with multiple performance obligations are not significant to the Group's total revenue.

In accordance with the principal versus agent considerations prescribed by IFRS 15, the Group evaluates whether it acts as the principal or agent in each of its revenue streams to determine whether revenue should be recorded on a gross or net basis. The Group is acting as the principal if, individually or in combination, it controls the specified good or service before being transferred to the customer, is primarily responsible for fulfilling the contract, is subject to inventory risk, and has discretion in establishing prices. An agent arranges for goods or services to be provided by the principal to its end customer, which normally receives a commission or fee for these activities.

2.27.1 The accounting policy for the Group's principal revenue sources

(a) Commission

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

Under certain circumstances, the Group provides delivery service mainly to transacting users as a principal, and earns the delivery service fee collecting from transacting users as revenue on a gross basis.

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

The on-demand delivery services facilitate food and non-food ordering and offer delivery service to transacting users through the Group's platform. Meanwhile, the Group provides platform service to merchants and certain business partners in certain regions within the PRC, displaying the food or other goods information to transacting users. Upon the completion of a transaction, both the delivery service and the platform service are rendered. The Group recognises the delivery service fees collected from transaction users and the commission as revenue at the same time. The amounts to be remitted to third-party merchants, after netting the commission revenue from the cash payments by transacting users, are recorded as payables to merchants. In instances where the Group is not responsible for delivery, only commission revenue is recognised once a transaction is completed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.27 Revenue recognition *(Continued)*

2.27.1 The accounting policy for the Group's principal revenue sources (Continued)

(a) Commission (Continued)

In-store, hotel & travel services

The Group's in-store, hotel & travel services provides merchants platform to display their own services or goods. Transacting users can purchase the vouchers or make reservations offered by merchants via the Group's platform. When the vouchers are redeemed at merchants site, upon room check-in for hotel reservations, or on the departure date of the packaged tours, commission revenues are recognised.

Under all circumstances, cash payments received from transacting users are initially recorded as advances from transacting users, as unredeemed vouchers can be returned by users at any time. When revenues are recognised at the point in time as determined above, the amounts to be remitted to third-party merchants are recorded as payables to merchants.

(b) Online marketing services

The Group provides online marketing services to merchants or marketers. Some of the merchants or marketers pay the Group for performance-based marketing only when a user clicks on marketer's link on the Group's websites or/and mobile applications, or when the advertisement is viewed by a pre-determined number of users. The Group recognises revenue each time a user clicks on the marketer's link or when its information is viewed by pre-determined number of users.

The Group also offers display-based marketing services in the form of key words search, banners, and textual or graphical marketer's link. The marketers pay the Group based on the period their advertisements are displayed on the Group's websites and/or mobile applications. The revenue is recognised on a pro-rata basis over the contractual service period, which is normally less than 1 year, starting on the date when the advertisement is first displayed on the Group's websites and/or mobile applications.

For certain merchants, the Group provides value-added marketing services under an annual plan, and charges an annual fee for such plan. The Group recognises revenue ratably as the value-added marketing services are provided over the plan period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.27 Revenue recognition *(Continued)*

2.27.1 The accounting policy for the Group's principal revenue sources (Continued)

(c) Interest revenue

The Group directly offers loans, including joint loans together with other institutions, through its online platform to merchants or individual users via qualified subsidiary. The loan principal is funded entirely or partially by the Group, and loan receivables due from such loan facilitation are recorded on the statement of financial position. Interest revenue is calculated by applying the effective interest rate to the gross carrying amount of a loan receivable except for loan receivables that subsequently become credit-impaired. For credit-impaired loan receivables, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

(d) Other services and sales

Other services and sales comprise primarily revenue generated from business to business food distribution services ("B2B food distribution services"), loan facilitation and relative post-origination services, ride-sharing services, car-hailing services and other products or services. The Group recognises revenues when the respective services are rendered, or when the control of the products are transferred to the customers.

The Group's local transportation services mainly provide ride-sharing services and car-hailing services to its transacting users. Currently, for ride-sharing services and car-hailing services other than aggregated model, the Group recognises revenues substantially for the fees collected from transacting users. Revenues from car-hailing services of aggregated model are immaterial to the Group. As to the transportation services relating to the taxi services, the Group acts as an agent by connecting transacting users with taxi drivers, and does not earn any fee from either party, and therefore recognises no revenue.

The Group's B2B food distribution services provide supply chain solution to merchants in the catering industry mainly through sales of food ingredients. The Group recognises goods sold revenue on a gross basis when the control of inventories is transferred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.27 Revenue recognition *(Continued)*

2.27.1 The accounting policy for the Group's principal revenue sources (Continued)

(d) Other services and sales (Continued)

In certain cases, the Group also provides loan facilitation services to borrowers and lenders, and provides post-origination services (e.g. cash process, collection and short message services) to lenders and regard facilitation services and post origination services as two distinctive performance obligations. The borrowers are commonly merchants or individual users who utilize the Group's online platform. For loan facilitation services, the Group determines that it is not the legal lender or borrower in the loan origination and repayment process, but acting as an intermediary to bring both parties together. Therefore, the Group does not record the loans receivable or payable arising from the loan facilitation activities. Loan facilitation services revenue are recognised at point of time when the loan contract established between borrowers and lenders and post-origination services revenue are recognised over the loan contract period.

The Group also generates other revenues from a long-term business cooperation agreement with Maoyan, which provides that Maoyan shall be the Group's exclusive business partner for the movie ticketing business. Through this cooperation agreement, the Group provides Maoyan with user traffic and other sources services over the cooperation period and recognizes revenue in a straight line basis. Please refer to Note 28 for further details.

2.27.2 Contract Balances

When either party to a contract has performed, the Group presents the contract in the statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for goods and services that the Group has transferred to a customer. A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due. The Group's contract assets are mainly trade receivables due from online marketing services and loan facilitation services.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.27 Revenue recognition *(Continued)*

2.27.2 Contract Balances (Continued)

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group presents the contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. The Group's contract liabilities are mainly resulted from the online marketing services, which are recorded as deferred revenues.

The Group generally expenses contract acquisition cost when incurred because the amortization period would have been 1 year or less.

2.27.3 Incentives

The Group provides various types of incentives to transacting users, delivery riders, borrowers, drivers and merchants under online marketing services or supply chain solution service, including discounted coupons (with a minimum value to use), direct payment deduction, red packet, interest reduction/exemption coupons and discounts on goods or services. The major accounting policy for incentives is described as follows.

(a) Incentives to customers

The Group records such incentives as deduction of revenue, to the extent of the revenue collected from the customers. The exceeded amount is recorded as selling and marketing expenses. The incentives on delivery service or local transporting service to transacting users, the incentives to crowdsourced delivery riders on behalf of merchants or individual users, the interest favorable offered to borrowers, and discounts on online marketing services or supply chain solution service to merchants are classified as such.

(b) Incentives to transacting users

If substantial services to transacting users are provided by the third parties, the incentives at the Group's discretion in order to stimulate the transaction volume on the online platform are recorded as selling and marketing expenses. The incentives to transacting users where the Group is not responsible for delivery and substantially all of the incentives for in-store, hotel & travel services are classified as such.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.27 Revenue recognition *(Continued)*

2.27.3 Incentives (Continued)

(c) Incentives to vendors

In circumstance where the Group is responsible for the delivery service, the incentive to delivery riders is recognised as cost of revenue as it is part of the Group's fulfilment costs for completion of the delivery performance obligation. In connection with car-hailing services, the incentives to drivers are recorded as cost of revenue.

(d) Incentives on behalf of third parties

For certain business partners in certain regions within the PRC in food delivery business, they setup the incentive plans via the Group's system to maintain local market and manage the daily operation. The Group receives and pays the incentives on behalf of such business partners to transacting users, which is not treated as the Group's incentives.

For all the business lines, the Group may facilitate cash refunds or incentives to its transacting users for unsatisfactory goods or services rendered by the merchants, but merchants are contractually responsible and liable for the quality of the goods or services. The Group also holds the contractual right to claim reimbursements from merchants. For those which are not refunded by merchants, the refunds or incentives from the Group to transacting users are recorded as a reduction of revenue unless there are objective evidence that they are not paid on behalf of merchants.

The total incentives recorded as selling and marketing expenses have been included in Note 7-Transacting User incentives.

2.27.4 Practical Expedients and Exemptions

The transaction price allocated to the performance obligations that are unsatisfied, or partially unsatisfied, has not been disclosed, as substantially all of the Group's contracts have a duration of 1 year or less. The unsatisfied performance obligation related to the Maoyan cooperation agreement has been included in deferred revenues (Note 28).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.28 Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Interest income is presented as interest revenue where it is calculated using the effective interest rate method and earned from financial assets that are held for micro-credit business. Any other gains from short-term and long-term treasury investments is included in "Other gains, net".

2.29 Dividend income

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

2.30 Leases

The Group leases various offices and others. Rental contracts are typically made for fixed periods of 1 month to 10 years but may have extension options, which are used to maximise operational flexibility in terms of managing the assets used in the Group's operations.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.30 Leases *(Continued)*

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have third-party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The lease payments are allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.30 Leases *(Continued)*

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

The payments associated with leases of the low-value assets are recognised on a straight-line basis as an expense in profit or loss. The low-value assets comprise small items of facilities.

The Group considers the lease as a single transaction in which the asset and liabilities are integrally linked. There is no net temporary difference at inception. Subsequently, the differences arisen on settlement of the liability and the amortisation of leased assets, there will be a net temporary difference on which deferred tax is recognised.

Right-of-use assets are presented in "Property, plant and equipment" on face of the Group's consolidated statement of financial position.

2.31 Dividends distribution

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

2.32 Government subsidies

Subsidies from the government are recognised at their fair value where there is a reasonable assurance that the subsidies will be received and the Group will comply with all attached conditions. Under these circumstances, the subsidies are recognised as income or matched with the associated costs which the subsidies are intended to compensate.

3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk, and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group.

3.1 Financial risk factors

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the Group entities' functional currency. The functional currency of the Company is USD whereas functional currency of the subsidiaries operating in the PRC is RMB. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and tries to minimize these exposures through natural hedges, wherever possible and may enter into forward foreign exchange contracts, when necessary.

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

(ii) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates and the Group has no significant interest-bearing assets except for cash and cash equivalents, restricted cash and short-term treasury investments at amortized cost, and details of which have been disclosed in Note 25 and Note 21, respectively.

The Group's exposure to changes in interest rates is also attributable to its borrowings and notes payable, details of which has been disclosed in Note 31 and Note 32. Borrowings and notes payable carried at floating rates expose the Group to cash flow interest rate risk whereas those carried at fixed rates expose the Group to fair value interest rate risk.

As of December 31, 2020, the Group's notes payable were carried at fixed rates, which did not expose the Group to cash flow interest rate risk.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Market risk (Continued)

(iii) Price risk

The Group is exposed to price risk in respect of other financial investments at fair value through profit or loss, other financial investments at fair value through other comprehensive income, short-term and long-term treasury investments at fair value through profit or loss and short-term treasury investments at fair value through other comprehensive income held by the Group. The Group is not exposed to commodity price risk. To manage its price risk arising from the investments, the Group diversifies its portfolio. Each investment is managed by senior management on a case by case basis. The sensitivity analysis is performed by management, see Note 3.3 for detail.

(b) Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, restricted cash, treasury investments at amortized cost, short-term treasury investments at fair value through other comprehensive income, trade receivables and prepayments, deposits and other assets. The carrying amounts of each class of the above financial assets represent the Group's maximum exposure to credit risk in relation to financial assets. The Group is also exposed to credit risk in relation to its financial guarantee contracts.

To manage risk arising from cash and cash equivalents, restricted cash, treasury investments at amortized cost and short-term treasury investments at fair value through other comprehensive income, the Group only transacts with state-owned or reputable financial institutions in mainland China and reputable international financial institutions outside of mainland China. There has been no recent history of default in relation to these financial institutions. These instruments are considered to have low credit risk because they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term. The identified credit losses are immaterial.

To manage risk arising from trade receivables and contract assets, the Group has policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and the management performs ongoing credit evaluations of its counterparties. The credit period granted to the customers is usually no more than 180 days and the credit quality of these customers is assessed, which takes into account their financial position, past experience and other factors.

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts.

The expected loss rates are based on the payment profiles of sales over a period of 36 months or enough credit cycle for those new lines of business which continue operation for less than 3 years before December 31, 2020 or January 1, 2020 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the urban per capita disposable income and the total retail sales of consumer goods of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 180 days past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

For prepayments, deposits and other assets, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables and prepayments to merchants based on historical settlement records and past experiences incorporating forward-looking information. Impairment on prepayments, deposits and other assets is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counter party's ability to meet its obligations
- actual or expected significant changes in the operating results of the counter party
- significant increases in credit risk on other financial instruments of the same counter party
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements, and
- significant changes in the expected performance and behaviour of the counter party, including changes in the payment status and operating results of the counter party.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

Category	Group definition of category		Basis for recognition of expected credit loss provision
	Other receivables excluding loan receivables and prepayments to merchants	Prepayments to merchants	
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows		12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	A significant increase in credit risk is presumed if repayments are 30 days past due	The Group terminates its cooperation with merchants	Lifetime expected losses
Non-performing	Repayments are 90 days past due	The Group terminates its cooperation with merchants for more than 60 days	Lifetime expected losses
Write-off	1>Repayments are 3 years past due 2> and there is no reasonable expectation of recovery	1>Repayments are 3 years past due 2> and there is no reasonable expectation of recovery	Asset is written off

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

To manage risk arising from loan receivables and financial guarantee contracts, standardized credit management procedures are performed. For pre-approval investigation, the Group optimizes the review process by using big data technology through its platform and system, including credit analysis, assessment of collectability of borrowers, monitoring the cash flow status of the merchants, possibility of misconduct and fraudulent activities. In terms of credit examining management, specific policies and procedures are established to assess loans offering. For subsequent monitoring, the Group monitors the cash flow and operation status of each borrowers. Once the loan was issued, all borrowers would be assessed by fraud examination model to prevent fraudulent behaviors. In post-loan supervision, the Group establishes risk monitoring alert system through periodical monitoring. The estimation of credit exposure for risk management purposes is complex and requires use of models as the exposure varies with changes in market conditions, expected cash flows and passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default corrections between counterparties. The Group measures credit risk using Probability of Default ("**PD**"), Exposure at Default ("**EAD**") and Loss Given Default ("**LGD**"). This is consistent with the general approach used for the purposes of measuring ECL under IFRS 9. The maximum credit risk from financial guarantee contracts as of December 31, 2020 was nil (2019: RMB15 million).

(i) ECL model for loan receivables, as summarized below:

- The loan receivables that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group. The expected credit loss is measured on a 12-month basis.

- If a significant increase in credit risk (as defined below) since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. The expected credit loss is measured on lifetime basis.

- If the financial instrument is credit-impaired (as defined below), the financial instrument is then moved to 'Stage 3'. The expected credit loss is measured on lifetime basis.

- In Stages 1 and 2, interest income is calculated on the gross carrying amount (without deducting the loss allowance). If a financial asset subsequently becomes credit-impaired (Stage 3), the Group is required to calculate the interest income by applying the effective interest method in subsequent reporting periods to the amortized cost of the financial asset (the gross carrying amount net of loss allowance) rather than the gross carrying amount.

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 of January 1, 2020	5,533,758	129,915	59,377	5,723,050
Transfers:				
Transfer from Stage 1 to Stage 2	(105,138)	105,138	—	—
Transfer from Stage 1 to Stage 3	(303,815)	—	303,815	—
Transfer from Stage 2 to Stage 1	—	—	—	—
Transfer from Stage 2 to Stage 3	—	(78,333)	78,333	—
Transfer from Stage 3 to Stage 1	—	—	—	—
Transfer from Stage 3 to Stage 2	—	—	—	—
Loan receivables derecognised during the period other than write-off	(38,903,663)	(49,221)	(52,774)	(39,005,658)
New loan receivables originated	40,883,459	—	—	40,883,459
Write-off	—	—	(384,107)	(384,107)
Recovered after written off	—	—	45,272	45,272
Gross carrying amount as of December 31, 2020	7,104,601	107,499	49,916	7,262,016

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

(ii) Loss allowance *(Continued)*

The following tables explain the changes in the loss allowance for loan receivables between the beginning and the end of the period due to these factors:

	Stage 1 12-month ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL RMB'000	Total RMB'000
Loss allowance as of January 1, 2020	(172,630)	(103,491)	(59,377)	(335,498)
Transfers:				
Transfer from Stage 1 to Stage 2	3,296	(81,245)	—	(77,949)
Transfer from Stage 1 to Stage 3	9,524	—	(303,815)	(294,291)
Transfer from Stage 2 to Stage 1	—	—	—	—
Transfer from Stage 2 to Stage 3	—	60,531	(78,333)	(17,802)
Transfer from Stage 3 to Stage 1	—	—	—	—
Transfer from Stage 3 to Stage 2	—	—	—	—
Loan receivables derecognised during the period other than write-off	1,219,560	38,035	52,774	1,310,369
New loan receivables originated	(1,281,624)	—	—	(1,281,624)
Write-off	—	—	384,107	384,107
Recovered after written off	—	—	(45,272)	(45,272)
Accrual and reversal	(1,925)	5,666	—	3,741
Loss allowance as of December 31, 2020	(223,799)	(80,504)	(49,916)	(354,219)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

(iii) Write-off policy

The Group writes off loan receivables, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include ceasing enforcement activity.

The Group may write-off loan receivables that are still subject to enforcement activity.

(iv) Modification

The Group rarely modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximizing recovery. The Group considers the impact from such modification is not significant.

(c) Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying business, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate cash and cash equivalents or adjust financing arrangements to meet the Group's liquidity requirements.

The table below analyzes the Group's non-derivative financial liabilities. The amount disclosed in the table is the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As of December 31, 2020					
Trade payables	11,967,026	—	—	—	11,967,026
Payables to merchants	9,414,936	—	—	—	9,414,936
Advances from transacting users	4,307,861	—	—	—	4,307,861
Deposits from transacting users	2,222,211	—	—	—	2,222,211
Other payables and accruals	5,044,613	—	—	—	5,044,613
Borrowings	6,514,417	31,946	1,983,377	—	8,529,740
Notes payable	352,752	352,752	5,951,932	9,399,935	16,057,371
Lease liabilities	1,211,544	882,633	893,109	10,223	2,997,509
Other non-current liabilities	—	—	119,512	—	119,512
	41,035,360	1,267,331	8,947,930	9,410,158	60,660,779

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk (Continued)

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As of December 31, 2019					
Trade payables	6,766,253	—	—	—	6,766,253
Payables to merchants	7,495,262	—	—	—	7,495,262
Advances from transacting users	3,855,559	—	—	—	3,855,559
Deposits from transacting users	2,491,947	—	—	—	2,491,947
Other payables and accruals	3,474,669	—	—	—	3,474,669
Borrowings	3,666,595	466,676	—	—	4,133,271
Lease liabilities	605,233	491,197	586,922	9,361	1,692,713
Other non-current liabilities	—	3,336	126,311	—	129,647
Financial guarantee contracts (Note 2.12)	14,977	—	—	—	14,977
	28,370,495	961,209	713,233	9,361	30,054,298

3.2 Capital management

The Group's objectives when managing capital are to:

- Safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders; and
- Maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to Shareholders, return capital to Shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital (including share capital, share premium and shares held for shares award scheme) by regularly reviewing the capital structure. As a part of this review, the Group considers the cost of capital and the risks associated with the issued share capital. In the opinion of the Directors of the Company, the Group's capital risk is low.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation

3.3.1 Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

The table below analyzes the Group's financial instruments carried at fair value as of December 31, 2020 and 2019 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

3.3.1 Fair value hierarchy (Continued)

The following table presents the Group's assets and liabilities that are measured at fair value as of December 31, 2020.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As of December 31, 2020				
Financial assets				
Short-term treasury investments at fair value through profit or loss (Note 21)	—	—	32,083,979	32,083,979
Short-term treasury investments at fair value through other comprehensive income (Note 21)	—	65,442	900,111	965,553
Long-term treasury investments at fair value through profit or loss (Note 21)	—	—	612,967	612,967
Other financial investments at fair value through profit or loss (Note 19)	2,124,519*	—	8,132,267	10,256,786
Other financial investments at fair value through other comprehensive income (Note 20)	605,918*	—	—	605,918
	2,730,437	65,442	41,729,324	44,525,203
Financial liabilities				
Financial liabilities at fair value through profit or loss	—	—	114,600	114,600

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

3.3.1 Fair value hierarchy (Continued)

The following table presents the Group's assets and liabilities that are measured at fair value as of December 31, 2019.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As of December 31, 2019				
Financial assets				
Short-term treasury investments at fair value through profit or loss (Note 21)	—	—	23,988,182	23,988,182
Other financial investments at fair value through profit or loss (Note 19)	2,076,995*	—	5,089,127	7,166,122
	2,076,995*	—	29,077,309	31,154,304

* This presents investments in listed entities with observable quoted price.

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

3.3.2 Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments; and
- The discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate; and
- The latest round financing, i.e. the prior transaction price or the third-party pricing information; and
- A combination of observable and unobservable inputs, including risk-free rate, expected volatility, discount rate for lack of marketability, market multiples, etc.

There was no change to valuation techniques during the year ended December 31, 2020.

All of the resulting fair value estimates are included in level 3, where the fair values have been determined based on present values and the discount rates used were adjusted for counterparty or own credit risk.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

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

The following table presents the changes in level 3 items including short-term treasury investments at fair value through profit or loss, short-term treasury investments at fair value through other comprehensive income, long-term treasury investments at fair value through profit or loss, investments in unlisted companies, and financial liabilities at fair value through profit or loss for the years ended December 31, 2020 and 2019.

	Short-term treasury investments at fair value through profit or loss RMB'000	Short-term treasury investments at fair value through other comprehensive income RMB'000	Long-term treasury investments at fair value through profit or loss RMB'000	Other financial investments at fair value through profit or loss Investments in unlisted companies RMB'000	Financial liabilities at fair value through profit or loss RMB'000
As of January 1, 2020	23,988,182	—	—	5,089,127	—
Acquisitions	176,723,212	900,000	694,106	6,849,861	114,600
Disposals/settlements	(168,059,503)	—	(41,237)	(314,475)	—
Transfer	—	—	—	(8,071,981)	—
Change in fair value	812,289	111	4,599	4,908,385	—
Currency translation differences	(1,380,201)	—	(44,501)	(328,650)	—
As of December 31, 2020	32,083,979	900,111	612,967	8,132,267	114,600
Net unrealized gains for the year	148,811	111	4,450	46,842	—

	Short-term treasury investments at fair value through profit or loss RMB'000	Other financial investments at fair value through profit or loss Investments in unlisted companies RMB'000
As of January 1, 2019	15,067,960	4,904,247
Acquisitions	143,080,844	475,903
Disposals/settlements	(134,898,095)	(219)
Transfer	—	319,373
Change in fair value	637,410	(661,571)
Currency translation differences	100,063	51,394
As of December 31, 2019	23,988,182	5,089,127
Net unrealized gains/(losses) for the year	147,157	(661,790)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

3.3.4 Valuation process, inputs and relationships to fair value

The Group has a team that manages the valuation of level 3 instruments for financial reporting purposes. The team manages the valuation exercise of the investments on a case by case basis. At least once every year, the team would use valuation techniques to determine the fair value of the Group's level 3 instruments. External valuation experts will be involved when necessary.

The valuation of the level 3 instruments mainly included short-term treasury investments at fair value through profit or loss, short-term treasury investments at fair value through other comprehensive income, long-term treasury investments at fair value through profit or loss, investments in unlisted companies, and financial liabilities at fair value through profit or loss. As these instruments are not traded in an active market, their fair values have been determined by using various applicable valuation techniques, including discounted cash flows and market approach.

The following table summarizes the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements.

Description	Fair value at December 31, 2020 RMB'000	Fair value at December 31, 2019 RMB'000	Unobservable inputs	Range of inputs at December 31, 2020	Range of inputs at December 31, 2019	Relationship of unobservable inputs to fair value
Investments in unlisted companies	8,132,267	5,089,127	Expected volatility	40%-49.3%	40%-55%	The higher the expected volatility, the lower the fair value
			Discount for lack of marketability ("DLOM")	20%-25%	15%-25%	The higher the DLOM, the lower the fair value
Short-term treasury investments at fair value through profit or loss	32,083,979	23,988,182	Expected rate of return	(0.11%)~6.70%	1.7%-7%	The higher the expected rate of return, the higher the fair value
Short-term treasury investments at fair value through other comprehensive income	900,111	—	Expected rate of return	2.80%~3.20%	NA	The higher the expected rate of return, the higher the fair value
Long-term treasury investments at fair value through profit or loss	612,967	—	Expected rate of return	0%-2.4%	NA	The higher the expected rate of return, the higher the fair value
Financial liabilities at fair value through profit or loss	114,600	—	Note a	Note a	Note a	Note a

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

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

If the unobservable inputs of financial assets at fair value through profit or loss held by the Group had been 10% higher/lower, the profit before income tax for the years ended December 31, 2020 and 2019 would have been approximately RMB166 million lower or RMB124 million higher and RMB67 million lower or RMB68 million higher, respectively.

If the unobservable inputs of financial assets at fair value through other comprehensive income held by the Group had been 10% higher/lower, the other comprehensive income, net of tax for the years ended December 31, 2020 and 2019 would have been approximately RMB31 thousand higher/lower and nil, respectively.

There were no transfers between level 1, 2 and 3 of fair value hierarchy classifications during the years ended December 31, 2020 and 2019.

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

Note a: Financial liabilities at fair value through profit or loss

The Group established and consolidated a limited partnership investment fund ("the Fund") with limited life in January 2020. The Fund invested in private companies providing local deal services in the form of ordinary shares or preferred shares and measured these investments at fair value through profit and loss. The Group designates the return payables to other limited partners who invested in the Fund at fair value through profit or loss at initial recognition.

The fair value of financial liabilities at fair value through profit or loss is based on the fair value of underlying investments in the Fund (Note 2.22) and the predetermined distribution mechanism of returns that set out in the agreement of the Fund. Therefore, the significant unobservable inputs are the same with those used in the valuation of the underlying investments in unlisted entities disclosed above.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

4.1 Recognition of share-based compensation expenses

The Group set up the Pre-IPO ESOP, Post-IPO Share Option Scheme and Post-IPO Share Award Scheme and granted restricted share units and options to employees and other qualifying participants. The fair value of the options is determined by the Black-Scholes option-pricing model at the grant date, and is expected to be expensed over the respective vesting period. Significant estimates on assumptions, including underlying equity value, risk-free interest rate, expected volatility, dividend yield, and terms, are made by the Directors and third-party valuers. The fair value of the restricted share units is determined by reference to the grant-date market price of the ordinary shares.

The Group has also authorized the repurchase of ordinary shares from certain employees, founders, and Shareholders of the Company. Judgment is required to determine whether the repurchase establishes "past practice" for which the Group has now created an obligation to settle in cash, and accordingly reclassifies all outstanding awards to cash-settled. The Group has determined that no valid expectation for the Company to settle such share-based awards in cash is created, such that all awards remain equity-settled awards.

4.2 Estimation of the fair value of financial assets and financial liabilities

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Changes in these assumptions and estimates could materially affect the respective fair value of these financial assets and financial liabilities (Note 3.3).

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

4.3 Impairment provision for trade receivables and prepayments, deposits and other assets

The loss allowances for trade receivables and prepayments, deposits and other assets are based on assumptions about risk of defaults and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Noted 3.1(b).

4.4 Recoverability of non-financial assets

The Group tests whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.11. Management judgment is required in the area of non-financial asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; (iii) the selection of the most appropriate valuation technique, e.g. the market approach, the income approach, as well as a combination of approaches, including the adjusted net asset method; and (iv) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the revenue growth rate and margin, terminal growth rates and pre-tax discount rates assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to income statement. Management determined the recoverable amounts of these CGU or group of CGUs based on the higher of (i) their value in use ("VIU") and (ii) their fair value less costs of disposal, of which VIU is calculated based on discounted cash flows expected to be derived from the respective CGU or group of CGUs. The calculations use cash flow projections based on financial budgets approved by management covering a 5-year period.

Cash flows beyond the 5-year period are extrapolated using the estimated growth rates stated in Note 16. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

Details of impairment charge, key assumptions and impact of possible changes in key assumptions are disclosed in Note 16.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

4.5 Incentives

As disclosed in Note 2.27, the Group provides incentives to its Transacting Users in various forms including discounted coupons (with a minimum value to use), direct payment deduction, red packet, interest reduction/exemption coupons and discounts on goods or services. All incentives given to the accounting customers are recorded as a reduction of revenue to the extent of the revenue earned from that customer on a transaction by transaction basis. For certain other incentives, management judgment is required to determine whether the incentives are in substance a payment on behalf of customers and should therefore be recorded as a reduction of revenue or selling and marketing expenses. Some of the factors considered in management's evaluation if such incentives are in substance a payment on behalf of customers include whether the incentives are given at the Group's discretion and the objectives, business strategy and design of the incentive programs.

4.6 Useful lives and amortization of intangible assets

The Group's management determines the estimated useful lives and related amortization for the Group's intangible assets with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Management will revise the amortization charges where useful lives are different from that of previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in useful lives and therefore amortization expense in the future periods.

4.7 Principal versus agent considerations

Determining whether the Group is acting as a principal or as an agent in the provision of certain services to its customers requires judgment and consideration of all relevant facts and circumstances. In evaluation of the Group's role as a principal or agent, the Group considers, individually or in combination, whether the Group controls the specified good or service before it is transferred to the customer, is primarily responsible for fulfilling the contract, is subject to inventory risk, and has discretion in establishing prices.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

4.8 Current and deferred income tax

The Group is subject to income taxes in several jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences or tax losses are recognised when management considers that it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. As of December 31, 2020, the Group did not recognise deferred income tax asset of RMB9.3 billion in respect of cumulative tax losses including the amount arising from the excess deduction of share-based payments. The outcome of their actual utilization may be different from management's estimation.

4.9 Presentation and measurement of investments in associates

The Group made certain investments in the form of convertible redeemable preferred shares or ordinary shares with preferential rights of investee companies. As the Group has significant influence on these investee companies, judgement is required in determining whether these investments are in substance existing ownership interests. If not, they are accounted for as hybrid financial instruments, which should be measured at fair value through profit or loss. Different conclusions around these judgements may affect how these investments presented and measured in the consolidated statement of financial position of the Group.

5 SEGMENT REPORTING

5.1 Segment reporting

The Group's business activities, for which discrete financial information is available, are regularly reviewed and evaluated by the CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segments, mainly includes the executive Directors of the Company that make strategic decisions. The Group evaluated its operating segments separately or aggregately, and determined that it has reportable segments as follows.

The CODM assesses the performance of the operating segments mainly based on revenues and operating profit or loss of each operating segment. Thus, segment result would present revenues, cost of revenues and operating expenses, and operating profit or loss for each segment, which is in line with CODM's performance review. There were no material inter-segment sales during the years ended December 31, 2020 and 2019.

5 SEGMENT REPORTING *(Continued)*

5.1 Segment reporting *(Continued)*

The revenues from customers reported to CODM are measured as revenues in each segment. The operating profit or loss in each segment reported to CODM are measured as cost of revenues and operating expenses deducted from its revenues. Certain unallocated items are not allocated to each segment as they are not directly relevant to the operating results upon performance measurement and resource allocation by the CODM.

Food delivery

The food delivery segment offers food ordering and delivery service through the Group's platform. Revenues from the food delivery segment are primarily derived from (a) platform service to merchants to display the food information and connect transacting users; (b) food delivery service; (c) online marketing services in various advertising formats provided to merchants. The cost of revenues and operating expenses for the food delivery segment primarily consists of (a) food delivery rider costs; (b) employee benefits expenses; (c) transacting user incentives; (d) promotion and advertising; and (e) payment processing costs.

In-store, hotel & travel

The in-store, hotel & travel segment offers merchants to sell vouchers, coupons, tickets and reservations on the Group's platform. Revenues from the in-store, hotel & travel segment are primarily derived from (a) commission from merchants for vouchers, coupons, tickets and reservations sold on the Group's platform; and (b) online marketing services to merchants, including performance-based and display-based marketing services, as well as marketing services provided under annual plans. The cost of revenues and operating expenses for the in-store, hotel & travel segment primarily consists of (a) employee benefits expenses; (b) transacting user incentives; (c) promotion and advertising; (d) depreciation of property, plant and equipment; and (e) other outsourcing labor costs.

New initiatives and others

Revenues from the new initiatives and other segment are primarily derived from (a) B2B food distribution services; (b) micro-credit business; (c) Meituan Instashopping; (d) Ride-sharing services. The cost of revenues and operating expenses for the new initiatives and others segment primarily consists of (a) cost of goods sold; (b) employee benefits expenses; (c) other outsourcing labor costs; (d) depreciation of property, plant and equipment, and (e) transacting user incentives.

There were no separate segment assets and segment liabilities information provided to the CODM as CODM does not use this information to allocate resources to or evaluate the performance of the operating segments.

The Group's revenue is mainly generated in China.

5 SEGMENT REPORTING *(Continued)*

5.1 Segment reporting *(Continued)*

The segment information provided to the Group's CODM for the reportable segments for the years ended December 31, 2020 and 2019 is as follows:

	Year ended December 31, 2020				
	Food delivery RMB'000	In-store, hotel & travel RMB'000	New initiatives and others RMB'000	Unallocated items (Note i) RMB'000	Total RMB'000
Commission	58,592,036	10,193,162	5,428,154	—	74,213,352
Online marketing services	7,565,111	11,018,337	324,597	—	18,908,045
Other services and sales (including interest revenue)	108,172	40,899	21,524,042	—	21,673,113
Revenues in total	66,265,319	21,252,398	27,276,793	—	114,794,510
Cost of revenues, operating expenses and unallocated items	(63,431,950)	(13,071,465)	(38,131,789)	4,170,796	(110,464,408)
Operating profit/(loss)	2,833,369	8,180,933	(10,854,996)	4,170,796	4,330,102

	Year ended December 31, 2019				
	Food delivery RMB'000	In-store, hotel & travel RMB'000	New initiatives and others RMB'000	Unallocated items (Note i) 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, operating expenses and unallocated items	(53,427,325)	(13,872,179)	(27,159,003)	(390,164)	(94,848,671)
Operating profit/(loss)	1,415,880	8,403,293	(6,749,149)	(390,164)	2,679,860

(i) Unallocated items are cost of revenues and operating expenses which could not be categorized into a segment. These items include (i) share-based compensation expenses, (ii) amortization of intangible assets resulting from acquisitions, (iii) fair value changes on other financial investments at fair value through profit or loss, (iv) other gains, net, (v) impairment of goodwill, (vi) impairment and expense provision/(reversal) for Mobike restructuring plan, and (vii) net provision for impairment losses on financial assets.

5 SEGMENT REPORTING *(Continued)*

5.1 Segment reporting *(Continued)*

There is no concentration risk as no revenue from a single external customer was more than 10% of the Group's total revenues for the years ended December 31, 2020 and 2019.

The reconciliation of operating profit to profit before income tax of respective period for the years ended December 31, 2020 and 2019 is shown in the consolidated income statement.

5.2 Segment assets

As of December 31, 2020 and 2019, substantially all of the non-current assets of the Group were located in the PRC.

6 REVENUES BY TYPE

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Commission	**74,213,352**	65,525,997
Online marketing services	**18,908,045**	15,840,078
Other services and sales (including interest revenue)	**21,673,113**	16,162,456
	114,794,510	97,528,531

Further disaggregation of revenues are included in Note 5.

7 EXPENSES BY NATURE

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Food delivery rider costs	48,692,295	41,041,513
Employee benefits expenses (Note 8)	21,541,521	17,754,642
Cost of goods sold	10,726,592	7,492,322
Transacting User incentives	8,072,985	8,149,976
Other outsourcing labor costs	5,585,367	2,991,197
Depreciation of property, plant and equipment	4,202,623	3,654,793
Promotion and advertising	2,956,884	2,126,910
Payment processing costs	2,386,671	2,189,646
Car-hailing driver related costs	1,891,366	3,119,491
Amortization of intangible assets	991,486	1,191,007
Rental, facility and utilities	907,287	271,012
Bandwidth and server custody fees	868,964	726,443
Online traffic costs	457,334	509,581
Professional fees	421,787	218,732
Tax surcharge expenses	170,175	247,989
Impairment provision for non-financial assets	87,857	—
Auditor's remuneration		
– Audit and audit-related services	48,889	41,281
– Non-audit services	1,898	4,108
Impairment provision and restructuring expense for Mobike restructuring plan	(5,272)	88,612
Others (Note i)	8,106,753	4,992,573
Total cost of revenues, selling and marketing expenses, research and development expenses and general and administrative expenses	118,113,462	96,811,828

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

8 EMPLOYEE BENEFITS EXPENSES

	Year ended December 31, 2020 RMB'000	2019 RMB'000
Wages, salaries and bonuses	**15,398,542**	12,416,342
Share-based compensation expenses (Note 33)	**3,277,476**	2,190,871
Other employee benefits	**2,133,801**	1,950,296
Pension costs – defined contribution plans (Note i)	**731,702**	1,197,133
	21,541,521	17,754,642

(i) Pension costs – defined contribution plans

Employees of the Group companies in the PRC are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group contributes funds which are calculated on fixed percentage of the employees' salary (subject to a floor and cap) as set by local municipal governments to each scheme locally to fund the retirement benefits of the employees.

(a) Share-based compensation expenses have been charged to the consolidated income statement as follows:

	Year ended December 31, 2020 RMB'000	2019 RMB'000
Cost of revenues	**80,635**	60,498
Selling and marketing expenses	**420,873**	264,538
Research and development expenses	**1,446,846**	838,746
General and administrative expenses	**1,329,122**	1,027,089
	3,277,476	2,190,871

8 EMPLOYEE BENEFITS EXPENSES *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include one Director whose emolument is reflected in the analysis shown in Note 8(c) for the year ended December 31, 2020 (2019: one). All of these individuals have not received any emolument from the Group as an inducement to join or leave the Group or compensation for loss of office during the years ended December 31, 2020 and 2019. The emoluments payable to the remaining individuals for the years ended December 31, 2020 and 2019 are as follows:

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Basic salaries	**8,274**	8,274
Bonuses	**8,049**	10,358
Pension costs and other employee benefits	**521**	623
Share-based compensation expenses	**459,876**	363,067
	476,720	382,322

The emoluments fell within the following bands:

	Number of individuals Year ended December 31,	
	2020	2019
Emolument bands (in HK dollar)		
HK$76,000,001 – HK$76,500,000	—	2
HK$118,500,001 – HK$119,000,000	**1**	—
HK$124,000,001 – HK$124,500,000	**1**	—
HK$136,000,001 – HK$136,500,000	—	1
HK$145,000,001 – HK$145,500,000	**1**	—
HK$145,500,001 – HK$146,000,000	—	1
HK$147,500,001 – HK$148,000,000	**1**	—
	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, 2020:

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	2,520	150	—	5,190
Mu Rongjun	—	2,041	2,040	132	19,442	23,655
Wang Huiwen	—	2,040	1,968	94	71,722	75,824
Lau, Chi Ping Martin	—	—	—	—	—	—
Shen, Nanpeng Neil	—	—	—	—	—	—
Orr Gordon Robert Halyburton	500	—	—	—	625	1,125
Shum Heung Yeung Harry	500	—	—	—	625	1,125
Leng Xuesong	500	—	—	—	625	1,125
Total	1,500	6,601	6,528	376	93,039	108,044

For the year ended December 31, 2019:

Name	Fees RMB'000	Basic salaries RMB'000	Bonuses RMB'000	Pension costs and other employee benefits RMB'000	Share-based compensation expenses RMB'000	Total RMB'000
Wang Xing	—	2,520	2,772	169	—	5,461
Mu Rongjun	—	2,041	1,796	155	37,371	41,363
Wang Huiwen	—	2,040	1,995	156	144,923	149,114
Lau, Chi Ping Martin	—	—	—	—	—	—
Shen, Nanpeng Neil	—	—	—	—	—	—
Orr Gordon Robert Halyburton	500	—	—	—	1,264	1,764
Shum Heung Yeung Harry	500	—	—	—	1,264	1,764
Leng Xuesong	500	—	—	—	1,264	1,764
Total	1,500	6,601	6,563	480	186,086	201,230

8 EMPLOYEE BENEFITS EXPENSES *(Continued)*

(c) Directors' and chief executive's emoluments *(Continued)*

i) Directors' termination benefits

No Director's termination benefit subsisted at the end of the year or at any time during the years ended December 31, 2020 and 2019.

ii) Consideration provided to third parties for making available Directors' services

No consideration provided to or receivable by third parties for making available Director's services subsisted at the end of the year or at any time during the years ended December 31, 2020 and 2019.

iii) Information about loans, quasi-loans and other dealings in favor of Directors, controlled bodies corporate by and connected entities with such Directors.

There were no loans, quasi-loans and other dealings in favor of Directors, their controlled bodies corporate and connected entities subsisted at the end of the year or at any time during the years ended December 31, 2020 and 2019.

iv) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the years ended December 31, 2020 and 2019.

v) Waiver of Director's emoluments

The non-executive Directors have not received any remuneration for the year ended December 31, 2020. None of the other Director waived or has agreed to waive any emoluments during the years ended December 31, 2020 and 2019.

vi) Inducement to join the Group and compensation for loss of office

No Director received any emolument from the Group as an inducement to join or leave the Group or compensation for loss of office during the years ended December 31, 2020 and 2019.

9 OTHER GAINS, NET

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Subsidies and tax preference (Note i)	**1,388,365**	589,912
Dilution gain (Note 12)	**853,618**	91,360
Fair value changes of treasury investments at fair value through profit or loss (Note 3.3)	**816,888**	637,410
Interest income from treasury investments at amortized cost	**386,771**	876,467
Gains from remeasurement of investments	**—**	176,880
Gains from the disposal of investments	**—**	160,884
Gains from the disposal of subsidiaries	**—**	40,177
Foreign exchange loss, net	**(170,340)**	(81,872)
Others	**(114,467)**	39,925
	3,160,835	2,531,143

(i) Since April 1, 2019, taxpayers in the manufacturing and consumer services industry are allowed to enjoy additional 10% of input VAT amount to deduct from tax payable. Since October 1, 2019, taxpayers in consumer services industry are allowed to enjoy additional 15% of input VAT amount to deduct from tax payable. As a result, for the year ended December 31, 2020, the Group recognised a gain of RMB805.7 million (2019: RMB299.9 million).

10 FINANCE INCOME/(COSTS)

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Finance income		
Interest income from bank deposits	**213,684**	166,217
Finance costs		
Interest expense on bank borrowings and notes payable	**(253,216)**	(91,199)
Interest in respect of lease liabilities	**(92,266)**	(85,028)
Bank charges and others	**(24,534)**	(14,815)
Total	**(370,016)**	(191,042)

11 SUBSIDIARIES

The Company's major subsidiaries (including controlled and structured entities) during the year ended December 31, 2020 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group.

Name	Place of incorporation/ establishment and kind of legal entity	Date of incorporation/ establishment	Particulars of issued capital	Effective interest held (b) As of December 31, 2020	2019	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 (Hong Kong) Limited	Hong Kong, limited liability company	November 27, 2015	HKD1	100%	100%	Investment holding in Hong Kong
Kangaroo Technology Corporation	Cayman, limited liability company	April 1, 2016	USD50,000	100%	100%	Investment holding in Cayman
mobike Ltd. ("Mobike")	Cayman, limited liability company	April 2, 2015	USD50,000	100%	100%	Investment holding in Cayman
Inspired Elite Investments Limited	The British Virgin Islands, limited liability company	March 19, 2014	USD50,000	100%	100%	Investment holding in The British Virgin Islands
Indirectly held:						
Beijing SanKuai Online Technology Co., Ltd.	Beijing, the PRC, limited liability company	May 6, 2011	USD2,676,260,000	100%	100%	E-commerce service platform in the PRC
Beijing Kuxun Technology Co., Ltd.	Beijing, the PRC, limited liability company	April 27, 2006	USD54,665,694	100%	100%	Online hotel and travel services in the PRC
Hanhai Information Technology (Shanghai) Co., Ltd.	Shanghai, the PRC, limited liability company	March 16, 2006	USD495,000,000	100%	100%	Multimedia information technology services in the PRC
Xiamen Sankuai Online Technology Co., Ltd.	Xiamen, the PRC, limited liability company	March 25, 2014	USD549,049,120	100%	100%	E-commerce service platform in the PRC
Hucheng Information Technology (Shanghai) Co., Ltd.	Shanghai, the PRC, limited liability company	January 11, 2016	USD200,000,000	100%	100%	Multimedia information technology services in the PRC
Mobike (Beijing) Information Technology Co., Ltd.	Beijing, the PRC, limited liability company	January 12, 2016	USD199,000,000	100%	100%	Ride-sharing services in the PRC
Shanghai Sankuai Zhisong Technology Co., Ltd.	Shanghai, the PRC, limited liability company	November 27, 2018	USD320,000,000	100%	100%	Delivery services in the PRC
Tianjin Xiaoyi Technology Co., Ltd.	Tianjin, the PRC, limited liability company	February 13, 2018	USD500,000,000	100%	100%	Supply chain service in the PRC
Chongqing Meituan Sankuai Micro-credit Co., Ltd.	Chongqing, the PRC, limited liability company	November 28, 2016	USD460,000,000	100%	100%	Micro-credit business in the PRC

11 SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ establishment and kind of legal entity	Date of incorporation/ establishment	Particulars of issued capital	Effective interest held (b) As of December 31, 2020	2019	Principal activities and place of operation
Structured entities(a):						
Beijing SanKuai Technology Co., Ltd.	Beijing, the PRC, limited liability company	April 10, 2007	RMB5,480,000,000	100%	100%	E-commerce service platform in the PRC
Shanghai SanKuai Technology Co., Ltd.	Shanghai, the PRC, limited liability company	September 19, 2012	RMB5,000,000	100%	100%	Online retail platform in the PRC
Beijing Sankuai Cloud Computing Technology Co., Ltd.	Beijing, the PRC, limited liability company	June 17, 2015	RMB870,000,000	100%	100%	Restaurant Management System("RMS") system and cloud computing in the PRC
Beijing Kuxun Interaction Technology Co., Ltd.	Beijing, the PRC, limited liability company	March 29, 2006	RMB52,000,000	100%	100%	Multimedia information technology services in the PRC
Shanghai Hantao Information Consulting Co., Ltd.	Shanghai, the PRC, limited liability company	September 23, 2003	RMB10,000,000	100%	100%	Merchant information advisory services in the PRC

Note (a) As described in Note 2.2, the Company does not have directly or indirectly legal ownership in equity of these structured entities or their subsidiaries. Nevertheless, under certain Contractual Arrangements entered into with these structured entities and their registered owners, the Company and its other legally owned subsidiaries has rights to exercise power over these structured entities, receives variable returns from its involvement in these structured entities, and has the ability to affect those returns through its power over these structured entities. As a result, they are presented as consolidated structured entities of the Company.

Note (b) The Effective interest held has no change after December 31, 2020 until the report date.

Note (c) Consolidation of structured entities

As mentioned in Note (a) above and Note 2.22, the Company has consolidated the operating entities in which the Group does not have legal ownership in equity and one investment fund. In addition, due to the implementation of the shares award scheme of the Group mentioned in Note 2.10, the Company has set up a structured entity ("Share Scheme Trust"), and its particulars are as follows:

11 SUBSIDIARIES *(Continued)*

Note (c) Consolidation of structured entities *(Continued)*

Structured entity	Principal activities
Share Scheme Trust	Administering and holding the Company's shares issued for shares award scheme which are set up for the benefits of eligible persons of the Share Award Scheme

As the Company has the power to govern the financial and operating policies of the Share Scheme Trust and can derive benefits from the contributions of the eligible persons who are awarded with the shares by the schemes, the Directors of the Company consider that it is appropriate to consolidate the Share Scheme Trust.

12 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	As of December 31,	
	2020	2019
	RMB'000	RMB'000
Associates (a)	**13,167,893**	2,269,638
Joint ventures	**13,050**	13,952
	13,180,943	2,283,590

(a) Investments in associates using the equity method

	As of December 31,	
	2020	2019
	RMB'000	RMB'000
Investments in associates		
– listed entities	**11,361,160**	1,106,578
– unlisted entities	**1,806,733**	1,163,060
	13,167,893	2,269,638

The quoted fair value of the investments in listed entities was RMB25,224 million and RMB1,144 million as of December 31, 2020 and 2019, respectively.

12 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(Continued)*

(a) Investments in associates using the equity method *(Continued)*

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
At the beginning of the year	**2,269,638**	2,089,677
Additions (Note i)	**2,367,376**	141,025
Transfer (Note ii)	**8,071,981**	(142,493)
Dilution gain (Note iii)	**853,618**	91,360
Dividends from an associate	**(5,369)**	(4,953)
Disposals	**—**	(33,116)
Share of gains of investments accounted for using equity method	**264,105**	107,353
Other reserves	**(120,986)**	3,905
Currency translation differences	**(532,470)**	16,880
At the end of the year	**13,167,893**	2,269,638

(i) The Group entered into a share subscription agreement to make an additional investment of USD300 million (equivalent to approximately RMB2,080 million) on Li Auto Inc. in the concurrent private placement of its global offering.

(ii) In 2020, the Group transferred the investment in Li Auto Inc. from other financial investments at fair value through profit or loss to investments accounted for using the equity method due to the conversion of preferred shares into ordinary shares upon its successful listing on Nasdaq (Note 19).

(iii) The interest of the Group in Li Auto Inc. was diluted from 15.18% to 14.27% due to the public offering of additional issuance in December 2020, and the Group realized dilution gain of RMB853 million.

12 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(Continued)*

(a) Investments in associates using the equity method *(Continued)*

Particulars of a material associate of the Group, as determined by the Directors, are set out below:

Name of entity	Place of incorporation	Number of shares held	Interest held indirectly	Principal activities/place of operation
Li Auto Inc.	PRC	258,171,601	14.27%	new energy vehicles manufacturer/PRC

Except for Li Auto Inc., the Directors of the Company considered that there is no other individual investment which was determined as a material associate.

Set out below are the summarised financial information of Li Auto Inc. extracted from its financial statements prepared under US Generally Accepted Accounting Principles ("US GAAP"). They have been amended to reflect adjustments made by the Group when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

	As of December 31, 2020 RMB'000
Summarised consolidated financial statements	
Revenues	9,456,609
Cost of sales	(7,907,270)
Loss from operations	(669,337)
Net loss	(151,657)
Currency translation differences	(1,020,728)
Summarised consolidated balance sheet	
Current assets	31,391,109
Non-current assets	4,982,167
Current liabilities	4,309,221
Non-current liabilities	2,260,458
Total equity	29,803,597
Reconciliation to carrying amounts:	
Net assets	29,803,597
Group's share in %	14.27%
Group's share in RMB	4,252,973
Goodwill and others	6,117,243
Carrying amount	10,370,216

12 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(Continued)*

(a) Investments in associates using the equity method *(Continued)*

As of December 31, 2020, the carrying amount of the investment in Li Auto Inc. relative to the Group's total assets is 6.23%, and the fair value of this investment was RMB24,283 million.

There were no dividends received from Li Auto Inc. during the year ended December 31, 2020 and the unrealised loss mainly represents the Group's share of results of Li Auto Inc.

There were no material contingent liabilities relating to the Group's interests in the associates.

The Group has interests in a number of individually immaterial associates that are accounted for using the equity method.

	As of December 31,	
	2020	2019
	RMB'000	RMB'000
Aggregate carrying amount of individually immaterial associates	**2,797,677**	2,269,638
Aggregate amounts of the Group's share of:		
– Profit from operations	**311,278**	107,353
– Other comprehensive (loss)/income	**(300)**	3,905
Total comprehensive income	**310,978**	111,258

RMB11.3 billion of investments accounted for using the equity method is denominated in USD (2019: RMB1.1 billion), other balances are denominated in RMB.

13 TAXATION

(a) Value Added Tax

The Group is mainly subject to 6% VAT, and surcharges on VAT payments according to PRC tax law.

(b) Income tax

Cayman Islands

Under the current laws of the Cayman Islands, the Company and its subsidiaries incorporated in the Cayman Islands are not subject to tax on income or capital gains. Additionally, the Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

13 TAXATION *(Continued)*

(b) Income tax *(Continued)*

British Virgin Islands

Under the current laws of the British Virgin Islands, entities incorporated in British Virgin Islands are not subject to tax on their income or capital gains.

Hong Kong

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profit for the year ended December 31, 2020. No Hong Kong profits tax was provided for as there was no estimated assessable profit for the year ended December 31, 2019.

PRC corporate income tax ("CIT")

CIT provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC and was calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The general PRC CIT rate is 25% during the years ended December 31, 2020 and 2019.

Certain subsidiaries of the Group in the PRC are subject to "high and new technology enterprises" and, accordingly, were eligible for a preferential income tax rate of 15% for the years ended December 31, 2020 and 2019. In addition, certain PRC subsidiaries of the Group are subject to "small and thin-profit enterprises" under the EIT Law, and accordingly, were eligible for a preferential income tax rate of 20% for the years ended December 31, 2020 and 2019.

Withholding tax on undistributed dividends

Pursuant to the CIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from China effective from January 1, 2008. The withholding tax rate may be lowered to a minimum of 5% if there is a tax arrangement between China and the jurisdiction of the foreign investors. However, the 5% withholding tax rate does not automatically apply and certain requirements must be satisfied.

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Current income tax expenses	**(147,172)**	(482,154)
Deferred income tax credits/(expenses) (Note 18)	**416,909**	(44,069)
Total income tax credits/(expenses)	**269,737**	(526,223)

13 TAXATION *(Continued)*

(b) Income tax *(Continued)*

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of 25% for the years ended December 31, 2020 and 2019, being the tax rate of the major subsidiaries of the Group.

The difference is analyzed as follows:

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Profit before income tax	**4,437,875**	2,762,388
Tax calculated at statutory income tax rate of 25% in the PRC	**(1,109,469)**	(690,597)
Tax effects of:		
– Different tax rates available to different jurisdictions	**1,509,383**	(460,243)
– Preferential income tax rates applicable to subsidiaries	**(298,412)**	502,450
– Expenses not deductible for income tax purposes	**(227,279)**	(37,581)
– Super deduction for research and development expenses	**1,261,674**	498,142
– Utilization of previously unrecognised tax losses	**1,239,239**	432,959
– Tax losses for which no deferred income tax assets were recognised	**(2,136,100)**	(1,768,349)
– Utilization of previously unrecognised temporary differences	**537,509**	1,006,456
– Withholding tax (Note i)	**(568,384)**	—
– Adjustments for current tax of prior year	**61,576**	(9,460)
Total income tax credits/(expenses)	**269,737**	(526,223)

(i) The Group's subsidiaries outside of PRC recognised withholding tax for their investments in the PRC entities.

14 EARNINGS PER SHARE

(a) Basic earnings per share for the years ended December 31, 2020 and 2019 were calculated by dividing the profit attributable to the Company's equity holders by the weighted average number of ordinary shares in issue during the year.

	Year ended December 31,	
	2020	2019
Profit attributable to equity holders of the Company (RMB'000)	**4,708,313**	2,238,769
Weighted average number of ordinary shares in issue (thousand)	**5,845,354**	5,767,906
Basic earnings per share (RMB)	**0.81**	0.39

(b) Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: share options and RSUs.

	Year ended December 31,	
	2020	2019
Profit attributable to equity holders of the Company (RMB'000)	**4,708,313**	2,238,769
Weighted average number of ordinary shares in issue (thousand)	**5,845,354**	5,767,906
Adjustments for share options and RSUs (thousand)	**158,251**	155,004
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share (thousand)	**6,003,605**	5,922,910
Diluted earnings per share (RMB)	**0.78**	0.38

15 PROPERTY, PLANT AND EQUIPMENT

	Computer equipment RMB'000	Furniture and appliances RMB'000	Bikes and electric mopeds RMB'000	Leasehold improvements RMB'000	Assets under construction RMB'000	Right-of-use assets RMB'000	Others RMB'000	Total RMB'000
Cost								
At January 1, 2020	4,505,983	86,706	5,781,823	322,642	141,368	2,166,794	—	13,005,316
Additions	1,192,179	180,074	6,951,124	—	2,540,360	2,180,516	—	13,044,253
Disposal	(53,631)	(38,709)	(2,629,859)	(10,456)	(8,493)	(590,460)	(18,070)	(3,344,678)
Transfers	—	—	1,734,740	108,278	(2,431,532)	—	588,514	—
Currency translation differences	(1)	—	—	—	—	(21)	—	(22)
At December 31, 2020	5,644,530	228,071	11,837,828	420,464	241,703	3,756,829	570,444	22,694,869
Accumulated depreciation								
At January 1, 2020	(2,288,342)	(15,805)	(4,497,479)	(206,251)	—	(605,780)	—	(7,613,657)
Depreciation	(1,278,647)	(27,949)	(1,783,990)	(105,140)	—	(921,846)	(85,051)	(4,202,623)
Disposal	46,088	18,200	2,496,832	2,351	—	495,703	3,332	3,062,506
Currency translation differences	—	—	—	—	—	11	—	11
At December 31, 2020	(3,520,901)	(25,554)	(3,784,637)	(309,040)	—	(1,031,912)	(81,719)	(8,753,763)
Impairment								
At January 1, 2020	—	—	(7,497)	—	(7,945)	—	—	(15,442)
Additions	—	—	—	—	—	—	(29,691)	(29,691)
Disposal	—	—	7,497	—	7,399	—	1,296	16,192
At December 31, 2020	—	—	—	—	(546)	—	(28,395)	(28,941)
Net carrying amount								
At January 1, 2020	2,217,641	70,901	1,276,847	116,391	133,423	1,561,014	—	5,376,217
At December 31, 2020	2,123,629	202,517	8,053,191	111,424	241,157	2,724,917	460,330	13,917,165

15 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Computer equipment RMB'000	Furniture and appliances RMB'000	Bikes and electric mopeds RMB'000	Leasehold improvements RMB'000	Assets under construction RMB'000	Right-of-use assets RMB'000	Total RMB'000
Cost							
At December 31, 2018	3,198,019	100,342	5,152,325	182,058	194,512	—	8,827,256
Adjustment on adoption of IFRS 16	—	—	—	—	—	2,021,192	2,021,192
At January 1, 2019	3,198,019	100,342	5,152,325	182,058	194,512	2,021,192	10,848,448
Additions	1,377,383	104,468	920,527	6,604	516,624	594,696	3,520,302
Disposal	(69,419)	(118,105)	(650,009)	(20,061)	(6,023)	(449,094)	(1,312,711)
Transfers	—	—	354,885	154,041	(563,745)	—	(54,819)
Currency translation differences	—	1	4,095	—	—	—	4,096
At December 31, 2019	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 IFRS 16	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

15 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Depreciation expenses have been charged to the consolidated income statement as follows:

	Year ended December 31, 2020 RMB'000	2019 RMB'000
Cost of revenues	**3,216,094**	2,717,465
Selling and marketing expenses	**513,443**	516,988
Research and development expenses	**302,013**	233,764
General and administrative expenses	**171,073**	186,576
	4,202,623	3,654,793

(a) Leases

(i) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

Right-of-use assets

	As of December 31, 2020 RMB'000	2019 RMB'000
Offices	**1,923,104**	1,164,141
Others	**801,813**	396,873
Total	**2,724,917**	1,561,014

Lease liabilities

	As of December 31, 2020 RMB'000	2019 RMB'000
Current	**1,089,847**	534,566
Non-current	**1,648,008**	992,233
	2,737,855	1,526,799

The additions to the right-of-use assets during the year ended December 31, 2020 were RMB2,181 million, which mainly represented some lease-hold of office buildings.

(ii) Amounts recognised in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases:

	Year ended December 31, 2020 RMB'000	2019 RMB'000
Depreciation charge of right-of-use assets	**921,846**	820,908
Interest expense (included in finance income/(costs))	**92,266**	85,028

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, 2020	5,006,300	490,000	1,877,633	390,000	849,830	907,000	28,700	27,849,022	37,398,485
Additions	–	–	29,568	–	–	–	–	–	29,568
Disposal	–	–	(14,492)	–	–	–	–	–	(14,492)
At December 31, 2020	5,006,300	490,000	1,892,709	390,000	849,830	907,000	28,700	27,849,022	37,413,561
Accumulated amortization									
At January 1, 2020	(768,984)	(416,500)	(1,178,322)	(88,833)	(389,525)	(351,016)	(11,473)	–	(3,204,653)
Amortization	(184,658)	(73,500)	(375,908)	(26,000)	(149,350)	(178,050)	(4,020)	–	(991,486)
Disposal	–	–	11,382	–	–	–	–	–	11,382
At December 31, 2020	(953,642)	(490,000)	(1,542,848)	(114,833)	(538,875)	(529,066)	(15,493)	–	(4,184,757)
Impairment									
At January 1, 2020	(1,347,510)	–	–	–	(3,238)	–	(88)	(143,421)	(1,494,257)
Additions	–	–	–	–	–	–	–	(58,166)	(58,166)
At December 31, 2020	(1,347,510)	–	–	–	(3,238)	–	(88)	(201,587)	(1,552,423)
Net carrying amount									
At January 1, 2020	2,889,806	73,500	699,311	301,167	457,067	555,984	17,139	27,705,601	32,699,575
At December 31, 2020	2,705,148	–	349,861	275,167	307,717	377,934	13,119	27,647,435	31,676,381

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, 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)*

Amortization expenses have been charged to the consolidated income statement as follows:

	Year ended December 31, 2020 RMB'000	Year ended December 31, 2019 RMB'000
Selling and marketing expenses	**592,367**	768,079
General and administrative expenses	**215,993**	242,504
Cost of revenues	**176,978**	176,636
Research and development expenses	**6,148**	3,788
	991,486	1,191,007

Impairment of goodwill

Management reviews the business performance based on type of business and monitors the goodwill at the operating segment level. The following is a summary of goodwill allocation for each operating segment:

Year ended December 31, 2020	Opening RMB'000	Addition RMB'000	Reallocation RMB'000	Impairment RMB'000	Disposal RMB'000	Closing RMB'000
Food delivery	**4,845,229**	—	—	—	—	**4,845,229**
In-store, hotel & travel	**18,950,647**	—	—	—	—	**18,950,647**
Ride-sharing services	**3,707,427**	—	—	—	—	**3,707,427**
New initiatives and others (excluding ride-sharing services)	**202,298**	—	—	**(58,166)**	—	**144,132**
	27,705,601	—	—	**(58,166)**	—	**27,647,435**

Year ended December 31, 2019	Opening RMB'000	Addition RMB'000	Reallocation RMB'000	Impairment RMB'000	Disposal RMB'000	Closing RMB'000
Food delivery	4,845,229	—	—	—	—	4,845,229
In-store, hotel & travel	18,950,647	—	—	—	—	18,950,647
Ride-sharing services	3,707,427	—	—	—	—	3,707,427
New initiatives and others (excluding ride-sharing services)	202,298	—	—	—	—	202,298
	27,705,601	—	—	—	—	27,705,601

16 INTANGIBLE ASSETS *(Continued)*

Impairment of goodwill *(Continued)*

The goodwill balance mainly arose from the strategic transaction of Meituan and Dianping and business combination of Mobike. Goodwill is attributable to the acquired transacting volume and economies of scale expected to be derived from combining with the operations of the Group.

The Group carries out its annual impairment test on goodwill by comparing the recoverable amounts of cash generating unit ("CGU") to the carrying amounts. The recoverable amount of a CGU was determined based on value-in-use calculations. These calculations used pre-tax cash flow projections based on financial budgets approved by management covering a 5-year period with a terminal value related to the future cash flows extrapolated using the estimated growth rates stated below beyond the 5-year period. The Group believes that it is appropriate to cover a 5-year period in its cash flow projection, because it captures the development stage of the Group's businesses during which the Group expects to experience a high growth rate. The accuracy and reliability of the information is reasonably assured by the appropriate budgeting, forecast and control process established by the Group. The management leveraged their extensive experiences in the industries and provided forecast based on past performance and their expectation of future business plans and market developments.

Impairment review on the goodwill of the Group has been conducted by the management as of December 31, 2020 and 2019, according to IAS 36 "Impairment of assets".

The key assumptions used in the value-in-use calculations for significant group of CGUs allocated with goodwill are as follows:

As of December 31, 2020

	Food delivery	In-store, hotel & travel	Ride-sharing services
Annual revenue growth rate for the 5-year period (%)	5%-50%	5%-55%	6%-67%
Gross profit rate	21%-25%	90%	23%-36%
Terminal revenue growth rate (%)	3%	3%	3%
Pre-tax discount rate (%)	25%	25%	28%

16 INTANGIBLE ASSETS *(Continued)*

Impairment of goodwill *(Continued)*

As of December 31, 2019

	Food delivery	In-store, hotel & travel	Ride-sharing services
Annual revenue growth rate for the 5-year period (%)	5%-31%	13%-32%	11%-166%
Gross profit rate	20%-27%	88%-90%	29%-49%
Terminal revenue growth rate (%)	3%	3%	3%
Pre-tax discount rate (%)	28%	27%	31%

The budgeted gross margins used in the goodwill impairment testing were determined by the management based on past performance and its expectation for market development. The expected revenue growth rate and gross profit rates are following the business plan approved by the Company. Discount rates reflect market assessments of the time value and the specific risks relating to the industry.

New initiatives and others includes different CGUs. Those CGUs cover the business of RMS, B2B food distribution services and micro-credit business. The discount rate used in the impairment testing for the CGUs in new initiatives and others segments is from 24% to 28%, while the terminal revenue growth rate is 3% for the years ended December 31, 2020 and 2019.

Impairment losses of RMB58 million related to the CGU of supply chain has been charged in "General and administrative expenses" for the year ended December 31, 2020, resulting from revisions of financial/business outlook and changes in the market environment of the underlying business.

17 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

	Note	As of December 31, 2020 RMB'000	As of December 31, 2019 RMB'000
Assets as per consolidated statements of financial position			
Financial assets at fair value through profit or loss:			
– Other financial investments at fair value through profit or loss	19	10,256,786	7,166,122
– Short-term treasury investments at fair value through profit or loss	21	32,083,979	23,988,182
– Long-term treasury investments at fair value through profit or loss	21	612,967	—
		42,953,732	31,154,304
Financial assets at fair value through other comprehensive income:			
– Short-term treasury investments at fair value through other comprehensive income	21	965,553	—
– Other financial investments at fair value through other comprehensive income	20	605,918	—
		1,571,471	—
Financial assets at amortized cost:			
– Trade receivables	24	1,030,948	676,762
– Prepayments, deposits and other assets	22	10,560,882	8,646,803
– Long-term treasury investments at amortized cost	21	—	200,275
– Short-term treasury investments at amortized cost	21	10,949,832	25,447,417
– Restricted cash	25(b)	12,775,667	8,760,115
– Cash and cash equivalents	25(a)	17,093,559	13,396,185
		52,410,888	57,127,557
Liabilities as per consolidated statement of financial position			
Financial liabilities at fair value through profit or loss:			
– Financial liabilities at fair value through profit or loss		114,600	—
Financial liabilities at amortized cost:			
– Trade payables	29	11,967,026	6,766,253
– Payables to merchants		9,414,936	7,495,262
– Advances from transacting users		4,307,861	3,855,559
– Deposits from transacting users		2,222,211	2,491,947
– Other payables and accruals	30	5,106,345	3,474,669
– Other non-current liabilities		119,512	129,552
– Borrowings	31	8,352,472	4,019,263
– Notes payable	32	12,966,341	—
– Lease liabilities		2,737,855	1,526,799
		57,194,559	29,759,304

18 DEFERRED INCOME TAXES

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

(a) Deferred tax assets

	As of December 31,	
	2020 RMB'000	2019 RMB'000
The balance comprises temporary differences attributable to:		
– Tax losses	1,009,919	848,365
– Others	314,032	35,820
Total gross deferred tax assets	1,323,951	884,185
Set-off of deferred tax assets pursuant to set-off provisions	(875,281)	(294,131)
Net deferred tax assets	448,670	590,054

	As of December 31,	
	2020 RMB'000	2019 RMB'000
Deferred tax assets:		
– to be recovered after 12 months	176,250	154,255
– to be recovered within 12 months	272,420	435,799
	448,670	590,054

18 DEFERRED INCOME TAXES *(Continued)*

(b) Deferred tax liabilities

	As of December 31,	
	2020	2019
	RMB'000	RMB'000
The balance comprises temporary differences attributable to:		
– Intangible assets arising from business combinations	**(620,647)**	(750,046)
– Investments using the equity method or at fair value	**(804,356)**	(438,363)
– Deferred revenues	**(50,029)**	(469,175)
– Others	**(155,943)**	(25,016)
Total gross deferred tax liabilities	**(1,630,975)**	(1,682,600)
Set-off of deferred tax liabilities pursuant to set-off provisions	**875,281**	294,131
Net deferred tax liabilities	**(755,694)**	(1,388,469)

	As of December 31,	
	2020	2019
	RMB'000	RMB'000
Deferred tax liabilities:		
– to be recovered after 12 months	**(751,223)**	(859,574)
– to be recovered within 12 months	**(4,471)**	(528,895)
	(755,694)	(1,388,469)

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

	Tax losses	Others	Total
	RMB'000	RMB'000	RMB'000
As of January 1, 2020	**848,365**	**35,820**	**884,185**
Charged to consolidated income statement	**118,440**	**278,212**	**396,652**
Charged to other comprehensive income	**43,114**	—	**43,114**
As of December 31,2020	**1,009,919**	**314,032**	**1,323,951**
As of January 1, 2019	1,373,351	142,294	1,515,645
Credited to consolidated income statement	(524,986)	(106,474)	(631,460)
As of December 31,2019	848,365	35,820	884,185

18 DEFERRED INCOME TAXES *(Continued)*

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

	Intangible Assets RMB'000	Investments using the equity method or at fair value RMB'000	Deferred revenues RMB'000	Others RMB'000	Total RMB'000
As of January 1, 2020	**(750,046)**	**(438,363)**	**(469,175)**	**(25,016)**	**(1,682,600)**
Credited/(charged) to consolidated income statement	**129,399**	**(397,361)**	**419,146**	**(130,927)**	**20,257**
Credited to other comprehensive income	**—**	**31,368**	**—**	**—**	**31,368**
As of December 31, 2020	**(620,647)**	**(804,356)**	**(50,029)**	**(155,943)**	**(1,630,975)**
As of January 1, 2019	(886,398)	(416,830)	(862,290)	(100,955)	(2,266,473)
Credited/(charged) to consolidated income statement	136,352	(18,015)	393,115	75,939	587,391
Charged to other comprehensive income	—	(3,518)	—	—	(3,518)
As of December 31, 2019	(750,046)	(438,363)	(469,175)	(25,016)	(1,682,600)

The Group only recognises deferred income tax assets for cumulative tax losses if it is probable that future taxable amounts will be available to utilize those tax losses. Management will continue to assess the recognition of deferred income tax assets in future reporting periods. As of December 31, 2020 and 2019, the Group did not recognise deferred income tax assets of RMB9.3 billion and RMB6.6 billion in respect of cumulative tax losses amounting to RMB43.6 billion and RMB28.7 billion including the tax losses arising from the excess deduction of share-based payments. These tax losses will expire from 2021 to 2025, and certain subsidiaries of the Group may extend to 2030.

The Company has undistributed earnings which, if paid out as dividends, would be subject to tax in the hands of the recipient. An assessable temporary difference exists, but no deferred tax liability has been recognised as the Company is able to control the timing of distributions from subsidiaries and is not expected to distribute these profits in the foreseeable future.

19 OTHER FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As of December 31,	
	2020	2019
	RMB'000	RMB'000
Non-current		
Other financial investments at fair value through profit or loss (Note a)	**10,256,786**	7,166,122

(a) Other financial investments at fair value through profit or loss

	Year ended of December 31,	
	2020	2019
	RMB'000	RMB'000
At the beginning of the year	**7,166,122**	6,241,972
Additions (Note i)	**6,849,861**	475,903
Change in fair value	**4,955,909**	77,699
Disposals (Note ii)	**(314,475)**	(219)
Transfer (Note 12)	**(8,071,981)**	319,373
Currency translation differences	**(328,650)**	51,394
At the end of the year	**10,256,786**	7,166,122

(i) During the year ended December 31, 2020, the Group's additions to other financial investments at fair value through profit or loss mainly comprised the investment in Li Auto Inc. amounting to USD500 million (equivalent to approximately RMB3,504 million).

(ii) During the year ended December 31, 2020, the Group disposed several investments at fair value through profit or loss with the aggregate amount of RMB314 million.

19 OTHER FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

(a) Other financial investments at fair value through profit or loss *(Continued)*

	As of December 31,	
	2020	2019
	RMB'000	RMB'000
Investments in associates at fair value through profit or loss (Note i)	**2,690,100**	1,376,375
Other investments at fair value through profit or loss (Note ii)	**7,566,686**	5,789,747
	10,256,786	7,166,122

(i) Investments in associates at fair value through profit or loss

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
At the beginning of the year	**1,376,375**	2,015,957
Additions	**4,717,562**	26,000
Change in fair value	**4,785,089**	(669,320)
Disposals	**(225,681)**	—
Transfer	**(7,853,443)**	—
Currency translation differences	**(109,802)**	3,738
At the end of the year	**2,690,100**	1,376,375

For the years ended December 31, 2020 and 2019, the Group made investments in some convertible redeemable preferred shares or ordinary shares with preferential rights issued by private investee companies. The Group maintained significant influence in these companies.

(ii) Other investments at fair value through profit or loss

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
At the beginning of the year	**5,789,747**	4,226,015
Additions	**2,132,299**	449,903
Change in fair value	**170,820**	747,019
Disposals	**(88,794)**	(219)
Transfer	**(218,538)**	319,373
Currency translation differences	**(218,848)**	47,656
At the end of the year	**7,566,686**	5,789,747

The Group also has interests in certain investee companies in the form of preferred and ordinary shares without significant influence, which are managed and whose performance are evaluated on a fair value basis. The Group designated these instruments as other financial investments at fair value through profit or loss.

RMB4.0 billion of other financial investments at fair value through profit or loss is denominated in USD (2019: RMB3.4 billion), other balances are denominated in RMB.

20 OTHER FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Other financial investments at fair value through other comprehensive income comprise the following:

	As of December 31,	
	2020 RMB'000	2019 RMB'000
Non-current assets		
Equity investments in listed securities	605,918	—
	605,918	—

Movement of other financial investments at fair value through other comprehensive income is analysed as follows:

	Year ended December 31,	
	2020 RMB'000	2019 RMB'000
At the beginning of the year	—	—
Additions (Note i)	548,668	—
Change in fair value	84,387	—
Currency translation differences	(27,137)	—
At the end of the year	605,918	—

(i) During the year ended December 31, 2020, the Group made a new investment with the amount of approximately RMB549 million that are not held for trading. And the Group made an irrevocable election to measure the investment as other financial investments at fair value through other comprehensive income.

Amounts recognised in other comprehensive income:

	Year ended December 31,	
	2020 RMB'000	2019 RMB'000
Gain recognised in other comprehensive income		
Related to equity investments (Note 27)	84,387	—
	84,387	—

21 TREASURY INVESTMENTS

	As of December 31,	
	2020 RMB'000	2019 RMB'000
Long-term treasury investments at		
– Amortized cost (a)	—	200,275
– Fair value through profit or loss (b)	612,967	—
	612,967	200,275
Short-term treasury investments at		
– Amortized cost (a)	10,949,832	25,447,417
– Fair value through profit or loss (b)	32,083,979	23,988,182
– Fair value through other comprehensive income (c)	965,553	—
	43,999,364	49,435,599

(a) Treasury investments at amortized cost

Treasury investments at amortized cost are fixed rate certificate of deposit and term deposits.

Note 3.1 (b) sets out information about the impairment of financial assets and the Group's exposure to credit risk.

There is also no exposure to price risk as the investments will be held to maturity.

(b) Treasury investments at fair value through profit or loss

Treasury investments at fair value through profit or loss are wealth management products. The principal and returns on all of these wealth management products are not guaranteed, hence their contractual cash flows do not qualify for solely payments of principal and interest. Therefore, they are measured at fair value through profit or loss. The fair values are within level 3 of the fair value hierarchy (Note 3.3). Changes in fair value (realized and unrealized) of these financial assets had been recognised in "Other gains, net" in the consolidated income statement.

21 TREASURY INVESTMENTS *(Continued)*

(c) Treasury investments at fair value through other comprehensive income

Treasury investments at fair value through other comprehensive income are large-denomination negotiable certificates of term deposits and other financial products, in which the contractual cash flows represent solely payments of principal and interest and the objective of the Group's business model is achieved both by collecting contractual cash flows and selling these financial assets. The fair values are within level 2 and 3 of the fair value hierarchy (Note 3.3).

(d) Treasury investments are denominated in the following currencies:

	As of December 31,	
	2020	2019
	RMB'000	RMB'000
USD	**31,828,437**	32,630,495
RMB	**12,783,894**	17,005,379
	44,612,331	49,635,874

The majority of treasury investments denominated in USD currency are held by the entities with the same functional currency. Therefore, there is no exposure to foreign currency risk.

22 PREPAYMENTS, DEPOSITS AND OTHER ASSETS

	As of December 31,	
	2020	2019
	RMB'000	RMB'000
Non-current		
Prepayment for land use rights	4,578,910	—
Prepayment for fixed assets	1,356,167	159,703
Loan receivables (Note i)	466,232	—
Recoverable value-added tax	334,509	972,099
Prepayment for investments	297,044	282,044
Rental deposits	268,658	135,813
Others	268,297	12,378
	7,569,817	1,562,037
Current		
Loan receivables (Note i)	6,441,565	5,387,552
Tax prepayments	2,275,045	1,534,292
Amounts due from related parties (Note 37)	1,425,059	324,741
Contract assets	591,646	373,609
Receivables from third-party payment service providers	369,744	303,868
Receivables related to share options and RSUs	303,176	86,273
Prepayments to merchants (Note ii)	299,358	408,248
Deposits	156,044	147,940
Prepayments for channel marketing fee	123,602	102,593
Receivables from investment disposal	—	287,577
Others	954,886	634,464
	12,940,125	9,591,157

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

(i) Loan receivables are derived from micro-credit business. Loan receivables are recorded initially at fair value and subsequently measured at amortized cost using the effective interest method, less allowance for impairment. The loan periods extended by the Group to the merchants or individuals are generally within 12 months. Breakdown for loan receivables included both current and non-current portion as follows:

	As of December 31,	
	2020 RMB'000	2019 RMB'000
Unsecured loan receivables	7,262,016	5,723,050
Less: allowance for impairment	(354,219)	(335,498)
	6,907,797	5,387,552

Movements on the Group's allowance for impairment of loan receivables are as follows:

	Year ended December 31,	
	2020 RMB'000	2019 RMB'000
At the beginning of the year	(335,498)	(150,990)
Provision	(357,556)	(435,122)
Receivables written off during the year as uncollectable	384,107	250,614
Recovered after written off	(45,272)	—
At the end of the year	(354,219)	(335,498)

(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,	
	2020 RMB'000	2019 RMB'000
Prepayments to merchants	358,939	473,361
Less: allowance for impairment(a)	(59,581)	(65,113)
	299,358	408,248

(a) Majority of loss allowance are related to the non-performing balances for which 100% provision have been provided.

Movements on the Group's allowance for impairment of prepayments to merchants are as follows:

	Year ended December 31,	
	2020 RMB'000	2019 RMB'000
At the beginning of the year	(65,113)	(77,674)
Reversal/(provision)	57	(11,502)
Receivables written off during the year as uncollectable	5,475	24,063
At the end of the year	(59,581)	(65,113)

23 INVENTORIES

	As of December 31, 2020 RMB'000	2019 RMB'000
Raw materials	**41,109**	98,047
Finished goods	**439,130**	265,975
	480,239	364,022
Less: provision for impairment	**(13,747)**	(88,795)
	466,492	275,227

24 TRADE RECEIVABLES

	As of December 31, 2020 RMB'000	2019 RMB'000
Trade receivables	**1,197,518**	832,616
Less: allowance for impairment	**(166,570)**	(155,854)
	1,030,948	676,762

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.

24 TRADE RECEIVABLES *(Continued)*

Movements on the Group's allowance for impairment of trade receivables are as follows:

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
At the beginning of the year	**(155,854)**	(124,069)
Provision	**(89,964)**	(86,664)
Assets transferred from derecognition of held for sale as held for sale	**—**	(7,030)
Reversal	**54,016**	26,478
Receivables written off during the year as uncollectable	**25,232**	35,431
At the end of the year	**(166,570)**	(155,854)

The Group considered that the carrying amounts of the trade receivables balances approximated their fair value as of December 31, 2020 and 2019.

The Group allows a credit period of 30 to 180 days to its customers. Aging analysis of trade receivables (net off allowance for impairment of trade receivables) based on invoice date is as follows:

	As of December 31,	
	2020	2019
	RMB'000	RMB'000
Trade receivables		
Up to 3 months	**889,861**	544,784
3 to 6 months	**94,088**	87,114
6 months to 1 year	**39,416**	34,574
Over 1 year	**7,583**	10,290
	1,030,948	676,762

The majority of the Group's trade receivables were denominated in RMB.

The maximum exposure to credit risk as of December 31, 2020 and 2019 was the carrying value of the trade receivables. The Group did not hold any collateral as security.

25 CASH AND BALANCES WITH BANK AND FINANCIAL INSTITUTIONS

(a) Cash and cash equivalents

	As of December 31,	
	2020 RMB'000	2019 RMB'000
Cash in hand and cash in bank	**14,927,081**	6,747,736
Term deposit with initial terms within three months	**1,305,480**	6,294,862
Cash held in other financial institutions (Note i)	**860,998**	353,587
	17,093,559	13,396,185

(i) Cash and cash equivalents of the Group primarily represent bank deposits and fixed deposits with maturities less than three months. As of December 31, 2020 and 2019, the Group had certain amounts of cash held in accounts managed by other financial institutions in connection with the provision of online and mobile commerce and related services in the amount of RMB861 million and RMB354 million, respectively, which have been classified as cash and cash equivalents on the consolidated statements of financial position.

Cash and cash equivalents are denominated in the following currencies:

	As of December 31,	
	2020 RMB'000	2019 RMB'000
RMB	**8,582,899**	7,578,796
USD	**7,866,891**	5,660,813
Others	**643,769**	156,576
	17,093,559	13,396,185

25 CASH AND BALANCES WITH BANK AND FINANCIAL INSTITUTIONS *(Continued)*

(b) Restricted cash

Restricted cash are dominated in the following currencies:

	As of December 31, 2020 RMB'000	As of December 31, 2019 RMB'000
RMB	**12,730,092**	8,704,305
USD	**42,427**	55,810
Others	**3,148**	—
	12,775,667	8,760,115

As of December 31, 2020, RMB190 million, USD4 million and HKD1 million (equivalent to approximately RMB27 million) restricted deposits were held by bank as letter of guarantee. Other restricted cash balances are those held in bank account which are subject to certain restriction according to agreement with certain parties.

As of December 31, 2019, RMB231 million and USD6 million (equivalent to approximately RMB42million) restricted deposits were held by bank as letter of guarantee. Other restricted cash balances are those held in bank account which are subject to certain restriction according to agreement with certain parties.

26 SHARE CAPITAL, SHARE PREMIUM AND SHARES HELD FOR SHARES AWARD SCHEME

As of December 31, 2020 and 2019, the authorized share capital of the Company comprises 10,000,000,000 ordinary shares with par value of USD0.00001 per share.

Issued:

	Number of ordinary shares '000	Nominal value of ordinary shares USD'000	Share capital RMB'000	Share premium RMB'000	Shares held for shares award scheme RMB'000	Total RMB'000
As of January 1, 2020	**5,808,666**	**58**	**389**	**260,359,929**	**—**	**260,360,318**
Exercise of option and RSU vesting	**65,776**	**1**	**5**	**2,795,272**	**1**	**2,795,278**
Shares held for shares award scheme	**11,207**	**—**	**1**	**—**	**(1)**	**—**
As of December 31, 2020	**5,885,649**	**59**	**395**	**263,155,201**	**—**	**263,155,596**
As of January 1, 2019	5,727,447	57	384	258,284,687	—	258,285,071
Exercise of option and RSU vesting	81,219	1	5	2,075,242	—	2,075,247
As of December 31, 2019	5,808,666	58	389	260,359,929	—	260,360,318

27 OTHER RESERVES

	Capital reserve RMB'000	Share-based compensation reserve RMB'000	Currency translation reserve RMB'000	Changes in the fair value of other financial investments at fair value through other comprehensive income RMB'000	Others RMB'000	Total RMB'000
As of January 1, 2020	20	3,161,201	(7,439,014)	—	(169,459)	(4,447,252)
Share-based compensation expenses	—	3,272,930	—	—	—	3,272,930
Exercise of option and RSU vesting	—	(2,283,840)	—	—	—	(2,283,840)
Share of equity movement in associates	—	—	—	—	(120,986)	(120,986)
Currency translation differences	—	—	(2,920,302)	—	—	(2,920,302)
Changes in the fair value of other financial investments at fair value through other comprehensive income	—	—	—	84,387	—	84,387
Changes in the fair value of short-term treasury investments at fair value through other comprehensive income	—	—	—	—	(60)	(60)
Tax benefit from share-based payments	—	—	—	—	44,862	44,862
Appropriations to general reserves	—	—	—	—	108,195	108,195
As of December 31, 2020	20	4,150,291	(10,359,316)	84,387	(137,448)	(6,262,066)

27 OTHER RESERVES *(Continued)*

	Capital reserve RMB'000	Share-based compensation reserve RMB'000	Currency translation reserve RMB'000	Others RMB'000	Total RMB'000
As of January 1, 2019	20	2,594,722	(8,118,061)	(218,028)	(5,741,347)
Share-based compensation expenses	—	2,181,436	—	—	2,181,436
Exercise of option and RSU vesting	—	(1,614,957)	—	—	(1,614,957)
Transaction with non-controlling interests	—	—	—	34,047	34,047
Disposal of a subsidiary	—	—	—	10,617	10,617
Share of other comprehensive income of investments accounted for using the equity method	—	—	—	3,905	3,905
Currency translation differences	—	—	679,047	—	679,047
As of December 31, 2019	20	3,161,201	(7,439,014)	(169,459)	(4,447,252)

28 DEFERRED REVENUES

	As of December 31, 2020 RMB'000	2019 RMB'000
Non-Current		
Business cooperation agreement with Maoyan (Note i)	**166,700**	388,967
Others	**—**	61
	166,700	389,028
Current		
Online marketing services	**4,764,327**	4,299,191
Business cooperation agreement with Maoyan (Note i)	**222,267**	222,267
Ride-sharing monthly pass	**65,873**	44,010
Others	**363**	1,703
	5,052,830	4,567,171
	5,219,530	4,956,199

(i) In July 2016, as part of the Group's disposal of Maoyan, the Group entered into a business cooperation agreement with Maoyan for a 5-year period. Subsequently in September 2017, the agreement was extended for another 14 months to September 30, 2022. The Group recognises the revenue over the contract period.

28 DEFERRED REVENUES *(Continued)*

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward deferred revenues :

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Revenue recognised that was included in the deferred revenues balance at the beginning of the year		
Online marketing services	**3,664,123**	2,235,817
Business cooperation agreement with Maoyan	**222,267**	222,267
Ride-sharing monthly pass	**44,010**	21,741
Others	**1,279**	2,236
	3,931,679	2,482,061

29 TRADE PAYABLES

	As of December 31,	
	2020	2019
	RMB'000	RMB'000
Trade payables	**11,967,026**	6,766,253

As of December 31, 2020 and 2019, the aging analysis of the trade payables based on invoice date were as follows:

	As of December 31,	
	2020	2019
	RMB'000	RMB'000
Trade payables		
Up to 3 months	**11,810,659**	6,353,368
3 to 6 months	**46,688**	237,151
6 months to 1 year	**45,876**	119,630
Over 1 year	**63,803**	56,104
	11,967,026	6,766,253

The majority of the Group's trade payables were denominated in RMB.

30 OTHER PAYABLES AND ACCRUALS

	As of December 31, 2020 RMB'000	As of December 31, 2019 RMB'000
Salaries and benefits payable	**4,124,807**	2,947,738
Deposits	**2,680,966**	1,803,783
Other tax payable	**1,150,193**	881,567
Amounts collected for third parties	**601,193**	312,191
Amounts due to related parties (Note 37)	**395,785**	351,249
Advance from customers and others	**367,960**	328,690
Accrued expenses	**312,481**	205,715
Payables for acquisition	**82,316**	55,718
Undue interests accrued for notes payable (Note 32)	**61,732**	—
Others	**779,785**	350,761
	10,557,218	7,237,412

31 BORROWINGS

	As of December 31, 2020		As of December 31, 2019	
	Original amount '000	**Amount RMB'000**	Original amount '000	Amount RMB'000
Included in non-current liabilities:				
USD bank loans – unsecured	**USD300,000**	**1,957,470**	—	—
RMB asset-backed securities	—	—	RMB466,676	466,676
Included in current liabilities:				
RMB bank loans – unsecured	**RMB3,250,000**	**3,250,000**	RMB3,190,000	3,190,000
USD bank loans – unsecured	**USD482,000**	**3,145,002**	—	—
RMB asset-backed securities	—	—	RMB362,587	362,587
		6,395,002		3,552,587

31 BORROWINGS *(Continued)*

(a) As of December 31, 2020, the effective interest rates for bank loans were 1.54%-3.85% (2019: 3.68%-6.50%), and the effective interest rates for asset-backed securities were nil (2019: 4.59%-6.20%).

(b) For the year ended December 31, 2020, the weighted average effective interest rate was 3.21% (2019: 5.242%). The floating rates of USD bank loans which were subject to London interbank offered rate would be repriced quarterly or yearly according to the contract terms.

(c) There were no consolidated ABS issued in the year of 2020. ABS issued in the year of 2019 have been fully repaid in 2020.

32 NOTES PAYABLE

	As of December 31,	
	2020	2019
	RMB'000	RMB'000
Included in non-current liabilities:		
Non-current portion of long-term USD notes payable	**12,966,341**	—
Included in current liabilities:		
Undue interests accrued for notes payable (Note 30)	**61,732**	—

The aggregate principal amounts of notes payable were USD2,000 million (2019: nil). Applicable interest rates are at 2.125% ~ 3.05% per annum, and the interests will be payable semi-annually.

32 NOTES PAYABLE *(Continued)*

The notes payable and undue interests were repayable as follows:

	As of December 31,	
	2020	2019
	RMB'000	RMB'000
Within 1 year (Note 30)	**61,732**	—
Between 2 and 5 years	**4,863,174**	—
More than 5 years	**8,103,167**	—
	13,028,073	—

All of these notes payable issued by the Group were unsecured.

On October 29, 2020, the Company issued senior notes with an aggregate principal amount of USD2,000 million on the Stock Exchange of Hong Kong Limited as set out below.

	Amount (USD million)	**Interest Rate** (per annum)	**Due Date**
2025 senior notes	750	2.125%	October 28, 2025
2030 senior notes	1,250	3.05%	October 28, 2030
	2,000		

As of December 31, 2020, the fair value of the notes payable amounted to RMB13,515 million. The respective fair values are assessed based on the quoted market price of these notes on the reporting date.

33 SHARE-BASED PAYMENTS

On October 6, 2015, the Board of the Company approved the establishment of the Company's Pre-IPO ESOP, an equity-settled share-based compensation plan with the purpose of attracting, motivating, retaining and rewarding certain employees, consultants, and Directors. The Pre-IPO ESOP is valid and effective for 10 years from the date of approval by the Board. The Group has reserved 598,483,347 ordinary shares under the Pre-IPO ESOP, and permits the awards of options and RSUs of the Company's ordinary shares.

On April 4, 2018, the Company and Mobike entered into a strategic transaction, and the Group assumed all the outstanding incentive share awards of Mobike (the "**Mobike option replacement**"). The number and types of the shares issuable upon the exercise of the Mobike option replacement, and the applicable exercise price for share options were adjusted according to the same term as the Pre-IPO ESOP. After the replacement awards were issued, Mobike's original incentive plan ceased to operate.

33 SHARE-BASED PAYMENTS *(Continued)*

A total of 21,290,122 share options were assumed by the Group in the acquisition of Mobike. The Mobike option replacement has been analyzed to determine whether the awards relate to pre-combination or post-combination services or both. To the extent Mobike option replacement is for pre-combination services, a portion of the value of the awards has been allocated to the consideration transferred for the acquiree. To the extent the Mobike option replacement is for post-combination services, the value of the awards is recognised as compensation expenses attributable to post-combination services.

The incremental fair value, calculated as the difference between the fair value of share option award assumed by the Group in the Mobike option replacement and the fair value of the outstanding incentive share awards of Mobike as of the acquisition date, has been included in the measurement of the amount recognised for the services received over the remainder of the vesting period, and is recognised in the Group's consolidated income statement as share-based compensation expenses.

In addition, according to the merger agreement with Mobike, RSUs of the Company with a total valuation of USD60 million shall be granted to current Mobike officers, Directors, and employees, and subject to the Company's Pre-IPO ESOP. The Company recorded share-based compensation expenses over the service period based on its best estimate of the grant date fair value of related RSUs.

As of August 30, 2018, the Group has authorized and reserved 683,038,063 ordinary shares under the Pre-IPO ESOP for awards of options and RSUs of the Company's ordinary shares. All the share options and RSUs under the Pre-IPO ESOP were granted between May 31, 2006 and August 2, 2018 and the Company will not grant further share options and RSUs under the Pre-IPO ESOP after the listing of the Class B shares on the Main Board of the Stock Exchange of Hong Kong Limited.

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

As of December 31, 2020, the Group has authorised and reserved a total of 652,738,577 ordinary shares under the Pre-IPO ESOP, Post-IPO Share Option Scheme and Post-IPO Share Award Scheme for awards of options and RSUs of the Company's ordinary shares.

33 SHARE-BASED PAYMENTS *(Continued)*

Share options

Options granted typically expire in 10 years from the respective grant dates. The options have graded vesting terms, and vest in tranches from the grant date over the vesting period, on condition that employees remain in service without any performance requirements.

The options may be exercised at any time after they have vested subject to the terms of the award agreement and are exercisable for a maximum period of 10 years after the date of grant.

Movements in the number of share options granted and their related weighted average exercise prices are as follows:

	Number of share options	Weighted average exercise price per share option (HKD)
Outstanding as of January 1, 2020	**73,710,007**	**27.81**
Granted during the year	**2,611,316**	**146.22**
Forfeited during the year	**(3,861,049)**	**33.76**
Exercised during the year	**(21,567,100)**	**26.59**
Outstanding as of December 31, 2020	**50,893,174**	**33.95**
Vested and exercisable as of December 31, 2020	**24,147,385**	**21.60**
Outstanding as of January 1, 2019	116,321,663	22.69
Granted during the year	740,000	69.10
Forfeited during the year	(7,484,459)	25.45
Exercised during the year	(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

The weighted average remaining contractual life of outstanding share options was 6 years and 7 years as of December 31, 2020 and 2019. The weighted average price of the shares at the time these options were exercised was HKD175.76 per share (equivalent to approximately RMB156.13 per share) during the year ended December 31, 2020.

33 SHARE-BASED PAYMENTS *(Continued)*

Fair value of share options

The Group has used Black-Scholes model to determine the fair value of the share option as of the grant date. Key assumptions are set as below:

	Year ended December 31,	
	2020	2019
Risk-free interest rates	**0.5%**	1.5%
Expected term – years	**6.3-6.5**	6.3
Expected volatility	**40%-45%**	40%
Fair value of share options (HKD)	**43.20-72.99**	28.41
Exercise price (HKD)	**100.15-195.98**	69.10

The weighted average fair value of granted options was HKD57.52 and HKD28.41 per share, for the years ended December 31, 2020 and 2019, respectively.

RSUs

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

33 SHARE-BASED PAYMENTS *(Continued)*

RSUs *(Continued)*

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

	Number of RSUs	Weighted average grant date fair value per RSU (HKD)
Outstanding as of January 1, 2020	142,875,991	47.26
Granted during the year	44,797,063	167.84
Vested during the year	(49,436,884)	43.67
Forfeited during the year	(11,695,041)	60.02
Outstanding as of December 31, 2020	126,541,129	90.18
Outstanding as of January 1, 2019	164,133,960	35.87
Granted during the year	47,430,198	69.43
Vested during the year	(45,351,471)	31.23
Forfeited during the year	(23,336,696)	43.41
Outstanding as of December 31, 2019	142,875,991	47.26

The fair value of each RSU at the grant dates is determined by reference to the fair value of the underlying ordinary shares on the date of grant.

The total share-based compensation expenses recognised in the consolidated income statement are RMB3.3 billion and RMB2.2 billion for the years ended December 31, 2020 and 2019, respectively. The following table sets forth a breakdown of the share-based compensation expenses by nature:

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Share options	**170,017**	301,568
RSUs	**3,102,913**	1,879,868
Others	**4,546**	9,435
	3,277,476	2,190,871

34 DIVIDENDS

No dividends have been paid or declared by the Company during each of the years ended December 31, 2020 and 2019.

35 CAPITAL COMMITMENTS

	As of December 31,	
	2020	2019
	RMB'000	RMB'000
Within 1 year	**5,242,423**	23,658
1 – 2 years	**—**	91
	5,242,423	23,749

	As of December 31,	
	2020	2019
	RMB'000	RMB'000
Purchase of property, plant and equipment	**2,546,586**	23,749
Purchase of land use rights	**1,962,390**	—
Purchase of Investments	**733,447**	—
	5,242,423	23,749

36 NOTE TO CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Cash generated from operations

	Note	Year ended December 31, 2020 RMB'000	2019 RMB'000
Profit before income tax		**4,437,875**	2,762,388
Adjustments for			
Depreciation and amortization	15,16	**5,194,109**	4,845,800
Net provision for impairment losses on financial assets		**467,690**	645,685
Non-cash employee benefits expense – share-based payments	8	**3,277,476**	2,190,871
Dilution gain and gains from business and investments disposals	9	**(853,618)**	(292,421)
Gains from the remeasurement of investments	9	**—**	(176,880)
Impairment provision and restructuring expense for Mobike restructuring plan		**(5,272)**	88,612
Impairment provision for goodwill	7,16	**58,166**	—
Impairment provision for other long-term assets	7,15	**29,691**	—
Share of gains of investments accounted for using equity method	12	**(264,105)**	(107,353)
Change in fair value from investments at fair value through profit or loss	19	**(4,955,909)**	(77,699)
Dividend income and interest classified as investing cash flows		**(1,218,122)**	(1,527,405)
Finance costs		**384,791**	220,362
Net exchange loss		**151,198**	111,045
Net gain on sale of non-current assets		**(38,217)**	—
Change in working capital			
Increase in restricted cash		**(4,016,150)**	(4,504,029)
Increase in trade receivables		**(381,667)**	(272,974)
Increase in prepayments, deposits and other assets		**(3,261,037)**	(1,703,120)
(Increase)/decrease in inventories		**(191,265)**	94,966
Increase in trade payables		**3,991,118**	1,291,272
Increase/(decrease) in payables to merchants		**1,919,674**	(101,126)
Increase in advances from transacting users		**452,277**	640,892
Increase in deferred revenues		**263,331**	1,228,319
Increase in other payables and accruals		**3,383,910**	1,508,703
Increase in other non-current liabilities		**5,106**	34,955
Decrease in deposits from transacting users		**(269,726)**	(866,003)
Decrease in assets classified as held for sale		**—**	211,905
Decrease in liabilities directly associated with assets classified as held for sale		**—**	(209,241)
Cash generated from operations		**8,561,324**	6,037,524

36 NOTE TO CONSOLIDATED STATEMENTS OF CASH FLOWS *(Continued)*

(b) Major non-cash transactions

Other than the acquisition of right-of-use assets described in Note 15, the share-based payments described in Note 33, there were no other material non-cash transactions during the year ended December 31, 2020.

(c) Reconciliation of liabilities generated from financing activities

	Liabilities from financing activities				
	Borrowings RMB'000	Notes payable RMB'000	Financial liabilities at fair value through profit or loss RMB'000	Lease liabilities RMB'000	Total RMB'000
Liabilities from financing activities as of January 1, 2020	4,019,263	—	—	1,526,799	5,546,062
Cash flow	4,621,559	13,337,825	114,600	(936,380)	17,137,604
Acquisitions	—	—	—	2,180,516	2,180,516
Disposals	—	—	—	(125,346)	(125,346)
Recognization of issuance cost	—	(3,352)	—	—	(3,352)
Finance cost	768	63,606	—	92,266	156,640
Currency translation differences	(289,118)	(370,006)	—	—	(659,124)
Liabilities from financing activities as of December 31, 2020	8,352,472	13,028,073	114,600	2,737,855	24,233,000

36 NOTE TO CONSOLIDATED STATEMENTS OF CASH FLOWS *(Continued)*

(c) Reconciliation of liabilities generated from financing activities *(Continued)*

	Liabilities from financing activities		
	Borrowings RMB'000	Lease Liabilities 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	—	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	—	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

37 RELATED PARTY TRANSACTIONS

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

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

37 RELATED PARTY TRANSACTIONS *(Continued)*

(a) Names and relationships with related parties

The following companies are significant related parties of the Group that had transactions and/or balances with the Group during the year.

Name of related parties	Relationship
Tencent Group	One of the Company's shareholders
AsiaSea Co., Ltd.	Associate of the Group
Beijing RTMAP Technology Co., Ltd.	Associate of the Group
Dalian Tongda Enterprise Management Co., Ltd.	Associate of the Group
Fujian Piaofeutong Information Technology Co., Ltd	Associate of the Group
Hefei Haizhitun Technology Co., Ltd.	Associate of the Group
Jilin Yillion Bank Co., Ltd.	Associate of the Group
Ningbo Meishan Bonded Port Area Meixing Investment Management Co., Ltd.	Associate of the Group
Shenzhen Meizhu Enterprise Management Co., Ltd.	Associate of the Group
Tianjin Maoyan and its subsidiaries	Associate of the Group

(b) Significant transactions with related parties

		Year ended December 31,	
		2020	2019
		RMB'000	RMB'000
(i)	Sales of service		
	Associate of the Group	**679,133**	1,069,898
	One of the Company's shareholders	**3,695**	12,656
		682,828	1,082,554
(ii)	Purchase of goods and service		
	One of the Company's shareholders	**1,885,502**	1,849,435
	Associate of the Group	**927,744**	538,918
		2,813,246	2,388,353

37 RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balances with related parties

		As of December 31,	
		2020	2019
		RMB'000	RMB'000
(i)	Due from related parties		
	Associate of the Group	**1,136,433**	290,917
	One of the Company's shareholders	**288,626**	33,824
		1,425,059	324,741
(ii)	Due to related parties		
	Associate of the Group	**362,708**	271,702
	One of the Company's shareholders	**33,077**	79,547
		395,785	351,249

(d) Key management compensation

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Fees	**1,500**	1,500
Basic salaries	**12,721**	12,721
Bonuses	**12,648**	13,147
Pension costs and other employee benefits	**764**	948
Share-based compensation expenses	**425,834**	488,139
	453,467	516,455

38 CONTINGENCIES

The Group did not have any material contingent liabilities as of December 31, 2020 and 2019.

39 FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Financial position of the Company

	Note	As of December 31, 2020 RMB'000	As of December 31, 2019 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries		**68,519,333**	65,246,403
Intangible assets		**287**	—
Long-term treasury investments		**612,967**	—
Prepayments, deposits and other assets		**41,208,960**	32,426,176
		110,341,547	97,672,579
Current assets			
Short-term treasury investments		**31,572,008**	27,676,401
Prepayments, deposits and other assets		**302,553**	93,317
Cash and cash equivalents		**6,920,635**	6,151,379
		38,795,196	33,921,097
Total assets		**149,136,743**	131,593,676
EQUITY			
Share capital	26	**395**	389
Share premium	26	**263,155,201**	260,359,929
Shares held for shares award scheme	26	**—**	—
Other reserves	39(b)	**(6,405,555)**	(3,095,017)
Accumulated losses		**(125,790,405)**	(126,520,961)
Equity attributable to equity holders of the Company		**130,959,636**	130,744,340
LIABILITIES			
Non-current liabilities			
Borrowings		**1,957,470**	—
Notes payable		**12,966,341**	—
		14,923,811	—
Current liabilities			
Other payables and accruals		**3,253,296**	849,336
		3,253,296	849,336
Total liabilities		**18,177,107**	849,336
Total equity and liabilities		**149,136,743**	131,593,676

The statement of financial position of the Company was approved by the Board of Directors on March 26, 2021 and was signed on its behalf.

Wang Xing	**Mu Rongjun**
Director	*Director*

39 FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(b) Reserve movement of the Company

	Capital reserve RMB'000	Share-based compensation reserve RMB'000	Currency translation reserve RMB'000	Changes in the fair value of short-term treasury investments at FVOCI RMB'000	Total RMB'000
As of January 1, 2020	20	3,161,201	(6,256,238)	—	(3,095,017)
Other Comprehensive loss					
Currency translation differences	—	—	(4,299,457)	—	(4,299,457)
Changes in the fair value of short-term treasury investments at FVOCI	—	—	—	(171)	(171)
Total other comprehensive loss	—	—	(4,299,457)	(171)	(4,299,628)
Transaction with owners in their capacity as owners					
Share-based compensation expenses	—	3,272,930	—	—	3,272,930
Exercise of option and RSU vesting	—	(2,283,840)	—	—	(2,283,840)
Total transaction with owners in their capacity as owners	—	989,090	—	—	989,090
As of December 31, 2020	20	4,150,291	(10,555,695)	(171)	(6,405,555)
As of January 1, 2019	20	2,594,722	(7,307,415)	—	(4,712,673)
Other Comprehensive income					
Currency translation differences	—	—	1,051,177	—	1,051,177
Total other comprehensive income	—	—	1,051,177	—	1,051,177
Transaction with owners in their capacity as owners					
Share-based compensation expenses	—	2,181,436	—	—	2,181,436
Exercise of option and RSU vesting	—	(1,614,957)	—	—	(1,614,957)
Total transaction with owners in their capacity as owners	—	566,479	—	—	566,479
As of December 31, 2019	20	3,161,201	(6,256,238)	—	(3,095,017)

40 SUBSEQUENT EVENTS

There were no material subsequent events during the period from December 31, 2020 to the approval date of these consolidated financial statements by the Board on March 26, 2021.

"AGM"	the forthcoming annual general meeting of the Company to be held in June 2021
"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 (美团) (formerly known as Meituan Dianping), an exempted company with limited liability incorporated under the laws of the Cayman Islands on September 25, 2015, or Meituan (美团) 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. (北京美团金融科技有限公司), 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, 2020

"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. (上海路团科技有限公司), 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
"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

"Shareholder(s)"	holder(s) of the Share(s)
"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
"Tencent"	Tencent Holdings Limited (HKEx Stock Code: 700), or Tencent Holdings Limited and/or its subsidiaries, as the case may be
"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 Hanbo"	Tianjin Hanbo Information Technology Co., Ltd. (天津漢博信息技術有限公司), a limited liability company incorporated under the laws of the PRC on September 19, 2014 and our indirect wholly-owned subsidiary
"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
"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, Mobike Beijing and Tianjin Hanbo
"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 recognised based on the number of payments made. (i) With respect to our in-store business, one transaction is recognised if a user purchases multiple vouchers with a single payment; (ii) with respect to our hotel-booking business, one transaction is recognised 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 recognised 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 recognised only when the user purchases or claims the monthly pass, and subsequent rides are not recognised as transactions; if a user does not use a monthly pass, then one transaction is recognised for every ride