美团

Meituan

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

Stock Code: 3690

ANNUAL REPORT 2021

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

CORPORATE GOVERNANCE COMMITTEE

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

JOINT COMPANY SECRETARIES

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

PricewaterhouseCoopers
Certified Public Accountants and
Registered PIE Auditor
22/F, Prince's Building
Central
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REGISTERED OFFICE

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CORPORATE INFORMATION

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COMPLIANCE ADVISOR

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HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
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Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Grand Cayman KY1-1102
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PRINCIPAL BANKER

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Beijing
China

STOCK CODE

3690

COMPANY'S WEBSITE

about.meituan.com

CORPORATE INFORMATION

WEIGHTED VOTING RIGHTS

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

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

As at the date of this annual report, the WVR Beneficiaries are Wang Xing, Mu Rongjun and Wang Huiwen. Wang Xing beneficially owned 515,869,783 Class A Shares, representing approximately 42.14% 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 10.29% 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 2.97% 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 678,249,783 Class B Shares, representing approximately 12.42% of the total number of issued Class B Shares as at the date of this annual report.

CORPORATE INFORMATION

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

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

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

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

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

FINANCIAL SUMMARY AND OPERATION HIGHLIGHTS

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended December 31,				
	2017	2018	2019	2020	**2021**
	(RMB in thousands)				
Revenues	33,927,987	65,227,278	97,528,531	114,794,510	**179,127,997**
Gross profit	12,219,504	15,104,958	32,320,388	34,050,142	**42,474,128**
Profit/(loss) before income tax	(18,933,663)	(115,490,807)	2,762,388	4,437,875	**(23,566,477)**
Profit/(loss) for the year	(18,987,881)	(115,492,695)	2,236,165	4,707,612	**(23,536,198)**
Profit/(loss) for the year attributable to equity holders of the Company	(18,916,617)	(115,477,171)	2,238,769	4,708,313	**(23,538,379)**
Total comprehensive income/(loss) for the year	(15,558,395)	(123,296,397)	2,919,043	1,728,980	**(25,036,620)**
Total comprehensive income/(loss) for the year attributable to equity holders of the Company	(15,487,131)	(123,281,091)	2,921,721	1,729,681	**(25,038,801)**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of December 31,				
	2017	2018	2019	2020	**2021**
	(RMB in thousands)				
ASSETS					
Non-current assets	29,196,028	47,512,119	49,877,870	78,268,647	**92,824,592**
Current assets	54,438,135	73,149,392	82,135,045	88,306,155	**147,828,677**
Total assets	83,634,163	120,661,511	132,012,915	166,574,802	**240,653,269**
EQUITY					
Equity attributable to equity holders of the Company	(40,559,116)	86,504,334	92,112,445	97,693,027	**125,613,442**
Non-controlling interests	57,734	5,438	(58,051)	(58,752)	**(56,680)**
Total Equity	(40,501,382)	86,509,772	92,054,394	97,634,275	**125,556,762**
LIABILITIES					
Non-current liabilities	103,618,175	2,326,683	3,365,958	17,792,886	**46,503,550**
Current liabilities	20,517,370	31,825,056	36,592,563	51,147,641	**68,592,957**
Total liabilities	124,135,545	34,151,739	39,958,521	68,940,527	**115,096,507**
Total equity and liabilities	83,634,163	120,661,511	132,012,915	166,574,802	**240,653,269**

FINANCIAL SUMMARY AND OPERATION HIGHLIGHTS

FINANCIAL INFORMATION BY SEGMENT

	Unaudited Three Months Ended December 31, 2021				
	Food delivery	In-store, hotel & travel	New initiatives and others	Unallocated items[1]	Total
	(RMB in thousands)				
Revenues:					
Food delivery services	14,254,546	–	–	–	14,254,546
Commission	7,768,614	4,066,205	2,325,479	–	14,160,298
Online marketing services	3,223,472	4,636,167	322,990	–	8,182,629
Other services and sales (including interest revenue)	880,009	20,055	12,025,596	–	12,925,660
Total revenues	26,126,641	8,722,427	14,674,065	–	49,523,133
Cost of revenues, operating expenses and unallocated items	(24,391,064)	(4,825,411)	(24,879,303)	(433,211)	(54,528,989)
Including: Food delivery related costs	(18,306,347)	–	–	–	(18,306,347)
Operating (loss)/profit	1,735,577	3,897,016	(10,205,238)	(433,211)	(5,005,856)

	Unaudited Three Months Ended December 31, 2020				
	Food delivery	In-store, hotel & travel	New initiatives and others	Unallocated items[1]	Total
	(RMB in thousands)				
Revenues:					
Food delivery services	12,664,562	–	–	–	12,664,562
Commission	6,029,499	3,581,958	1,733,424	–	11,344,881
Online marketing services	2,441,964	3,538,844	79,875	–	6,060,683
Other services and sales (including interest revenue)	401,960	14,558	7,430,860	–	7,847,378
Total revenues	21,537,985	7,135,360	9,244,159	–	37,917,504
Cost of revenues, operating expenses and unallocated items	(20,655,633)	(4,313,425)	(15,246,990)	(554,152)	(40,770,200)
Including: Food delivery related costs	(16,252,764)	–	–	–	(16,252,764)
Operating (loss)/profit	882,352	2,821,935	(6,002,831)	(554,152)	(2,852,696)

1 Unallocated items mainly include (i) share-based compensation expenses, (ii) amortisation of intangible assets resulting from acquisitions, (iii) fair value changes of other financial investments at fair value through profit or loss, and (iv) other (losses)/gains, net. They are not allocated to individual segments.

FINANCIAL SUMMARY AND OPERATION HIGHLIGHTS

	Year-over-year change				
	Food delivery	In-store, hotel & travel	New initiatives and others	Unallocated items[1]	Total
	(Percentages %)				
Revenues:					
Food delivery services	12.6	NA	NA	NA	12.6
Commission	28.8	13.5	34.2	NA	24.8
Online marketing services	32.0	31.0	304.4	NA	35.0
Other services and sales (including interest revenue)	118.9	37.8	61.8	NA	64.7
Total revenues	21.3	22.2	58.7	NA	30.6
Cost of revenues, operating expenses and unallocated items	18.1	11.9	63.2	(21.8)	33.7
Including: Food delivery related costs	12.6	NA	NA	NA	12.6
Operating (loss)/profit	96.7	38.1	70.0	(21.8)	75.5

	Year Ended December 31, 2021				
	Food delivery	**In-store, hotel & travel**	**New initiatives and others**	**Unallocated items[1]**	**Total**
	(RMB in thousands)				
Revenues:					
Food delivery services	54,203,640	–	–	–	54,203,640
Commission	28,547,274	15,798,936	8,558,547	–	52,904,757
Online marketing services	11,434,933	16,667,421	982,816	–	29,085,170
Other services and sales (including interest revenue)	2,125,931	63,968	40,744,531	–	42,934,430
Total revenues	96,311,778	32,530,325	50,285,894	–	179,127,997
Cost of revenues, operating expenses and unallocated items	(90,137,137)	(18,437,212)	(88,679,789)	(5,001,058)	(202,255,196)
Including: Food delivery related costs	(68,183,267)	–	–	–	(68,183,267)
Operating (loss)/profit	6,174,641	14,093,113	(38,393,895)	(5,001,058)	(23,127,199)

[1] Unallocated items mainly include (i) share-based compensation expenses, (ii) amortisation of intangible assets resulting from acquisitions, (iii) fair value changes of other financial investments at fair value through profit or loss, and (iv) other (losses)/gains, net. They are not allocated to individual segments.

FINANCIAL SUMMARY AND OPERATION HIGHLIGHTS

	Year Ended December 31, 2020				
	Food delivery	In-store, hotel & travel	New initiatives and others	Unallocated items[1]	Total
	(RMB in thousands)				
Revenues:					
Food delivery services	39,116,411	–	–	–	39,116,411
Commission	18,502,868	10,193,162	5,428,154	–	34,124,184
Online marketing services	7,565,111	11,018,337	324,597	–	18,908,045
Other services and sales (including interest revenue)	1,080,929	40,899	21,524,042	–	22,645,870
Total revenues	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)
Including: Food delivery related costs	(49,291,318)	–	–	–	(49,291,318)
Operating (loss)/profit	2,833,369	8,180,933	(10,854,996)	4,170,796	4,330,102

	Year-over-year change				
	Food delivery	In-store, hotel & travel	New initiatives and others	Unallocated items[1]	Total
	(Percentages %)				
Revenues:					
Food delivery services	38.6	NA	NA	NA	38.6
Commission	54.3	55.0	57.7	NA	55.0
Online marketing services	51.2	51.3	202.8	NA	53.8
Other services and sales (including interest revenue)	96.7	56.4	89.3	NA	89.6
Total revenues	45.3	53.1	84.4	NA	56.0
Cost of revenues, operating expenses and unallocated items	42.1	41.0	132.6	NA	83.1
Including: Food delivery related costs	38.3	NA	NA	NA	38.3
Operating (loss)/profit	117.9	72.3	253.7	NA	NA

[1] Unallocated items mainly include (i) share-based compensation expenses, (ii) amortisation of intangible assets resulting from acquisitions, (iii) fair value changes of other financial investments at fair value through profit or loss, and (iv) other (losses)/gains, net. They are not allocated to individual segments.

FINANCIAL SUMMARY AND OPERATION HIGHLIGHTS

OPERATING METRICS

	Twelve Months Ended		
	December 31, 2021	December 31, 2020	Year-over-year change
	(in millions, except for percentages)		
Number of Transacting Users	**690.5**	510.6	35.2%
Number of Active Merchants	**8.8**	6.8	29.2%
	(units, except for percentages)		
Average number of transactions per annual Transacting User	**35.8**	28.1	27.2%

	Three Months Ended		
	December 31, 2021	December 31, 2020	Year-over-year change
	(in millions, except for percentages)		
Gross Transaction Volume of food delivery	**188,620.8**	156,287.3	20.7%
Number of food delivery transactions[2]	**3,910.6**	3,331.3	17.4%
Number of domestic hotel room nights	**115.3**	119.7	(3.7%)

	Year Ended		
	December 31, 2021	December 31, 2020	Year-over-year change
	(in millions, except for percentages)		
Gross Transaction Volume of food delivery	**702,057.4**	488,851.2	43.6%
Number of food delivery transactions[2]	**14,367.6**	10,147.4	41.6%
Number of domestic hotel room nights	**476.9**	354.5	34.5%

[2] Our 1P model, for which we organise and provide food delivery services, accounts for about 67% of total number of food delivery transactions for all periods or years presented.

CHAIRMAN'S STATEMENT

To our Shareholders:

Despite the challenges in 2021, we continued to innovate and leverage technology to provide consumers with more diverse and higher-quality services. On the merchant front, we remained committed to assisting small- and medium-sized merchants adapt to online operations, which helped accelerate digital transformations across various service categories. During the year, we upgraded our corporate strategy from "Food + Platform" to "Retail + Technology", expanding our goods and services matrices, as well as improving our service quality. Via exploring the retail business, we extended our services to rural areas and less developed markets and provided rural residents with a much wider variety and quantity of value-for-money products, including fresh produce and daily necessities. Furthermore, we created a wide range of job opportunities while placing emphasis on the welfare and benefits of flexible workers. Meanwhile, we remained absolutely focused on building fundamental capabilities for long-term development, supporting our ecosystem partners, and more importantly, fulfilling our social responsibilities that create more value for the society at large.

On behalf of the Board, I am pleased to present the Group's annual results for the year ended December 31, 2021.

FINANCIAL PERFORMANCE HIGHLIGHTS

In 2021, we upgraded our corporate strategy from "Food + Platform" to "Retail + Technology", further expanding our product and service offerings to the broader retail, connecting with more market participants, and leveraging technology to facilitate advancement across industries. Our businesses growth remained strong, with total revenues increasing by 56.0% year over year to RMB179.1 billion in 2021. The aggregate operating profit for the food delivery and the in-store, hotel & travel segments reached RMB20.3 billion in 2021, up from RMB11.0 billion in 2020. Operating loss for the new initiatives and others segment expanded as we remained committed to business areas that would bring long-term value. Both adjusted EBITDA and adjusted net profit experienced year-over-year decrease and turned to negative RMB9.7 billion and adjusted net loss of RMB15.6 billion in 2021, respectively. Our net cash flows from operating activities turned to an outflow of RMB4.0 billion in 2021 from an inflow of RMB8.5 billion in 2020. We had cash and cash equivalents of RMB32.5 billion and short-term treasury investments of RMB84.3 billion as of December 31, 2021, compared to the balances of RMB17.1 billion and RMB44.0 billion as of December 31, 2020, respectively.

BUSINESS REVIEW AND OUTLOOK

Food delivery

Despite challenges from the macro environment, natural disasters and sporadic COVID-19 outbreaks, our food delivery business achieved strong growth in 2021. Annual Transacting Users and average transaction frequency broke record highs. Our peak daily order volume exceeded 50 million in August and subsequently reached historic highs again in December. GTV increased by 43.6% year over year to RMB702.1 billion, and revenue increased by 45.3% year over year to RMB96.3 billion in 2021. Operating profit increased to RMB6.2 billion in 2021 from RMB2.8 billion in 2020, while operating margin increased to 6.4% from 4.3%. Our solid business performance in 2021 was a testament to our resilient business model and competitive strength in consumer base, merchant base and delivery network.

CHAIRMAN'S STATEMENT

For the fourth quarter of 2021, GTV of our food delivery business increased by 20.7% year over year to RMB188.6 billion, with daily average order volume increasing by 17.4% year over year to 42.5 million. Our revenues from food delivery business increased by 21.3% year over year to RMB26.1 billion. Operating profit from our food delivery business increased to RMB1.7 billion for the fourth quarter of 2021 from RMB882.4 million for the fourth quarter of 2020, while operating margin increased to 6.6% from 4.1%, primarily attributable to higher portion of online marketing services revenue and lower seasonal courier incentives.

We are glad to see that food delivery has become an essential service for consumers. We have not only diversified selections for consumers, but also continued to identify the evolving consumption trend and to promote the growth of new consumption categories. Categories such as late-night snacks, milk tea, salads and light meals witnessed notable growth during the year. The increase in supply effectively incentivized higher order volume from the mid- and high-frequency users. As a result, food delivery annual Transacting Users increased by 13% year over year, and annual average transaction frequency increased by 25% year over year. The growth demonstrates consumers' ongoing trust in our platform and their recognition of food delivery as an indispensable service in daily life.

On the merchant side, we continued to help millions of restaurants digitize their business operations through comprehensive services and online marketing tools, bringing additional business volumes to help merchants generate income under this challenging environment. An increasing number of merchants used our online marketing products and stepped up in their online promotions given the effectiveness of boosting consumer demand. We make our utmost efforts to understand our merchants' pain points and address their issues, as it is crucial for us to provide support and create value for them. In May 2021, we rolled out a new fee structure that splits fee charged from merchants into a technology service fee, which is the commission revenue, and a food delivery services fee. The new fee structure promotes more transparent pricing and clearer cost structures, and benefits the majority of the small- and medium-sized merchants on our platform. Starting from the fourth quarter of 2021, we separately disclosed the food delivery services revenue to reflect this new fee structure in our financial results.

For the twelve months ended December 31, 2021, around 5.27 million food delivery couriers earned income through our Meituan platform. We continued to promote our "Tongzhou Project" to ensure proper rights and interests of food delivery couriers, and prioritized enhancing courier experience and creating a positive ecosystem. To better understand the couriers' needs, we held 136 courier feedback sessions in 2021. We continued to optimise our algorithms and rules taking into account the couriers' feedback. For example, we changed the display of estimated delivery time of each order from a point of time to an extended period of time, alleviating pressure of couriers during delivery. In some regions, we launched various pilot programs, such as only scheduling courier pickup after meals are ready to reduce the wait time and reassigning orders to other couriers in unexpected situations. These measures help dispatch orders to couriers in a more thoughtful manner while ensuring their safety, and enable couriers to earn relatively higher income with more reasonable workload. We also worked with our delivery partners to launch a pilot scheme to optimise the service quality assessment mechanism, which changes the practice of income reduction due to consumer bad reviews or late delivery into point reduction for the couriers, so that they can make up for the loss of points through other performance and activities. The couriers' monthly rewards are linked to the accumulated points of the month. This optimised scheme effectively mitigates financial impacts on couriers due to occasional, unexpected situations, while ensuring consumer experience simultaneously. In the adverse weather conditions in the fourth quarter, we increased courier incentives and distributed one million pieces of cold protection apparel to couriers in affected markets. We also provided free accommodations and quarantine subsidies for couriers who were affected by the COVID control measures. Furthermore, we continued to implement various charity programs that offer support for thousands of couriers' families. We provided couriers with full scholarships, allowing them to undertake further education and receive a higher degree without financial burden. In the meantime, we are actively cooperating with the arrangements of the pilot program that provides couriers with occupational injury insurance, under the guidance of the relevant authorities. We will fulfill our corporate responsibilities, ensure that the pilot program meets the planned timeline, and cover all expenses for participating couriers. Going forward, we plan to provide couriers with a more comprehensive welfare scheme and worker benefits, along with continued improvement on their sense of fulfillment and well-being.

In-store, hotel & travel

Despite the negative impacts from sporadic COVID-19 outbreaks and macro environment, our in-store, hotel & travel segment still achieved solid growth. During the year, we continued to bring broader consumption categories to cope with the ever-evolving demands from consumers, while onboarding more merchants and introducing diverse online solutions to the merchants. As a result, revenues from the in-store, hotel & travel businesses increased by 53.1% year over year to RMB32.5 billion in 2021. Operating profit from the in-store, hotel & travel businesses increased to RMB14.1 billion in 2021 from RMB8.2 billion in 2020, while operating margin increased to 43.3% from 38.5%.

CHAIRMAN'S STATEMENT

For the fourth quarter of 2021, revenues from our in-store, hotel & travel businesses increased by 22.2% year over year to RMB8.7 billion. Operating profit for the segment increased to RMB3.9 billion from RMB2.8 billion for the fourth quarter of 2020, while operating margin increased to 44.7% from 39.5%, due to change in revenue mix.

For in-store, our transaction volume, GTV, and annual active merchants all reached record highs. We deepened penetration into lower-tier cities in China with broader coverage scope, and helped accelerate the digitization process in these under-served markets. Categories such as leisure and entertainment, sports, elderly care, medical care, and pet care demonstrated strong growth momentum, while categories such as handicraft activities, music recording, interactive light shows, and stress relief emerged as a new consumption trend. Moreover, we continued to introduce tailored products and services for merchants from different categories, helping them improve online operations. On the consumer side, we not only offered increasingly convenient and diverse products, but also effectively stimulated consumption through various marketing and promotional campaigns during holiday seasons, which further strengthened consumer mindshare of Meituan as the "go-to destination for local services".

For hotel & travel, although regional COVID-19 outbreaks and strict travel restrictions brought negative impact, we still withstood the challenges and helped hotel merchants recover. In 2021, our domestic hotel room nights grew 34.5%, thanks to the industry recovery and our strategic focus on the domestic travel market, local accommodations, and short-haul travel scenarios. In addition, we solidified our competitive advantage in the low-star domain, bringing offline users to our online platform, and helping more hotel merchants digitize operations. For high-star hotels, room nights contribution exceeded 16.5% in 2021, thanks to our continued improvement in high-star supply and consumer service quality.

New initiatives and others

We continued to expand investments in new initiatives, especially in goods retail, as we upgraded to the "Retail + Technology" strategy. Revenues from the new initiatives and others segment increased by 84.4% year over year to RMB50.3 billion in 2021. Operating loss from new initiatives and others segment expanded to RMB38.4 billion in 2021 from RMB10.9 billion in 2020, while operating margin decreased 36.6 percentage points year over year.

For the fourth quarter of 2021, revenues from the new initiatives and others segment increased by 58.7% year over year to RMB14.7 billion. Operating loss for the segment increased year over year to RMB10.2 billion for the fourth quarter of 2021, while the operating margin improved to negative 69.5% sequentially.

CHAIRMAN'S STATEMENT

For Meituan Select, thanks to clear regulatory guidance and positive market environment, we achieved healthy growth as a major market player. We continually iterated our business model and actively built up various aspects of our long-term capabilities. By continually optimising our operations at different nodes, we improved operating efficiency and unit economics throughout 2021. The three-level logistics network system established by Meituan Select, which fulfills next-day pick-up orders, now covers the majority of neighborhoods and villages in 30 provinces across China. We continued to provide larger and more diverse SKU offerings while improving delivery efficiency and reliability. The launch of our fresh produce direct sourcing program allowed us to effectively match production and demand through both centralized and demand-based procurement process, in turn generating additional revenues for farmers. Residents in rural areas also have more convenient access to abundant and value-for-money daily necessities that previously only urban residents could obtain, eliminating the urban-rural consumption gap and further empowering modern agriculture. We launched a growth scheme for new agricultural merchants to help them continually improve cultivation techniques and provide vocational training in rural areas, focusing on e-commerce skills and operations. Meituan Select also provides a large number of flexible jobs for pick-up station managers, and creates an increasing number of job opportunities in logistics, warehousing, and processing. Thanks to our rapidly built supply chain and logistics system, the Meituan Select team actively responded to the government's call for assistance in Zhengzhou, Xi'an, and other cities affected by COVID-19 and natural disasters, providing a reliable supply of necessities to people in need. Looking forward, strictly adhering to regulatory requirements is our top priority, as we continue to strive for balanced, high-quality growth. We will focus on developing our own capabilities, while enhancing consumer experiences.

Meituan Instashopping delivered another stellar growth in 2021, with highest daily order volume exceeding 6.3 million in December 2021. Leveraging our location-based e-commerce platform and on-demand delivery network, we offered consumers diverse selections of retail goods and convenient on-demand delivery services, and successfully converted a large number of high-quality food delivery users into Meituan Instashopping users. On the supply side, we expanded product categories and collaborated with more high-quality local stores. We provided local retailers with comprehensive suites of online solutions and tools, effectively helping the store owners digitize operations and improve efficiency. As a result, categories such as flowers, supermarkets and convenience stores maintained high growth momentum. Earlier this year, we rolled out the 24/7 medicine delivery services and received positive feedbacks from consumers, as it addressed consumers' urgent needs for medicine. We firmly believe that the endgame of the retail industry is "Everything Now", and we will continue to leverage our strengths and capabilities to facilitate such transformation.

For Meituan Grocery, we continued to grow our user base and GTV in 2021. After completing coverage in four existing tier-one cities, we provided more diverse SKU selections and better experience for consumers. We also optimised our product structure, enhanced warehousing and logistics capabilities, and refined operations at front-end distribution centres, which altogether led to continued improvement in efficiency and unit economies.

CHAIRMAN'S STATEMENT

Company Outlook and Strategy for 2022

As we entered 2022, we still face challenges from COVID control measures and weakening consumption environment. Nevertheless, we are confident that we will be able to navigate through hard times and obstacles and achieve healthy growth, as we continue to strengthen our fundamental capabilities for the long term. With regard to our food delivery and in-store, hotel & travel segments, we will focus on high-quality growth, enhance user experience for both consumers and merchants, solidify our competitive advantage, and constantly improve operating efficiency. Meanwhile, we remain committed to facilitating the digital transformation process across industries, and will place additional emphasis on the long-term value creation and social responsibility fulfillment along the journey. Furthermore, we will continue to implement the upgraded "Retail + Technology" strategy, better help small and micro merchants to cope with difficult times, bring more convenience to people's lives, and in particular, provide reliable supply of daily necessities for people in the affected areas by the pandemic. As our goods retail business grows, we expand our network of partners, from mainly urban- and county-based merchants to rural-based "new farmers". We will commit our support in promoting "rural revitalization", and will bring high quality products and services to tens of thousands of villages in China. In addition, we will continue to create a wide range of job opportunities while placing particular emphasis on the welfare and needs of flexible workers. Particularly, for our food delivery couriers, we will always take their rights and interests as top priority, and make our best efforts in improving their welfare and benefits. Last but not least, we will continue to leverage technology and innovations to bring more value for all the market participants, and contribute to the high quality development of digital economy.

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to our consumers, merchants, business partners, staff and management, and investors for their continuous trust and support. I would also like to thank wholeheartedly our couriers for their commitment and dedication. In 2022, we will continue to adhere our mission that "we help people eat better, live better", provide better value for our consumers and merchants, and contribute more to the broader society.

Wang Xing
Chairman

Hong Kong, March 25, 2022

The Fourth Quarter of 2021 Compared to the Fourth Quarter of 2020

The following table sets forth the comparative figures for the fourth quarter of 2021 and 2020:

	Unaudited Three Months Ended	
	December 31, 2021	December 31, 2020
	(RMB in thousands)	
Revenues	**49,523,133**	37,917,504
Including: Interest revenue	**238,175**	252,335
Cost of revenues	**(37,540,530)**	(28,461,795)
Gross profit	**11,982,603**	9,455,709
Selling and marketing expenses	**(11,239,904)**	(7,675,340)
Research and development expenses	**(4,581,961)**	(3,249,199)
General and administrative expenses	**(2,435,083)**	(1,950,943)
Net provisions for impairment losses on financial and contract assets	**(52,489)**	(54,187)
Fair value changes of other financial investments at fair value through profit or loss	**726,955**	(661,883)
Other gains, net	**594,023**	1,283,147
Operating loss	**(5,005,856)**	(2,852,696)
Finance income	**157,174**	69,724
Finance costs	**(331,672)**	(149,735)
Share of (losses)/gains of investments accounted for using the equity method	**(163,855)**	117,398
Loss before income tax	**(5,344,209)**	(2,815,309)
Income tax credits	**5,058**	571,017
Loss for the period	**(5,339,151)**	(2,244,292)
Non-IFRS measures:		
Adjusted EBITDA	**(2,009,748)**	(589,128)
Adjusted net loss	**(3,935,732)**	(1,436,520)

MANAGEMENT DISCUSSION AND ANALYSIS

Revenues

As China encountered regional COVID-19 outbreaks during the fourth quarter of 2021, we experienced sequentially slower year-over-year revenue growth. Our revenues increased by 30.6% to RMB49.5 billion for the fourth quarter of 2021 from RMB37.9 billion for the same period of 2020. The increase was mainly driven by the slower yet steady revenue growth of our food delivery and in-store, hotel & travel segments, and strong revenue growth of our new initiatives especially the retail businesses.

The following table sets forth our revenues by segment and type in absolute amount for the fourth quarter of 2021 and 2020:

	Unaudited Three Months Ended December 31, 2021			
	Food delivery	In-store, hotel & travel	New initiatives and others	Total
	(RMB in thousands)			
Revenues				
Food delivery services	14,254,546	–	–	14,254,546
Commission	7,768,614	4,066,205	2,325,479	14,160,298
Online marketing services	3,223,472	4,636,167	322,990	8,182,629
Other services and sales (including interest revenue)	880,009	20,055	12,025,596	12,925,660
Total	26,126,641	8,722,427	14,674,065	49,523,133

	Unaudited Three Months Ended December 31, 2020			
	Food delivery	In-store, hotel & travel	New initiatives and others	Total
	(RMB in thousands)			
Revenues				
Food delivery services	12,664,562	–	–	12,664,562
Commission	6,029,499	3,581,958	1,733,424	11,344,881
Online marketing services	2,441,964	3,538,844	79,875	6,060,683
Other services and sales (including interest revenue)	401,960	14,558	7,430,860	7,847,378
Total	21,537,985	7,135,360	9,244,159	37,917,504

With the launch and wide adoption of a new fee structure for our food delivery merchants in 2021, we offer more flexibility in delivery methods and better transparency in pricing. We present the food delivery services revenue from both merchant side and consumer side for our 1P model, for which we organised and provide food delivery services, and the commission revenue purely represents the technology service fees from our merchants and third-party agent partners who use our food delivery platform. All the figures for comparative periods are presented in this way. Our revenues from the food delivery segment increased by 21.3% to RMB26.1 billion for the fourth quarter of 2021 from RMB21.5 billion for the same period of 2020. As we continually improved our membership program and diversified supply on our platform, the enlarged base of Transacting Users and higher order frequency resulted in the increase in GTV and thus the increase in revenues on a year-over-year basis.

Our revenues from the in-store, hotel & travel segment increased by 22.2% to RMB8.7 billion for the fourth quarter of 2021 from RMB7.1 billion for the same period of 2020. As we offered more variety and enhanced the quality of supply on our platform, and provided merchants with more online solutions, we were able to achieve steady growth in both GTV and online marketing Active Merchants, as well as a higher adoption rate of online marketing products by merchants, all of which drove the growth in commission revenue and online marketing services revenue.

Our revenues from the new initiatives and others segment increased by 58.7% to RMB14.7 billion for the fourth quarter of 2021 from RMB9.2 billion for the same period of 2020, mainly contributed by our retail businesses, B2B food distribution services and other new initiatives.

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, 2021		December 31, 2020		
	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	**37,540,530**	**75.8%**	28,461,795	75.1%	31.9%
Selling and marketing expenses	**11,239,904**	**22.7%**	7,675,340	20.2%	46.4%
Research and development expenses	**4,581,961**	**9.3%**	3,249,199	8.6%	41.0%
General and administrative expenses	**2,435,083**	**4.9%**	1,950,943	5.1%	24.8%
Net provisions for impairment losses on financial and contract assets	**52,489**	**0.1%**	54,187	0.1%	(3.1%)

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of Revenues

Our cost of revenues increased by 31.9% to RMB37.5 billion for the fourth quarter of 2021 from RMB28.5 billion for the same period of 2020, and increased by 0.7 percentage points to 75.8% from 75.1% as a percentage of revenues on a year-over-year basis. The increase in amount was primarily attributable to (i) an increase of RMB2.1 billion in food delivery related costs for our 1P model to RMB18.3 billion, which was in line with the increase in related number of transactions, and (ii) the expanded investment in our new initiatives. The increase in cost of revenues as a percentage of revenues was mainly due to the change in revenue mix as new initiatives with lower gross margin weighed heavier in our entire business portfolio.

Selling and Marketing Expenses

Our selling and marketing expenses was RMB11.2 billion for the fourth quarter of 2021 and RMB7.7 billion for the same period of 2020, and increased by 2.5 percentage points to 22.7% from 20.2% as a percentage of revenues on a year-over-year basis. The increases in both amount and as a percentage of revenues were primarily attributable to (i) the increase in marketing campaigns to support the growth of retail businesses and to enhance brand recognition, and (ii) the increase in employee benefits expenses driven by the increased number of employees due to our business development.

Research and Development Expenses

Our research and development expenses increased to RMB4.6 billion for the fourth quarter of 2021 from RMB3.2 billion for the same period of 2020, and increased by 0.7 percentage points to 9.3% from 8.6% as a percentage of revenues on a year-over-year basis. The increases in both amount and as a percentage of revenues were primarily attributable to the increase in employee benefits expenses driven by the increased number of employees to support business and technology development.

General and Administrative Expenses

Our general and administrative expenses increased to RMB2.4 billion for the fourth quarter of 2021 from RMB2.0 billion for the same period of 2020 and as a percentage of revenues remained flat on a year-over-year basis. The increase in amount was primarily attributable to the increase in employee benefits expenses.

Net Provisions for Impairment Losses on Financial and Contract Assets

Our net provisions for impairment losses on financial and contract assets was RMB52.5 million for the fourth quarter of 2021, and remained flat on a year-over-year basis.

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

Our fair value changes of other financial investments at fair value through profit or loss was a gain of RMB727.0 million for the fourth quarter of 2021, compared to a loss of RMB661.9 million for the same period of 2020, mainly driven by the fluctuation in the stock price of certain listed entity we invested in.

Other Gains, Net

Our other gains, net for the fourth quarter of 2021 decreased by RMB689.1 million to RMB594.0 million compared to the same period of 2020, which was primarily due to a decrease in gains from investments.

Operating Loss

As a result of the foregoing, our operating loss and margin for the fourth quarter of 2021 was RMB5.0 billion and negative 10.1%, compared to operating loss and margin of RMB2.9 billion and negative 7.5% for the same period of 2020.

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

	Unaudited Three Months Ended				
	December 31, 2021		December 31, 2020		
	Amount	As a percentage of revenues	Amount	As a percentage of revenues	Year-over-year change
	(RMB in thousands, except for percentages)				
Food delivery	**1,735,577**	**6.6%**	882,352	4.1%	96.7%
In-store, hotel & travel	**3,897,016**	**44.7%**	2,821,935	39.5%	38.1%
New initiatives and others	**(10,205,238)**	**(69.5%)**	(6,002,831)	(64.9%)	70.0%
Unallocated items	**(433,211)**	**NA**	(554,152)	NA	(21.8%)
Total operating loss	**(5,005,856)**	**(10.1%)**	(2,852,696)	(7.5%)	75.5%

MANAGEMENT DISCUSSION AND ANALYSIS

Our operating profit from the food delivery segment increased by 96.7% to RMB1.7 billion for the fourth quarter of 2021 from RMB882.4 million for the same period of 2020 and operating margin increased by 2.5 percentage points to 6.6% from 4.1% on a year-over-year basis. The increase was primarily attributable to the increase in number of transactions, decrease in seasonal food delivery courier incentives and higher online marketing services revenue contribution.

Our operating profit from the in-store, hotel & travel segment increased by 38.1% to RMB3.9 billion for the fourth quarter of 2021 from RMB2.8 billion for the same period of 2020, mainly driven by revenue growth. Our operating margin for this segment increased by 5.2 percentage points to 44.7% from 39.5% on a year-over-year basis, primarily attributed to the improved marketing efficiency and change in revenue mix.

Our operating loss from the new initiatives and others segment expanded to RMB10.2 billion for the fourth quarter of 2021 from RMB6.0 billion for the same period of 2020, and our operating margin for this segment decreased by 4.6 percentage points to negative 69.5% from negative 64.9% on a year-over-year basis, driven by the continuous investment in our new initiatives to satisfy consumers' diverse needs in different consumption scenarios, especially the retail businesses with lower operating margin.

Income Tax Credits

We had income tax credits of RMB5.1 million for the fourth quarter of 2021, compared to income tax credits of RMB571.0 million for the same period of 2020. The change in profit status of certain entities resulted in higher income tax credits for the fourth quarter of 2020.

Loss for the Period

As a result of the foregoing, we had loss of RMB5.3 billion for the fourth quarter of 2021, compared to loss of RMB2.2 billion for the same period of 2020.

The Fourth Quarter of 2021 Compared to the Third Quarter of 2021

The following table sets forth the comparative figures for the fourth quarter of 2021 and the third quarter of 2021:

	Unaudited Three Months Ended	
	December 31, 2021	September 30, 2021
	(RMB in thousands)	
Revenues	**49,523,133**	48,829,370
Including: Interest revenue	**238,175**	245,039
Cost of revenues	**(37,540,530)**	(38,051,383)
Gross profit	**11,982,603**	10,777,987
Selling and marketing expenses	**(11,239,904)**	(11,388,227)
Research and development expenses	**(4,581,961)**	(4,715,550)
General and administrative expenses	**(2,435,083)**	(2,387,116)
Net provisions for impairment losses on financial and contract assets	**(52,489)**	(136,884)
Fair value changes of other financial investments at fair value through profit or loss	**726,955**	(117,990)
Other gains/(losses), net	**594,023**	(2,134,851)
Operating loss	**(5,005,856)**	(10,102,631)
Finance income	**157,174**	198,890
Finance costs	**(331,672)**	(369,942)
Share of (losses)/gains of investments accounted for using the equity method	**(163,855)**	273,237
Loss before income tax	**(5,344,209)**	(10,000,446)
Income tax credits	**5,058**	6,036
Loss for the period	**(5,339,151)**	(9,994,410)
Non-IFRS measures:		
Adjusted EBITDA	**(2,009,748)**	(4,061,659)
Adjusted net loss	**(3,935,732)**	(5,526,910)

MANAGEMENT DISCUSSION AND ANALYSIS

Revenues

Our revenues increased by 1.4% to RMB49.5 billion for the fourth quarter of 2021 from RMB48.8 billion for the third quarter of 2021. The increase was mainly driven by new initiatives and others.

The following table sets forth our revenues by segment and type in absolute amount for the fourth quarter of 2021 and the third quarter of 2021:

	Unaudited Three Months Ended December 31, 2021			
	Food delivery	In-store, hotel & travel	New initiatives and others	Total
	(RMB in thousands)			
Revenues				
Food delivery services	14,254,546	–	–	14,254,546
Commission	7,768,614	4,066,205	2,325,479	14,160,298
Online marketing services	3,223,472	4,636,167	322,990	8,182,629
Other services and sales (including interest revenue)	880,009	20,055	12,025,596	12,925,660
Total	26,126,641	8,722,427	14,674,065	49,523,133

	Unaudited Three Months Ended September 30, 2021			
	Food delivery	In-store, hotel & travel	New initiatives and others	Total
	(RMB in thousands)			
Revenues				
Food delivery services	14,674,501	–	–	14,674,501
Commission	8,083,678	4,124,543	2,211,138	14,419,359
Online marketing services	3,255,079	4,480,794	285,837	8,021,710
Other services and sales (including interest revenue)	471,385	15,991	11,226,424	11,713,800
Total	26,484,643	8,621,328	13,723,399	48,829,370

Our revenues from the food delivery segment decreased by 1.4% to RMB26.1 billion for the fourth quarter of 2021 from RMB26.5 billion for the third quarter of 2021. In addition to seasonality, the COVID-19 outbreaks during the fourth quarter adversely affected people's consumption needs, and cast negative impact on our Transacting User activity. Therefore, both our number of transactions and GTV decreased on a quarter-over-quarter basis.

Our revenues from the in-store, hotel & travel segment increased by 1.2% to RMB8.7 billion for the fourth quarter of 2021 from RMB8.6 billion for the third quarter of 2021. The increase in online marketing services revenue was driven by the increase in the number of Active Merchants. The decrease in commission revenue was mainly attributable to hotel and travel businesses, which was adversely affected by the COVID-19 outbreaks.

Our revenues from the new initiatives and others segment increased by 6.9% to RMB14.7 billion for the fourth quarter of 2021 from RMB13.7 billion for the third quarter of 2021, which was primarily driven by the continuing growth in retail businesses and B2B food distribution services.

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, 2021		September 30, 2021		
	Amount	As a percentage of revenues	Amount	As a percentage of revenues	Quarter-over-quarter change
	(RMB in thousands, except for percentages)				
Costs and Expenses:					
Cost of revenues	**37,540,530**	**75.8%**	38,051,383	77.9%	(1.3%)
Selling and marketing expenses	**11,239,904**	**22.7%**	11,388,227	23.3%	(1.3%)
Research and development expenses	**4,581,961**	**9.3%**	4,715,550	9.7%	(2.8%)
General and administrative expenses	**2,435,083**	**4.9%**	2,387,116	4.9%	2.0%
Net provisions for impairment losses on financial and contract assets	**52,489**	**0.1%**	136,884	0.3%	(61.7%)

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of Revenues

Our cost of revenues decreased by 1.3% to RMB37.5 billion for the fourth quarter of 2021 from RMB38.1 billion for the third quarter of 2021, decreasing by 2.1 percentage points to 75.8% from 77.9% as a percentage of revenues. The decreases in amount and as a percentage of revenues were primarily attributable to a decrease in food delivery related costs of RMB733.4 million to RMB18.3 billion resulting from the decrease in number of transactions and lower food delivery courier incentives, as well as the improved gross margin for our new initiatives.

Selling and Marketing Expenses

Our selling and marketing expenses decreased to RMB11.2 billion for the fourth quarter of 2021 from RMB11.4 billion for the third quarter of 2021, decreasing by 0.6 percentage points to 22.7% from 23.3% as a percentage of revenues on a quarter-over-quarter basis. Both the decreases in amount and as a percentage of revenues were primarily attributable to the decrease in Transacting User incentives in food delivery business.

Research and Development Expenses

Our research and development expenses decreased to RMB4.6 billion for the fourth quarter of 2021 from RMB4.7 billion for the third quarter of 2021, and decreased by 0.4 percentage points to 9.3% from 9.7% as a percentage of revenues. The decrease was primarily due to the improvement of operating efficiency.

General and Administrative Expenses

Our general and administrative expenses was RMB2.4 billion and was 4.9% as a percentage of revenues for the fourth quarter of 2021, flat on a quarter-over-quarter basis.

Net Provisions for Impairment Losses on Financial and Contract Assets

Our net provisions for impairment losses on financial and contract assets decreased to RMB52.5 million for the fourth quarter of 2021 from RMB136.9 million for the third quarter of 2021, which was primarily due to the decrease in expected credit losses of financial assets.

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

Our fair value changes of other financial investments at fair value through profit or loss was a gain of RMB727.0 million for the fourth quarter of 2021, compared to a loss of RMB118.0 million for the third quarter of 2021, mainly driven by the fluctuation in the valuation of our investment portfolios.

Other Gains/(Losses), Net

Our other gains/(losses), net for the fourth quarter of 2021 was a gain of RMB594.0 million, compared to a loss of RMB2.1 billion for the third quarter of 2021. The loss in the third quarter comprised the fine imposed pursuant to China's Anti-Monopoly Law.

Operating Loss

As a result of the foregoing, our operating loss and margin for the fourth quarter of 2021 was RMB5.0 billion and negative 10.1% respectively, compared to operating loss and margin of RMB10.1 billion and negative 20.7% for the third quarter of 2021.

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

	Unaudited Three Months Ended				
	December 31, 2021		September 30, 2021		
	Amount	As a percentage of revenues	Amount	As a percentage of revenues	Quarter-over-quarter change
	(RMB in thousands, except for percentages)				
Food delivery	**1,735,577**	**6.6%**	876,103	3.3%	98.1%
In-store, hotel & travel	**3,897,016**	**44.7%**	3,784,074	43.9%	3.0%
New initiatives and others	**(10,205,238)**	**(69.5%)**	(10,906,087)	(79.5%)	(6.4%)
Unallocated items	**(433,211)**	**NA**	(3,856,721)	NA	(88.8%)
Total operating loss	**(5,005,856)**	**(10.1%)**	(10,102,631)	(20.7%)	(50.4%)

MANAGEMENT DISCUSSION AND ANALYSIS

Our operating profit from the food delivery segment increased to RMB1.7 billion for the fourth quarter of 2021 from RMB876.1 million for the third quarter of 2021. The operating margin for this segment increased by 3.3 percentage points to 6.6% from 3.3% on a quarter-over-quarter basis. Both the increases in operating profit and margin were primarily attributable to lower Transacting Users incentives and lower food delivery courier seasonal incentives.

Our operating profit from the in-store, hotel & travel segment increased to RMB3.9 billion for the fourth quarter of 2021 from RMB3.8 billion for the third quarter of 2021. The operating margin for this segment increased by 0.8 percentage points to 44.7% on a quarter-over-quarter basis. It was mainly driven by lower promotion expenses from our hotel and travel businesses and improved operating efficiency for the whole segment.

Our operating loss from the new initiatives and others segment decreased to RMB10.2 billion for the fourth quarter of 2021 from RMB10.9 billion for the third quarter of 2021, and the operating margin for this segment increased by 10.0 percentage points to negative 69.5% from negative 79.5% on a quarter-over-quarter basis. We continuously made efforts to improve the operation strategy for this segment, especially the retail businesses by optimising operating efficiency as well as user incentives programs.

Income Tax Credits

We had income tax credits of RMB5.1 million for the fourth quarter of 2021, compared to income tax credits of RMB6.0 million for the third quarter of 2021.

Loss for the Period

As a result of the foregoing, we had loss of RMB5.3 billion for the fourth quarter of 2021, compared to loss of RMB10.0 billion for the third quarter of 2021.

The Year ended December 31, 2021 Compared to the Year ended December 31, 2020

The following table sets forth the comparative figures for the years ended December 31, 2021 and 2020:

	Year Ended	
	December 31, 2021	December 31, 2020
	(RMB in thousands)	
Revenues	**179,127,997**	114,794,510
Including: Interest revenue	**1,000,004**	884,897
Cost of revenues	**(136,653,869)**	(80,744,368)
Gross profit	**42,474,128**	34,050,142
Selling and marketing expenses	**(40,683,166)**	(20,882,685)
Research and development expenses	**(16,675,595)**	(10,892,514)
General and administrative expenses	**(8,612,626)**	(5,593,895)
Net provisions for impairment losses on financial and contract assets	**(259,953)**	(467,690)
Fair value changes of other financial investments at fair value through profit or loss	**815,747**	4,955,909
Other (losses)/gains, net	**(185,734)**	3,160,835
Operating (loss)/profit	**(23,127,199)**	4,330,102
Finance income	**546,037**	213,684
Finance costs	**(1,130,935)**	(370,016)
Share of gains of investments accounted for using the equity method	**145,620**	264,105
(Loss)/profit before income tax	**(23,566,477)**	4,437,875
Income tax credits	**30,279**	269,737
(Loss)/profit for the year	**(23,536,198)**	4,707,612
Non-IFRS measures:		
Adjusted EBITDA	**(9,694,076)**	4,737,837
Adjusted net (loss)/profit	**(15,571,500)**	3,120,605

MANAGEMENT DISCUSSION AND ANALYSIS

Revenues

Our revenues increased by 56.0% to RMB179.1 billion in 2021 from RMB114.8 billion in 2020. Despite sporadic COVID-19 outbreaks, all food delivery and in-store, hotel and travel businesses recovered from the domestic pandemic and achieved strong revenue growth on a year-over-year basis. In addition, our committed investment in retail businesses and other initiatives drove the revenue increase for new initiatives and others segment.

The following table sets forth our revenues by segment and type in absolute amount in 2021 and 2020:

	Year Ended December 31, 2021			
	Food delivery	In-store, hotel & travel	New initiatives and others	Total
	(RMB in thousands)			
Revenues				
Food delivery services	54,203,640	–	–	54,203,640
Commission	28,547,274	15,798,936	8,558,547	52,904,757
Online marketing services	11,434,933	16,667,421	982,816	29,085,170
Other services and sales (including interest revenue)	2,125,931	63,968	40,744,531	42,934,430
Total	96,311,778	32,530,325	50,285,894	179,127,997

	Year Ended December 31, 2020			
	Food delivery	In-store, hotel & travel	New initiatives and others	Total
	(RMB in thousands)			
Revenues				
Food delivery services	39,116,411	–	–	39,116,411
Commission	18,502,868	10,193,162	5,428,154	34,124,184
Online marketing services	7,565,111	11,018,337	324,597	18,908,045
Other services and sales (including interest revenue)	1,080,929	40,899	21,524,042	22,645,870
Total	66,265,319	21,252,398	27,276,793	114,794,510

Our revenues from the food delivery segment increased by 45.3% to RMB96.3 billion in 2021 from RMB66.3 billion in 2020. As more merchants embraced digitalization since the COVID-19 pandemic, the supply on our platform were improved. Meanwhile, our membership program continued to evolve, and we promoted various online consumption scenarios. As a result, both the annual Transacting Users and order frequency increased steadily, which drove the solid increase in our GTV and revenues.

Our revenues from the in-store, hotel & travel segment increased by 53.1% to RMB32.5 billion in 2021 from RMB21.3 billion in 2020. Recovering from the COVID-19 pandemic, all the businesses in this segment achieved revenue growth in this year. The development of new categories, expanded coverage of low-tier cities and stratified merchants operations resulted in the increase in GTV, domestic hotel room nights and online marketing Active Merchants, and further the revenues growth.

Our revenues from the new initiatives and others segment increased by 84.4% to RMB50.3 billion in 2021 from RMB27.3 billion in 2020, mainly contributed by our retail businesses, B2B food distribution services and other new initiatives, 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, 2021		December 31, 2020		
	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	**136,653,869**	**76.3%**	80,744,368	70.3%	69.2%
Selling and marketing expenses	**40,683,166**	**22.7%**	20,882,685	18.2%	94.8%
Research and development expenses	**16,675,595**	**9.3%**	10,892,514	9.5%	53.1%
General and administrative expenses	**8,612,626**	**4.8%**	5,593,895	4.9%	54.0%
Net provisions for impairment losses on financial and contract assets	**259,953**	**0.1%**	467,690	0.4%	(44.4%)

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of Revenues

Our cost of revenues increased by 69.2% to RMB136.7 billion in 2021 from RMB80.7 billion in 2020, and increased by 6.0 percentage points to 76.3% from 70.3% as a percentage of revenues on a year-over-year basis. The increase in amount was primarily attributable to (i) an increase of RMB18.9 billion in food delivery related costs for our 1P model to RMB68.2 billion, which was in line with the increase in related number of transactions, and (ii) the development and exploration in our retail businesses and other new initiatives. The increase in the cost of revenues as a percentage of revenues was mainly due to our enlarged investment in retail businesses this year as well as the change in revenue mix.

Selling and Marketing Expenses

Our selling and marketing expenses increased by RMB19.8 billion to RMB40.7 billion in 2021 from RMB20.9 billion in 2020, increasing by 4.5 percentage points to 22.7% from 18.2% as a percentage of revenues on a year-over-year basis. The increase in amount was primarily attributable to the increase in promotion, advertising and user incentives expenses and employee benefits expenses. We enlarged branding and promotional campaigns to enhance our brand recognition, and increased Transacting Users incentives to stimulate consumption for various businesses. In addition, we hired more employees to support the rapid growth of our new initiatives. The increase in percentage of revenues was primarily attributable to the new initiatives businesses which incurred more marketing expenses at early business stage.

Research and Development Expenses

Our research and development expenses increased to RMB16.7 billion in 2021 from RMB10.9 billion in 2020, mainly due to the increase in employee benefits expenses driven by our business expansion.

General and Administrative Expenses

Our general and administrative expenses increased to RMB8.6 billion in 2021 from RMB5.6 billion in 2020, mainly due to the increase in employee benefits expenses.

Net Provisions for Impairment Losses on Financial and Contract Assets

Our net provisions for impairment losses on financial and contract assets decreased to RMB260.0 million in 2021 from RMB467.7 million in 2020, which was primarily due to the decrease in expected credit losses of financial assets.

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

Our gain in fair value changes of other financial investments at fair value through profit or loss was RMB815.7 million in 2021, compared to a gain of RMB5.0 billion in 2020. This was primarily due to the fluctuation in valuation of our investment portfolios, as well as certain one-off valuation adjustment driven by capital transactions of certain investee in 2020.

Other (Losses)/Gains, Net

Our other (losses)/gains, net in 2021 was a loss of RMB185.7 million, compared to a gain of RMB3.2 billion in 2020. Both our proceeds from treasury investments and subsidies or tax benefits received remained the same level for past two years, but we were imposed a fine pursuant to China's Anti-Monopoly Law in 2021.

Operating (Loss)/Profit

As a result of the foregoing, our operating loss and margin in 2021 was RMB23.1 billion and negative 12.9% respectively, compared to operating profit and margin of RMB4.3 billion and 3.8% in 2020.

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

	Year Ended				
	December 31, 2021		December 31, 2020		
	Amount	As a percentage of revenues	Amount	As a percentage of revenues	Year-over-year change
	(RMB in thousands, except for percentages)				
Food delivery	**6,174,641**	**6.4%**	2,833,369	4.3%	117.9%
In-store, hotel & travel	**14,093,113**	**43.3%**	8,180,933	38.5%	72.3%
New initiatives and others	**(38,393,895)**	**(76.4%)**	(10,854,996)	(39.8%)	253.7%
Unallocated items	**(5,001,058)**	**NA**	4,170,796	NA	NA
Total operating (loss)/profit	**(23,127,199)**	**(12.9%)**	4,330,102	3.8%	NA

MANAGEMENT DISCUSSION AND ANALYSIS

Our operating profit from the food delivery segment increased to RMB6.2 billion in 2021 from RMB2.8 billion in 2020. The operating margin increased by 2.1 percentage points to 6.4% from 4.3% on a year-over-year basis. This was primarily driven by the higher contribution from online marketing services revenue, enhanced economies of scale and improved operating efficiency.

Our operating profit from the in-store, hotel & travel segment increased by 72.3% to RMB14.1 billion in 2021 from RMB8.2 billion in 2020. Our operating margin for this segment increased by 4.8 percentage points to 43.3% from 38.5% on a year-over-year basis. Both the increases in operating profit and margin were mainly due to business recovery from the COVID-19 pandemic and enhanced operating leverage.

Our operating loss from the new initiatives and others segment expanded to RMB38.4 billion in 2021 from RMB10.9 billion in 2020 and our operating margin for this segment decreased by 36.6 percentage points to negative 76.4% from negative 39.8% on a year-over-year basis. The expansion in loss was mainly contributed by the expenditure in supply chain and user incentives to support our retail businesses.

Income Tax Credits

We had income tax credits of RMB30.3 million in 2021, compared to income tax credits of RMB269.7 million in 2020. The change in profit status of certain entities resulted in higher income tax credits for the prior year.

(Loss)/profit for the Year

As a result of the foregoing, we had loss of RMB23.5 billion in 2021, compared to profit of RMB4.7 billion in 2020.

Reconciliation of Non-IFRS Measures to the Nearest IFRS Measures

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

The following tables set forth the reconciliations of our non-IFRS financial measures for the fourth quarter of 2021 and 2020, the third quarter of 2021 and the years ended December 31, 2021 and 2020, to the nearest measures prepared in accordance with IFRS.

	Unaudited		
	Three Months Ended		
	December 31, 2021	December 31, 2020	September 30, 2021
	(RMB in thousands)		
Loss for the period	**(5,339,151)**	(2,244,292)	(9,994,410)
Adjusted for:			
Fine imposed pursuant to China's Anti-Monopoly Law	**–**	–	3,442,440
Share-based compensation expenses	**1,634,141**	1,041,671	1,481,159
Net gains from investments[1]	**(471,908)**	(191,031)	(580,615)
Impairment and expense reversal/(provision)	**(1,477)**	738	(434)
Amortisation of intangible assets resulting from acquisitions	**121,525**	133,007	123,155
Tax effects on non-IFRS adjustments	**121,138**	(176,613)	1,795
Adjusted net loss	**(3,935,732)**	(1,436,520)	(5,526,910)
Adjusted for:			
Income tax credits, except for tax effects on non-IFRS adjustments	**(126,196)**	(394,404)	(7,831)
Share of (losses)/gains of investments accounted for using the equity method not adjusted for adjusted net loss	**(107,445)**	(117,398)	(273,237)
Finance income	**(157,174)**	(69,724)	(198,890)
Finance costs	**331,672**	149,735	369,942
Other gains/(losses), net not adjusted for adjusted net loss	**(577,770)**	(430,233)	(608,984)
Amortisation of software and others	**89,889**	75,597	78,383
Depreciation on property, plant and equipment	**2,473,008**	1,633,819	2,105,868
Adjusted EBITDA	**(2,009,748)**	(589,128)	(4,061,659)

(1) Mainly includes fair value changes related to investees, gains/(losses) on disposal of investees or subsidiaries, dilution gains and certain share of (losses)/gains of investments accounted for using the equity method.

MANAGEMENT DISCUSSION AND ANALYSIS

	Year Ended	
	December 31, 2021	December 31, 2020
	(RMB in thousands)	
(Loss)/Profit for the year	**(23,536,198)**	4,707,612
Adjusted for:		
Fine imposed pursuant to China's Anti-Monopoly Law	**3,442,440**	–
Share-based compensation expenses	**5,193,860**	3,277,476
Net gains from investments[(1)]	**(1,247,255)**	(5,809,527)
Impairment and expense reversal/(provision)	**(58,743)**	52,894
Amortisation of intangible assets resulting from acquisitions	**495,954**	615,578
Tax effects on non-IFRS adjustments	**138,442**	276,572
Adjusted net (loss)/profit	**(15,571,500)**	3,120,605
Adjusted for:		
Income tax credits, except for tax effects on non-IFRS adjustments	**(168,721)**	(546,309)
Share of gains of investments accounted for using the equity method not adjusted for adjusted net (loss)/profit	**(416,920)**	(264,105)
Finance income	**(546,037)**	(213,684)
Finance costs	**1,130,935**	370,016
Other (losses)/gains, net not adjusted for adjusted net (loss)/profit	**(2,553,898)**	(2,307,217)
Amortisation of software and others	**321,090**	375,908
Depreciation on property, plant and equipment	**8,110,975**	4,202,623
Adjusted EBITDA	**(9,694,076)**	4,737,837

(1) Mainly includes fair value changes related to investees, gains/(losses) on disposal of investees or subsidiaries, dilution gains and certain share of (losses)/gains of investments accounted for using the equity method.

Liquidity and Capital Resources

Historically, our demand for cash was principally funded by capital contribution from Shareholders and financing through issuance and sale of equity and debt securities. We had cash and cash equivalents of RMB32.5 billion and short-term treasury investments of RMB84.3 billion as of December 31, 2021, compared to the balances of RMB17.1 billion and RMB44.0 billion as of December 31, 2020.

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

	Year Ended	
	December 31, 2021	December 31, 2020
	(RMB in thousands)	
Net cash flows (used in)/generated from operating activities	**(4,011,457)**	8,475,013
Net cash flows used in investing activities	**(58,491,834)**	(21,232,004)
Net cash flows generated from financing activities	**78,598,331**	17,418,081
Net increase in cash and cash equivalents	**16,095,040**	4,661,090
Cash and cash equivalents at the beginning of the year	**17,093,559**	13,396,185
Exchange losses on cash and cash equivalents	**(675,171)**	(963,716)
Cash and cash equivalents at the end of the year	**32,513,428**	17,093,559

Net Cash Flows Used in Operating Activities

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

For the year ended December 31, 2021, net cash flows used in operating activities was RMB4.0 billion, which was primarily attributable to our loss before income tax, as adjusted by (i) depreciation and amortisation and share-based compensation expenses, partially offset by dividend income and interest classified as investing cash flows, (ii) net decrease in working capital in line with the business scale expansion and the continuous investment in our new initiatives, and (iii) partial payment of the fine imposed pursuant to China's Anti-Monopoly Law.

MANAGEMENT DISCUSSION AND ANALYSIS

Net Cash Flows Used in Investing Activities

For the year ended December 31, 2021, net cash flows used in investing activities was RMB58.5 billion, which was mainly attributable to treasury investments, purchase of property, plant and equipment and investments in some entities.

Net Cash Flows Generated from Financing Activities

For the year ended December 31, 2021, net cash flows generated from financing activities was RMB78.6 billion, which was mainly attributable to proceeds from issuance of shares upon placement and convertible bonds and the net increase of borrowings, partially offset by the principal elements of lease payments.

Gearing ratio

As of December 31, 2021, our gearing ratio, calculated as total borrowings and notes payable divided by total equity attributable to equity holders of the Company, was approximately 43%.

Contingent Liabilities

The Group did not have any material contingent liabilities as of December 31, 2021.

Investments Held

As of December 31, 2021, our investment portfolio amounted to approximately RMB30,191 million (December 31, 2020: RMB24,044 million) as recorded in the consolidated statement of financial position under various categories including:

– investments accounted for using the equity method;

– other financial investments at fair value through profit or loss; and

– 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 "Retail + Technology" 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, semiconductor and robotics, to help us strengthen our business and improve efficiency.

The fair value of our stakes in listed investee entities amounted to RMB30,022 million as of December 31, 2021 (December 31, 2020: RMB27,954 million). There was no investment of which the carrying amount individually constituted 5% or more of our total assets as of December 31, 2021.

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, 2021, 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, 2021, we did not pledge any assets for fund raising and no charge was created on the Group's asset.

Future Plans for Material Investments and Capital Assets

As of December 31, 2021, we did not have other plans for material investments and capital assets.

Employees

As of December 31, 2021, we had a total of approximately 100,033 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.

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 organised 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 incentivise their contributions to our growth and development.

More details of the remuneration of employees, remuneration policies, bonus and stock incentive schemes are set out in Note 8 and Note 33 to the consolidated financial statements.

DIRECTORS AND SENIOR MANAGEMENT

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 43, 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 11 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 and Li Auto Inc. was listed on the Stock Exchange since August 12, 2021 (HKEx Stock Code: 2015) of which Wang Xing was appointed as its non-executive director.

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 42, 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 11 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 43, 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, organisational growth and talent development of the Company.

Wang Huiwen has over 11 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.

DIRECTORS AND SENIOR MANAGEMENT

Non-executive Directors

Lau Chi Ping Martin (劉熾平), aged 49, 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. From March 2014 to December 2021, Lau Chi Ping Martin served as a director of JD.com, Inc. (NASDAQ Ticker: JD) (HKEx Stock: 9618). In February 2015, Lau Chi Ping Martin was appointed as a director of DiDi Global Inc. (NYSE Ticker: DIDI), a mobility technology platform listed on the New York Stock Exchange. 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 54, 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; HKEx Stock Code: 9961), 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; HKEx Stock Code: 9961), 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 59, is an independent non-executive Director. He was appointed as Director in September 2018 is responsible for providing independent advice on financial and accounting affairs and corporate governance matters, and other matters subject to the Board guidance and approval.

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

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

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

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

DIRECTORS AND SENIOR MANAGEMENT

Leng Xuesong (冷雪松), aged 53, is an independent non-executive Director. He was appointed as Director in September 2018 and is responsible for providing independent advice on finance, executive compensation and corporate governance matters, and other matters subject to the Board guidance and approval.

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

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

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

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

Shum Heung Yeung Harry (沈向洋), aged 55, is an independent non-executive Director. He was appointed as Director in September 2018 and is responsible for providing independent advice on technology innovation, the global technology and internet industry trends, and other matters subject to the Board guidance and approval.

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

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

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

SENIOR MANAGEMENT

Wang Xing (王興), aged 43, 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 42, 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 43, 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 41, 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.

DIRECTORS AND SENIOR MANAGEMENT

Chen Liang (陳亮), aged 42, 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 46, 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.

REPORT OF DIRECTORS

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

GLOBAL OFFERING

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

PRINCIPAL ACTIVITIES

The Company is China's leading e-commerce platform for goods and services. It offers diversified daily goods and services in the broader retail by leveraging technology, 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, 2021 are set out in the consolidated statement of comprehensive income contained in this annual report.

DIVIDEND POLICY AND FINAL DIVIDENDS

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

The Board did not recommend the payment of a final dividend for the year ended December 31, 2021.

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.

REPORT OF DIRECTORS

USE OF NET PROCEEDS

1. 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, 2021, we have utilised an amount of RMB22,952.3 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, 2021, the unutilised net proceeds was in the amount of approximately RMB5,563.9 million. The Company intends to apply them in the same manner and proportion as stated in the Prospectus.

For the year ended December 31, 2021, the Company applied the IPO Proceeds for the following purposes:

	Use of proceeds as stated in the Prospectus *(in RMB'000) (approximate)*	Utilisation as of 31 December 2020 *(in RMB'000) (approximate)*	Utilisation as of 31 December 2021 *(in RMB'000) (approximate)*	Net proceeds unutilised as of 31 December 2021 *(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	6,093,626	3,887,035	by end of 2022
35% to develop new services and products	9,980,661	1,970,090	9,657,038	323,623	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	–	5,392,801	310,434	by end of 2022
10% for working capital and general corporate purpose	2,851,617	–	1,808,786	1,042,831	by end of 2022
	28,516,174	3,934,288	22,952,251	5,563,923	

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.

2. **Use of Net Proceeds from Issuance of the 2027 Bonds and 2028 Bonds**

On April 27, 2021, the Company issued U.S. dollar-denominated zero coupon convertible bonds due 2027 in an aggregate principal amount of US$1,483,600,000 at an initial conversion price of HK$431.24 per Share (subject to adjustments) (the "**2027 Bonds**") and U.S. dollar-denominated zero coupon convertible bonds due 2028 in an aggregate principal amount of US$1,500,000,000 at an initial conversion price of HK$431.24 per Share (subject to adjustments) (the "**2028 Bonds**"). The Company intends to use the net proceeds of the 2027 Bonds and 2028 Bonds, approximately US$2,971.5 million in total, for technology innovations, including the research and development of autonomous delivery vehicles, drones delivery, and other cutting-edge technology, and general corporate purposes. As of December 31, 2021, approximately US$385.6 million of the net proceeds of the 2027 Bonds and 2028 Bonds had been utilised for technology innovations and US$2,585.9 million remained unutilised. The Company expects to fully utilise the residual amount of the net proceeds in accordance with such intended purposes within 5 years. There has been no change in the intended use of net proceeds as previously disclosed. For further details, please refer to the announcements of the Company dated April 20, 2021, April 27, 2021 and April 28, 2021.

3. **Use of Net Proceeds from Issuance of the 2021 Placing and Subscription**

The 2021 Placing and Subscription was completed on April 22, 2021. An aggregate of 187,000,000 placing Shares have been successfully placed to not less than six independent placees (the "**2021 Placing and Subscription**") and accordingly 187,000,000 subscription Shares were allotted and issued by the Company to Tencent Mobility Limited. The net proceeds raised from the 2021 Placing and Subscription were approximately US$6.6 billion. The Company intends to use the net proceeds for technology innovations, including the research and development of autonomous delivery vehicles, drones delivery, and other cutting-edge technology, and general corporate purposes. As of December 31, 2021, we have not utilised any of the net proceeds of the 2021 Placing and Subscription. The Company expects to fully utilise the residual amount of the net proceeds in accordance with such intended purposes within 5 years. There has been no change in the intended use of net proceeds as previously disclosed. For further details, please refer to the Company's announcements Issuance dated April 20, 2021, April 27, 2021 and April 28, 2021.

4. **Use of Net Proceeds from Issuance of the Tencent Subscription**

The Tencent Subscription was completed on July 13, 2021 and an aggregate of 11,352,600 Shares were allotted and issued by the Company to Tencent Mobility Limited (the "**Tencent Subscription**"). The net proceeds raised from the Tencent Subscription were approximately US$400.0 million. The Company intends to use the net proceeds for technology innovations, including the research and development of autonomous delivery vehicles, drones delivery, and other cutting-edge technology, and general corporate purposes. As of December 31, 2021, we have not utilised any of the net proceeds of the Tencent Subscription. The Company expects to fully utilise the residual amount of the net proceeds in accordance with such intended purposes within 5 years. There has been no change in the intended use of net proceeds as previously disclosed. For further details, please refer to the Company's announcements dated April 20, 2021, April 27, 2021, April 28, 2021 and July 13, 2021.

REPORT OF DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

For the year ended December 31, 2021, 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, 2021, 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

On April 22, 2021, the Company completed a placing of a total of 187,000,000 placing Shares at HK$ 273.80 for each placing Share to not less than six independent placees and, on April 27, 2021, the Company allotted and issued 187,000,000 subscription Shares under the general mandate to Tencent Mobility Limited at HK$273.80 per subscription Share. For further details, please refer to the Company's announcements dated April 20, 2021, April 27, 2021 and April 28, 2021.

The Company completed the allotment and issue of 11,352,600 Shares to Tencent Mobility Limited on July 13, 2021 at HK$273.80 per Shares under a specific mandate approved by independent Shareholders at the annual general meeting of the Company on June 23, 2021. For further details, please refer to the Company's announcement dated April 20, 2021, April 27, 2021, April 28, 2021 and July 13, 2021.

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 in Note 27 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As of December 31, 2021, the Company's reserves available for distribution, amounted to approximately RMB311.2 billion.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as of December 31, 2021 are set out in Note 31 to the consolidated financial statements.

ISSUANCE OF DEBT SECURITIES

On April 27, 2021, the Company issued the 2027 Bonds and 2028 Bonds. The 2027 Bonds and 2028 Bonds are listed on the Hong Kong Stock Exchange. For further details, please refer to the announcements of the Company dated April 20, 2021, April 27, 2021 and April 28, 2021.

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, Wang Xing, Mu Rongjun and Shum Heung Yeung Harry shall retire by rotation, and being eligible, have offered themselves for re-election at the AGM.

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

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.

REPORT OF DIRECTORS

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, 2021.

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.

REPORT OF DIRECTORS

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

As of December 31, 2021, 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	72.19%
	Interest in controlled corporation (L)	Songtao Limited	489,600,000 Class A Shares	72.19%
	Interest in controlled corporation (L)	Crown Holdings	489,600,000 Class A Shares	72.19%
	Interest in controlled corporation (L)	Shared Patience	26,269,783 Class A Shares	3.87%
			318 Class B Shares	0.00%
	Interest in controlled corporation (L)	WAFO Global Inc.	1,121 Class B Shares	0.00%
	Interest in controlled corporation (L)	WangXing Foundation	47,952,542 Class B Shares	0.88%
MU Rongjun[3]	Beneficiary and founder of a Trust (L)	Trust	118,650,000 Class A Shares	17.49%
	Interest in controlled corporation (L)	Day One Holdings Limited	118,650,000 Class A Shares	17.49%
	Interest in controlled corporation (L)	Charmway Enterprises	118,650,000 Class A Shares	17.49%
	Interest in controlled corporation (L)	Shared Vision	7,330,000 Class A Shares	1.08%
			666,668 Class B Shares	0.01%
	Beneficial interest (L)	—	5,333,332 Class B Shares	0.10%

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 Huiwen[4]	Beneficiary and founder of a Trust (L)	Trust	36,400,000 Class A Shares	5.37%
			2,134,660 Class B Shares	0.04%
	Interest in controlled corporation (L)	Aim Mars Investment Limited	36,400,000 Class A Shares	5.37%
			2,134,660 Class B Shares	0.04%
	Interest in controlled corporation (L)	Kevin Sunny	36,400,000 Class A Shares	5.37%
			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	0.23%
SHEN Nanpeng Neil[5]	Interest in controlled corporations (L)	Sequoia Capital China Funds, Sequoia Capital Global Growth Funds and Other Controlled Entities	272,101,669 Class B Shares	4.99%
	Interest in controlled corporations (L)	SCEP Master Fund	674,700 Class B Shares	0.01%
	Beneficial interest (L)	—	15,664,215 Class B Shares	0.29%
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%

REPORT OF DIRECTORS

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 and WAFO Global Inc. are wholly owned by Wang Xing. On June 3, 2021, Shared Patience Inc converted 57,319,000 Class A Shares into Class B Shares, which were then transferred to WangXing Foundation, a foundation founded by Wang Xing as an irrevocable philanthropic foundation devoted exclusively to philanthropic purposes. On the same day, WangXing Foundation transferred 9,354,458 Class B Shares to an independent third party for philanthropic purpose.

(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, 2021, 666,668 Class B Shares were issued to Shared Vision with respect to the vesting of 666,668 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, 2021, (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., SCC Growth IV Holdco A, Ltd. and Sequoia Capital China Growth Fund IV, L.P. (which hold approximately 0.52%, 0.06%, 0.08%, 1.60%, 0.04%, 0.27%, 0.41%, 0.005%, 0.02%, 0.01%, 0.63%, 0.02% and 0.08%, 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 0.26%, 0.01% and 0.37%, 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 15,664,215 Class B Shares. Other Controlled Entities refers to URM Management Limited and N&J Investment Holdings Limited (which hold approximately 0.0014% and 0.14%, 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 4.70% interest in the share capital of the Company (or 5.29% of the total issued Class B Shares).

Neil Nanpeng Shen is deemed to be interested in the shares held by SCEP Master Fund through its deemed interests in the investment manager of SCEP Master Fund pursuant to Part XV of the SFO.

(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, 2021, the Company had 6,135,944,107 issued Shares in total, comprising of 678,249,783 Class A Shares and 5,457,694,324 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, 2021.

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, 2021.

Save as disclosed above, as of December 31, 2021, 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.

REPORT OF DIRECTORS

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

As of December 31, 2021, 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[1]	Number and class of Shares held	Approximate percentage of interest in each class of Shares[6]
Class A Shares – Wang Xing			
Crown Holdings[2]	Beneficial interest (L)	489,600,000 Class A Shares	72.19%
Share Patience[2]	Beneficial interest (L)	26,269,783 Class A Shares	3.87%
Songtao Limited[2]	Interest in controlled corporation (L)	489,600,000 Class A Shares	72.19%
TMF (Cayman) Ltd.	Trustee (L)	489,600,000 Class A Shares	72.19%
Wang Xing	Beneficiary of a trust[1] (L)	489,600,000 Class A Shares	72.19%
	Founder of a trust[1] (L)		
	Interest in controlled corporation[1] (L)	489,600,000 Class A Shares	72.19%
		26,269,783 Class A Shares	3.87%
Class A Shares – Mu Rongjun			
Charmway Enterprises[3]	Beneficial interest (L)	118,650,000 Class A Shares	17.49%
Shared Vision[3]	Beneficial interest (L)	7,330,000 Class A Shares	1.08%
Day One Holdings Limited[3]	Interest in controlled corporation (L)	118,650,000 Class A Shares	17.49%
TMF (Cayman) Ltd.	Trustee (L)	118,650,000 Class A Shares	17.49%
Mu Rongjun	Beneficiary of a trust[2] (L)	118,650,000 Class A Shares	17.49%
	Founder of a trust[2] (L)	118,650,000 Class A Shares	17.49%
	Interest in controlled corporation[2] (L)	7,330,000 Class A Shares	1.08%
Class B Shares – Tencent			
Huai River Investment Limited[4]	Beneficial interest (L)	623,420,905 Class B Shares	11.42%
Tencent Mobility Limited[4]	Beneficial interest (L)	395,308,305 Class B Shares	7.24%
Morespark Limited[4]	Beneficial interest (L)	8,850,245 Class B Shares	0.16%
Great Summer Limited[4]	Beneficial interest (L)	25,000,000 Class B Shares	0.46%
THL A Limited[4]	Beneficial interest (L)	559,594 Class B Shares	0.01%
THL A25 Limited[4]	Beneficial interest (L)	12,912 Class B Shares	0.00%
Distribution Pool Limited[4]	Beneficial interest (L)	1,018,420 Class B Shares	0.019%

Name of Substantial Shareholder	Capacity/Nature of interest[1]	Number and class of Shares held	Approximate percentage of interest in each class of Shares[6]
Class B Shares – Sequoia			
Sequoia Capital China Funds, Sequoia Capital Global Growth Funds and Other Controlled Entities[5]	Beneficial interest (L)	272,776,369 Class B Shares	5.00%
	Other (L)	15,664,215 Class B Shares	0.29%

Notes:

(1) The letter "L" denotes the person's Long Position in such Shares.

(2) 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.

(3) 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.

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

(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., SCC Growth IV Holdco A, Ltd. and Sequoia Capital China Growth Fund IV, L.P. (which hold 0.52%, 0.06%, 0.08%, 1.60%, 0.04%, 0.27%, 0.41%, 0.005%, 0.02%, 0.01%, 0.63%, 0.02% and 0.08%, 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 0.24%, 0.01% and 0.34%, 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 15,664,215 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 0.0014% and 0.14%, 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 4.70% interest in the share capital of the Company (or 5.29% 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 0.25% interest in the share capital of the Company (or 0.28% 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 0.34% interest in the share capital of the Company (or 0.38% of the total issued Class B Shares).

Neil Nanpeng Shen is deemed to be interested in the shares held by SCEP Master Fund through its deemed interests in the investment manager of SCEP Master Fund pursuant to Part XV of the SFO.

(6) As at December 31, 2021, the Company had 6,135,944,107 issued Shares in total, comprising of 678,249,783 Class A Shares and 5,457,694,324 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, 2021.

DILUTION EFFECT OF THE CONVERSION OF CONVERTIBLE BOND

On April 27, 2021, The Company issued the 2027 Bonds and 2028 Bonds. For further details, please refer to the announcements of the Company dated April 20, 2021, April 27, 2021 and April 28, 2021.

If all outstanding 2027 Bonds and 2028 Bonds were converted as at December 31, 2021, the dilutive impact on the then number of issued shares of the Company and the respective shareholdings of the substantial shareholders of the Company will be as follows:

	As at the date of 31 December 2021		Assuming the 2027 Bonds are fully converted into Class B Shares (subject to adjustment) at the initial 2027 CB Conversion Price of HK$431.24 per Share		Assuming the 2028 Bonds are fully converted into Class B Shares (subject to adjustment) at the initial 2028 CB Conversion Price of HK$431.24 per Share		Assuming the 2027 Bonds and the 2028 Bonds are fully converted into Class B Shares (subject to adjustment) at the initial 2027 CB Conversion Price of HK$431.24 per Share and 2028 CB Conversion Price of HK$431.24 per Share, respectively	
Shareholders	*Number of Shares*	*Approximately %*	*Number of Shares*	*Approximately %*	*Number of Shares*	*Approximately %*	*Number of Shares*	*Approximately %*
Crown Holdings	489,600,000	7.98%	489,600,000	7.94%	489,600,000	7.94%	489,600,000	7.91%
Charmway Enterprises	118,650,000	1.93%	118,650,000	1.93%	118,650,000	1.93%	118,650,000	1.92%
Huai River Investment Limited	623,420,905	10.16%	623,420,905	10.12%	623,420,905	10.11%	623,420,905	10.07%
2027 CB Bondholders	0	0.00%	26,734,628	0.43%	0	0.00%	26,734,628	0.43%
2028 CB Bondholders	0	0.00%	0	0.00%	27,030,158	0.44%	27,030,158	0.44%
Other Shareholders	4,904,273,202	79.93%	4,904,273,202	79.58%	4,904,273,202	79.58%	4,904,273,202	79.23%
Total:	6,135,944,107	100.00%	6,162,678,735	100.00%	6,162,974,265	100.00%	6,189,708,893	100.00%

Due to the loss for the year ended December 31, 2021, the conversion of the convertible bonds would have anti-dilutive effect on the diluted loss per share. Therefore, basic and diluted loss per share for the year ended December 31, 2021 were the same. For further details, please refer to Note 14 to the consolidated financial statements.

To the best of the Directors' knowledge, having made all reasonable enquiries, having considered the financial position of the Group, the Directors expect that the Company will be able to meet its redemption obligations under all outstanding 2027 Bonds and 2028 Bonds when they become due.

It would be equally financially advantageous for the holders of 2027 Bonds and 2028 Bonds to convert or redeem the convertible securities based on the implied internal rate of return of the outstanding 2027 Bonds and 2028 Bonds, when the Company's share price approximates to the conversion price.

REPORT OF DIRECTORS

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, 2021	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, 2021
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	37,781,674	11,874,178 US$0.000017-US$5.18	HKD280.7018	176	818,515	25,088,805
Total				47,837,614	11,874,178 US$0.000017-US$5.18	HKD280.7018	176	818,515	35,144,745

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, 2021	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, 2021
Directors							
Mu Rongjun	July 1, 2017	6 years	499,999	166,667	0	0	333,332
Wang Huiwen	January 1, 2016 to July 1, 2018	4 to 6 years	7,766,665	0	0	0	7,766,665
Other Employees	December 29, 2010 to August 2, 2018	0 to 6 years	41,764,788	23,898,116	1,324,330	0	16,542,342
Total			50,031,452	24,064,783	1,324,330	0	24,642,339

Note:

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

REPORT OF DIRECTORS

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 7.75% 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, 2021, 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, 2021	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, 2021
Other Employees	July 5, 2019	HK$70.0	4 years[1]	HK$69.1	710,000	0	0	0	0	0	710,000
Other Employees	April 24, 2020	HK$100	5.2 years[2]	HK$100.15	1,130,000	0	226,000	HKD250.0000	0	0	904,000
Other Employees	July 20, 2020	HK$191.1	4 years[3]	HK$195.98	1,255,316	0	3,714	HKD323.7872	0	0	1,251,602
Total					3,095,316	0	229,714	HKD251.1930	0	0	2,865,602

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.

REPORT OF DIRECTORS

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 4.44% 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, 2021, 157,010,394 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 137,461,792 Shares (including Award Shares which have been cancelled or forfeited in accordance with the Post-IPO Share Award Scheme), representing 2.24% 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.

REPORT OF DIRECTORS

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, 2021	Number of Shares underlying RSUs granted during the Reporting Period	RSUs vested during the Reporting Period[1]	RSUs cancelled during the Reporting Period	RSUs lapsed during the Reporting Period	Number of Shares underlying RSUs outstanding as of December 31, 2021
Directors								
Orr Gordon Robert Halyburton	November 23, 2018	6.25% to vest in each quarter commencing from December 20, 2018 until September 20, 2022	26,250	0	15,000	0	0	11,250
Leng Xuesong	November 23, 2018	6.25% to vest in each quarter commencing from December 20, 2018 until September 20, 2022	26,250	0	15,000	0	0	11,250
Shum Heung Yeung Harry	November 23, 2018	6.25% to vest in each quarter commencing from December 20, 2018 until September 20, 2022	26,250	0	15,000	0	0	11,250
Other Employees	October 4, 2018 to October 22, 2021	2 to 6 years	76,617,626	51,236,349	18,979,135	8,176,876	0	100,697,964
Total			76,696,376	51,236,349	19,024,135	8,176,876	0	100,731,714

EQUITY-LINKED AGREEMENTS

Other than the Pre-IPO ESOP, Post-IPO Share Option Scheme and Post-IPO Share Award Scheme, and save as disclosed in the section headed "Issuance of Debt Securities", 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 2021.

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; HKEx Stock Code: 9961), 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.

REPORT OF DIRECTORS

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 payable by the Company to Tencent for the year ended December 31, 2021 is RMB1,290 million, while the actual transaction amount for the year ended December 31, 2021 is approximately RMB563 million. The annual cap payable by Tencent to the Company for the year ended December 31, 2021 is RMB50 million, while the actual transaction amount for the year ended December 31, 2021 is approximately RMB2 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 payable by the Company to Tencent for the year ended December 31, 2021 is RMB340 million, while the actual transaction amount for the year ended December 31, 2021 is approximately RMB235 million. The annual cap payable by Tencent to the Company for the year ended December 31, 2021 is RMB50 million, while the actual transaction amount for the year ended December 31, 2021 is nil.

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.

REPORT OF DIRECTORS

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, 2021 is RMB2,620 million, while the actual transaction amount for the year ended December 31, 2021 is approximately RMB2,306 million.

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

NON-EXEMPT CONNECTED TRANSACTIONS

Issue of Class B Shares to Connected Person

Reference is made to the announcement of the Company dated April 20, 2021, in which the Company announced, among other things, that on April 19, 2021 (after trading hours), the Company and Tencent Mobility Limited entered into the a subscription agreement, pursuant to which Tencent Mobility Limited has agreed to subscribe for and the Company has agreed to allot and issue 11,352,600 new Class B Shares (the "**Subscription Shares**"), representing in aggregate approximately 0.2% of the then issued share capital of the Company, at HK$273.80 for each Class B Share. The aggregate market value of the Subscription Shares is approximately HK$3.1 billion. The Subscription Shares would be issued under a specific mandate to be approved by the Independent Shareholders at the annual general meeting of the Company of year 2021.

Tencent Mobility Limited is a subsidiary of Tencent, which is a substantial shareholder of the Company and hence a connected person of the Company under the Listing Rules. Accordingly, the Tencent Subscription constitutes a connected transaction of the Company and is subject to the announcement, circular, Independent Shareholders' approval and reporting requirements under Chapter 14A of the Listing Rules. Mr. Lau Chi Ping Martin has or is deemed to have a material interest in the Tencent Subscription Agreement or the respective transaction contemplated thereunder and has abstained from voting on the resolutions of the Board approving the same.

The Tencent Subscription and the specific mandate were approved by independent Shareholders at the annual general meeting of the Company on June 23, 2021 and the Tencent Subscription completed on July 13, 2021.

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 of the Company was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor of the Company has issued its 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.

Certain connected party transactions mentioned in Note 37 to the consolidated financial statements constituted the connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules and are in compliance with the disclosure requirements in Chapter 14A of the Listing Rules.

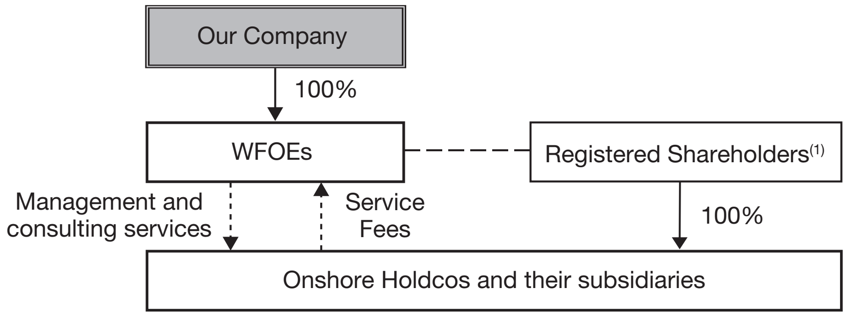
Save as disclosed in this annual report, during the Reporting Period, the Company had no connected transactions or continuing connected transactions which are required to be disclosed in accordance with the provisions under Chapter 14A of the Listing Rules in relation to the disclosure of connected transactions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

REPORT OF DIRECTORS

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) (2021 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 Agreements

Pursuant to the loan agreements entered into between the relevant WFOEs (other than in the case of Beijing Mobike, Shanghai Hantao, Beijing Sankuai Cloud Computing, Beijing Sankuai Technology and Chengdu Meigengmei) and the Registered Shareholders on August 21, 2018, and the loan agreements entered into between Shanghai Hanhai, being the WFOE, and the Registered Shareholders 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.

REPORT OF DIRECTORS

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, replaced the previous laws regulating foreign investment in PRC, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations. The FIL and its Implementation Regulations embody an expected regulatory trend in PRC to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments.

The FIL does not explicitly stipulate the contractual arrangements as a form of foreign investment. The FIL does not mention concepts including "de facto control" and "controlling through contractual arrangements" nor does it specify the regulation on controlling through contractual arrangements. Furthermore, the FIL does not specifically stipulate rules on the Relevant Businesses. Instead, the FIL stipulates that "foreign investors invest in PRC through any other methods under laws, administrative regulations, or provisions prescribed by the State Council", which leaves leeway for future laws, administrative regulations or provisions promulgated by the Stale Council to provide for contractual arrangements as a method of foreign investment. On December 26, 2019, the Supreme People's Court issued the Interpretations on Certain Issues Regarding the Applicable of Foreign Investment Law ("**FIL Interpretations**"), which came into effect on January 1, 2020. In accordance with the FIL Interpretations, where a party concerned claims an investment agreement to be invalid on the basis that it is for an investment in the prohibited or restricted industries under the negative list and violates the restrictions set out therein, the courts should support such claim. In addition, the FIL does not specify what actions shall be taken with respect to the existing companies with a VIE structure, whether or not these companies are controlled by PRC entities and/or citizens.

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

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

During the Reporting Period, none of the Contractual Arrangements had been unwound on the basis that none of the restrictions that led to the adoption of the Contractual Arrangements had been removed. As of December 31, 2021, 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 RMB7.5 billion for the year ended December 31, 2021, representing approximately 4.2% of the total revenue for the year of the Group. The total assets of the Onshore Holdcos and their respective subsidiaries amounted to RMB31.0 billion as of December 31, 2021, representing approximately 12.9% of the total assets of the Group.

Reasons for Adopting the Contractual Arrangements

Our Consolidated Affiliated Entities conduct internet 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) (2021 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.

REPORT OF DIRECTORS

- The Company may lose the ability to use, or otherwise benefit from, the licences, 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.

REPORT OF DIRECTORS

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 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "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, 2021 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 RMB139.7 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, 2021 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.

REPORT OF DIRECTORS

CLOSURE OF THE REGISTER OF MEMBERS

The Company will hold the AGM on May 18, 2022. The register of members of the Company will be closed from May 13, 2022 to May 18, 2022, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the AGM, during which period no share transfers will be registered. To be eligible to attend the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited (for both holders of Class A Shares and holders of Class B Shares), at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on May 12, 2022.

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 25, 2022

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 (code provision C.2.1 of the New CG Code) 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.

CORPORATE GOVERNANCE REPORT

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.

CORPORATE GOVERNANCE REPORT

Chairman and Chief Executive Officer

Pursuant to provision A.2.1 of the CG Code (code provision C.2.1 of the New 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 utilise their expertise to scrutinise 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).

CORPORATE GOVERNANCE REPORT

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

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

Board Activity

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

	Attendance/No. of Meetings Held during the Reporting Period					
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Corporate Governance Committee	General Meeting of Shareholders
Executive Directors						
Wang Xing	7/7					1/1
Mu Rongjun	7/7		1/1			1/1
Wang Huiwen	7/7			1/1		1/1
Non-executive Directors						
Lau Chi Ping Martin	7/7					0/1
Neil Nanpeng Shen	7/7					0/1
Independent Non-executive Directors						
Orr Gordon Robert Halyburton	7/7	4/4			2/2	1/1
Leng Xuesong	7/7	4/4	1/1	1/1	2/2	1/1
Shum Heung Yeung Harry	7/7	4/4	1/1	1/1	2/2	1/1

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 June 23, 2021, 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 June 23, 2021. The Chairman as well as other members of the Board were available to respond to enquiries during the annual general meeting, which provided opportunities for communication between Directors, senior management and the Shareholders.

BOARD COMMITTEES

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

Audit Committee

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

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

During the Reporting Period, the Audit Committee met four times. Individual attendance of each Audit Committee member is set out on page 94. 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 2021 interim report;

(b) reviewing the Company's quarterly result announcements for the first quarter ended March 31, 2021 and the third quarter ended September 30, 2021, 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 recognizes that the Auditor's independence is a fundamental governance principle. The Auditor provides quarterly updates to the Audit Committee if any independence issue is identified and is required to give an annual confirmation on their independence. Having also reviewed the effectiveness of the external audit process as well as the independence and objectivity of the Auditor, the Audit Committee is satisfied with this relationship. As such, the Audit Committee has recommended their re-appointment at the AGM.

Remuneration Committee

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

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

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

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

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

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

During the Reporting Period, the Remuneration Committee met once. Individual attendance of each Remuneration Committee member is set out on page 94.

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.

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. In recognising the particular importance of gender diversity, the Company will appoint at least one female director by no later than December 31, 2024. We are also committed to adopting a similar approach to promote diversity within the management (including but not limited to the senior management) of our Company to enhance the effectiveness of corporate governance of our Company as a whole.

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 94.

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 2021. 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 94.

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.

CORPORATE GOVERNANCE REPORT

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 quarterly intervals, one of which includes an annual review on the effectiveness of the risk management and internal control systems. The Board is responsible for overseeing the risk appetite of the Company including determining the risk level the Company expects and is able to take, and proactively considering, analysing and formulating strategies to manage the key risks that the Company is exposed to.

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

Organisational 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 optimising the organisational 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 organisational structure for risk management across all divisions, details of which are set out below.

Organisation Governing Body – Oversight

The Organisation Governing Body mainly comprises of the Board of Directors, Corporate Governance Committee and Audit Committee of the Company. It is responsible for establishing a reasonable framework and workflow for effective organisational governance and ensuring that the goals and activities of the organisation align with the primary interests of the stakeholders.

Management

First Line – Operation and Management

The first line is mainly formed by the business departments 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.

CORPORATE GOVERNANCE REPORT

Second Line – Risk Management

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

Third Line – Internal audit and fraud investigation – Independent Assurance

The third line mainly consists of the departments 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 department is responsible for receiving whistle-blower reports through various channels and for following up and carrying out independent investigations on alleged fraudulent activities.

The systems mentioned above 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 optimised such process constantly. During the Reporting Period, in order to further improve the coverage and depth of risk assessment, a risk assessment project team established by the Company 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 utilised 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 departments and functional departments 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 recognizes 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 department 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 2021, 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 2020 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 and the overall ranking of major risks remains the same.

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

Although the internet and technology industry is still evolving, regulatory authorities in numerous jurisdictions have been, in an attempt to keep up with such evolution, developing more comprehensive and stringent laws and regulations to regulate the industry, including obtaining and maintaining necessary licences, approvals and permits relevant to applicable business. The Company, when conducting its business, is required to comply with new laws and regulations in different jurisdictions, such as regulations relating to anti-monopoly, data protection, cybersecurity, 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 February 7, 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. In 2021, the Company was punished for violating the Anti-Monopoly Law due to its "choose one" behaviour in food delivery business, and was fined for failing to file cases of concentration of business operators. The company is conducting a thorough compliance rectification in accordance with the requirements of the State Administration for Market Regulation of the People's Republic of China (the "**SAMR**"). With the establishment of the State Anti-Monopoly Bureau and the revision of the Anti-Monopoly Law, it is expected that the Internet industry will be under strong anti-monopoly supervision for a long time. The Company will maintain its strict compliance standard and regulate its operation in accordance with relevant laws and regulations.

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 instant on-demand delivery businesses, instore services businesses, hotel & travel services and retail businesses. 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 Security Risk

Protection of user data and other related information is critical to the Company's business. On August 20, 2021, the Standing Committee of the National People's Congress promulgated the Personal Information Protection Law, which integrates the scattered rules with respect to personal information rights and privacy protection and took effect in November 2021. 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 in strict compliance with applicable laws and regulation, and implement company-wide policies on data collection, usage, disclosure, transfer and storage. It 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 minimise the risk of user data loss. For its site reliability, our technical 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 Company's Audit Committee also reviews the cybersecurity updates every six months to provide suggestions and recommendations for the proper functioning of the information security systems under cyberattack, to help the Company to improve customer trust and user experience. During the Reporting Period, the Company's Audit Committee held meeting in the first and third quarter and reviewed the latest working process of cybersecurity.

CORPORATE GOVERNANCE REPORT

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 more impacts of negative publicity and regulatory concerns 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 optimise 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 principle of integrity, combats fraud and has zero tolerance for it. The Company has established effective internal control systems and continuously optimises 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 dismissed with immediate effect and those who are involved in more serious cases will be transferred to the relevant judicial departments according to the applicable 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 behaviours and to build a healthy, orderly and civilized internet ecosystem.

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 from the source; (ii) increasing investment in building a study and development department covering all employees, developing the "panoramic learning map" and continuously enriching the training system that encapsulates the promotion of culture, general competency, professional expertise and leadership and to provide targeted trainings for employees; (iii) supporting and facilitating the leadership role of its management, stimulating its employees' full potential and promoting personal development among its employees.

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

Internal Control

Based on the Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organisation 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 any 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 Audit Committee in a timely manner. The Audit Committee discusses the reported issues and reports to the Board when necessary.

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The Company has designed and adopted strict internal procedures to ensure its business operation complies with the relevant rules and regulations. Its internal control department works closely with its business units to (i) perform risk assessments and provide advice on risk management strategies, (ii) monitor internal control effectiveness and promoting risk management level 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 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 departments of each business segments are also responsible for reviewing the licences and permits of the business partners and proposed commercial terms before it enters into any contract or business arrangements.

The Company's legal department reviews its services for regulatory compliance before they are made available to the general public. Its 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 departments of the Company consist of various professional functions, among which (i) the content compliance department 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 department is responsible for the food safety risk management, conducts study on regulations, policies and industry trend, optimises 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 control and mitigate food safety risks; (iii) the internet finance compliance department for internet finance business is responsible for the analysis of the regulatory environment with respect to services it provides, formulation and implementation of internet finance-related policies as well as recruitment of talents to strengthen the compliance team, in order to mitigate financial compliance risks.

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

The internal control department of the Company mitigates internet fraud, internet cheats in relation to illegal industry, 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 models 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, the internal audit department, legal personnel and the external auditors, reviewing the relevant work reports and information of key performance indicators, and discussing the major risks with the 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 recognizes the importance of effective communication with Shareholders and encourages them to attend general meetings to raise any concerns they might have with the Board of Directors or the senior management directly. Board members and appropriate senior management of the Company are available at such meetings to respond to enquiries raised by the Shareholders.

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

During the Reporting Period, the Company held an annual general meeting on June 23, 2021. Notice of the meeting was sent to the Shareholders on May 21, 2021, 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.

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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.

The Company's management regularly reviewed the implementation and effectiveness of these shareholder communication channels in 2021 and confirmed their effectiveness.

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, an associate director 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, 2021, 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, 2021.

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, 2021 are set out below:

Remuneration band (RMB)	Number of individuals
0	2
1 – 5,000,000	4
>5,000,000	5

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENT

The Directors acknowledge their responsibility for preparing the financial statement of the Company for the year ended December 31, 2021, and are aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

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

CORPORATE GOVERNANCE 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, 2021 was approximately as follows:

Type of Services	Amount (RMB'000)
Audit and audit-related services	47,879
Non-audit services[1]	8,053
Total	55,932

Note:

(1) The non-audit services conducted by the Auditor mainly include certain consulting services and tax related 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.

DIVERSITY

The Company is committed to promote diversity in our Company to the extent practicable by taking into consideration a number of factors in respect of our corporate governance structure. The Company seeks to achieve board diversity and workforce diversity through the consideration of a number of factors, including but not limited to gender, age, language, cultural background, educational background, industry experience and professional experience.

We have adopted the board diversity policy which sets out the objective and approach to achieve and maintain diversity of our Board in order to enhance the effectiveness of our Board. In recognizing the particular importance of gender diversity, the Company will appoint at least one female director by no later than December 31, 2024. For more details, please refer to the section headed "Corporate Governance Report – Board Committees – Nomination Committee" in this annual report. In 2021, we hired 100,033 full-time employees, of which 62,699 were male and 37,334 were female. The gender ratio in the workforce (including senior management) was approximately 16.79 males to 10 females. The Company is aiming to achieve a more balanced gender ratio in the workforce next year and will continue to monitor and evaluate the diversity policy from time to time to ensure its continued effectiveness.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

REPORT OVERVIEW

Meituan (hereinafter referred to as "the Company", "Company" or "We") prepared this report in accordance with the *Environmental, Social and Governance Reporting Guide* set out in Appendix 27 to the *Listing Rules* of the Hong Kong Stock Exchange and Clearing (HKEX) Ltd., and upholds the principle of materiality, quantitative, balance, and consistency.

We identified key stakeholders and their environmental, social, and governance (hereinafter referred to as "ESG") issues of concern, prioritized the ESG issues stakeholders concerned and responded in the report according to materiality of their concerned issues in the chapter of "Stakeholder Engagement" and "Materiality Assessment". We use quantitative data to present KPIs at the environmental and social levels so that they can be measured and validated. Quantitative criteria, methodologies, assumptions, and/or calculation tools for KPIs, as well as the sources of conversion factors used, have been described in the appropriate places in the report. We have adopted a statistical approach to disclosure that is consistent with previous years, and individual changes have been explained in the corresponding places.

This report aims to reflect our ESG performance in 2021 on an objective, fair, and balance basis. It is recommended to read the part on governance in conjunction with the *Corporate Governance Report* in this annual report.

Unless otherwise indicated, the scope of the disclosure in this report includes the ESG performance of businesses direct operated and managed by the Company. This report's time frame is from January 1, 2021, to December 31, 2021.

BOARD STATEMENT

The Board takes full responsibility for the Company's ESG strategy and reporting. The Board's Audit Committee assists Board to oversee ESG issues. The Committee on Risk Management (hereinafter referred to as the "Risk Management Committee") conducts the daily management of ESG issues and guides ESG practices. The relevant functional departments of the company jointly formed an ESG Execution Team to implement ESG related work and report to the management level and governance level regularly.

We have developed our ESG concept and management strategy and integrated it into our business development. The Board conducts regular reviews of the ESG concept and management strategy to assess their potential impact on the Company's overall strategy.

The Company conducted a materiality assessment of ESG issues stakeholders concerned. The Board participated in the evaluation, prioritization, and management of important ESG issues.

We value the significant impact that ESG-related risks and opportunities may have and incorporate ESG-related risks and opportunities into our risk management system. The Board supervises the assessment of ESG-related risks and opportunities and ensures that an appropriate and effective ESG risk management and internal supervise system is in place.

We have set environmental targets associated with the business. The Board conducts regular reviews of the progress of environmental targets.

ESG CONCEPT AND MANAGEMENT

With the mission of "we help people eat better, live better", the Company adheres to the values of "customer-oriented, integrity and honesty, win-win cooperation, and the pursuit of excellence".

Focusing on the Company's mission and values, we have enhanced the ESG concepts 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-oriented
   - Pursue excellence, continuously improve, and achieve a good reputation among customers
   - Create greater value for people's lives
3. *Partners:*
   - Maintain win-win collabouration with our eco-system partners
   - Guarantee interests of different partners
   - 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 issues
- Create greater social value
- Accomplish as new socially-responsible enterprises
- Encourage the public to jointly take part in public services

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 structure, which contains governance, management, and execution, with documented rules guide the work and responsibilities of each tier to promote our ESG work.

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 authorizes the Audit Committee to supervise ESG management and is briefed by that committee on major ESG-related matters.

The Audit Committee is responsible for supervising 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.

Management

The Risk Management Committee is the management body responsible for ESG matters in the Company. It discusses important ESG matters, reviews ESG prospects, strategies, framework, principles, policies, guides ESG practice, and reviews achievement of ESG goals.

Execution

Comprised of representatives from relevant departments, the ESG Execution Team promotes the execution of management strategies and realisation 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. According to the characteristics of actual businesses, management, and operations, we identify key stakeholders and understand their main concerns through various communication channels.

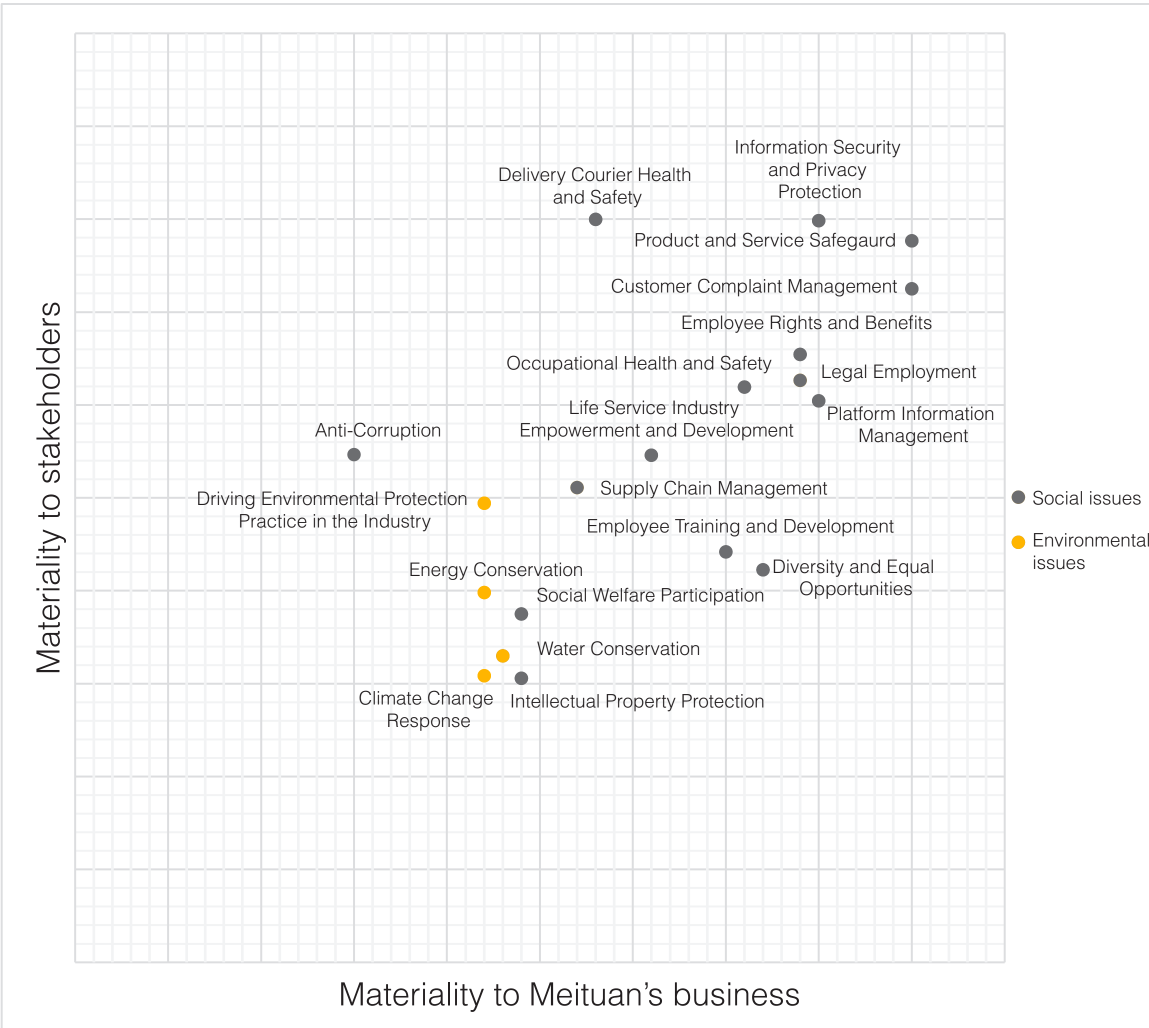
In 2021, the main stakeholders, their main concerns, and the main communication channels are as follows:

Main stakeholders	Main ESG concerns	Main communication channels
Government and regulatory bodies	Product and Service Safeguard, Anti-Corruption, Platform Information Management, Legal Employment, Delivery Courier Health and Safety, Information Security and Privacy Protection, Climate Change Response, and Life Service Industry Empowerment and Development	Policy consultation, incident reporting, visitor reception, information disclosure, and participation in governmental meetings
Shareholders and investors	Delivery Courier Health and Safety, Information Security and Privacy, Employee Training and Development, Product and Service Safeguard, and Anti-Corruption	Shareholder meetings, performance announcements, annual report, semi-annual reports, official website, communication meetings and emails
Employees	Legal Employment, Employee Rights and Benefits, Employee Training and Development, Occupational Health and Safety, Diversity and Equal Opportunities, Product and Service Safeguard, and Social Welfare Participation	HR helpdesk, communication meetings, social media, and face-to-face communication and communication hotline
Users	Product and Service Safeguard, Information Security and Privacy Protection, and Customer Complaint Management	Online platform, customer service hotline, social media and information disclosure
Platform merchants	Customer Complaint Management, Life Service Industry Empowerment and Development, and Product and Service Safeguard	Online platform, customer service hotline, meetings and merchant inspection
Suppliers	Supply Chain Management, Product and Service Safeguard, Anti-Corruption, Information Security and Privacy Protection	Supplier assessment and supplier conferences
Media and non-governmental organisations	Delivery Courier Health and Safety, Product and Service Safeguard, Customer Complaint Management, Driving Environmental Protection Practice in the Industry, Energy Conservation, Life Service Industry Empowerment and Development, and Water Conservation	Social media, official websites, press conferences, exchange meetings, and dedicated customer service
Delivery couriers	Delivery Courier Health and Safety, Customer Complaint Management, Product and Service Safeguard	Talk with the Delivery Couriers, complaint hotline, Product Experience Project

Materiality Assessment

In 2021, based on continual communication with key stakeholders and our operational characteristics, we conducted a materiality assessment for our actions and reports using the *Environmental, Social and Governance Reporting Guide* as a reference.

We will discuss the contents of each topic separately in this report, and the results of the analysis of the material issues are shown in the figure below.



ENVIRONMENT

We have realised that our business will have environmental impacts. To improve the environmental performance of our operations, we identified the major environmental challenges we face. We review our major business procedures to reduce our negative impacts on the environment, enhance environmental protection capability across the industry, and improve our overall performance of environmental protection.

Practicing 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 (hereinafter referred to as "EHS") working group manages our environmental affairs and authorizes directors of relevant departments to supervise environmental matters. They promote environmental management in daily operations and controls risks, so as to reduce our environmental impact on the environment.

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 energy and 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, including: (i) expanding the application of energy-saving LEDs, replacing manually controlled lights with sound-activated ones, and shortening the duration of lighting. Personnel regularly inspect offices to ensure that lights are turned off when no one is at work; (ii) saving 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; (iii) shutting down nonessential equipment in offices and washrooms during nonworking hours; and (iv) strengthening the management of electricity consumption by establishing a monthly and quarterly workplace electricity consumption reminder mechanism. Analysing the causes of abnormal electricity consumption in the workplace and paying attention to it. Additionally, we have posted awareness-raising notices in relevant places, such as near the air-conditioning temperature control panels and switch panels.

In terms of resources saving, we have introduced multiple measures to save water and paper. We have installed inductive water-saving taps in some office areas, and posted awareness-raising tips for water- and paper-conservation to enhance employees' awareness. We strive to implement a green office strategy including: setting double-sided printing as default in all printers to encourage employees to print documents on both sides and placing recycling boxes beside printers to collect used paper.

In terms of waste treatment, we strictly follow local authorities' rules on waste treatment in our areas of operation. In our Beijing and Shanghai offices, dustbins are categorized to collect different types of waste. Hazardous waste from offices – such as fluorescent tubes, batteries, toner cartridges, and ink cartridges – is collected separately and handed over to qualified agencies for further treatments. Among them, waste toner cartridges and ink cartridges generated by printing equipment are all handed over to printing service suppliers for recycling and disposal. For electronic waste generated during operation (such as waste computers, monitors, telephones, projectors, etc.), we have formulated an internal processing process for unified management, and handed it over to professional institutions for harmless disposal and recycling.

Environment Management of Data Centre

We do not have self-built data centre. We actively respond to the *Working Guidance for Carbon Dioxide Peaking and Carbon Neutrality in Full and Faithful Implementation of the New Development Philosophy by the Communist Party of China Central Committee and the State Council* and other policy directions and consider environmental protection capabilities as an important assessment indicator for data centre suppliers. When renting a data centre, we take into account the environmental impact of its layout and operation, resource consumption, renewable energy (hydropower, wind power, and photovoltaic power generation, etc.) utilisation conditions, regional climate, and environment scenarios, etc., and give priority to renting an eco-friendly data centre. We require data centre suppliers to strictly abide by the *Air Pollution Control Law of the People's Republic of China*, the *Water Pollution Prevention and Control Law of the People's Republic of China*, the *Soil Pollution Prevention and Control Law of the People's Republic of China,* the *Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes*" and other laws and regulations. We evaluate and review the environmental impact assessment report and energy-saving assessment report of the data centre and value its environmental performance. We require data centre suppliers to formulate the On-Site Construction Safe and Civilized Standard Manual and Hazardous Waste Management Manual to integrate pollutant source prevention, process management, and end treatment into the whole process of project operation, and refine the management of the classification, collection, storage, and recycling of waste on the construction site. In addition, we strictly control the domestic waste and domestic wastewater generated during the operation process, properly classify, and recycle the waste, and guarantee the compliance discharge of wastewater.

In 2021, we continue to rent the data centres in Zhongwei City, Ningxia Hui Autonomous Region (hereinafter referred to as "Ningxia Zhongwei") as our main data centres and continue to expand the server rack-scale in the region. The centres in Ningxia Zhongwei use renewable energy to supply electricity, and their average power usage effectiveness (PUE) is 1.25, which is below the industry average[1].

All the data centres we have rented in Ningxia Zhongwei are on large scale with a natural cooling system in use. The data centres use 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 sophisticated machine room structure, server layout, temperature control and heat recovery, data centres in Ningxia Zhongwei tend to have a significant advantage in energy preservation over traditional large-scale data centres' cooling solutions.

Data centres in Ningxia Zhongwei apply energy-saving and emissions-reducing measures including: (i) utilising variable frequency pumps and wind turbines of Electrical Commutation (EC) and other equipment; (ii) using software to regulate the cooling system's airflow, optimise its heat exchange efficiency; (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 fully tap into natural resources; (iv) by increasing return air temperature to improve the cooling efficiency and increase the natural cooling period; (v) adopting a heat recovery unit to recycle the waste heat in the exhaust of the data centre to heat domestic hot water system; and (vi) refining motor capacity to use power and resources more efficiently.

In 2021, we expanded the rental area of the data centre and introduced a number of energy-saving and emissions-reduction measures in the newly-rented data centre, such as: (i) applying HVDC (high voltage direct current) power supply to effectively reduce the damage of cables and uninterruptible power supplies; (ii) adopting intelligent lighting control systems to reduce the overall energy consumption; (iii) installing photovoltaic energy storage systems on roofs and walls to establish green energy supply and effectively reduce PUE levels; (iv) enhancing the energy efficiency standards of infrastructure; and (v) using the intelligent monitoring system to improve resource utilisation and reduce operating costs.

We actively participate in research on the transformation of the eco-friendly data centre. Topics include (i) China's peak carbon dioxide emissions and carbon neutrality target planning, and data centre related carbon reduction technology route research; (ii) global high-tech enterprises renewable energy utilisation, carbon neutrality target, and realisation path research; (iii) data centre's liquid cooling technology research; and (iv) intensive data centre site selection and deployment, with its related network, energy, and other resource protection research.

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1 According to *National Data Centre Application Development Guidelines (2020)* issued by The Information and Communication Development Department of the Ministry of Industry and Information Technology of the People's Republic of China in February 2021, as of the end of 2019, the average PUE of hyperscale data centres was 1.46, and the average PUE of large-scale data centres was 1.55. The average design PUEs of hyperscale and large-scale data centres were 1.36 and 1.39, respectively.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Promoting Environmental Protection in the Industry

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

Measures Taken by Meituan Food Delivery to Promote Environmental Protection in the Industry

We promote low-carbon development and circular economy of the industries and continue to implement various environmental protection actions in response to policy guidance requirements of the *Working Guidance for Carbon Dioxide Peaking and Carbon Neutrality in Full and Faithful Implementation of the New Development Philosophy by the Communist Party of China Central Committee and the State Council and the "14th Five-Year Plan" Action Plan for Plastic Pollution Control*.

Meituan Food Delivery has launched the "Lush Mountain Plan" since 2017 as the food delivery industry's first action plan to focus on environmental protection. It has promoted environmental protection processes throughout the food delivery value chain and among consumers.

In 2020, we put forward three environmental targets as our action guide for the "Lush Mountain Plan". In 2021, we comprehensively upgrade the environmental protection strategy of the "Lush Mountain Plan" and take "better life, beautiful nature" as our vision. We focus on the green and low-carbon development of all platforms, promote related parties in the ecological chain to co-construct and share, and explore the path of harmonious coexistence between human beings and nature. Moreover, we set up four major sectors: Green Packaging, Low-carbon Eco-system, Lush Mountain Science & Technology, and Lush Mountain Public Welfare to help achieve the 2025 environmental targets.

Green packaging

We cooperate with the China Pulp and Paper Research Institute, the Degradable Plastics Committee of the China Plastics Association, as well as packaging manufacturers and catering merchants to carry out food delivery packaging innovations and continue to explore innovative and practical green packaging solutions that meet the practical needs of catering businesses. We released the Green Packaging Recommendation List of 2021 under the "Lush Mountain Plan". Based on the two fundamental categories of "degradable plastics" and "paper" in the first recommendation list of 2020, we have added a new category of "easy-to-recycle and easy-to-reuse plastic packaging containers" to the 2021 list, which aimed to provide more innovative and environmentally friendly packaging solutions to merchants.

We, together with Green Recycled Plastic Supply Chain Joint Working Group, jointly issued the *Detailed Rules on the Implementation of Design Evaluation of Plastic Products Easy to Recycle: Recycling-Evaluation Guidelines on Disposable Catering Plastic Packaging Containers for Food Delivery*. The guideline, which bases on the *General Principles for Evaluation of Plastic Products Easy to Recycle and Regenerate Design*, is China's first completely independent recycle standard for plastic products, which fills the gap in domestic recycling standards.

In 2021, we have promoted plastic products recycling projects in Xiamen and Shanghai. In Xiamen, we have launched the annual "Million Kilogramme Plastic Lunch Box Recycling Plan" with approximately 3 tonnes of plastic lunch boxes recycled daily. In Shanghai, we have set up a lunch box recycling pilot project with approximately 3-5 tonnes of plastic lunch boxes recycled daily.

Low-carbon eco-system

On the merchant side, we have launched a product function called "Merchant Lush Mountain Files" function to encourage merchants to share their environmental protection practices. Since June 2021, merchants on the Meituan Food Delivery were enabled to publish their user-visible environmental protection files and enrich their environmental protection file information by practicing various eco-friendly measures such as "reducing the use of disposable items", "choosing environmentally friendly packaging" and "advocating and participating in packaging recycling". By the end of 2021, more than 2 million merchants had their own "Lush Mountain Files" with about 35,000 merchants actively uploading their environmental protection experiences or commitments in the "Merchant Lush Mountain Files". In addition, we jointly launched the "Oppose Food Waste and Provide Small-Portion Dishes" initiative with the China Hotel Association, calling on catering businesses to provide small-portion dishes and "one-person meal" packages to consumers in a variety of ways.

On the user side, as of the end of 2021, more than 100 million users have used the "Tableware Free" function through our product when placing orders. We have launched text-reminder function on the food-ordering page, so that when users order a certain amount of food, they will receive a notification of "Please order food in moderation, which is environmentally friendly and healthy", and a push of "Please strictly practice thrift and avoid waste" on the order page. In addition, we promote sustainable consumption advocacy activities such as "Meituan Food Delivery Environmental Protection Day", "Arbor Day Online Education", and "Reducing the Use of Disposable Plastic Straws Plan" for World Earth Day every year.

Lush Mountain science & technology

In June 2021, we initiated the "Lush Mountain Science and Technology Fund", the first public welfare fund focusing on "carbon neutrality and circular economy", in strategic cooperation with the Cast Alliance for Ecological and Environmental Sciences and Industry, the China Petroleum and Chemical Industry Federation, and other relevant organisations. The Fund aimed to support scientific exploration and technological transformation for carbon neutrality, promote low-carbon and circular economic and social development, and realise the vision and blueprint of a beautiful China. The Fund focus mainly on two directions: the "Lush Mountain Science and Technology Award" and the "Science and Innovation China", environmental technology innovation demonstration project of the "Lush Mountain Plan", hoping to encourage more young scientists to devote themselves to eco-friendly and low-carbon research and promote the value of more environmental science and technology achievements in the industry.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Lush Mountain public welfare

We have partnered with the China Environmental Protection Foundation to establish the "Lush Mountain Nature Guardians Plan". This Plan aims to fund and guide social organisations and scientific research institutions to carry out public welfare projects around protected areas with nature-based solutions that allow us to effectively improve the ecological quality of those areas. At the same time, the "Lush Mountain Nature Guardians Plan" has the potential of helping humans to adapt to climate change and build up an ecosystem where people and nature coexist harmoniously. By the end of 2021, 30 projects, totaling RMB12.3 million, had been selected and announced to the public.

As of the end of 2021, environmental protection concepts popularized by the "Lush Mountain Plan" had been accessed more than 2.2 billion times online. Two batches of the recommended lists of green packaging were released with 161 pieces of environment-friendly products from 101 high-quality food delivery packaging suppliers were included in the recommended list. Across the country, more than 30 million biodegradable packaging bags, 1.91 million items in more than 30 types of innovative green packages, and 120,000 sets of recyclable tableware have been distributed to merchants to collect feedback from merchants and consumers and optimise packaging products continuously. More than 1,200 large-scale garbage sorting and lunch box recycling pilot projects have been carried out, with over 670,000 "Lush Mountain Public Welfare Merchants" have been gathered together for collabourative activities on environmental protection and public welfare.

Meituan Bikes and Meituan Electric Mopeds' Full-Cycle Green Concept

Meituan Bikes and Meituan Electric Mopeds' both practice 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 (bikes and electric mopeds) 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 environmentally friendly suppliers in the procurement stage 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 mopeds. During the placement and operation stage, which is based on scientific and smart scheduling, we renovate components or bikes for reuse by storing and recycling the components separately according to their condition. During the scrapping stage, on the one hand, hazardous wastes such as batteries in locks and batteries to power electric mopeds are uniformly handed over to bike lock and battery suppliers for recycling, on the other hand, harmless wastes such as bodies and tires are recycled in cooperation with resource recycling companies to form a closed-loop of the supply chain.

At the same time, users of Meituan Bikes and Meituan Electric Mopeds can donate miles through their green and low-carbon rides, which were then allocated by Meituan to build basketball courts for rural schools. For more information on the progress of our public welfare activities this year, please refer to the "Community Investment – Public Welfare Platform and Projects" section of this report.

Climate Change Response

We recognize that climate change is an important issue to all stakeholders, which will have a significant impact on the environment and society and will also have an impact on our operations. We have carried out climate change impact identification and analysis work.

In terms of physical risks, extreme weather such as floods, typhoons, and rainstorms that occur due to climate change may affect our workplace operations, employee safety, and provision of products and services. In order to avoid and reduce the company's property losses and casualties caused by the occurrence of extreme weather, we have established a dedicated team to be responsible for emergency response in the event of extreme weather and established an extreme weather emergency plan. The response mechanism we have established includes: before extreme weather occurs, predicting the scope and impact of extreme weather, and activating the plan in time; when extreme weather occurs, conducting emergency responses according to the actual situation of the weather changes, continuously adjusting the response level and meet assistance needs; after extreme weather occurs, gradually resume workplace and business operations, evaluate losses, and review the plan and find optimisation directions. We also developed the "Weather Forewarning System" to provide weather warnings to employees nationwide. In 2021, the system sent more than 200,000 weather forewarning notifications to our employees.

In terms of transition risks, facing the long-term trend of China's green economy and low-carbon transition, we should manage the carbon emissions generated by our own operations, comply with and respond to national regulations and policies related to reducing carbon emissions. At the same time, we should evaluate the impact of the application of emerging low-carbon technologies, the deployment of data centres with higher energy efficiency, and the procurement of low-carbon environmentally friendly materials in our business. We closely monitor the regulations and policies related to climate change and carbon emissions reduction that may have a significant impact, and we analyse the policy trends and prepare in advance. We apply low-carbon technologies to our workplaces and rented data centres to reduce energy consumption and carbon emissions. We have set an energy use efficiency target for headquarter offices to manage our environmental impact. We value the energy consumption level of data centres while renting them, and plan the location of data centres reasonably to ensure its stable power supply while improving the utilisation rate of clean energy and establishing a carbon emission monitoring mechanism. For information on energy conservation and carbon reduction in the workplace and data centres, please refer to the "Creating Green Offices", "Environment Management of Data Centre", "Environmental Targets" and "Green Procurement" chapters of this report.

In terms of opportunities in addressing climate change, we actively explore carbon reduction opportunities in the process of providing products and services, focus on reducing the carbon footprint of products and services. We combine business attributes to promote industry carbon reduction and guide consumers to foster low-carbon and environmentally friendly consumption habits. For example, the shared cycling service provided by Meituan Bikes and Meituan Electric Mopeds has lower carbon emissions than other modes of transportation, which could contribute to the transformation of green and low-carbon travel in urban transportation. At the same time, Meituan Bikes and Meituan Electric Mopeds practice the concept of full-cycle environmental protection management and is committed to reducing environmental impact. Also, we have launched the “Lush Mountain Plan” campaign to provide catering merchants with recyclable, degradable, or reusable solutions for packaging. We establish a lunch box recycling system in conjunction with upstream and downstream partners and promote users to practice “Tableware Free” and other sustainable consumption behaviours to build a low-carbon ecology. In the process of retail business development, we take various measures to reduce resource consumption and improve energy efficiency, including: (i) using RFID (Radio Frequency Identification) technology to identify and manage the use of packaging materials in business operations to avoid packaging waste; (ii) using recyclable ice plates instead of traditional single-use ice plates made of dry ice; and (iii) optimising the way products are secured during transportation and reducing the use of single-use plastics such as plastic wrap; (iv) refined management of electricity-consuming equipment, including timely shut-down of non-essential equipment and priority to more efficient speed-freezing equipment; (v) exploration of intelligent electricity saving methods, through AIoT (Artificial Intelligence & Internet of Things) monitoring technology to timely identify electricity-use applications that could be further improved. For the relevant contents of Meituan Bikes and Meituan Electric Mopeds and “Lush Mountain Plan”, please refer to the chapters of “Meituan Bikes and Meituan Electric Mopeds’ Full-Cycle Green Concept” and “Measures Taken by Meituan Food Delivery to Promote Environmental Protection in the Industry” in this report.

Environmental Targets

We set environmental targets based on our previous environmental performance considering characteristics of our own operations. The targets we set include:

- Starting from 2022, all the headquarter offices will sort wastes by categories.
- Starting from 2022, electronic wastes generated in all headquarter offices will be 100% treated for harmless disposal.
- Starting from 2022, all newly renovated or replaced lighting system in our headquarter offices will stop using fluorescent tubes.
- Using running water consumption per employee in 2021 as a benchmark, by the end of 2026, per employee running water consumption in headquarter offices will be reduced by 8% compared with 2021.
- Using total energy consumption per employee in 2021 as a benchmark, by the end of 2026, total per employee energy consumption in headquarter offices will be reduced by 8% compared with 2021.

Our greenhouse gas emissions are mainly due to the energy consumption of our operations. Based on the energy use efficiency target already set, we will not set a separate greenhouse gas emission reduction target this year.

Environmental Performance Indicators

Below are the key environmental performance indicators of the Company. The Company currently does not have a self-built data centre. Third-party operators oversee the emissions, resources and energy consumption of the rented data centre, 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 Meituan Select businesses, warehouses for Kuailv Jinhuo, and warehouses and service stations for Meituan Grocery, as well as warehouses for Meituan Bikes and Electric Mopeds.[2]

"Headquarters (HQ) offices" include headquarters-level offices in Beijing and Shanghai with integrated functions, and centre offices of customer service and R&D offices which are mainly used by customer service and R&D personnel. Among them, the headquarter-level workplaces are mainly Beijing Hengdian, R&D park and surrounding workplaces, and the Shenya office in Shanghai. Centre offices of customer service and R&D offices mainly include offices in Shijiazhuang, Yangzhou, Nantong, Wuhan, Chengdu, and Xiamen;

"Regional sales offices" refers to offices used by sales personnel and other supporting personnel – are distributed in 22 provinces, 5 autonomous regions, and 4 municipalities in Mainland China;

"Warehouses and service stations" refers to warehouses and stations used for Meituan Select business, Kuailv Jinhuo, Meituan Grocery, and Meituan Bikes and Electric Mopeds.

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2 With the improvement of the Company's capabilities concerning environmental statistics, data of Meituan Select business, Meituan Bikes and Meituan Electric Mopeds have been disclosed since 2021.

Emissions[3, 4, 5, 6]

HQ offices	2021
Total greenhouse gas (GHG) emissions (tonnes)	20,097.91
Total GHG emissions per employee in office (tonnes per employee)	0.43
Total GHG emissions per square metre floor area of the office (tonnes per square metre)	0.05
Total hazardous waste (tonnes)	0.15
Hazardous waste per employee[5] (tonnes per employee)	0.00
Total nonhazardous waste (tonnes)	4,120.94
Nonhazardous waste per employee[6] (tonnes per employee)	0.09

Regional sales offices	2021
Total greenhouse gas (GHG) emissions (tonnes)	5,721.03
Total GHG emissions per employee in office (tonnes per employee)	0.15
Total GHG emissions per square metre floor area of the office (tonnes per square metre)	0.02
Total hazardous waste (tonnes)	2.59
Hazardous waste per employee[5] (tonnes per employee)	0.00
Total nonhazardous waste (tonnes)	3,302.94
Nonhazardous waste per employee[6] (tonnes per employee)	0.08

Warehouses and service stations	2021
Total greenhouse gas (GHG) emissions (tonnes)	102,155.43

3 Due to the Company's business nature, the significant emissions of the Company are GHG emissions, arising mainly from the use of electricity generated by 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 offices, which are disposed of by qualified institutions. In 2021, the actual hazardous waste per employee in the HQ offices was 0.000003 tonnes, and the actual hazardous waste per employee in regional offices was 0.00007 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 equipment are handed to professional institutions for harmless disposal and recycling.

Energy and Resources Consumption[7, 8, 9]

HQ offices	2021
Total energy consumption (MWh)	30,047.24
Total energy consumption per employee (MWh per employee)	0.64
Total energy consumption per square metre floor area (MWh per square metre)	0.08
Running water consumption (tonnes)	331,942.00
Running water consumption per employee (tonnes/per employee)	7.17

Regional sales offices	2021
Total energy consumption (MWh)	9,751.47
Total energy consumption per employee (MWh per employee)	0.26
Total energy consumption per square metre floor area (MWh per square metre)	0.04
Running water consumption (tonnes)	53,644.29
Running water consumption per employee (tonnes per employee)	3.54

Warehouses and service stations	2021
Total energy consumption (MWh)	172,000.15
Running water consumption (tonnes)	1,003,522.59

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 concerns in sourcing water. Water fees of some of the offices, warehouses and service stations are included in property fees, therefore water consumption cannot be counted separately and is not included in running water consumption.

9 In 2021, we conducted research on the statistics of packaging materials used for finished products. The Company does not participate in the production process and has no finished products, therefore this indicator is not applicable to the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

WORKPLACE

Employees are our greatest assets. We are striving to build a comfortable and harmonious workplace, to ensure equal opportunities, to protect employees' rights, to provide competitive compensation and benefits that match employees' capabilities, and to ensure there are sufficient resources and opportunities for learning. For more information, please refer to the chapter "Management Discussion and Analysis – Employees" in this annual report.

Employment and Labour Standards

To protect employees' legitimate rights and prevent child labour 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 Women's Rights and Interests*, the *Labour Protection Regulations for Women Workers* and the *Labour Protection Regulations for Juvenile Workers*. We have established internal policies and standardized procedures regarding recruitment, separation, compensation, benefits, performance review, and promotion, in accordance with the measures described below.

Recruitment and Separation

We recruit candidates who match the positions the most, and we treat different races, ethnicities, genders, ages, and religious beliefs equally, to ensure that admission and development opportunities are accessible to all. We issued Job Posting Policy, to standardize 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. In 2021, we issued the Employee Recruitment and Selection Policy to specify possible discrimination behaviours and relevant disciplinary penalties. We continue to optimise the recruitment process, to ensure our policies instill both equality and diversity and guarantee compliance by organising recruitment training and conducting regular reviews.

During the interview process, we check candidates' working experience and skills, which enables us to employ qualified candidates who meet job requirements.

We strictly abide by relevant laws and regulations when it comes to employee separation. We formulated Employee Separation Policy, a standardized procedure to protect employee's rights during the separation process.

Labour Standards

We have formulated the Attendance Management Policy, Employee Separation Policy, and Integrity Workplace Code of Conduct to protect the legitimate rights and interests of our employees. We avoid child labour by verifying the identification of candidates before employment, and we have a record of zero illegal employment incidents such as child labour since the establishment of the Company. We respect the willingness of employees at all stages of employment, to ensure that employees participate in work on a voluntary basis and avoid forced labour. We have formulated an internal management system in accordance with the requirements of relevant laws and regulations, clarifying the remedial measures that should be implemented when child labour and forced labour occurred. We are committed to avoiding the occurrence of employment-related violations.

Compensation and Benefits

We offer competitive salaries and performance-based incentives to all employees. Moreover, we continue to grant share-based incentives to motivate our core positions and employees who have contributed to our corporate's long-term growth and development, making their interests are consistent with the interests of shareholders. For more details, please refer to the chapter "Report of Directors – Post-IPO Share Option Scheme" in this annual report.

We provide social insurance and housing fund for employees in line with the law, and we also provide commercial insurance and various subsidies including accident insurance, life insurance, and supplementary medical insurance. We establish Kind Fund, including Kind Loans, Serious Illness Care, Death Grants, Special Occasions Solatium and Emergency Fund and carried out Kind Fund Management Policy to help employees and their families in need.

Promotion and Development

We established a position ranking and incentive system, and formulated policies such as the Performance Management Policy, the Position Ranking Management Policy and the Position Ranking Review Plan, to improve the process of performance review, standardize the position management system, and set a clear path for promotion. Through the position ranking and incentive system, we are able to help employees with their capacity building focusing on what their positions require.

We have set up several professional committees composed of our internal experts to establish the Company's professional talent standards. Based on the standard, we provide employees with a variety of training content, promote experience sharing, and support the professional growth of employees. At the same time, we encourage employees to pursue their own career paths that meet personal interests and aim to unleash employees' potential.

We evaluate our employees' performances in an objective and fair manner and help them develop their capability and career through performance management. We review the employees based on their values, performance contribution, leadership and professional competence. Employees who make outstanding contributions enjoy fast promotions. Prior to the review, employees can participate in training to understand the promotion criteria and processes. At the same time, we have an internal supervision mechanism for the promotion process. Employees can make suggestions on their promotion-related matters or give feedback on discovered violations.

Work-Life Balance

Our Attendance Management Policy, Holiday Management Policy, and other policies manage the working hours of employees with a certain flexibility and provide employees with holidays such as statutory 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, World Teachers' Day, Spring Festival, and Mid-Autumn Festival. In 2021, we held the first "Meituan Family Day" event to improve employees' and their families' understanding of the Company and enhance employee cohesion. We have over 40 culture and sports clubs, where employees are free to join various clubs and participate in employee activities. We also established "Warmth Classes" on the theme of "body" and "mind", in order to protect the physical and mental health of our employees.

Communication

We have a variety of internal channels, such as internal topic community, social platforms, HR helpdesk, and communication sessions, to encourage employees to set up connections with others and aim to create an open and equal working environment. We listen and respond to employees' suggestions and feedback in a timely manner to better understand employees' demands and their working experience. 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 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 *Work Safety Law of the People's Republic of China*, the *Fire Protection Law of the People's Republic of China*, and other laws and regulations concerning occupational health and safety and fire prevention.

We established 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 to bolster our safety management. Some of our workplaces have obtained ISO 45001 occupational health and safety management system certification. We set up an EHS working group, and appointed safety specialists to facilitate the workplace safety risk identification, operation control, compliance evaluation, and internal audit, and strengthen enterprise safety management through the closed-loop management of "planning-implementation-inspection-improvement" to reduce safety risks. Measures safeguarding workplace safety include: (i) setting up a 24-hour Security Operations Centre to respond to emergency needs and remotely monitor potential risks; (ii) setting up the Company's first aid system, formulating first aid response procedures, and establishing a three-level response strategy composed of security personnel, health cabins, and employee volunteers; (iii) building an emergency response team and forming a team of certified emergency lecturers. In 2021, a total of 505 people have finished the certification training; (iv) Increasing the automated external defibrillators (AED) installed in the workplace, at present, all headquarters and regional workplaces with more than 300 people have achieved full coverage of AED to ensure the demand for first aid equipment in emergency situations; (v) setting up an office security system to manage the entry and exit of employees in working areas; (vi) for offices, conducting regular fire safety inspections in offices and rectifying identified hazards; for warehouse, improving the warehouse operation environment, formulating warehouse operation safety manuals, standardizing the use of warehouse equipment, timely discovering and rectifying potential safety hazards, and organising personnel to supervise warehouse operation safety manuals on-site; and (vii) carrying out security training and exercises covering all employees by combining online first aid courses and offline skills popularization courses to enhance employees' work safety and fire safety awareness; for, carrying out special traffic safety training for sales personnel to publicize and implement the concept of road 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 manage the testing of air quality, drinking water, and lighting in our workplace to provide a comfortable working environment for our employees. 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 Programme (EAP) 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 have carried out regular prevention and pandemic control management and adopted a variety of pandemic prevention and control measures to reduce the risk of infection. We installed devices to measure body temperature at all workplaces and provided masks and other disease prevention equipment. We established a daily reporting system to collect information on employees' physical conditions. Nucleic acid testing was arranged for employees, and abnormalities were treated in a timely manner. In 2021, we organised multiple in-home vaccinations for employees and stopped office visits in cities with high pandemic risks. At the same time, our access control system is connected with the national health code system, so as to know the abnormal pandemic situation in advance and prevent non-green code personnel from entering the office. All our offices have complied with the requirements of the local government to prevent the pandemic by carrying out office disinfection work and strengthening the regular management of workplace pandemic prevention.

Employee Training and Development

We set up a talent development department covering all employees, focusing on the concept of “truth-seeking and pragmaticism”, with a focus on “talent development”, “cultural heritage”, and “knowledge management” to create a talent development system that conforms to industry development and represents our characteristics. We continue to improve the training management mechanism and formulate internal management policies such as Internal Curriculum Management Policy and Internal Lecturers Management Policy, in order to standardize the planning, implementation, and management of training.

We work closely with our business departments to promote talent development through the development of customized learning programmes, standardized learning products, and personalized learning programmes. We aim to provide employees with on-demand training regardless of location or time limitations. We have established a training framework to improve employee’s management capabilities and professional skills. We continuously improve our employee training systems by developing courses on different topics, integrating various learning development programmes, improving course quality, and creating learning products that are suitable for employee development. At the same time, we carry out digital learning products and digital organisation guarantee mechanisms, and a series of digital training systems.

Our face-to-face classes, online courses, and practical activities cover different roles, ranks, and development stages. For newly recruited employees, we provide online and offline training in various forms, aiming to improve their professional skills, help them better integrate into the workplace, become more competent for their positions, and seek their own career development directions. For example, we provide employees from campus recruitment with a three-year talent training plan covering company culture, management systems, business capabilities, etc., to help these employees achieve role transformation. For on-the-job employees, regular training on important laws and regulations is held to improve employees’ legal awareness; special training on information security is carried out to enhance employees’ awareness of information security. Employee’s general workplace skills are learned and trained by adopting methods that are more in line with the learning habits of young employees. Based on work scenarios, we provide technical training for employees to improve their professional quality and professional ability. For management, step-by-step Leadership Echelon training is available to managers at different levels and is tailored to their abilities and characteristics. For example, we have launched the leadership training project “Prosperity Plan” and the management basic skills training project “New Tree Plan”. Among them, “Prosperity Plan” through offline training, pre-training online learning, and post-training feedback follow-up help employees strengthen their overall understanding of the business and business thinking and improve their ability to formulate functional strategies, team building, and horizontal collabouration. The “New Tree Plan” aims to help managers understand the role of managers to have a clear development direction, and meet the key challenges of their current role. In addition, we have promoted the mentoring programme for front-line sales personnel. Through the combination of online and offline teaching methods, we have integrated the three-in-one teaching methods of “apprenticeship”, “autonomous learning” and “mentoring” to help them better understand the Company’s management process, be familiar with job-related responsibilities, and master professional knowledge and skills so as to carry out their work smoothly.

Workplace Performance Indicators

Employment

Indicators		2021
Total number of employees		100,525
Number of employees by gender	Male	62,982
	Female	37,543
Number of employees by age group	Age 30 and under	60,440
	Age 31 to 50	40,068
	Above age 50	17
Number of employees by geographical region	The Mainland of China	100,514
	Hong Kong, Macao and Taiwan	8
	Other countries and regions	3
Number of employees by management level	Management	521
	Non-management	100,004
Number of employees by employment type	Full-time	100,033
	Contractors and other types	492
Total turnover rate		24.03%
Employee turnover rate by gender	Male	25.07%
	Female	22.29%
Employee turnover rate by age group	Age 30 and under	28.04%
	Age 31 to 50	18.92%
	Above age 50	20.00%
Employee turnover rate by geographical region	The Mainland of China	24.03%
	Hong Kong, Macao and Taiwan	16.67%
	Other countries and regions	0.00%

Employee turnover rate = number of employee departure in the reporting year*2/(the number of employees at the beginning of the reporting year + the number of employees at the end of the reporting year).

The number of employees leaving the Company refers to the number of employees who resigned voluntarily. The number does not include employees leaving during their probation period.

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Health and Safety

Indicators	2021	2020	2019
Number of work-related fatalities	0	0	0
Rate of work-related fatality (%)	0	0	0

The number of working days lost due to work injuries in 2021 was 7,958 days.

The data of occupational health and safety-related deaths and injuries due to work is identified by the Human Resources and Social Security Bureau. The rate of work-related fatality = number of work-related fatalities/total number of employees.

Employee Training

Indicators		2021
Percentage of employees trained by gender	Male	99.9%
	Female	99.8%
Percentage of employees trained by management level	Management	100.0%
	Non-management	99.8%
Average training hours of employees by gender	Male	47.7
	Female	36.8
Average training hours of employees by management level	Management	23.2
	Non-management	43.7

SUPPLY CHAIN MANAGEMENT

Our main suppliers are delivery partners and providers of products and services. Supply chain compliance management and stable business partnerships are important for our sustainable operation, 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, Code of Conduct for Meituan Employees & Suppliers, Code of Conduct for Business Communication of Procurement Management Department, Communication Guidelines for "Separated Employees" Associated Partners. We have also identified and managed key segments 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. We have formed a standardized management system that covers the whole procurement process, activities and the procurement of all categories.

Before official engagement, we require all suppliers to complete real-name authentication, and sign and abide by terms concerning anti-corruption, confidentiality, and behaviour with integrity as stipulated in our Anti-Commercial Bribery Agreement, Confidentiality Agreement, and Commitment of Self-discipline. By the end of 2021, our 2,876 newly added suppliers have completed the signing of the Anti-Commercial Bribery Agreement, Confidentiality Agreement, and Commitment of Self-discipline.

Suppliers can report any corruption-related issues during business cooperation to us via a questionnaire inserted in the procurement system. We regularly review suppliers and set up an operational mechanism of supplier blacklist for centralized procurement. If a violation committed by a supplier is substantiated, cooperation would be suspended and the supplier's credentials would be canceled.

Through internal sharing and training, we upskill business capabilities of employees who are in the position of suppliers' management and advance the implementation of the management system and processes.

Management of Supply Chain Environmental and Social Risks

We pay attention to environmental and social risks in supplier onboarding and cooperation.

We require suppliers to follow the standards we have established during the supplier onboarding process, they will need to provide qualifications and certification for relevant products or services as well as proof of no illegal records or misconduct by the supplier. We will further evaluate the integrity profile of suppliers by inquiring the corporate credit information publicity system and conducting on-site inspections and regular audits against key suppliers.

We require suppliers of specific categories to meet the qualification requirements of environmental management or occupational health and safety management systems and verify the authenticity and accuracy of information about suppliers. To further minimize environmental and social risks, we have set up a supplier management team and 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 onboarding audit. If a supplier terminates its operation owing to environmental and social risks or problems, a back-up supplier would be activated to ensure that products or services are delivered on time.

Green Procurement

We regard the responsibility of environmental protection in the procurement of products and services. In 2021, the Company invested more than RMB100 million in actively promoting the application of environmentally friendly material packaging bags such as fully biodegradable shopping bags, non-woven shopping bags, and environmentally friendly paper bags in the Company's business lines. At the same time, we evaluate energy consumption level when newly renting data centre, requiring data centre we rented meet the PUE≤1.3 standards.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Number of Suppliers

Number of suppliers by region	2021
The Mainland of China	26,728
Hong Kong, Macau, and Taiwan	8
Other Countries and Regions	9

"Number of Suppliers" refers to the number of suppliers maintained in the supplier management system as of December 31, 2021. "Region" refers to the place where the suppliers are registered.

Management and Protection of Delivery Couriers

Our platform requires a large number of delivery personnel (referred to as "delivery couriers") to assist in the services. These delivery couriers who obtain job opportunities through our platform represent a new form of employment. The safety and rights of delivery couriers 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 comply with the requirements of relevant laws and regulations and set recruitment standards for delivery couriers and supervise delivery couriers according to our criteria to protect the labour rights of the delivery couriers. We conduct facial recognition tests and other safety mechanisms to confirm delivery couriers' identities and ensure the safety of our service.

We abide by the *Work Safety Law of the People's Republic of China* and other relevant laws and regulations. We continuously update and improve the distribution safety management mechanism, promote production safety standardization and informatization process in the distribution business, build a safety risk classification control and hidden danger investigation and management mechanism, and earnestly fulfill the production safety obligations of platform enterprises.

From two perspectives – supervision over delivery partners and care for delivery couriers – we have taken measures to ensure the safety and labour rights of delivery couriers. Delivery 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 delivery couriers may only work when they have passed an exam and are equipped with knowledge and skills related to traffic and cycling safety. We have established a centre 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. In 2021, we proactively supported the regulatory authorities by developing policies on occupational injury protection for personnel. Depending on the types of delivery couriers, we required partners to purchase employer's liability insurance for delivery couriers or worked together with partners to launch personal accident insurance products for delivery couriers. The corresponding insurance products have been covered to all delivery couriers during their service and provided more protection for delivery couriers' personal and occupational safety.

We have implemented measures to reduce safety risks and protect labour rights during delivery service of delivery couriers, including: (i) continuously optimising the order dispatch system to rationalize the delivery time limit and route settings, and setting flexible delivery time for delivery couriers. Offering complaints panel for delivery couriers to extend the delivery time limit for special scenarios such as severe weather and delayed meals to improve delivery safety; (ii) piloting "Anti-fatigue" reminders and dispatch interventions to implement the delivery courier's "stop dispatching for 20 minutes when continuous delivery for 4 hours" requirement to ensure delivery couriers have enough time to rest; (iii) upgrading software and hardware for delivery couriers, including smart earphones, smart helmets, back-lights on helmets, voice control system, reinforcement gears, and upgraded reflective strips, etc. to reduce safety risks during operation and riding. At the same time, providing delivery couriers with windshield quilts, handlebar covers, leather knee pads and other cold-proof equipment and materials in freezing cold seasons; (iv) aggregating various safety and security measures related to delivery courier daily delivery, covering severe weather warning, delivery courier insurance checking, safety knowledge, emergency contact person, case reporting, etc. via online safety centre in the delivery couriers' order receiving App; (v) rolling out a charging and battery replacement network, providing a dense network of charging and replacement devices, and mitigating fire risks when delivery couriers charge bikes themselves; (vi) encouraging delivery partners to strengthen education and guidance of safety for delivery couriers and briefing delivery couriers on traffic safety, fire safety and emergency countermeasures; (vii) incorporating safety into delivery couriers' bonuses, ensuring them value safe delivery; and (viii) establishing a process to handle traffic accidents and safety incidents, and assigning full-time safety personnel to manage the process.

During the pandemic, we have adopted timely measures to reduce health and safety risks for delivery couriers: (i) disinfecting and monitoring delivery sites across the country, with delivery boxes sterilized 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 delivery couriers; (iii) bolstering protection for delivery couriers 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 delivery couriers concerned would stop work immediately and be referred to hospital for treatment; (iv) making transparent health information connection between merchants and delivery couriers through health cards and other aspects delivery courier; (v) educating delivery couriers about disease prevention and control, to improve delivery couriers' knowledge of disease prevention, distributing the Manual on Psychological Protection of Delivery Couriers Amidst the Pandemic and, during 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 delivery couriers' family members infected by COVID-19.

In addition to measures ensuring delivery couriers' safety, we continue to deliver care to the delivery courier community in many aspects. We held activities such as "Talk With the Delivery Couriers" to enhance the communication with delivery couriers and respond to their expectations and concerns. Since 2020, we have initiated the "Tongzhou Project" in response to delivery couriers' feedback and improved delivery couriers' experience from four perspectives, namely, the guarantee of work, experience improvement, career development, and life care. Specific measures include: (i) implementing the delivery courier's complaint mechanism by sorting out delivery overtime related complaints caused by more than 30 special scenarios such as "unable to contact the user", which allows delivery couriers to eliminate the negative impact of the complaints; (ii) optimising the delivery algorithm by collecting opinions and suggestions from stakeholders including delivery couriers and external experts and conducting user surveys in some cities. In 2021, we have announced twice regarding delivery couriers distribution algorithm to the society, thereby actively promoting the transparency of algorithm; (iii) continuously improving the delivery courier training and development system, and introducing various knowledge and skills training covering topics of daily life and work. We have started the delivery courier "Stationmaster Training Plan" and "Delivery Courier Transfer Plan" to help delivery couriers set long-term and stable career development paths while providing more career directions that meet delivery couriers' personal interests; meanwhile, we support delivery couriers who are willing to receive better development to increase education levels by funding them to prepare for university programmes. We also managed to collabourate with the Open University of China, so that qualified delivery couriers can receive full scholarships equivalent to annual tuition fees in order to obtain junior college degrees. (iv) Since 2018, holding the 717 Delivery Couriers' Day for four consecutive years, and organising other activities such as the National Delivery Couriers' Basketball League, the Mobile Game Challenge, and the Site Get-Together to strengthen delivery couriers' sense of professional identity; (v) launching the "Tongzhou Guardian" 1 m^2 self-service health area, which integrates functions such as delivery couriers' health promotion, service guidelines, service applications, feedback, and equipment and medical supplies display to help delivery couriers acquire proper health support; (vi) setting up food delivery courier's mental health counseling hotline and mental health mini-classes, helping them relieve pressure and negative emotions in their daily work and life and maintain a positive and optimistic mindset, in a scientific and comprehensive manner; (vii) providing 7*24 hours online health counseling and drug-delivery services for delivery couriers and their families. Delivery couriers can acquire free consultation from doctors or pharmacists through the delivery couriers' App and receive monthly allowances for medicine purchase so as to reduce their medical expenses and associated pressure; (viii) setting up a serious illness care fund to assist the families of delivery couriers who suffer from serious illnesses. From the launch of serious illness care in 2019 to the end of 2021, a total of 374 delivery couriers and 1,015 delivery couriers' families have been assisted, with a total of RMB67.518 million has been distributed, providing effective help for the delivery courier's family to tide over the difficulties; and (ix) the Meituan Public Welfare Foundation continuously promoting the "Daishu Baby Public Welfare Programme" to help delivery couriers across the industry resolve dilemmas related to delivery couriers' children who may suffer from serious illnesses, accidental injuries, and other difficult situations. In 2021, the "Daishu Baby Public Welfare Programme" has been upgraded, families with severe diseases can now receive up to RMB100,000 in assistance. At the same time, we established the industry's first free ward school for delivery couriers' children (Daishu Babies) in Yanjiao, Beijing, providing free fundamental education for food delivery couriers' children. By the end of 2021, we have assisted 296 children from industry-wide food delivery couriers and provided emergency medical assistance equivalent to about RMB10.487 million.

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 delivery, in-store, hotel & travel, and new initiatives and others. We abide by the *Law of the People's Republic of China on the Protection of Consumer Rights and Interests* to protect the legitimate rights and interests of consumers and value the quality of products and services of platform merchants. In accordance with the relevant requirements of the *E-Commerce Law of the People's Republic of China* and the *Measures for the Supervision and Administration of Food Safety in Online Catering Services* 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 *Regulation on the Implementation 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 *Measures for the Investigation and Punishment of Illegal Acts Related to Online Food Safety* and other laws and regulations, we are responsible for the supervision and review of the merchants on our platform, as well as our retail businesses. We have established food recall management measures, formulated a management process for the recall and disposal of unsafe food. We have clarified the recall procedures for unsafe food, including suspension, sealing, recall, and service termination process of non-compliant merchants. We did not have any significant health and safety-related recalls during the year.

We continuously enhance our organisational capacity on food safety and human resource guarantee. At the Company level, we have established Food Safety Committee and food safety office to take the responsibilities of formulating strategies, building competence on food safety, interpreting laws and regulations with further implementations, coordinating departments to ensure food safety, setting external food safety cooperation, thereby achieving efficient cooperation of the management of food safety. At the business line level, we have comprehensively improved our organisational personnel structure and set a quality control team to undertake qualification examination of cooperative merchants, supplier's admittance management, fresh agricultural products warehousing, in-stock management, and other responsibilities. We actively fulfill the responsibility of food safety, take the initiative to carry out food safety assessment, prevention, and sampling inspection, to ensure the food safety of commodities and food products sold. 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 related 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.

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From the perspective of food delivery, internal policies 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 establish evaluation standards and regularly evaluate the implementation of the food delivery safety management system, to identify risks and propose improvements. To objectively evaluate the safety performance of online merchants, and the safety status of disposable tableware, we engaged third parties to carry out sampling tests and verification for food delivery and disposable tableware. Together with the China Cuisine Association, the Same City Real-time Logistics Branch of China Federation of Logistics & Purchasing (CFLP), and industry partners we jointly formulated China's first group standard for the *Management of Intelligent Takeaway Cabinet*, focusing on the function, quality, location, operation requirements, and food safety management of the cabinet, so as to improve the standardization level of the delivery performance process. We keep optimising our offline food safety inspection mechanisms to help and guide merchants to continuously improve the food safety management. We continue to explore and promote "consuming delivered food with rest assured" and measures of food safety guarantee to increase customers' level of satisfaction and to protect their rights.

From the perspective of retail food, we strengthen the development and implementation of our food safety management system. We formulate and improve food safety management systems, including stock inspection, commodity admittance management, on-site audit for suppliers, third-party inspection, warehousing acceptance examination, and cold-chain control for imported food products. In the supplier and commodity entering stage, we will check several qualification materials, including business licence, food production and operation licence, commodity qualification certificate, etc. For food suppliers with large purchases and sales of aquatic products, fruits, vegetables, etc., we will proceed with on-site inspections and random inspections to strengthen the control and supervision of the upstream supply chain. In the process of commodity storage, we have carried out the sensory inspection of commodities and the rapid detection of high-risk fresh agricultural products by establishing a rapid assessment labouratory. In terms of food safety risk identification, through cooperation with third-party testing agencies, we regularly perform special food safety sampling assessments, use a digital approach to monitor the food safety performance of the commodities, and take timely control measures for unqualified products.

From the perspective of Community E-Commerce Food, we, in collabourate with the China Chain Management & Franchise Association (CCFA) and industry partners, have formulated several food safety group standards such as *Guidelines for Food Safety Control of Community E-Commerce Merchants Entering and Guidelines for Food Safety Control of Community E-Commerce Stores* for key components in the community group buying scenario, so as to promote the formalization and standardization of food safety management in community e-commerce formats and promote the development of industry in a disciplined manner. We have launched a food safety science popularization project for the central warehouse, grid warehouse, and self-pickup point of community e-commerce and have continuously improved the food safety awareness and capability of personnel in all stages.

From the perspective of self-operated food, we have established a quality control team and formulated the Guidelines for Food Safety Management and Control of Self-operated Brand Commodities and Food to clarify our 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 on self-operated food. This enhances safety and improves the management of suppliers.

We maintain food safety management during emergencies and the pandemic. During the flood in Henan province, we, in collabouration with CCFA, invited experts from institutions such as the National Food Safety Threat and Risk Assessment Centre and the Kexin Food and Health Information Exchange Centre to jointly produce and issue graphic and video sessions such as the *Guide to Resumption of Work after Flooding in Catering Stores*. Using this guidance, we passed on key topics on post-flood catering food safety management to merchants through multiple media such as regulatory departments, social media, and online platforms. During the pandemic, while meeting the fundamental catering service demands of users, we innovate food safety products and services around key segments such as food safety and pandemic prevention, food delivery, and cold chain food management. Meanwhile, we joined market supervision bodies to carry out the “Safe 365” public welfare training programme on food safety to support catering businesses in pandemic prevention and control and food safety risk management. As the end of 2021, the “Safe 365” programme had carried out a total of 100 trainings in 21 provinces and 146 cities covering approximately 2 million catering practitioners across the country. According to the situation of pandemic prevention and control, we formulate Guidelines for Disinfection of Imported Cold Chain Foods and Emergency Response Plan for Imported Cold Chain Foods to reduce risks in all procedures, protecting the safety of employees, merchants, delivery couriers, and users.

In 2021, we organised trainings for employees, delivery couriers, suppliers, and merchants to promote our food safety culture and enhance awareness and capability of food safety compliance. For employees, we conduct regular training of “Food Safety Lecture” where industry experts share instructive practices, regulations, and policies. For delivery couriers, they are regularly reminded of food safety and pandemic prevention requirements in the delivery process. For suppliers, we carry out regular special trainings to promote key points on food safety management. For merchants, we launch various columns such as “Safe Catering” where we send popular science articles and practical suggestions weekly.

We actively participate in the social co-governance of food safety. We participated in the national “Food Safety Publicity Weeks” activity to jointly advocate food safety culture and promote good practices. We have signed food safety strategic cooperation agreements with market supervision departments to support the collabourative construction of food safety demonstrative districts and cities and explore government-enterprise cooperation food safety governance programmes. By strengthening government and business collabouration, we improve the comprehensive management on qualification examination prior to food safety related incidents, conduct accurate control during the incidents, and take rapid measures regarding problematic merchants after the incidents. In collabouration with market supervision departments, we explore the online exhibition of “Bright Kitchen and Stove” for catering merchants and continue to improve the food safety transparency of delivered food consumption. We continue to strengthen communication and cooperation with industry associations, universities, and scientific research institutions to explore collabourative governance schemes on food safety through seminars, research projects and joint training on food safety assurance in the fresh-food supply chain, promotion and implementation of national food safety standards training, delivered food safety governance, and annual appraisal of food safety legal events.

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 ride-sharing. Abiding by the *Interim Measures for the Management of Online Taxi Booking Service*, we conduct pilot online ride-sharing and information-matching. We and our service providers hold online ride-sharing licences in our areas of operation.

In 2021, we upgraded the Rider-sharing Safety and Risk Management Committee to the Rider-sharing Risk and Integrity Management Committee. This enhanced the pre-control capacity of safety risks on the basis of rapid response and handling of incidents. We continue to consolidate our ability to manage and control safety risks in advance, and actively promote the timely identification and rectification of hidden risks. At the same time, we implement the responsibility of safety management, improve the safety management mechanism, and continuously improve the professional and standardized level of safety management.

To regulate ride-sharing and ensure passenger safety, vehicles and drivers are registered and reviewed in accordance with supervising regulations. Vehicles participating in the ride-sharing 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 ride-sharing service. In 2021, we have taken several safety management measures, including: (i) continually conducting psychological health assessments, identifying drivers with high psychological risk, and taking timely countermeasures; (ii) continually providing online and offline pre-job training, daily training, and error correction training for drivers, plus daily safety publicity for passengers and partners; (iii) continually conducting facial recognition for drivers before daily operation; (iv) continually operating and optimising functions such as trip recording and one-click alarms, implementing 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) developing pandemic prevention functions, verifying the implementation certificates of pandemic prevention measures uploaded by drivers and passengers, and responding to urban pandemic prevention work requirements; (vi) customizing and installing driving recorders, developing relevant App operation and maintenance tools and algorithm models, realising real-time identification and recording of abnormal conditions inside cars during service; (vii) carrying out safe product strategy scenarios and sand table exercises to optimise the response and disposal process of risk order monitoring; and (viii) establishing classifications for crisis events, strengthening cooperation with public security organisations, and enhancing guidelines for emergency disposal procedures.

We also value the safety management of the Meituan Bikes and Electric Mopeds sharing service. In 2021, we took a number of measures to ensure the safe use of shared bikes and electric mopeds, including: (i) strictly abiding by relevant national standards regarding the R&D and production of bikes and electric mopeds, such as the *Technical Specifications for Safety of Electric Mopeds (GB17761-2018)*, to carry out vehicle qualification testing to ensure vehicle safety; (ii) ensuring availability of vehicles delivered through management methods such as failure identification, automatic off-line of malfunctioning vehicles, and overall vehicle maintenance; (iii) providing users with insurance products during vehicle use to guarantee their personal safety; (iv) cooperating with local traffic control departments to organise instructions on user riding safety, and launch the "User Online Academy" to improve users' awareness and skills of safe riding; (v) passing user real-name authentication, face certification and other technical means to prevent minors from riding. In 2021, no major accident was caused by quality flaws of shared bikes and electric mopeds.

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, Meituan Merchant Integrity Evaluation and Management Measures, the Policy on Merchant Integrity Management, Regulations for the Release of Merchant Information, Convention on Merchant Integrity and Management Measures, Specifications on Meituan Food Delivery Provider's Service, Management Measures for Meituan's Non-reception of Catering Merchants, Measures for the Administration of False Transactions by In-store Catering 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, healthy, and convenient products and services to consumers. We undertook multiple projects to standardize the quality of merchants to enhance consumers' experience. For example, for catering snacks, merchants and well-known catering snack chain brands have jointly formulated the group standard *Operation Requirements for Snack Chain Enterprises in Digital Services of Catering.* This standard was established by the China Hotel Association, aiming to guide chain enterprises of catering snacks to realise digital service and management and enhance service competitiveness. For hotel merchants, we worked with the China Hotel Association to implement the "Pandemic Prevention and Clean Project". *The China Hotel Industry Pandemic Prevention and Self-discipline Convention* sets out our standards for hotel hygiene and cleaning, again enabling users to make informed choices. For the ticket merchants of scenic spots, the "Elderly-Friendly Ticket Project" has been launched. Based on the operational difficulties of online ticket purchase for the elderly, we optimise the user interface, simplify the operating procedure and use intelligent methods to improve the operation, so as to help solve the problem of the elderly using intelligent systems and provide better service to the elderly. In addition, in the context of the normalization of domestic pandemic prevention, we assist scenic spots and the government by applying scientific and technological pandemic prevention. We helped to check the health status of tourists during the reservation and admission of the scenic spot to prevent people with abnormal health conditions from entering. We have optimised the allocation of materials and personnel resources, reduced the operating pressure in the scenic spot, and improved the accuracy and efficiency of pandemic prevention and control, thereby improving the tourist experience.

We have established a merchant platform training system, and regularly organise the merchant community to participate in training courses through online and offline training methods. We invite industry experts to give lectures to promote knowledge and enhance merchant service awareness. For example, we helped local market supervision agencies by carrying out the “Safe 365” food safety public welfare training programme. We invited 10 well-known experts in the industry, carried out 100 online training sessions in 146 cities in 21 provinces across the country. Over 2 million catering practitioners were benefited from the “Safe 365” programme. We enhance the business awareness of compliance and food safety knowledge and create a safe and secure consumption environment for consumers. At the same time, we provide a platform for merchants to carry out industry experience sharing and learning. Merchants could share cutting-edge industry information and opinions in the form of offline summits, forums, salons, and data seminars, improving the quality of merchant services, thereby promoting the common development of the industry.

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. We have established a strict control system and a systematic violation handling process in accordance with it, so as to 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.

The pandemic has pressed the “pause button” for the development of the catering industry, nonetheless also pressed the “acceleration button” for catering merchants who embrace digital transformation. In order to support small-, medium-, and micro-sized merchants, Meituan Food Delivery has launched a series of initiatives and free tools to help small and medium-sized enterprises improve their online business capabilities and meal efficiency, increase the number of orders, and effectively increase their income. For example, we launched the “Food Delivery Butler Service” and continued to invest resources and subsidies to work with professional food delivery operators in the industry to provide a full range of food delivery operation services for small-, medium-, and micro-sized businesses to help merchants quickly grasp the essentials of online operation. Moreover, we provide free food delivery cloud printers for newly launched small and medium-sized catering merchants in high-risk areas of the pandemic, and distribute “Chucanbao” (an electronic hardware of Meituan) to small and medium-sized catering merchants with difficulties in operation across the country, helping catering merchants save costs while solving business problems such as wrong orders, lost orders, and conflicts in food delivery. In addition, we provide special traffic support to new small- and medium-sized catering merchants to help these less-experienced new merchants thrive in the food delivery business.

Customer Service

We constantly strive to improve customer satisfaction by providing high-quality customer service. We set up operation centres in Shijiazhuang, Yangzhou, Nantong, and Wuhan with professional service teams. We practice smart customer service, equipping teams with intelligent assistance that can quickly answer high-frequency and repetitive questions, handle standardized tasks automatically, conduct batch processing to address unexpected business peaks, and improve our efficiency of customer problem handling. At the same time, we quickly identify possible service problems and improve the customer service management efficiency by using the intelligent quality inspection system.

We timely check and respond to customers' feedback and demands through different ways, including online customer service, telephone, WeChat, email, and public opinion monitoring. We continue to improve and standardize the customer complaint problem-solving process, clarify the internal responsible party for each procedure from problem initiation, problem handling to problem resolution, and urge and follow up with the main responsible party for problem resolution and feedback.

We provide customer service personnel with flexibility and authority so that they can deal with different situations and hence provide better service and experience for customers. For example, if we receive complaints about a merchant refusing to serve a customer, once these complaints are confirmed, personnel could be authorized to 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 improvements.

Since 2018, for the third consecutive year, we have won the CCM World Group's Golden Headset championship, which rates "China's Best Customer Service Centres". Based on the award judging rules, as a member of the " Group's Golden Headset" Directors Club, we will permanently retain the Group's Golden Headset.

We have a professional customer service team and a thorough procedure to resolve complaints from users. In 2021, the total number of complaints we received from the users is 898,071 cases, which accounted for 14/10,000 of the total number of services, and 97.2% of the complaints were resolved within 3 working days.

Intellectual Property Rights

We emphasize 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 where we operate.

We have established effective mechanisms to control intellectual property risks, including (i) systematically identifying and evaluating intellectual property risks, making response plans, and improving prevention mechanisms; (ii) establishing evaluation procedures in key businesses, including pre-examination rules for IPR in procurement, R&D and trademark reviews during new brand design, and the determining of IPR for major projects; (iii) monitoring and cracking down external infringements by cleaning up fake trademarks and applications, to enhance the integrity of the market and protect the interest of users; (iv) enhancing our resilience against risk through external exchanges and cooperation, which helps create a safer domestic and international environment for business development; and (v) improving intellectual property operation guidelines across all businesses and undertaking ongoing training and publicity to raise business departments' awareness of IPR risks.

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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, applying for text quality sampling, and spurring patent filing efficiency and output value through spiritual and material incentives. In 2021, our applications for trademarks, patents, and software copyrights increased steadily. We have completed the "Meituan" and "Meituan Food Delivery" trademark registration in all categories.

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 the front-end, mid-end, back-end to co-governance and supervision, including (i) front-end: building a brand protection database to intercept the source of infringing stores; (ii) mid-end: establishing an online anti-counterfeiting mechanism and continuously enhancing control efforts to promote rectification and compliance operations of existing merchants (iii) back-end: launching and iterating our IPR protection platform to meet the demands of brand rights protection and improve processing efficiency and transparency; and (iv) co-governance and supervision: collaborating with IPR owners, regulatory agencies, the public, etc. for collaborative governance, introducing a public review mechanism to allow public participation in the formulation of intellectual property protection rules, and publishing reports to accept supervision from the public on an annual basis, etc.

We actively promote the protection and application of intellectual property rights in technological innovations such as artificial intelligence, big data, autonomous driving and algorithms, and actively participate in communication and research activities. 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 2021, three patented products produced by our independent research and development 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*, *Data Security Law of the People's Republic of China, Personal Information Protection 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 Cyber Protection of Children's Personal Information*, 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 systematical data risks through organisational guarantee, mechanism construction, and special projects. We continuously optimise our management system, formulating 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 authorization, security assessment, encryption, data backup, and vulnerability prevention and control. Our self-registered user account with systematic and universal authorization and management has enabled us to regularly check the status of user accounts and related authorization information and to manage access via network devices. We periodically evaluate the security of our databases and servers. There are user data encryptions at the 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. We protect personal information from unauthorized access, public disclosure, use, modification, damage, or loss through information contact confidentiality agreements and monitoring and auditing mechanisms. 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. Based on the above, we constantly 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 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 3 Testing.

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 starting to work. In everyday work, we educate all employees about information security and regulations via online and offline training. Our Integrity 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 will receive severe disciplinary actions.

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 Standardization Technical Committee, we actively participated in the formulation of national standards for data security and user privacy. We participated in the formulation of the *Requirements for the Protection of User Rights and Interests in App Automation Decision-making* by the China Academy of Information and Communications Technology and made suggestions on the development of industry standards. At the same time, a series of standards for the *Minimum Necessary Evaluation Specifications for App Collection and Use of Personal Information* by the China Academy of Information and Communications Technology, which we participated in the compilation of, have been released.

Compliance of Information

Compliance of 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 advertising review standards and processes.

We strengthen the construction of the advertising review team and organise learning and training to publicize compliance knowledge and cases of violations to increase the awareness of advertising risks and compliance capabilities. We improve the ability to identify advertising content, achieve full coverage of advertising reviews, and review materials with a high number of exposures. At the same time, we developed a filtering system for sensitive words 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, to ensure that the published content conforms to relevant laws and regulations and that risks of violations of the law are properly controlled. Additionally, to protect the rights and interests of consumers, we set up relevant special advertising review regulations and focused on a review of advertisements in special industries such as medical treatment, medicine, and health food.

Compliance of UGC

For the compliance and quality management 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.*

We set up a Content Security Committee to strengthen the Company's content security management, formulated and implemented content security work policies to promote the construction of a content security system and enhanced the compliance and accuracy of UGC content. We have taken many steps to ensure UGC content compliance, including: (i) setting up a prevention and control mechanism for sensitive occasions, and focusing on prevention and control of the content security of sensitive occasions such as festivals; (ii) establishing an OKR mechanism for business-related UGC, clarifying and implementing the Company's content security risk management work; (iii) establishing an emergency response mechanism for content management, covering regulatory directives and special projects, and providing recall capabilities for UGC contingency on the platform; (iv) establishing a response system for public opinion-related issues to review procedures of external public opinion emergency response mechanisms, and to cover the staged handling process of public opinion in terms of early warning, identification, response, and management mechanisms; (v) establishing a sensitive-word database, and continuously track and update new sensitive words.

The Integrity Convention of Meituan Users clarifies responsibilities and obligations on our platform. Our review mechanism has improved UGC quality via automated and manual inspection. Our multiple-layer manual review mechanism assigns reviewers by content with special personnel to review high-risk contents. 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. We have optimised the UGC content management system, improved text recognition capabilities and screening accuracy, and optimised image recognition models.

We train and assess the UGC content security awareness of our employees by publishing the Content Security Work Manual, articles on the internal official account, and conducting online and offline content security courses for employees. We require all UGC content reviewers must pass the trains and exams of the UGC content security special project can start working.

Compliance of POI

We attach great importance to the compliance, authenticity, and accuracy of POIs (points of interest, i.e., the places considered interesting or helpful by the users). We have established a review system to filter and correct POI content through three defensive measures, which are automatic identification, manual calibration, and verification of merchant information. We optimise the review and control of POI content and seek to enhance the quality of POI. Our measures to enhance the quality of POI includes: (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 inappropriate and illegal POIs; (iii) collecting the reported POI content to sort out the common problems, and then conducting unified review and rectification of POI data; (iv) using the manual and intelligent recognition system to carry out quality sampling inspection and review of POI content;(v) setting up communication channels with regulatory institutions and continuously completing POI management according to regulatory requirements, and (vi) providing training on the control of fake POI and organising employees in relevant positions to take exams to assess their POI management ability. We will continue to expand the identification scope of the POI anti-cheating model, build intelligent correction capability for quality inspection, and improve the level of POI content security and quality management.

We open the POI information submission portal on the terminals of users and merchants, and actively collect users' feedback by setting up dedicated service hotlines between merchants and users, to revise data, iterate products, and improve user experience.

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ANTI-CORRUPTION

Anti-fraud

We strictly adhere to the *Anti-Unfair Competition Law of the People's Republic of China* and other relevant laws and regulations. We continuously strengthen anti-fraud management, improve internal systems, and cultivate a culture of integrity to ensure the healthy development of the enterprise. Internally, we strive to create a decent and fair workplace environment, enhance the integrity awareness of all employees, and provide better products and services to customers. Externally, we create an open, transparent, and efficient cooperation environment to attract high-quality partners to work with us.

Anti-fraud System and System Development

In 2021, we revised the Integrity Workplace Code of Conduct, which stipulates the professional behaviour of employees, by further clarifying the Company's behavioural requirements to reflect the core value of "integrity". We issued the Integrity Management Responsibility Policy to clarify that managers are responsible for managing employee fraud-related incidents. We continuously optimise and update our internal policies, including Avoidance of Interest Conflicts & Integrity Declaration Policies, Prohibition of Private Agreements, Prohibition of Confidential Information Disclosure, and Management System of Receiving Gifts. These rules apply to all employees and provide basic guidelines for the development of integrity. We keep working through potential corruption risks involved across the internal and external communication of employees, monitoring fraud with full coverage and zero tolerance, and dealing with violations with serious actions in accordance with rules and regulations we formulated.

Our Integrity Committee, which takes the responsibility of defending Meituan's core values of integrity and honesty, sets "honest Meituan, honest eco-system, and honest industry" as its key objectives. It leads the Company in corruption investigation and handling, integrity culture development, and anti-corruption actions with fraud-prevention mechanism establishment by means of anti-fraud prevention, integrity communication, and fraud investigation. We implement a "triad" of prevention, investigation, and publicity to eradicate fraud. Adhering to our Framework of Integrity & Operational Mechanism of Integrity Committee, 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 continuously 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) formulating Reporting Platform, Investigation and Handling Platform, Adjudication Platform, Grievance Platform, Enforcement Platform, and Document and File Management Platform, and integrating abovementioned functions into the Case Investigation Platform. In 2021, the Committee investigated and responded to more than 30 major cases and transferred more than 40 people to the judicial process. Employees who violate disciplines are handled in accordance with the provisions of the Integrity Workplace Code of Conduct.

Additionally, taking both the triadic model and 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 section of "Risk Management and Internal Control – Organisational Structure for Risk Management" in the Corporate Governance Report included in this annual report.

Development of Integrity Culture

We adhere to the integrity concept of "making integrity one of the organisational capabilities and core competencies" and carry out a series of integrity culture development, including training, assessment, cultural publicity, and other forms.

We coordinate all departments to promote the co-development of an integrity culture and continuously consolidate it. Integrity training and publicity are conducted for employees at different levels including the board of directors and senior management, and exams are designed to ensure understanding of our Integrity Workplace Code of Conduct. In 2021, we organised 827 sessions of integrity training or publicity activities with approximately 400 professional lecturers. The participants totaled 108,720, including the Board members attending one specialized training session and managers attending 109 anti-corruption sessions. In 2021, 97.27% of the participants passed our annual integrity examination with one attempt.

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

Our culture of integrity is promoted by a series of publicity activities. We have organised various forms of publicity activities to raise employees' awareness of gifts declaration this year. A total of more than 6,000 employees have participated in the activities and self-declared on receiving gifts.

We have undertaken an integrity index survey for five consecutive years since 2017 and examined factors including integrity perception, integrity attitude, integrity behaviour, and integrity system. We shared the results with the whole company.

Violation Reporting and Inspection Mechanism

Our Integrity Platform encourages employees to proactively declare 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 acceptance of reports, investigation and inquiry, qualitative judgment, appeals, and penalties. Standardised clue operation is characterized by the way of "full coverage, no omissions, high efficiency, and mandatory feedback." We have protection systems for whistleblower their information to safeguard whistleblowers' legitimate rights and interests. Our Department of Integrity and Supervision accepts fraud reports and forms investigative teams. We establish an appeal and clarification mechanism to ensure the fairness and accuracy of the investigation. Employees found related to fraud are dismissed based on laws and regulations. Cases that violate national laws are referred to judicial authorities.

As one of the initiators and vice-chairmen of the strategic decision-making committee, we co-founded the Trust and Integrity Enterprise Alliance in 2017 and continue to participate in its anti-corruption actions. We issue anti-corruption announcements every year, which aim at sanctioning corruption, fraud, counterfeiting, breach of information security rules, and other criminal acts through Internet approaches, improve the anti-corruption governance level of alliance members and foster a community of integrity with our partners.

In 2021, we received litigation results of 5 corruption cases. All 6 employees involved in the cases have been transferred to the public security authorities. The above persons were convicted of 2 non-state functionaries for accepting bribes and 4 for job embezzlement. They were each sentenced to prison terms ranging from 6 months to 3 years. We have terminated labour relations with the above-mentioned employees by the Integrity Workplace Code of Conduct and established a case review mechanism to prevent the recurrence of similar cases. We believe that the cases have insignificant impacts on our businesses.

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 Measures for the Administration of the Reporting by Financial Institutions of Suspicious Transactions Involving Terrorist Financing, Measures for Administration of Anti-money-Laundry and Anti-terrorism by Payment Institutions, Measures for the Administration of Combating Money Laundering and Financing of Terrorism by Providers of Internet Financial Services,* and *Guidelines for the Self-assessment of Risks of Money Laundering and Finance of Terrorism of Incorporated Financial Institutions.*

In 2021, in accordance with the latest regulatory documents and requirements such as *Guidelines for the Self-assessment of Risks of Money Laundering and Finance of Terrorism of Incorporated Financial Institutions* and the *Measures for the Administration of the Reporting by Financial Institutions of Suspicious Transactions Involving Terrorist Financing*, we updated our anti-money-laundering internal control system. To enhance our anti-money-laundering efforts, we revised documents including the Administrative Measures for the Reporting of Large-sum Transactions and Suspicious Transactions. We fulfilled the reporting obligations of large-sum and suspicious transactions in accordance with the requirements of China's anti-money laundering authorities.

We have set up a financial and legal compliance centre, clarifying the competent departments and responsibilities of anti-money laundering work, equipped with anti-money laundering compliance personnel, full-time personnel for suspicious transaction monitoring, anti-money laundering product designers and anti-money laundering system support teams, setting up anti-money laundering work departments in each branch, and continuously strengthening the professional building of anti-money laundering work teams.

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 and monitored throughout the business development process.

In the aspects of risk monitoring in user identity verification, money-laundering, and terrorism financing, we verify qualifications and licences submitted by merchants and verify merchant identities via third parties, in accordance with our "Know Your Customer" and "Risk Priority" principles. Through system screening and manual analysis, we identify and monitor money-laundering risks related to our business, and report on confirmed suspicious transactions to relevant authorities in a timely manner. Through regular evaluation and system optimisation, we continuously enhance the accuracy and effectiveness of monitoring and identification of money-laundering activities.

We pay great attention to improving employees understanding and caution on money laundering. In 2021, we offered 34 internal and external training programmes that covered anti-money-laundering laws and regulations and regulatory documents issued by supervision, and experience sharing from industry partners. We also share and disseminate anti-money laundering knowledge through an internal knowledge base, workgroups, and our WeChat account in formats of articles, money laundering risk tips, short videos, etc. We carried out campaigns at our branches, in business districts, and among communities, involving a wide range of participants and achieving considerable results.

We communicate and interact with anti-money-laundering authorities, regulators, and related associations, and assist them to raise public awareness and disseminate such knowledge. At the same time, we have strengthened cooperation with peers to share our anti-money laundering work experience. In 2021, we actively participated in the "Anti-Money Laundering Essay Competition" of the People's Bank of China and held a seminar with the Agricultural Bank of China on "Suspicious Transaction Monitoring and Customer Due Diligence" to exchange knowledge of both parties. We participated in the "Seminar on Practices and Policies for Penetrating and Identifying Beneficiary Owners in Anti-Money Laundering Work in the Payment Industry" organised by the Institute of Law of the Chinese Academy of Social Sciences, and discussed with regulators and peers the key points and future trends of beneficiary owner identification work, and put forward reasonable and constructive suggestions.

COMMUNITY INVESTMENT

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

Public Welfare Platform and Projects

Meituan Public Welfare Platform is one of the Internet fundraising information platforms designated by the Ministry of Civil Affairs for charitable organisations, positioned in the characteristics of the "Internet + Public Welfare" model, aiming to provide equal and accurate information release and fundraising services for charitable organisations and to build safe, efficient, and convenient public welfare donation channels for the public.

Public Welfare Cooperation

We encouraged the integration of our “Public Welfare Merchant Programme” into the daily business of merchants. As of the end of 2021, the plan had encompassed catering, hotel, food delivery, tickets, and other businesses, with more than 730,000 participating merchants. At the same time, we jointly launched our “Playground for Village Kids” with charity organisations aiming to build multifunctional playgrounds for kindergartens and primary schools in less-developed areas to help the children grow up healthily and happily. Thanks to the support of kind users and charitable merchants, the programme had provided over 170 village kindergartens and primary schools with multifunctional playgrounds as of the end of 2021.

Encouraging User Participate

Meituan Charity continues to explore the integration of public welfare and users’ daily consumption scenarios, expand promotion channels, allow users to easily participate in public welfare in daily life, and perceive 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 The Girls’ Package project on the Meituan App “Guess What You Like” page, “Dream Classroom” and “Water Purification Plan” on our map page.

- Integrating user behaviour: We combine public welfare with user behaviours and guide users to participate in public welfare in various forms when enjoying life services. We focus users’ attention on environmental protection via food delivery orders through “Power Donation”. Those who choose the “Tableware Free” option when ordering can get corresponding energy credits for public welfare funds. The credits will then be used to support public welfare projects of environmental protection.

Encouraging Employee Participation

Our employees are important participants in public welfare activities, Meituan employees participate in public welfare activities through various forms such as public welfare monthly donations, public welfare visits, employee clothing donations, Integrity Charity Sale, Charity Days, and Public Welfare Salons, and deeply understand and participate in contributing social value.

- Monthly Donation Programme: We encourage our employees to donate RMB1 per day to support the children of delivery couriers in the industry. In 2021, nearly 20,000 employees joined the programme and donated RMB5.75 million to the “Daishu Baby Public Welfare Programme” helping 162 industry-wide delivery couriers’ children who suffer from serious diseases.

- Clothes Donation: We collect donations of clothes from employees, and put boxes in offices to collect other donated items. In 2021, a total of more than 2,000 employees participated in the donation;

- Integrity Charity Sale: All kinds of gifts declared through our “Integrity Workplace Declaration” initiative are sold at charity sales and all proceeds are donated to public welfare projects.

Disaster Relief and Pandemic Prevention

In 2021, we actively responded to events of public health emergencies and natural disasters and fulfilled our corporate social responsibility to guarantee people's livelihoods, stabilize employment and promote economic recovery.

- COVID-19 prevention and control: We have set up a special fund upon the outbreak of COVID-19 since 2020. In 2021, to normalize COVID-19 pandemic prevention and control during this post-pandemic period, the Meituan Public Welfare Foundation launched a "Negative Pressure Ambulance Donation" project to support pandemic prevention and control around the country by donating negative pressure ambulances needed for pandemic prevention transit. By the end of 2021, we had donated a total of 100 negative pressure ambulances to Guangxi Zhuang Autonomous Region, Hebei Province, Heilongjiang Province, Jilin Province, Gansu Province, and other places.

- Earthquake relief: In May 2021, more than 20 earthquake incidents occurred in Yangbi County, Dali Prefecture, Yunnan Province, causing more than 1,300 households and a total of 21,000 people to be heavily affected. In order to ensure the supply of materials to residents in the affected area, we launched the Yunnan Yangbi earthquake relief operation, urgently connected with the Red Cross Society of China and other related departments and completed the material relief work for the four disaster-stricken counties within 24 hours. In the process of material relief, we rely on the strict timeliness requirements in daily business performance and our mature and efficient logistics links in Yunnan supported by past regional operation experience, we were able to ensure the distribution efficiency of disaster relief materials and the supply of materials to affected residents during disasters.

- Responding to Floods: We have continuously cooperated with the Red Cross Society of China and the ONE Foundation to jointly carry out a number of public welfare projects to help charities raise donations and provide necessities for the people affected by floods. In July 2021, Henan provenance and its surrounding area continued to suffer heavy rainfall, causing severe waterlogging in many cities. Railways were shut down and flights were canceled, causing heavy casualties and property losses. We set up the "Meituan Aid Henan Flood Control and Disaster Relief Project" to support disaster relief work and donated RMB100 million to the Red Cross Society of China. At the same time, we quickly launched the "Henan Rainstorm Donation Project", opened warehouses in the disaster-stricken areas, donated disaster relief materials in conjunction with the Red Cross Foundation of China, delivered 275 trucks of materials, and donated more than 630,000 pieces of food and daily necessities to provide support for public health, emergency rescue, living security, post-disaster reconstruction and other related work in the disaster-stricken areas of Henan.

- Stabilizing prices during disasters: We respond to the government's call to resolutely resist illegal acts such as price gouging and price fraud during disasters. When disasters occurred, we launched an initiative to ensure the supply of materials and stabilize prices during disasters to our business partners, calling them to help ensure the price stability of pandemic prevention materials and daily necessities when facing pandemics and disasters. At the same time, we strengthened the risk analysis of the supply and demand of daily necessities to provide alerts and a basis for decision-making for the supply of materials and price stability during disasters. Through the practice of emergency incidents, we have continuously summarized and upgraded our emergency handling capabilities, formed a systematic work plan for people's livelihood security, and assisted in ensuring the material needs of residents in case of disasters.

- Supporting post-disaster reconstruction: We have carried out a number of measures to support businesses affected by the disaster to resume work and production. For example, we provided decoration funds for merchants with seriously damaged storefronts in the hardest-hit areas. We provided free door-to-door repairing service to replace the damaged Meituan Cash Register System and other hardware; We provided "Resume Work Disinfection Package" to disaster-stricken catering merchants, and together with authoritative organisations we launched a series of popular science training courses on food safety called "Relieved Resumption". We helped merchants achieve faster recovery through financial support measures such as subsidies, the extension of service period, active provision of claim settlement services and interest-free business loans,

Rural Revitalisation

In 2021, with great success in China's poverty alleviation progress, the state launched the Rural Revitalisation Strategy. In this context, we leverage the technology and talent advantages of Internet platform enterprises, promote the transformation of the agricultural industry, strengthen talent cultivation, improve the living standards of rural residents, and actively fulfill corporate social responsibility.

Industry Upgrade

Since the end of 2021, we have launched the "Agricultural Produce Direct Sourcing" programme, cooperating with large-scale agricultural enterprises and agricultural bases to increase the direct sourcing of high-quality agricultural products from the source area to help high-quality agricultural products reach the community directly and increase farmers' income at the same time. We have leveraged the advantages of the digital economy of the e-commerce platform to help improve the production, distribution, circulation, and consumption of agricultural products through scientific and technological innovation, i.e., digitalization, standardization, and branding of the supply chains, as well as to help revitalise the rural area and stimulate the economic growth in the future. By the end of 2021, we have more than 400 bases for "direct sourcing agricultural products", covering 24 provinces across the country with commodities including various vegetables, fruits, and aquatic products with rich regional characteristics.

In the winter of 2021, we launched the “South-to-North Vegetable Transportation” project and cooperated with large agricultural enterprises bases in southern China to help high-quality vegetables in the south to reach the tables of northern urban. Relying on a long supply period, the “South-to-North Vegetable Transportation” project has enabled northern consumers to have a rich type of vegetable supply in winter.

In the meantime, we organise rural revitalisation activities combining the festive themes during public festivals. For example, responding to the call of the Ministry of Commerce, we have organised corresponding public welfare activities in combination with the theme of the festival. For instance, we have launched the “Spring Festival Online Shopping Festival” and set up the “Special Event for Promoting Agriculture” channel to increase the supply of agricultural fresh with geographical labels that we directly sourced from the farmers. The project effectively enriched consumers’ choices of high-quality agricultural commodities and helped farmers make more income at the same time. During the “2021 Harvest Festival,” we cooperated with nearly 10,000 merchants on the platform to hold a variety of promotional exhibitions, sales docking, and live-streaming marketing activities and set up a “Rural Revitalisation Pavilion” section online. More than 1,500 types of featured agricultural products from high-quality agricultural bases across the country were sold online. The project aimed to provide customers with high-quality products while helping rural development.

Talent Development

We actively respond to the requirements of policies and guidelines such as *Opinions on Accelerating the Revitalisation of Rural Talents* and *Notice on Doing a Good Job in the Cultivation of High-quality Farmers in 2021*. We epitomize the role of our enterprises in the cultivation of rural talents and promoting employment. We jointly launched the “E-commerce Leader Training Programme” with the China Guangcai Foundation, the China International E-Commerce Centre, and the Management Cadre College of the Ministry of Agriculture and Rural Affairs to teach and share e-commerce operation knowledge and cases for rural talents such as the first secretary in the village and the key figures who made their fortune, and jointly implement the local rural revitalisation strategy.

We hire nearly 100 lecturers with rich entrepreneurial and teaching experience to jointly develop seven teaching sections and nearly 200 thematic training courses around “E-commerce Mode Operation”, “Supply Chain Operation”, “Live Streaming E-commerce”, “Agricultural Cooperative Innovation And Development”, etc., to provide introductory and advanced special courses for groups at different learning stages. At the same time, we actively mobilize resources during the training period, provide business docking channels and organise excellent case exchanges, so that students can not only learn e-commerce operation knowledge, but also establish contact with the Meituan agricultural products purchasing team, promote agricultural products purchasing signing intention, and set the connection between products and production and marketing supply chains.

We provide more choices for the employment of disadvantaged groups in rural areas through new e-commerce formats and provide job opportunities in service stations in rural areas for the elderly, the sick, the disabled, and other disadvantaged groups who cannot work in the field and lack employment opportunities in rural areas. By doing so, these people can utilise their abilities and earn income from the job we offered to improve their life quality.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Supporting the Life Service Industry Practitioners

We promote our industry's overall development by enhancing the service quality of life 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 to create a base of digital talents in the life service industry. We have set up several training centres such as catering, food delivery, hotels management, beauty care, and home-rental, and jointly launched "Store Manager Class" with the Ministry of Human Resources and Social Security to meet the learning and certification needs of new professional practitioners and help cultivate digital talents in the life service industry.

We support delivery couriers who represent the flexible form of employment by driving the emergence of more than 70 different new professions derived from new business forms such as "Food Delivery Operator", "Meal Package Planner", " Battery Replacement Specialist of Electric Moped", "Hotel Revenue Manager".

We established our "Growth System for Talents of Digitalized New Professions" which is composed of four blocks – capability standards, learning maps, learning systems, and joint certification – to nurture new professional practitioners 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. In hotel industry, we have been honoured as the fourth batch of vocational education and training evaluation organisations by the Ministry of Education. We have also been chosen to pilot the "1+X certificate (academic certificate + multiple professional certificates)" programme. We can issue relevant professional skills certificates to vocational college students and practitioners in the industry.

We worked with China Entrepreneur Magazine and the China International Electronic Commerce Centre to co-found the Economic Talent Development Committee. In order to promote the development of talents in the life service industry, we co-published a "Partners Sharing Plan" with industrial associations and representative enterprises.

As of the end of 2021, we had over 2,000 lecturers in the life service industry. We have developed 8,953 courses in practical operations, business operations, management, and industry dynamics, with approximately 39.8 million trainees. Moreover, nearly 3,000 practitioners in new professions have received their professional certifications.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Meituan

(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Meituan (the "**Company**") and its subsidiaries (the "**Group**"), which are set out on pages 169 to 292, comprise:

- the consolidated statement of financial position as at December 31, 2021;
- 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 significant accounting policies and other explanatory information.

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, 2021, 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.

INDEPENDENT AUDITOR'S REPORT

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, 4.6 and 6 to the consolidated financial statements. The Group provides an e-commerce platform that offers diversified daily goods and services in the broader retail by leveraging technology, including food delivery, in-store, hotel and travel booking and other services and sales. The Group mainly generates revenue in the way of food delivery services fees, commission, online marketing services fees and other services and sales. Revenue of RMB179.1 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, 4.4 and 16 to the consolidated financial statements. As at December 31, 2021, the net carrying amount of goodwill amounted to RMB27.7 billion. Under International Accounting Standards ("**IAS**") 36 Impairment of Assets, the Group is required to perform goodwill impairment assessment both annually and whenever there is an indication that a cash-generating unit ("**CGU**") to which goodwill has been allocated may be impaired. The Group engaged an independent external valuer to prepare the goodwill impairment testing. The recoverable amounts of CGUs were determined based on the value-in-use calculations using cash flow projections. We focused on this area due to (a) the magnitude of the carrying amount of goodwill; and (b) the 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.

INDEPENDENT AUDITOR'S REPORT

- 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 25, 2022

CONSOLIDATED INCOME STATEMENT

	Note	Year ended December 31, 2021 RMB'000	2020 RMB'000
Revenues	5,6	**179,127,997**	114,794,510
Including: Interest revenue		**1,000,004**	884,897
Cost of revenues	7	**(136,653,869)**	(80,744,368)
Gross profit		**42,474,128**	34,050,142
Selling and marketing expenses	7	**(40,683,166)**	(20,882,685)
Research and development expenses	7	**(16,675,595)**	(10,892,514)
General and administrative expenses	7	**(8,612,626)**	(5,593,895)
Net provisions for impairment losses on financial and contract assets		**(259,953)**	(467,690)
Fair value changes of other financial investments at fair value through profit or loss	19	**815,747**	4,955,909
Other (losses)/gains, net	9	**(185,734)**	3,160,835
Operating (loss)/profit	5	**(23,127,199)**	4,330,102
Finance income	10	**546,037**	213,684
Finance costs	10	**(1,130,935)**	(370,016)
Share of gains of investments accounted for using the equity method	12	**145,620**	264,105
(Loss)/profit before income tax		**(23,566,477)**	4,437,875
Income tax credits	13	**30,279**	269,737
(Loss)/profit for the year		**(23,536,198)**	4,707,612
(Loss)/profit for the year attributable to:			
Equity holders of the Company		**(23,538,379)**	4,708,313
Non-controlling interests		**2,181**	(701)
		(23,536,198)	4,707,612
(Loss)/earnings per share for (loss)/profit for the year attributable to the equity holders of the Company	14		
Basic (loss)/earnings per share (RMB)		**(3.90)**	0.81
Diluted (loss)/earnings per share (RMB)		**(3.90)**	0.78

The notes on pages 177 to 292 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended December 31,	
	Note	2021 RMB'000	2020 RMB'000
Other comprehensive loss:			
Items that may be reclassified to profit or loss			
Share of other comprehensive income/(loss) of investments accounted for using the equity method	12,27	**1,836**	(300)
Fair value changes of debt instruments at fair value through other comprehensive income	27	**4,795**	(60)
Net provisions for impairment losses on debt instruments at fair value through other comprehensive income	27	**163,604**	—
Items that will not be reclassified to profit or loss			
Currency translation differences	27	**(1,540,203)**	(2,920,302)
Share of other comprehensive loss of investments accounted for using the equity method	12,27	**(43,633)**	(142,357)
Fair value changes of other financial investments at fair value through other comprehensive income	20,27	**(86,821)**	84,387
Other comprehensive loss for the year, net of tax		**(1,500,422)**	(2,978,632)
Total comprehensive (loss)/income for the year		**(25,036,620)**	1,728,980
Total comprehensive (loss)/income for the year attributable to:			
Equity holders of the Company		**(25,038,801)**	1,729,681
Non-controlling interests		**2,181**	(701)
		(25,036,620)	1,728,980

The notes on pages 177 to 292 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As of December 31,	
		2021	2020
	Note	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**22,814,246**	13,917,165
Intangible assets	16	**31,048,814**	31,676,381
Deferred tax assets	18(a)	**1,378,468**	448,670
Long-term treasury investments	21	**4,010,442**	612,967
Other financial investments at fair value through profit or loss	19	**14,299,857**	10,256,786
Investments accounted for using the equity method	12	**13,868,788**	13,180,943
Other financial investments at fair value through other comprehensive income	20	**2,022,705**	605,918
Prepayments, deposits and other assets	22	**3,381,272**	7,569,817
		92,824,592	78,268,647
Current assets			
Inventories	23	**681,693**	466,492
Trade receivables	24	**1,793,035**	1,030,948
Prepayments, deposits and other assets	22	**15,281,586**	12,940,125
Short-term treasury investments	21	**84,282,016**	43,999,364
Restricted cash	25(b)	**13,276,919**	12,775,667
Cash and cash equivalents	25(a)	**32,513,428**	17,093,559
		147,828,677	88,306,155
Total assets		**240,653,269**	166,574,802
EQUITY			
Share capital	26	**411**	395
Share premium	26	**311,221,237**	263,155,201
Shares held for shares award scheme	26	—	—
Other reserves	27	**(2,866,675)**	(6,262,066)
Accumulated losses		**(182,741,531)**	(159,200,503)
Equity attributable to equity holders of the Company		**125,613,442**	97,693,027
Non-controlling interests		**(56,680)**	(58,752)
Total equity		**125,556,762**	97,634,275

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As of December 31, 2021 RMB'000	2020 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	18(b)	**895,691**	755,694
Financial liabilities at fair value through profit or loss		—	114,600
Deferred revenues	28	—	166,700
Borrowings	31	**12,219,667**	1,957,470
Notes payable	32	**30,383,378**	12,966,341
Lease liabilities	15	**2,994,226**	1,648,008
Other non-current liabilities		**10,588**	184,073
		46,503,550	17,792,886
Current liabilities			
Trade payables	29	**15,165,619**	11,967,026
Payables to merchants		**10,950,920**	9,414,936
Advances from transacting users		**5,171,054**	4,307,861
Other payables and accruals	30	**18,400,738**	12,779,429
Borrowings	31	**11,565,200**	6,395,002
Deferred revenues	28	**5,478,480**	5,052,830
Lease liabilities	15	**1,756,559**	1,089,847
Income tax liabilities		**104,387**	140,710
		68,592,957	51,147,641
Total liabilities		**115,096,507**	68,940,527
Total equity and liabilities		**240,653,269**	166,574,802

The notes on pages 177 to 292 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 169 to 292 were approved by the Board of Directors on March 25, 2022 and were signed on its behalf:

Wang Xing
Director

Mu Rongjun
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to equity holders of the Company							
	Note	Share capital RMB'000	Share premium RMB'000	Shares held for shares award scheme RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
As of January 1, 2021		395	263,155,201	–	(6,262,066)	(159,200,503)	97,693,027	(58,752)	97,634,275
Comprehensive income									
Loss for the year		–	–	–	–	(23,538,379)	(23,538,379)	2,181	(23,536,198)
Other comprehensive loss									
Share of other comprehensive loss of investments accounted for using the equity method	12,27	–	–	–	(41,797)	–	(41,797)	–	(41,797)
Fair value changes of other financial investments at fair value through other comprehensive income	20,27	–	–	–	(86,821)	–	(86,821)	–	(86,821)
Fair value changes of debt instruments at fair value through other comprehensive income	27	–	–	–	4,795	–	4,795	–	4,795
Net provisions for impairment losses on debt instruments at fair value through other comprehensive income	27	–	–	–	163,604	–	163,604	–	163,604
Currency translation differences	27	–	–	–	(1,540,203)	–	(1,540,203)	–	(1,540,203)
Total comprehensive loss		–	–	–	(1,500,422)	(23,538,379)	(25,038,801)	2,181	(25,036,620)
Share of other changes in net assets of associates	12,27	–	–	–	158,922	–	158,922	–	158,922
Transaction with owners in their capacity as owners									
Equity-settled share-based payments	27,33	–	–	–	5,193,445	–	5,193,445	–	5,193,445
Shares held for shares award scheme	26	1	–	(1)	–	–	–	–	–
Exercise of share options and RSUs vesting	26,27	2	2,780,149	1	(2,508,430)	–	271,722	–	271,722
Issuance of shares upon placement and subscription	26	13	45,285,887	–	–	–	45,285,900	–	45,285,900
Issuance of convertible bonds (equity component)	27,32	–	–	–	1,513,938	–	1,513,938	–	1,513,938
Tax benefit from share-based payments	27	–	–	–	535,289	–	535,289	–	535,289
Appropriations to general reserves	27	–	–	–	2,649	(2,649)	–	–	–
Distributions from a non wholly-owned subsidiary		–	–	–	–	–	–	(109)	(109)
Total transaction with owners in their capacity as owners		16	48,066,036	–	4,736,891	(2,649)	52,800,294	(109)	52,800,185
As of December 31, 2021		411	311,221,237	–	(2,866,675)	(182,741,531)	125,613,442	(56,680)	125,556,762

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to equity holders of the Company							
	Note	Share capital RMB'000	Share premium RMB'000	Shares held for shares award scheme RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	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)
Fair value changes of other financial investments at fair value through other comprehensive income	20,27	—	—	—	84,387	—	84,387	—	84,387
Fair value changes of debt instruments 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
Share of other changes in net assets of associates	12,27	—	—	—	21,671	—	21,671	—	21,671
Transaction with owners in their capacity as owners									
Equity-settled share-based payments	27,33	—	—	—	3,272,930	—	3,272,930	—	3,272,930
Shares held for shares award scheme	26	1	—	(1)	—	—	—	—	—
Exercise of share options and RSUs vesting	26,27	5	2,795,272	1	(2,283,840)	—	511,438	—	511,438
Tax benefit from share-based payments	27	—	—	—	44,862	—	44,862	—	44,862
Appropriations to general reserves	27	—	—	—	108,195	(108,195)	—	—	—
Total transaction with owners in their capacity as owners		6	2,795,272	—	1,142,147	(108,195)	3,829,230	—	3,829,230
As of December 31, 2020		395	263,155,201	—	(6,262,066)	(159,200,503)	97,693,027	(58,752)	97,634,275

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended December 31, 2021 RMB'000	2020 RMB'000
Cash flows from operating activities			
Cash (used in)/generated from operations	36(a)	**(3,756,727)**	8,561,324
Income tax paid		**(254,730)**	(86,311)
Net cash flows (used in)/generated from operating activities		**(4,011,457)**	8,475,013
Cash flows from investing activities			
Purchases and prepayments of property, plant and equipment and intangible assets		**(9,010,455)**	(15,824,436)
Proceeds from disposals of property, plant and equipment and intangible assets		**106,219**	279,764
Payments for acquisitions of businesses, net of cash acquired		**(13,786)**	(26,849)
Purchases of treasury investments		**(409,062,234)**	(196,817,451)
Sales and maturities of treasury investments		**364,318,074**	199,496,075
Purchases of investments accounted for using the equity method		—	(2,367,376)
Proceeds from disposals of investments in associates and others		**70,806**	601,370
Purchases of other financial investments at fair value		**(5,040,733)**	(7,326,690)
Net cash outflow arising from disposals or deemed disposals of subsidiaries		**(867,327)**	—
Gains received from treasury investments and other financial instruments		**996,319**	1,629,777
Dividends received		**24,325**	18,912
Loans payments to investees and others		**(1,205,221)**	(913,000)
Loans repayments from investees and others		**1,234,179**	37,081
Prepayments for investments		**(42,000)**	(19,181)
Net cash flows used in investing activities		**(58,491,834)**	(21,232,004)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended December 31, 2021 RMB'000	2020 RMB'000
Cash flows from financing activities	36(c)		
Proceeds from borrowings, excluding asset-backed securities ("ABS")		**25,346,479**	10,900,292
Repayments of borrowings, excluding ABS		**(9,578,283)**	(5,448,702)
Repayments of ABS		—	(830,031)
Net proceeds from issuance of notes payable		**19,288,691**	13,337,825
Finance costs paid		**(620,127)**	(218,611)
Proceeds from exercise of share options		**275,371**	499,088
Net proceeds from issuance of ordinary shares		**45,286,099**	—
Payments of lease liabilities		**(2,191,299)**	(936,380)
Increase in financial liabilities		**791,400**	114,600
Net cash flows generated from financing activities		**78,598,331**	17,418,081
Net increase in cash and cash equivalents		**16,095,040**	4,661,090
Cash and cash equivalents at the beginning of the year		**17,093,559**	13,396,185
Exchange losses on cash and cash equivalents		**(675,171)**	(963,716)
Cash and cash equivalents at the end of the year	25(a)	**32,513,428**	17,093,559

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

1 GENERAL INFORMATION

Meituan (the "**Company**") was incorporated in the Cayman Islands ("**Cayman**") on September 25, 2015 as an exempted company with limited liability under the laws of the Cayman Islands. The registered office is at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The Company's Class B shares have been listed on the Main Board of the Hong Kong Stock Exchange since September 20, 2018.

The Company is an investment holding company. The Company and its domestic subsidiaries, including structured entities (collectively, the "**Group**"), offers diversified daily goods and services in the broader retail by leveraging technology, including food delivery, in-store, hotel and travel booking and other services and sales.

The consolidated financial statements are 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 and changes in accounting policies and disclosures

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 or 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.

2.1.1 New amendments adopted by the Group

The Group has applied the following amendments for the first time commencing January 1, 2021:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – phase 2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation and changes in accounting policies and disclosures *(Continued)*

2.1.1 New amendments adopted by the Group (Continued)

The Group had certain interest-bearing bank borrowings denominated in USD based on the London Interbank Offered Rate ("**LIBOR**") as of December 31, 2021. For these bank borrowings, since the interest rates of these instruments were not replaced by alternative risk-free rates ("**RFR**") during this year, the amendments did not have any significant impact on the financial position and performance of the Group. Replacement of the benchmark rates of these instruments from LIBOR to an RFR has yet to commence.

2.1.2 New standards and amendments not yet adopted by the Group

The following new standards and amendments have been issued, but are not effective for the Group's financial year beginning on January 1, 2021 and have not been early adopted by the Group's management.

		Effective for financial 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
IAS 16 (Amendments)	Property, plant and equipment: proceeds before intended use	January 1, 2022
Amendments to IFRS 3	Reference to the conceptual framework	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
Amendments to IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	January 1, 2023

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation and changes in accounting policies and disclosures *(Continued)*

2.1.2 New standards and amendments not yet adopted by the Group (Continued)

The Group is in the process of assessing potential impact of the above new standards and amendments 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 except for the Amendments to IAS 12. The management of the Group plans to adopt these new standards and amendments when they become effective.

2.2 Subsidiaries

Subsidiaries are 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 with the entity (including structured entities) 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 unrealised gains on transactions between Group companies are eliminated. Unrealised 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Subsidiaries *(Continued)*

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 interests 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 interests in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interests' proportionate share of the acquired entity's identifiable net assets.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, amount of any non-controlling interests in the acquiree, and the acquisition-date fair value of any previous equity interests 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 financial liability. Amounts classified as financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss. Amounts classified as equity is not remeasured, 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 interests 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Subsidiaries *(Continued)*

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 interests 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 equity holders of the Company.

2.2.3 Changes in ownership interests in subsidiaries with change of control

When the Group ceases to consolidate a subsidiary because of a loss of control, any retained interests in the entity are 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 purpose of subsequently accounting for the retained interests as an associate, a joint venture or a 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.

2.3 Associates

Associates are entities over which the Group has significant influence but not control or joint control. The Group's investments in associates in the form of convertible redeemable preferred instruments or ordinary shares with preferential rights are financial assets designated at fair value through profit or loss. All investments in the form of ordinary shares with significant influence are accounted for using the equity method of accounting.

The investments accounted for using the equity method are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition movements in equity of the investee in profit or loss or other reserves. Dividends received or receivable from associates accounted for using the equity method are recognised as a reduction in the carrying amount of the investment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Associates *(Continued)*

Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill which is included 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 investee, 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 investee.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these investees. Unrealised 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 period end 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 (losses)/gains, net" in the consolidated income statement.

If the ownership interest in an associate accounted for using the equity method is reduced but 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 consolidated financial statements under the appropriate headings. Interests in joint ventures are accounted for using the equity method of accounting as mentioned in Note 2.3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 or 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 CODM, who is responsible for allocating resources and assessing performance of the operating segments, mainly refers to the executive Directors.

2.7 Foreign currency exchange and translation

2.7.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("**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 exchanged into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains or losses resulting from the settlement of such transactions and from the exchange of monetary assets and liabilities denominated in foreign currencies at period end exchange rates are generally recognised in consolidated income statement on a net basis within "Other (losses)/gains, net".

Non-monetary items that are measured at fair value and denominated in a foreign currency are exchanged using the exchange rates at the date when the fair value was determined. Exchange differences on assets and liabilities carried at fair value are reported as part of the fair value changes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Foreign currency exchange and translation *(Continued)*

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 of 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 translation differences are recognised in other comprehensive income.

On consolidation, foreign exchange gains or losses arising from the exchange of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investment, are recognised in the consolidated statement of comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the related foreign exchange gains or losses are reclassified into the consolidated income statement, as part of "Other (losses)/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 are translated at the closing rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Property, plant and equipment

All property, plant and equipment ("**PP&E**") are stated at historical cost less accumulated 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, where 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	3-5 years
• Bikes and electric mopeds	2-3 years
• Leasehold improvements	the shorter of the lease term and the estimated useful lives
• Others	2-5 years

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Intangible assets

2.9.1 Goodwill

Goodwill arising from the acquisition of subsidiaries represents the excess of the aggregate purchase consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interests 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 amortised 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 impairment losses. Gains or losses on the disposal of a subsidiary include the carrying amount of goodwill relating to the subsidiary sold.

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

2.9.2 Other intangible assets

Other intangible assets mainly include those arising from business combinations other than goodwill and software and others. They are initially recognised and measured at cost or fair value where appropriate. Other intangible assets are amortised over their estimated useful lives using the straight-line method as follows, reflecting the pattern in which the intangible asset's future economic benefits are expected to be consumed.

- Other intangible assets arising from business combinations 2-25 years
- Software and others 1-10 years

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Intangible assets *(Continued)*

2.9.3 Research and development

Research expenditures are recognised as expenses as incurred. Costs incurred on development projects are capitalised 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 capitalised as intangible assets as of December 31, 2021 and 2020.

2.10 Shares held for shares award scheme

The nominal value 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 nominal value of the awarded shares vested are credited to "Shares held for shares award scheme" and related equity-settled share-based payments were transferred from "Other reserves" to "Share premium".

2.11 Impairment of non-financial assets

Other than goodwill mentioned in Note 2.9.1, other non-financial 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 purpose 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.12 Land use rights

Land use rights are up-front payments to acquire long-term interest in land. They are stated at historical cost less accumulated depreciation and impairment in "Property, plant and equipment", and charged to the consolidated income statement on a straight-line basis over the remaining period of the lease.

2.13 Financial assets

2.13.1 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 amortised 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 or losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investments are 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 instruments at fair value through other comprehensive income ("**FVOCI**").

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Financial assets *(Continued)*

2.13.2 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.

2.13.3 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 of the financial asset expire; (ii) the contractual rights to receive the cash flows and substantially all the risks and rewards of ownership of the financial asset have been transferred; 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 derecognition of transfer of cash flows ("pass through" requirements) and substantially all the risks and rewards of ownership of the financial asset have been transferred.

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 gains or losses 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Financial assets *(Continued)*

2.13.3 Derecognition (Continued)

As part of its operations, the Group securitises financial assets, generally through the sale of these assets to special purpose vehicles which issue securities to investors. When the securitisation of financial assets is qualified for derecognition, the relevant financial assets are derecognised in their entirety and a new financial asset or liability is recognised regarding the interest in the unconsolidated securitisation vehicles that the Group acquired. When the securitisation of financial assets is not qualified for derecognition, the relevant financial assets are not derecognised, and the consideration paid by third parties are recorded as a financial liability. When the securitisation of financial assets is partially qualified for derecognition, the book value of the transferred assets should be recognised between the derecognised portion and the retained portion based on their respective 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.

2.13.4 Measurement

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

2.13.4 Measurement (Continued)

(a) Debt instruments

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

- Amortised 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 amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gains or losses arising from derecognition is recognised directly in profit or loss and presented in "Other (losses)/gains, net" together with foreign exchange gains or losses. Impairment losses are presented as separate line item in the consolidated income statement.

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

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. Gains or losses on debt instruments that is subsequently measured at FVPL are recognised in profit or loss and presented within "Other (losses)/gains, net".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Financial assets *(Continued)*

2.13.4 Measurement (Continued)

(b) Equity instruments

The Group subsequently measures all equity instruments at fair value. Where the Group's management has elected to present fair value changes of equity instruments in other comprehensive income, there is no subsequent reclassification of such fair value changes to profit or loss following the derecognition of the financial assets. Dividends from such equity instruments 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 "Fair value changes of other financial investments at fair value through profit or loss" as applicable. Equity instruments designated as FVOCI are not subject to impairment assessment.

2.13.5 Impairment

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

The Group has three types of financial assets that are subject to IFRS 9's new ECL model (Note 3.1.2):

- Loan receivables
- Trade receivables
- Financial assets in prepayment, deposits and other assets, other than loan receivables

While cash and cash equivalents, restricted cash, treasury investments at amortised cost or at FVOCI are also subject to the impairment requirements of IFRS 9, the identified impairment losses were 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 realise 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 placed in the custody of certain bank accounts and 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 primarily 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. Other receivables are recognised initially at fair value. Trade and other receivables are subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.18 Cash and cash equivalents and restricted cash

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

Cash that restricted from withdrawal, use or pledged as security is reported separately in the consolidated statements of financial position, and is not included 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 end of the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest rate 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 amortised 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 rate method.

The fair value of the liability portion of convertible bonds is determined using a market interest rate for equivalent non-convertible bonds. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the convertible bonds. The remainder of the proceeds is allocated to the conversion option, which is recognised in other reserves, net of income tax effects.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Borrowings, notes payable and borrowing costs *(Continued)*

Borrowings and notes payable 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 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 consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired.

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 recognising 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 and chief executive officer.

2.23 Current and deferred income tax

The income tax expenses or credits 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 unused tax losses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.23 Current and deferred income tax *(Continued)*

2.23.1 Current income tax

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

2.23.2 Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax base 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 at the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that future taxable profit, against which the temporary differences and tax losses can be utilised, will be probably available.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and associates, except for deferred income tax liabilities 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 liabilities in relation to taxable temporary differences arising from the subsidiaries and associates' undistributed profits is not recognised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.23 Current and deferred income tax *(Continued)*

2.23.2 Deferred income tax (Continued)

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 utilised.

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 tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entities 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. During the reporting period, no forfeited contributions had been used by the Group to reduce the existing level of contributions.

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 being 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.25 Share-based payments

The Group has operated share incentive awards 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 ("**Post-IPO Share Option Scheme**") and the post-IPO share award scheme ("**Post-IPO Share Award Scheme**") adopted by the Company on August 30, 2018. The Group receives services from employees and other qualified participants as consideration for equity instruments (including share options and restricted share units, "**RSUs**") of the Group under the above schemes. 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 share options granted 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 expenses are recognised over the vesting 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 share options that are expected to vest based on the non-market performance 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.25 Share-based payments *(Continued)*

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 purpose of recognising the expenses during the period between service commencement date and grant date.

2.25.3 Modifications and Cancellations

The Group may modify the terms and conditions of share incentive awards 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 loss.

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 liabilities. The increase in the provision due to the passage of time is recognised as interest expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.27 Revenue recognition

Revenues are principally comprised of food delivery services, commission, online marketing services and other services and sales. The Group recognises revenues when or as the control of the promised goods or services is transferred to the customers, netting of value-added taxes ("**VAT**"). Depending on the terms of the contracts and the laws that apply to the contracts, if control of the promised goods or services is transferred over time, revenues are recognised over the period of the contracts by reference to the progress towards complete satisfaction of those performance obligations. Otherwise, revenues are recognised at a point in time when the customers obtain control of the promised goods or services.

In arrangements with multiple distinct performance obligations, total consideration is allocated to each performance obligation based on its relative standalone selling price ("**SSP**"). The Group generally determines the SSP based on the prices charged to customers. Relevant information will be taken into consideration when more than one SSP for individual performance obligation exists. If the SSP is not directly observable, it is estimated based on adjusted market assessment approach or cost plus a margin, depending on the availability of observable information.

The Group evaluates whether it acts as a principal or an agent to determine whether it is appropriate to record the gross amount of revenues and related costs, or the net amount earned as commission. The Group is a principal if it controls the specified goods or services before being transferred to the customers. Generally, a principal is the primary obligor, has latitude in establishing the selling price, or is subject to inventory risks. Otherwise, the Group is an agent to arrange for goods or services to be provided by other parties.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.27 Revenue recognition *(Continued)*

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

(a) Food delivery services

The Group provides on-demand food delivery services to certain merchants and transacting users (collectively as the "**Food delivery services Customers**") as a principal. Food delivery services revenue is recognised at the time when the on-demand food delivery services are provided and is determined based on the fees charged to the Food delivery services Customers, netting of any possible transacting users incentives which are not in exchange for a distinct good or service to the Group. The relevant costs are recorded under "Food delivery related costs" in cost of revenues.

(b) Commission

The Group uses technology to arrange for the provision of the specified goods or services by merchants or third-party agent partners (collectively as the "**Commission Customers**") in the Group's online marketplaces as an agent. Technical service fees charged to the Commission Customers, primarily determined as a percentage of respectively relevant transaction amount, are recognised as commission revenue upon the completion of the underlying goods or services provided by the Commission Customers to the transacting users.

The advance payments from the transacting users are initially recorded in "Advances from transacting users", which can be withdrawn at any time. Once the commission revenue is recognised, the amounts to be remitted to the Commission Customers are recorded in "Payables to merchants".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.27 Revenue recognition *(Continued)*

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

(c) Online marketing services

The Group provides various online marketing services primarily to merchants in the Group's online marketplaces or through the third-party marketing affiliate programme, including but not limited to pay for performance marketing services on which the merchants are charged through market-based mechanism based on effective clicks on certain information, display marketing services that allow merchants to place promotion information online, and other value-added marketing services under an annual plan.

Revenue from performance-based marketing services is recognised when relevant specified performance measures are fulfilled. Revenues from display-based and other value-added marketing services are recognised ratably over the contractual service period. The online marketing services revenue is recorded on a gross basis when the Group is the principal to the merchants in the respective arrangements.

In general, the merchants need to make advance payments for all the online marketing services which is primarily recorded in "Deferred revenues".

(d) Other services and sales

Other services and sales revenue primarily comprises (i) sales of goods, mainly generated from B2B food distribution services and Meituan Grocery, (ii) various services rendered by various businesses such as community e-commerce, bike-sharing and electric mopeds, ride-sharing, power banks and micro-credit, and (iii) interest revenue. The Group recognises the other services and sales revenue on a gross basis as a principal when the control of the goods is transferred to the customers, or when the respective services are rendered, netting of any possible transacting users incentives which are not in exchange for a distinct good or service to the Group.

Loan facilitation services and post-origination services are identified as two distinct performance obligations, to which the total consideration is allocated based on relative SSP appropriately. Loan facilitation services revenue is recognised at point of time when the loan contract is established between borrowers and lenders and post-origination services revenue is recognised over the loan contract period.

Interest revenue is derived from the loan principal, funded entirely or partially by the Group, by applying the effective interest rate to the carrying amount of loan receivables after considering the impairment losses arising from credit risk.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.27 Revenue recognition *(Continued)*

2.27.2 Contract Balances

When either party to a contract has performed, the Group presents the contract in the consolidated 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, 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 loan facilitation services, online marketing services and other services.

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.

Contract costs include incremental costs of obtaining a contract and costs to fulfil a contract with the customers. The contract costs are amortised using a method which is consistent with the pattern of recognition of the respective revenues.

2.27.3 Incentives to transacting users

When incentives provided to transacting users that are considered as customers from an accounting perspective, the incentives are recorded as a reduction of revenue if there is no exchange of distinct good or service to the Group or the fair value of the good or service received cannot be reasonably estimated. Otherwise, despite the absence of any explicit contractual obligations to incentivise the transacting users on behalf of customers, which in most circumstances are merchants, the Group further evaluates the varying features of different incentive programmes to determine that whether the incentives represent implicit obligations to transacting users on behalf of customers. If so, it will be recorded as a reduction of revenues, otherwise the "Selling and marketing expenses" (Note 7).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.27 Revenue recognition *(Continued)*

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 the Group's contracts with customers have a duration of 1 year or less.

2.28 Interest income

Interest income is calculated by applying the effective interest rate to the carrying amount of financial assets after considering the impairment losses arising from credit risk.

Interest income earned from financial assets that are held for cash management purposes is presented as finance income. Interest revenue earns from financial assets that are held for micro-credit business (Note 2.27.1). Any other gains from treasury investments is included in "Other (losses)/gains, net".

2.29 Dividend income

Dividend income is recognised when it is received or when the right to collection is unconditionally established.

2.30 Leases other than land use rights

The Group leases land use rights (Note 2.12), various offices and others. The lease contracts other than land use rights are typically for fixed periods of 1 month to 10 years and may have extension options. They do not impose any covenants other than the security interests in the leased assets that are held by the lessors. Leased assets may not be used as security for borrowing purposes.

Right-of-use assets and lease liabilities arising from a lease other than land use rights are initially measured on a present value basis at the date when the leased assets are available for use by the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.30 Leases other than land use rights *(Continued)*

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 lease liabilities.

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 lease liabilities and the finance costs. The finance costs are 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 lease payments for each period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.30 Leases other than land use rights *(Continued)*

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

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

Right-of-use assets are generally depreciated over the shorter of the right-of-use assets' 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 assets are depreciated over the underlying assets' useful life.

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

The payments associated with leases of the low-value assets are recognised on a straight-line basis as expenses in profit or loss. The low-value assets comprise small items of facilities. Variable lease payments not based on an index or a rate are recognised in profit or loss when the triggering condition of those payments occurs.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.31 Dividends distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividend is 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 programme focuses on the unpredictability of financial markets and seeks to minimise 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

3.1.1 Market risk

(a) 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 Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and tries to minimise 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, and the functional currency of the Company is USD whereas functional currency of the subsidiaries operating in the PRC is RMB. The 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.1 Market risk (Continued)

(b) 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, loan receivables and treasury investments at amortised cost, and details of which have been disclosed in Note 25, Note 22(a) and Note 21.

The Group's exposure to changes in interest rates is also attributable to its borrowings and notes payable, details of which have 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, 2021, the Group's notes payable were carried at fixed rates, and the Group's borrowings were partially carried at floating rates.

(c) Price risk

The Group is exposed to price risk in respect of financial assets measured at fair value held by the Group. The Group is not exposed to commodity price risk. To manage its price risk arising from the financial assets, 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 (Note 3.3).

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk

The Group is exposed to credit risk in relation to certain financial and contract assets, of which the carrying amounts represent the Group's maximum exposure to the credit risk. The ECL arising from the credit risk are presented as "Net provisions/(reversals) for impairment losses on financial and contract assets" in the consolidated income statement.

(a) Cash and cash equivalents, restricted cash and treasury investments

To manage credit risk arising from cash and cash equivalents, restricted cash and treasury investments, the Group only transacts with state-owned or reputable financial institutions. Primarily these instruments are considered to have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flows obligations in the near term. The identified credit losses are immaterial.

(b) Trade receivables and contract assets

To manage credit 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 considering their financial position, past experience and other factors.

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. To measure the ECL, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk (Continued)

***(b) Trade receivables and contract assets** (Continued)*

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 and the corresponding historical credit losses experienced within this period. The Group identifies the urban per capita disposable income and the total retail sales of consumer goods of the countries to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the financial assets.

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

Trade receivables are written off when there is no reasonable expectation of recovery with indicators including, 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. Subsequent recoveries of amounts previously written off are credited against the same line item.

(c) Prepayments, deposits and other assets other than contract assets and loan receivables

For prepayments, deposits and other assets other than contract assets and loan receivables ("**other receivables and prepayments to merchants**"), the 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 other receivables and prepayments to merchants is measured as either 12-month ECL or lifetime ECL, depending on whether there has been an SICR since initial recognition on an ongoing basis throughout each reporting period. To assess whether there is an SICR, the Group compares the risk of a default occurring on the asset as at the reporting period end 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:

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk (Continued)

***(c) Prepayments, deposits and other assets other than contract assets and loan receivables** (Continued)*

- internal credit rating (macroeconomic information, such as market interest rates or growth rates)
- 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 counterparty's ability to meet its obligations
- actual or expected significant changes in the operating results of the counterparty
- SICR on other financial instruments of the same counterparty
- 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 counterparty, including changes in the payment status and operating results of the counterparty.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk (Continued)

(c) Prepayments, deposits and other assets other than contract assets and loan receivables (Continued)

Category	Group definition of category		Basis for recognition of ECL provision
	Other receivables	Prepayments to merchants	
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows		12-month ECL, where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	An SICR is presumed if repayments are 30 days past due	The Group terminates its cooperation with merchants	Lifetime ECL
Non-performing	Repayments are 90 days past due	The Group terminates its cooperation with merchants for more than 60 days	Lifetime ECL
Write-off	(i) Repayments are 3 years past due (ii) and there is no reasonable expectation of recovery	(i) Repayments are 3 years past due (ii) and there is no reasonable expectation of recovery	Assets are written off

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk (Continued)

(d) Loan receivables

To manage credit risk arising from loan receivables, standardised credit management procedures are performed. For pre-approval investigation, the Group optimises the review process using big data technology through its platform and system, including credit analysis, assessment of collectability of borrowers, monitoring the cash flows 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 flows and operation status of each borrowers. Once the loan is issued, all borrowers will be assessed by fraud examination model to prevent fraudulent behaviours. 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 purpose of measuring ECL under IFRS 9.

(i) ECL model for loan receivables:

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 loan receivables that are not credit-impaired on initial recognition are classified in "Stage 1" and have its credit risk continuously monitored by the Group. The ECL is measured on a 12-month basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk (Continued)

(d) Loan receivables (Continued)

(i) ECL model for loan receivables: *(Continued)*

- If an SICR (as defined below) since initial recognition is identified, the loan receivables are moved to "Stage 2" but are not yet deemed to be credit-impaired. The ECL is measured on lifetime basis.

- If the loan receivables are credit-impaired (as defined below), then they are moved to "Stage 3". The ECL is measured on lifetime basis.

- In Stages 1 and 2, interest revenue is calculated on the gross carrying amount (without deducting the loss allowance). If in Stage 3, the Group is required to calculate the interest revenue by applying the effective interest rate method in subsequent reporting periods to the amortised cost of the loan receivables (the gross carrying amount net of loss allowance) other than the gross carrying amount.

The key judgements and assumptions adopted by the Group in addressing the requirements of the standard are discussed below:

- Significant increase in credit risk (SICR)

  The Group considers loan receivables to have experienced an SICR if the borrower is past due more than 1 day on its contractual payments.

- Definition of default and credit-impaired assets

  The Group defines a financial instrument as in default and credit-impaired, 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 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk (Continued)

*(d) **Loan receivables** (Continued)*

(i) ECL model for loan receivables: *(Continued)*

- Measuring ECL – Explanation of inputs, assumptions and estimation techniques

  The ECL is measured on either a 12-month or lifetime basis depending on whether an SICR has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECL are the discounted product of the PD, EAD, and LGD.

  The ECL is determined by projecting the PD, EAD and LGD for each future month and for each portfolio and these three components are multiplied together. This effectively calculates an ECL for each future month, which is then discounted back to the reporting period end and summarised. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

- 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 ECL.

  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 analysed 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk (Continued)

***(d) Loan receivables** (Continued)*

(i) ECL model for loan receivables: *(Continued)*

- 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 reporting period is impacted by a variety of factors, as described below:

- Transfers between Stage 1, Stage 2 or Stage 3 due to loan receivables experiencing significant increases (or decreases) of credit risk in the reporting period, and the subsequent "step up" (or "step down") between 12-month and lifetime ECL;

- Increases of loss allowance for new financial instruments recognised, as well as decreases due to loan receivables derecognition in the reporting period;

- Loan receivables derecognised and write-offs of loss allowance related to assets that were written off during the reporting period, and the subsequent recovery; and

- Changes in the inputs, assumptions and estimation techniques of ECL calculation during the reporting period.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk (Continued)

***(d) Loan receivables** (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, 2021	7,104,601	107,499	49,916	7,262,016
Transfers:				
Transfer from Stage 1 to Stage 2	(118,026)	118,026	—	—
Transfer from Stage 1 to Stage 3	(212,858)	—	212,858	—
Transfer from Stage 2 to Stage 1	99	(99)	—	—
Transfer from Stage 2 to Stage 3	—	(73,592)	73,592	—
Net decreases	(923,885)	(73,391)	(50,962)	(1,048,238)
Write-offs	—	—	(285,007)	(285,007)
Recovered after written off	—	—	36,992	36,992
Gross carrying amount as of December 31, 2021	5,849,931	78,443	37,389	5,965,763

For the year ended December 31, 2021, fair value changes of loan receivables existed in the net decreases of stage 2 and stage 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk (Continued)

(d) Loan receivables (Continued)

(ii) Loss allowance *(Continued)*

The following table explains the changes in the loss allowance for loan receivables between the beginning and the end of the reporting 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, 2021	(223,799)	(80,504)	(49,916)	(354,219)
Transfers:				
Transfer from Stage 1 to Stage 2	3,325	(88,487)	—	(85,162)
Transfer from Stage 1 to Stage 3	5,997	—	(203,665)	(197,668)
Transfer from Stage 2 to Stage 1	(2)	74	—	72
Transfer from Stage 2 to Stage 3	—	55,174	(70,414)	(15,240)
Net decreases	26,027	22,496	35,518	84,041
Write-offs	—	—	285,007	285,007
Recovered after written off	—	—	(36,992)	(36,992)
Changes in ECL measurement	43,124	(192)	(6,344)	36,588
Loss allowance as of December 31, 2021	(145,328)	(91,439)	(46,806)	(283,573)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk (Continued)

(d) ***Loan receivables*** *(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 maximising recovery. The Group considers the impact from such modification is not significant.

3.1.3 Liquidity risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.3 Liquidity risk (Continued)

The Group analyses its non-derivative financial liabilities into relevant maturity grouping based on the remaining year at each reporting period end to the contractual maturity date. 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, 2021					
Trade payables	15,165,619	—	—	—	15,165,619
Payables to merchants	10,950,920	—	—	—	10,950,920
Advances from transacting users	5,171,054	—	—	—	5,171,054
Other payables and accruals	8,787,640	—	—	—	8,787,640
Borrowings	11,778,170	2,559,043	9,861,009	—	24,198,222
Notes payable	344,686	344,686	24,894,171	8,941,919	34,525,462
Lease liabilities	1,973,300	1,522,958	1,650,762	86,701	5,233,721
	54,171,389	4,426,687	36,405,942	9,028,620	104,032,638

	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
Other payables and accruals	7,253,714	—	—	—	7,253,714
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
	41,022,250	1,267,331	8,947,930	9,410,158	60,647,669

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Capital management

The Group's objectives when managing capital are to:

- Safeguard its ability to continue as a going concern, so that it 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.

3.3 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 consolidated financial statements. To provide an indication about the reliability of the inputs used in determining the fair values, the Group has classified its financial instruments into three levels prescribed under the accounting standards.

The Group analyses its financial instruments carried at fair values by level of the inputs to valuation techniques used to measure the fair values. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Level 1: unadjusted quoted prices in active markets for identical assets or liabilities

- Level 2: inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly (that is, as prices) or indirectly (that is, derived from prices)

- Level 3: inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

3.3.1 Fair value hierarchy (Continued)

The following tables present the Group's assets and liabilities that are measured at fair value as of December 31, 2021 and 2020.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As of December 31, 2021				
Financial assets				
Short-term treasury investments at fair value through profit or loss (Note 21)	—	—	56,417,497	56,417,497
Short-term treasury investments at fair value through other comprehensive income (Note 21)	—	4,128,024	5,414,982	9,543,006
Long-term treasury investments at fair value through profit or loss (Note 21)	—	—	3,295,284	3,295,284
Loan receivables at fair value through other comprehensive income (Note 22(a))	—	—	4,210,835	4,210,835
Other financial investments at fair value through profit or loss (Note 19)	2,261,812*	—	12,038,045	14,299,857
Other financial investments at fair value through other comprehensive income (Note 20)	532,455*	—	1,490,250	2,022,705
	2,794,267	4,128,024	82,866,893	89,789,184

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

3.3.1 Fair value hierarchy (Continued)

	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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

3.3.2 Valuation techniques used to determine fair values

Specific valuation techniques used to measure financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments;
- The discounted cash flows model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate;
- 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 in use during the year ended December 31, 2021.

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

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

The following tables present the movement of level 3 items which use significant unobservable inputs in determining their fair values for the years ended December 31, 2021 and 2020. The Group determines transfers between levels of the fair value hierarchy are deemed to have occurred on the date of the event or change in circumstances that caused the transfer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

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

	Short-term 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	Prepayments, deposits and other assets Loan receivables at fair value through other comprehensive income RMB'000	Other financial investments at fair value through profit or loss Investments in unlisted companies RMB'000	Other financial investments at fair value through other comprehensive income Investments in unlisted companies RMB'000	Financial liabilities at fair value through profit or loss RMB'000
As of January 1, 2021	32,083,979	900,111	612,967	—	8,132,267	—	114,600
Additions	374,408,482	4,769,314	3,284,298	23,118,704	5,160,883	450,000	791,400
Deductions	(350,153,466)	(325,609)	(605,747)	(18,850,641)	(773,798)	—	(906,000)
Transfers	—	—	—	—	(1,068,094)	783,750	—
Changes in fair values	1,112,454	78,237	39,833	(57,228)	678,454	256,500	—
Currency translation differences	(1,033,952)	(7,071)	(36,067)	—	(91,667)	—	—
As of December 31, 2021	56,417,497	5,414,982	3,295,284	4,210,835	12,038,045	1,490,250	—
Net unrealised gains/(losses) for the year	375,797	77,412	28,299	(57,228)	358,423	—	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

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

	Short-term 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	—
Additions	176,723,212	900,000	694,106	6,849,861	114,600
Deductions	(168,059,503)	—	(41,237)	(314,475)	—
Transfers	—	—	—	(8,071,981)	—
Changes in fair values	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 unrealised gains for the year	148,811	111	4,450	46,842	—

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 Group's level 3 instruments are listed in the table in Note 3.3.3. As these instruments are not traded in active markets, their fair values have been determined using various applicable valuation techniques, including discounted cash flows and market approach.

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

	Fair values as of December 31,			Range of inputs as of December 31,		Relationships of unobservable inputs
Description	2021 RMB'000	2020 RMB'000	Unobservable inputs	2021	2020	to fair value
Investments in unlisted companies	**13,528,295**	8,132,267	Expected volatility	**40%-78%**	40%-49%	The higher the expected volatility, the lower the fair value
			Discount for lack of marketability ("DLOM")	**15%-29%**	20%-25%	The higher the DLOM, the lower the fair value
Short-term treasury investments at fair value through profit or loss	**56,417,497**	32,083,979	Expected rate of return	**0.00%-5.12%**	(0.11%)-6.70%	The higher the expected rate of return, the higher the fair value
Short-term treasury investments at fair value through other comprehensive income	**5,414,982**	900,111	Expected rate of return	**1.45%-2.80%**	2.80%-3.20%	The higher the expected rate of return, the higher the fair value
Long-term treasury investments at fair value through profit or loss	**3,295,284**	612,967	Expected rate of return	**0.00%-2.43%**	0.00%-2.40%	The higher the expected rate of return, the higher the fair value
Loan receivables at fair value through other comprehensive income	**4,210,835**	—	Note a	**Note a**	NA	The higher the risk-adjusted discount rate, the lower the fair value
Financial liabilities at fair value through profit or loss	**—**	114,600	Note b	**NA**	Note b	Note b

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

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

Note a: Loan receivables at fair value through other comprehensive income

For loan receivables at fair value through other comprehensive income, the fair values are determined based on discounted cash flows model using unobservable discount rates that reflect credit risk.

Note b: 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 consumer services in the form of ordinary shares or preferred shares and measured these investments at fair value through profit or 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 companies disclosed above.

If the respective unobservable inputs of financial assets at fair value through profit or loss held by the Group had been 10% higher/lower, the aggregate profit before income tax for the years ended December 31, 2021 and 2020 would have been approximately RMB118 million lower/higher and RMB166 million lower or RMB124 million higher, respectively.

If the respective unobservable inputs of financial assets at fair value through other comprehensive income held by the Group had been 10% higher/lower, the aggregate other comprehensive income for the years ended December 31, 2021 and 2020 would have been approximately RMB16 million lower or RMB18 million higher and RMB31 thousand higher/lower, respectively.

The carrying amounts of the Group's financial assets and financial liabilities measured at amortised cost are approximate their fair values.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Estimates and judgements are continually evaluated. They are based on historical experiences 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 RSUs and share options to employees and other qualified participants. The fair value of the share 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 RSUs is determined by reference to the grant-date market price of the ordinary shares.

The Group has also authorised the repurchase of ordinary shares from certain employees, founders, and Shareholders of the Company. Judgement 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 values of financial assets and financial liabilities

The fair values of financial instruments that are not traded in active markets are determined using valuation techniques. The Group uses its judgements 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 values of these financial assets and financial liabilities (Note 3.3).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

4.3 Loss allowance for financial and contract assets arising from credit risk

The loss allowance for financial and contract assets arising from credit risk is based on assumptions about risk of defaults and expected loss rates. The Group uses judgements in making these assumptions and selecting the inputs to the loss allowance 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 Note 3.1.2.

4.4 Recoverability of goodwill

The Group tests whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.9.1. Management judgement 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 the consolidated 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, 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 judgement is required to determine whether the incentives are in substance payments 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 payments on behalf of customers include whether the incentives are given at the Group's discretion and the objectives, business strategy and design of the incentive programmes.

4.6 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 judgement and consideration of all relevant facts and circumstances. In evaluation of the Group's role as a principal or an agent, the Group considers, individually or in combination, whether the Group controls the specified good or service before it (i) is transferred to the customer, (ii) is primarily responsible for fulfilling the contract, (iii) is subject to inventory risk, and (iv) has discretion in establishing prices.

4.7 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 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 utilised. The outcome of their actual utilisation may be different from management's estimation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

4.8 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 Description of segments and principal activities

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, 2021 and 2020.

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.

5 SEGMENT REPORTING *(Continued)*

5.1 Description of segments and principal activities *(Continued)*

Food delivery

The food delivery business primarily helps consumers place orders of food prepared by merchants through the Group's online tools, mainly various of mobile apps, and offers on-demand delivery services. Revenues from the food delivery segment primarily consist (a) food delivery services from both merchants and consumers; and (b) commission from technology service fees charged to merchants and third-party agent partners. The cost of revenues and operating expenses for the food delivery segment primarily consists of food delivery related costs and promotion, advertising and user incentives.

In May 2021, the Group rolled out a new fee structure to merchants of food delivery business, in which the fees charged to the merchants were split into a food delivery services fee and a technology service fee. The revenues derived from these services were separately presented under the food delivery segment for the year ended December 31, 2021. The figures for the comparative year were reclassified to conform to such presentation as well.

In-store, hotel & travel

The in-store, hotel & travel businesses primarily help consumers purchase local consumer services provided by merchants in numerous in-store categories or make reservations for hotels and attractions. Revenues from the in-store, hotel & travel segment primarily consist (a) commission from technology service fees charged to merchants; and (b) online marketing services in various formats provided to merchants. The cost of revenues and operating expenses for the in-store, hotel & travel segment primarily consists of employee benefits expenses and promotion, advertising and user incentives.

New initiatives and others

The Group continually develops various new initiatives to satisfy consumers' diverse needs in different consumption scenarios. Revenues from the new initiatives and others segment primarily consist (a) Sales of goods primarily from B2B food distribution services and Meituan Grocery; and (b) various services rendered by various businesses such as Meituan Instashopping, community e-commerce, bike-sharing and electric mopeds and micro-credit. The cost of revenues and operating expenses for the new initiatives and others segment primarily consists of (a) transaction costs; (b) other outsourcing costs; (c) employee benefits expenses; and (d) promotion, advertising and 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 to evaluate the performance of the operating segments.

The Group's revenue is mainly generated in China.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

5 SEGMENT REPORTING *(Continued)*

5.1 Description of segments and principal activities *(Continued)*

The segment information provided to the Group's CODM for the reportable segments for the years ended December 31, 2021 and 2020 is as follows:

	Year ended December 31, 2021				
	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
Food delivery services	54,203,640	—	—	—	54,203,640
Commission	28,547,274	15,798,936	8,558,547	—	52,904,757
Online marketing services	11,434,933	16,667,421	982,816	—	29,085,170
Other services and sales (including interest revenue)	2,125,931	63,968	40,744,531	—	42,934,430
Revenues in total	96,311,778	32,530,325	50,285,894	—	179,127,997
Cost of revenues, operating expenses and unallocated items	(90,137,137)	(18,437,212)	(88,679,789)	(5,001,058)	(202,255,196)
Including: Food delivery related costs	(68,183,267)	—	—	—	(68,183,267)
Operating (loss)/profit	6,174,641	14,093,113	(38,393,895)	(5,001,058)	(23,127,199)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

5 SEGMENT REPORTING *(Continued)*

5.1 Description of segments and principal activities *(Continued)*

	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
Food delivery services	39,116,411	—	—	—	39,116,411
Commission	18,502,868	10,193,162	5,428,154	—	34,124,184
Online marketing services	7,565,111	11,018,337	324,597	—	18,908,045
Other services and sales (including interest revenue)	1,080,929	40,899	21,524,042	—	22,645,870
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)
Including: Food delivery related costs	(49,291,318)	—	—	—	(49,291,318)
Operating (loss)/profit	2,833,369	8,180,933	(10,854,996)	4,170,796	4,330,102

(i) Unallocated items mainly include (i) share-based compensation expenses, (ii) amortisation of intangible assets resulting from acquisitions, (iii) fair value changes of other financial investments at fair value through profit or loss, and (iv) other (losses)/gains, net. They are not allocated to individual segments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

5 SEGMENT REPORTING *(Continued)*

5.1 Description of segments and principal activities *(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, 2021 and 2020.

The reconciliation from operating (loss)/profit to (loss)/profit before income tax for the years ended December 31, 2021 and 2020 is shown in the consolidated income statement.

5.2 Segment assets

As of December 31, 2021 and 2020, substantially all of the non-current assets of the Group were located in the PRC.

6 REVENUES BY TYPE

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Food delivery services	**54,203,640**	39,116,411
Commission	**52,904,757**	34,124,184
Online marketing services	**29,085,170**	18,908,045
Other services and sales (including interest revenue)	**42,934,430**	22,645,870
	179,127,997	114,794,510

Further disaggregation of revenues are included in Note 5.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

7 EXPENSES BY NATURE

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Food delivery related costs	**68,183,267**	49,291,318
Employee benefits expenses (Note 8)	**34,767,852**	21,541,521
Transaction costs (Note i)	**26,352,193**	15,859,348
Promotion, advertising and user incentives	**23,200,707**	11,029,869
Other outsourcing costs	**22,538,561**	8,128,968
Depreciation of property, plant and equipment	**8,110,975**	4,202,623
Amortisation of intangible assets	**817,044**	991,486
Auditor's remuneration		
– Audit and audit-related services	**47,879**	48,889
– Non-audit services	**8,053**	1,898

(i) Transaction costs consist of cost of goods sold and certain costs from various businesses.

8 EMPLOYEE BENEFITS EXPENSES

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Wages, salaries and bonuses	**23,802,907**	15,398,542
Share-based compensation expenses (Note 33)	**5,193,860**	3,277,476
Other employee benefits	**3,600,279**	2,133,801
Pension costs – defined contribution plans (Note i)	**2,170,806**	731,702
	34,767,852	21,541,521

(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 governmental authorities. The Group contributes funds which are calculated on certain percentages of the employees' salary subject to certain ceilings imposed by governmental authorities to each scheme locally.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

8 EMPLOYEE BENEFITS EXPENSES *(Continued)*

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

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Cost of revenues	**125,111**	80,635
Selling and marketing expenses	**692,262**	420,873
Research and development expenses	**2,617,015**	1,446,846
General and administrative expenses	**1,759,472**	1,329,122
	5,193,860	3,277,476

(b) **Five highest paid individuals**

The five individuals whose emoluments were the highest in the Group do not include any Director for the year ended December 31, 2021 (2020: 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, 2021 and 2020. The emoluments to the highest paid individuals other than Directors for the years ended December 31, 2021 and 2020 are as follows:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Basic salaries	**17,760**	8,274
Bonuses	**864**	8,049
Pension costs and other employee benefits	**652**	521
Share-based compensation expenses	**523,211**	459,876
	542,487	476,720

8 EMPLOYEE BENEFITS EXPENSES *(Continued)*

(b) Five highest paid individuals *(Continued)*

The emoluments fell within the following bands:

	Number of individuals Year ended December 31,	
	2021	2020
Emolument bands (in HK dollar)		
HK$53,000,001 – HK$53,500,000	**1**	—
HK$118,500,001 – HK$119,000,000	—	1
HK$124,000,001 – HK$124,500,000	—	1
HK$132,000,001 – HK$132,500,000	**1**	—
HK$132,500,001 – HK$133,000,000	**1**	—
HK$145,000,001 – HK$145,500,000	—	1
HK$147,500,001 – HK$148,000,000	—	1
HK$161,500,001 – HK$162,000,000	**1**	—
HK$183,000,001 – HK$183,500,000	**1**	—
	5	4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

8 EMPLOYEE BENEFITS EXPENSES *(Continued)*

(c) Directors' and chief executive's emoluments

The emoluments of Directors and the chief executive is set out below:

For the year ended December 31, 2021:

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	—	5,040	—	152	—	5,192
Mu Rongjun	—	4,080	—	152	11,957	16,189
Wang Huiwen	—	1,494	—	153	—	1,647
Lau Chi Ping Martin	—	—	—	—	—	—
Neil Nanpeng Shen	—	—	—	—	—	—
Orr Gordon Robert Halyburton	500	—	—	—	275	775
Shum Heung Yeung Harry	500	—	—	—	275	775
Leng Xuesong	500	—	—	—	275	775
Total	1,500	10,614	—	457	12,782	25,353

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	—	—	—	—	—	—
Neil Nanpeng Shen	—	—	—	—	—	—
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

8 EMPLOYEE BENEFITS EXPENSES *(Continued)*

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

(i) Directors' termination benefits

No Directors' termination benefits subsisted at the end of the years or at any time during the years ended December 31, 2021 and 2020.

(ii) Consideration provided to or receivable by third parties for making available Directors' services

No consideration provided to or receivable by third parties for making available Directors' services subsisted at the end of the years or at any time during the years ended December 31, 2021 and 2020.

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

There were no loans, quasi-loans and other dealings in favour of Directors, their controlled bodies corporate and connected entities subsisted at the end of the years or at any time during the years ended December 31, 2021 and 2020.

(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 years or at any time during the years ended December 31, 2021 and 2020.

(v) Waiver of Directors' emoluments

The non-executive Directors have not received any emoluments for the years ended December 31, 2021 and 2020. None of the other Directors waived or have agreed to waive any emoluments during the years ended December 31, 2021 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

9 OTHER (LOSSES)/GAINS, NET

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Subsidies and tax preference (Note i)	**1,502,905**	1,388,365
Fair value changes of treasury investments at fair value through profit or loss (Note 3.3)	**1,152,287**	816,888
Dilution gains (Note 12)	**716,427**	853,618
Interest income from treasury investments at amortised cost	**132,694**	386,771
Fine imposed pursuant to China's Anti-Monopoly Law (Note ii)	**(3,442,440)**	—
Donations	**(139,689)**	(204,534)
Foreign exchange losses, net	**(34,977)**	(170,340)
Others	**(72,941)**	90,067
	(185,734)	3,160,835

(i) Since April 1, 2019, taxpayers in the manufacturing and consumer services industry are allowed to enjoy additional 10% of input VAT amount deductible from tax payable. Since October 1, 2019, taxpayers in consumer services industry are allowed to enjoy additional 15% of input VAT amount deductible from tax payable. As a result, for the year ended December 31, 2021, the Group recognised a gain of RMB1,250.5 million (2020: RMB805.7 million).

(ii) In April 2021, the State Administration for Market Regulation of the People's Republic of China (the "**SAMR**") commenced an investigation on the Company pursuant to the Anti-Monopoly Law of the People's Republic of China. Following the investigation, in October 2021, the SAMR issued an administrative penalty decision of the anti-monopoly investigation against the Company and imposed a fine of RMB3,442 million.

10 FINANCE INCOME/(COSTS)

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Finance income		
Interest income from bank deposits	**546,037**	213,684
Finance costs		
Interest expenses on bank borrowings and notes payable	**(887,278)**	(253,216)
Interest in respect of lease liabilities	**(193,420)**	(92,266)
Others	**(50,237)**	(24,534)
Total	**(1,130,935)**	(370,016)

11 SUBSIDIARIES

The Company's major subsidiaries (including directly held and indirectly held, collectively controlled, and structured entities) during the year ended December 31, 2021 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 interests held (i) As of December 31, 2021	2020	Principal activities and place of operation
Directly held:						
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	USD3,331,660,000	100%	100%	E-commerce service platform 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
Shanghai Sankuai Zhisong Technology Co., Ltd.	Shanghai, the PRC, limited liability company	November 28, 2017	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 services in the PRC
Chongqing Meituan Sankuai Micro-credit Co., Ltd.	Chongqing, the PRC, limited liability company	November 28, 2016	RMB5,000,000,000	100%	100%	Micro-credit business in the PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

11 SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ establishment and kind of legal entity	Date of incorporation/ establishment	Particulars of issued capital	Effective interests held (i) As of December 31, 2021	2020	Principal activities and place of operation
Structured entities (ii):						
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**") and cloud computing 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 (i) The Effective interests held by the Group have no changes since January 1, 2022 until the reporting date.

Note (ii) The Company does not have directly or indirectly legal ownership in equity of structured entities or their subsidiaries. Nevertheless, under certain contractual arrangements entered into with these structured entities and their registered owners, the Company and its legally owned subsidiaries have rights to exercise power over these structured entities, to receive variable returns from their involvement in these structured entities, and have the ability to affect those returns through their power over these structured entities. As a result, they are consolidated structured entities of the Company.

Due to the implementation of the shares award scheme of the Group mentioned in Note 2.10, certain structured entity ("**Share Scheme Trust**") has been set up. The principal activities of Share Scheme Trust is administering and holding the Company's shares issued for Post-IPO 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, 2021 RMB'000	As of December 31, 2020 RMB'000
Associates (a)	**13,856,036**	13,167,893
Joint ventures	**12,752**	13,050
	13,868,788	13,180,943

RMB11.5 billion of investments accounted for using the equity method was denominated in USD (2020: RMB11.3 billion), and other balances were denominated in RMB.

(a) Investments in associates accounted for using the equity method

	As of December 31, 2021 RMB'000	As of December 31, 2020 RMB'000
Investments in associates		
– listed entities	**11,573,568**	11,361,160
– unlisted entities	**2,282,468**	1,806,733
	13,856,036	13,167,893

The quoted fair value of the investments in listed entities was RMB27,228 million and RMB25,224 million as of December 31, 2021 and 2020, respectively.

	Year ended December 31, 2021 RMB'000	Year ended December 31, 2020 RMB'000
At the beginning of the year	**13,167,893**	2,269,638
Additions	—	2,367,376
Transfer (Note 19)	—	8,071,981
Dilution gains (Note i)	**716,427**	853,618
Dividends from associates	**(15,137)**	(5,369)
Disposals	**(8,888)**	—
Share of gains of investments accounted for using the equity method	**145,620**	264,105
Other reserves (Note 27)	**117,125**	(120,986)
Currency translation differences	**(267,004)**	(532,470)
At the end of the year	**13,856,036**	13,167,893

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For the year ended December 31, 2021

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

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

(i) Dilution gains mainly comprised net gains on dilution of the Group's equity interests in Li Auto Inc. due to the public offerings of additional issuance in August 2021 and in December 2020.

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

There was no individually material associates that are accounted for using the equity method as of December 31, 2021 (as of December 31, 2020: RMB10.4 billion of Li Auto Inc.). Aggregate amounts of the Group's share of gains/(losses) of individually immaterial associates accounted for using the equity method are as follows:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
– Profit from operations	**145,620**	311,278
– Other comprehensive loss	**(41,797)**	(300)
Total comprehensive income	**103,823**	310,978

13 TAXATION

(a) Value Added Tax

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

13 TAXATION *(Continued)*

(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 their income or capital gains. Additionally, the Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

British Virgin Islands

Under the current laws of the British Virgin Islands, entities incorporated in the 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 profits for the years ended December 31, 2021 and 2020.

PRC corporate income tax ("CIT")

CIT provision was made on the estimated assessable profit 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, 2021 and 2020.

Certain subsidiaries of the Group in the PRC are subject to "high and new technology enterprises", whose preferential income tax rate was 15% for the years ended December 31, 2021 and 2020. Moreover, a subsidiary is entitled to the preferential policy of "2-year exemption and 3-year half rate concession". In addition, certain PRC subsidiaries of the Group are subject to "small and thin-profit enterprises" under the CIT Law, whose preferential income tax rate was 20% for the years ended December 31, 2021 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

13 TAXATION *(Continued)*

(b) Income tax *(Continued)*

Withholding tax on undistributed dividends

Pursuant to the CIT Law, a 10% withholding tax is levied on dividends declared by companies established in mainland China to foreign investors effective from January 1, 2008. The withholding tax rate may be lowered to a minimum of 5% if there is a tax arrangement between mainland 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,	
	2021	2020
	RMB'000	RMB'000
Current income tax expenses	**(417,262)**	(147,172)
Deferred income tax credits (Note 18)	**447,541**	416,909
Total income tax credits	**30,279**	269,737

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, 2021 and 2020, being the tax rate of the major subsidiaries of the Group.

The difference is analysed as follows:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
(Loss)/profit before income tax	**(23,566,477)**	4,437,875
Tax calculated at statutory income tax rate of 25% in mainland China	**5,891,619**	(1,109,469)
Tax effects of:		
– Different tax rates available to different jurisdictions	**(615,429)**	1,509,383
– Preferential income tax rates applicable to subsidiaries	**(2,316,035)**	(298,412)
– Expenses not deductible for income tax purposes	**(132,578)**	(227,279)
– Super deduction for research and development expenses	**1,190,896**	1,261,674
– Changes in deferred tax assets and liabilities mismatched with (loss)/profit before income tax		
Tax losses	**(3,993,860)**	(896,861)
Other temporary differences	**62,252**	537,509
– Withholding tax (Note i)	**(40,982)**	(568,384)
– Others	**(15,604)**	61,576
Total income tax credits	**30,279**	269,737

(i) The Group's subsidiaries outside of PRC recognised withholding tax for their investments in the PRC entities.

14 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share for the years ended December 31, 2021 and 2020 were calculated by dividing the (loss)/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, 2021	2020
(Loss)/profit attributable to equity holders of the Company (RMB'000)	**(23,538,379)**	4,708,313
Weighted average number of ordinary shares in issue (thousands)	**6,037,677**	5,845,354
Basic (loss)/earnings per share (RMB)	**(3.90)**	0.81

(b) Diluted (loss)/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 three categories of dilutive potential ordinary shares: share options, RSUs and convertible bonds. As the Company incurred losses for the year ended December 31, 2021, the dilutive potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilution. Accordingly, diluted loss per share for the year ended December 31, 2021 was the same as basic loss per share.

	Year ended December 31, 2021	2020
(Loss)/profit attributable to equity holders of the Company (RMB'000)	**(23,538,379)**	4,708,313
Weighted average number of ordinary shares in issue (thousands)	**6,037,677**	5,845,354
Adjustments for share options and RSUs (thousands)	**—**	158,251
Weighted average number of ordinary shares used as the denominator in calculating diluted (loss)/earnings per share (thousands)	**6,037,677**	6,003,605
Diluted (loss)/earnings per share (RMB)	**(3.90)**	0.78

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15 PROPERTY, PLANT AND EQUIPMENT

	Computer equipment RMB'000	Bikes and electric mopeds RMB'000	Assets under construction RMB'000	Right-of-use assets RMB'000	Land use rights RMB'000	Others RMB'000	Total RMB'000
As of January 1, 2021							
Cost	5,644,530	11,837,828	241,703	3,756,829	—	1,218,979	22,699,869
Accumulated depreciation and impairment	(3,520,901)	(3,784,637)	(546)	(1,031,912)	—	(444,708)	(8,782,704)
Net book amount	2,123,629	8,053,191	241,157	2,724,917	—	774,271	13,917,165
For the year ended December 31, 2021							
Opening net book amount	2,123,629	8,053,191	241,157	2,724,917	—	774,271	13,917,165
Additions	3,430,860	117,425	2,688,446	4,219,704	6,737,539	346,055	17,540,029
Transfers	—	1,216,240	(1,920,913)	—	—	704,673	—
Disposals	(19,111)	(136,405)	(66,008)	(180,590)	—	(78,184)	(480,298)
Depreciation charges	(1,642,390)	(3,817,909)	—	(2,043,002)	(58,563)	(549,111)	(8,110,975)
Impairment charges	—	—	(206)	—	—	(51,443)	(51,649)
Currency translation differences	—	—	—	(26)	—	—	(26)
Ending net book amount	3,892,988	5,432,542	942,476	4,721,003	6,678,976	1,146,261	22,814,246
As of December 31, 2021							
Cost	8,975,712	12,385,280	943,000	6,830,956	6,737,539	2,036,595	37,909,082
Accumulated depreciation and impairment	(5,082,724)	(6,952,738)	(524)	(2,109,953)	(58,563)	(890,334)	(15,094,836)
Net book amount	3,892,988	5,432,542	942,476	4,721,003	6,678,976	1,146,261	22,814,246

15 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Computer equipment RMB'000	Bikes and electric mopeds RMB'000	Assets under construction RMB'000	Right-of-use assets RMB'000	Others RMB'000	Total RMB'000
As of January 1, 2020						
Cost	4,505,983	5,781,823	141,368	2,166,794	409,348	13,005,316
Accumulated depreciation and impairment	(2,288,342)	(4,504,976)	(7,945)	(605,780)	(222,056)	(7,629,099)
Net book amount	2,217,641	1,276,847	133,423	1,561,014	187,292	5,376,217
For the year ended December 31, 2020						
Opening net book amount	2,217,641	1,276,847	133,423	1,561,014	187,292	5,376,217
Additions	1,192,179	6,951,124	2,540,360	2,180,516	180,074	13,044,253
Transfers	—	1,734,740	(2,431,532)	—	696,792	—
Disposals	(7,543)	(125,530)	(1,094)	(94,757)	(42,056)	(270,980)
Depreciation charges	(1,278,647)	(1,783,990)	—	(921,846)	(218,140)	(4,202,623)
Impairment charges	—	—	—	—	(29,691)	(29,691)
Currency translation differences	(1)	—	—	(10)	—	(11)
Ending net book amount	2,123,629	8,053,191	241,157	2,724,917	774,271	13,917,165
As of December 31, 2020						
Cost	5,644,530	11,837,828	241,703	3,756,829	1,218,979	22,699,869
Accumulated depreciation and impairment	(3,520,901)	(3,784,637)	(546)	(1,031,912)	(444,708)	(8,782,704)
Net book amount	2,123,629	8,053,191	241,157	2,724,917	774,271	13,917,165

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15 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Depreciation expenses have been charged to the consolidated income statement as follows:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Cost of revenues	**6,389,656**	3,216,094
Selling and marketing expenses	**846,153**	513,443
General and administrative expenses	**458,030**	171,073
Research and development expenses	**417,136**	302,013
	8,110,975	4,202,623

(a) Leases (excluding land use rights)

Except for recognition of lease liabilities, the carrying amounts of right-of-use assets (excluding land use rights) by category are as follows:

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Offices	**2,937,030**	1,923,104
Others	**1,783,973**	801,813
Total	**4,721,003**	2,724,917

The consolidated income statement shows the following amounts relating to leases (excluding the depreciation of land use rights):

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Depreciation charge of right-of-use assets	**2,043,002**	921,846
Interest expenses (included in finance costs)	**193,420**	92,266

16 INTANGIBLE ASSETS

	Goodwill RMB'000	Other intangible assets arising from business combinations RMB'000	Software and others RMB'000	Total RMB'000
As of January 1, 2021				
Cost	27,849,022	7,671,830	1,892,709	37,413,561
Accumulated amortisation and impairment	(201,587)	(3,992,745)	(1,542,848)	(5,737,180)
Net book amount	27,647,435	3,679,085	349,861	31,676,381
For the year ended December 31, 2021				
Opening net book amount	27,647,435	3,679,085	349,861	31,676,381
Additions	83,068	42,800	63,689	189,557
Disposals	—	—	(80)	(80)
Amortisation charges	—	(495,953)	(321,091)	(817,044)
Ending net book amount	27,730,503	3,225,932	92,379	31,048,814
As of December 31, 2021				
Cost	27,932,090	7,714,630	1,956,232	37,602,952
Accumulated amortisation and impairment	(201,587)	(4,488,698)	(1,863,853)	(6,554,138)
Net book amount	27,730,503	3,225,932	92,379	31,048,814

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

16 INTANGIBLE ASSETS *(Continued)*

	Goodwill RMB'000	Other intangible assets arising from business combinations RMB'000	Software and others RMB'000	Total RMB'000
As of January 1, 2020				
Cost	27,849,022	7,671,830	1,877,633	37,398,485
Accumulated amortisation and impairment	(143,421)	(3,377,167)	(1,178,322)	(4,698,910)
Net book amount	27,705,601	4,294,663	699,311	32,699,575
For the year ended December 31, 2020				
Opening net book amount	27,705,601	4,294,663	699,311	32,699,575
Additions	—	—	29,568	29,568
Disposals	—	—	(3,110)	(3,110)
Amortisation charges	—	(615,578)	(375,908)	(991,486)
Impairment charges	(58,166)	—	—	(58,166)
Ending net book amount	27,647,435	3,679,085	349,861	31,676,381
As of December 31, 2020				
Cost	27,849,022	7,671,830	1,892,709	37,413,561
Accumulated amortisation and impairment	(201,587)	(3,992,745)	(1,542,848)	(5,737,180)
Net book amount	27,647,435	3,679,085	349,861	31,676,381

16 INTANGIBLE ASSETS *(Continued)*

Amortisation expenses have been charged to the consolidated income statement as follows:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Selling and marketing expenses	**443,794**	592,367
General and administrative expenses	**177,565**	215,993
Cost of revenues	**176,000**	176,978
Research and development expenses	**19,685**	6,148
	817,044	991,486

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, 2021	**Opening RMB'000**	**Addition RMB'000**	**Reallocation RMB'000**	**Impairment RMB'000**	**Disposal RMB'000**	**Ending RMB'000**
Food delivery	**4,845,229**	—	—	—	—	**4,845,229**
In-store, hotel & travel	**18,950,647**	—	—	—	—	**18,950,647**
Bike-sharing and moped services	**3,707,427**	—	—	—	—	**3,707,427**
New initiatives and others (excluding bike-sharing and moped services)	**144,132**	**83,068**	—	—	—	**227,200**
	27,647,435	**83,068**	—	—	—	**27,730,503**

Year ended December 31, 2020	Opening RMB'000	Addition RMB'000	Reallocation RMB'000	Impairment RMB'000	Disposal RMB'000	Ending RMB'000
Food delivery	4,845,229	—	—	—	—	4,845,229
In-store, hotel & travel	18,950,647	—	—	—	—	18,950,647
Bike-sharing and moped services	3,707,427	—	—	—	—	3,707,427
New initiatives and others (excluding bike-sharing and moped services)	202,298	—	—	(58,166)	—	144,132
	27,705,601	—	—	(58,166)	—	27,647,435

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

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 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 projections, 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, 2021 and 2020, 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, 2021

	Food delivery	In-store, hotel & travel	Bike-sharing and moped services
Annual revenue growth rate for 5-year period	3%-31%	3%-33%	11%-45%
Gross margin	19%-20%	89%-91%	15%-38%
Terminal revenue growth rate	3%	3%	3%
Pre-tax discount rate	26%	26%	27%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

16 INTANGIBLE ASSETS *(Continued)*

Impairment of goodwill *(Continued)*

As of December 31, 2020

	Food delivery	In-store, hotel & travel	Bike-sharing and moped services
Annual revenue growth rate for 5-year period	5%-50%	5%-55%	6%-67%
Gross margin	21%-25%	90%	23%-36%
Terminal revenue growth rate	3%	3%	3%
Pre-tax discount rate	25%	25%	28%

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 rates are following the business plan approved by the Group. 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. As of December 31, 2021 and 2020, the discount rates used in the impairment testing for the CGUs in new initiatives and others segment were from 22% to 30% and 24% to 28%, while the terminal revenue growth rate were 3% and 3%.

17 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

		As of December 31,	
	Note	**2021 RMB'000**	2020 RMB'000
Assets as per consolidated statement of financial position			
Financial assets at fair value through profit or loss:			
– Short-term treasury investments at fair value through profit or loss	21	**56,417,497**	32,083,979
– Long-term treasury investments at fair value through profit or loss	21	**3,295,284**	612,967
– Other financial investments at fair value through profit or loss	19	**14,299,857**	10,256,786
		74,012,638	42,953,732

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17 FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

	Note	As of December 31, 2021 RMB'000	2020 RMB'000
Financial assets at fair value through other comprehensive income:			
– Short-term treasury investments at fair value through other comprehensive income	21	**9,543,006**	965,553
– Loan receivables at fair value through other comprehensive income	22(a)	**4,210,835**	—
– Other financial investments at fair value through other comprehensive income	20	**2,022,705**	605,918
		15,776,546	1,571,471
Financial assets at amortised cost:			
– Trade receivables	24	**1,793,035**	1,030,948
– Prepayments, deposits and other assets	22	**8,100,619**	10,560,882
– Long-term treasury investments at amortised cost	21	**715,158**	—
– Short-term treasury investments at amortised cost	21	**18,321,513**	10,949,832
– Restricted cash	25(b)	**13,276,919**	12,775,667
– Cash and cash equivalents	25(a)	**32,513,428**	17,093,559
		74,720,672	52,410,888
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 amortised cost:			
– Trade payables	29	**15,165,619**	11,967,026
– Payables to merchants		**10,950,920**	9,414,936
– Advances from transacting users		**5,171,054**	4,307,861
– Other payables and accruals	30	**8,865,695**	7,328,556
– Other non-current liabilities		**—**	119,512
– Borrowings	31	**23,784,867**	8,352,472
– Notes payable	32	**30,383,378**	12,966,341
– Lease liabilities		**4,750,785**	2,737,855
		99,072,318	57,194,559

18 DEFERRED INCOME TAXES

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

(a) Deferred tax assets

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
The balance comprises temporary differences attributable to:		
– Tax losses	**1,695,764**	1,009,919
– Others	**511,208**	314,032
Total gross deferred tax assets	**2,206,972**	1,323,951
Set-off of deferred tax assets pursuant to set-off provisions	**(828,504)**	(875,281)
Net deferred tax assets	**1,378,468**	448,670

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Deferred tax assets:		
– to be recovered after 12 months	**653,820**	176,250
– to be recovered within 12 months	**724,648**	272,420
	1,378,468	448,670

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18 DEFERRED INCOME TAXES *(Continued)*

(b) Deferred tax liabilities

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
The balance comprises temporary differences attributable to:		
– Intangible assets arising from business combinations	(489,022)	(620,647)
– Investments accounted for using the equity method or at fair value	(1,051,129)	(804,356)
– Deferred revenues	(24,897)	(50,029)
– Others	(159,147)	(155,943)
Total gross deferred tax liabilities	(1,724,195)	(1,630,975)
Set-off of deferred tax liabilities pursuant to set-off provisions	828,504	875,281
Net deferred tax liabilities	(895,691)	(755,694)

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Deferred tax liabilities:		
– to be recovered after 12 months	(893,459)	(751,223)
– to be recovered within 12 months	(2,232)	(4,471)
	(895,691)	(755,694)

18 DEFERRED INCOME TAXES *(Continued)*

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

	Tax losses RMB'000	Others RMB'000	Total RMB'000
As of January 1, 2021	**1,009,919**	**314,032**	**1,323,951**
Credited to consolidated income statement	**349,255**	**197,176**	**546,431**
Credited to consolidated statement of changes in equity	**336,590**	**—**	**336,590**
As of December 31, 2021	**1,695,764**	**511,208**	**2,206,972**
As of January 1, 2020	848,365	35,820	884,185
Credited to consolidated income statement	118,440	278,212	396,652
Credited to consolidated statement of changes in equity	43,114	—	43,114
As of December 31, 2020	1,009,919	314,032	1,323,951

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

	Intangible assets RMB'000	Investments accounted for using the equity method or at fair value RMB'000	Deferred revenues RMB'000	Others RMB'000	Total RMB'000
As of January 1, 2021	**(620,647)**	**(804,356)**	**(50,029)**	**(155,943)**	**(1,630,975)**
Credited/(charged) to consolidated income statement	**142,325**	**(263,143)**	**25,132**	**(3,204)**	**(98,890)**
Credited to other comprehensive income	**—**	**16,370**	**—**	**—**	**16,370**
Business combination	**(10,700)**	**—**	**—**	**—**	**(10,700)**
As of December 31, 2021	**(489,022)**	**(1,051,129)**	**(24,897)**	**(159,147)**	**(1,724,195)**
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)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

18 DEFERRED INCOME TAXES *(Continued)*

The Group only recognises deferred tax assets for cumulative tax losses if it is probable that future taxable income will be available to utilise those tax losses. Management will continue to assess the recognition of deferred tax assets in future reporting periods. As of December 31, 2021 and 2020, the Group did not recognise deferred tax assets of RMB13.7 billion and RMB9.3 billion in respect of cumulative tax losses amounting to RMB74.9 billion and RMB43.6 billion including the tax losses arising from the excess deduction of share-based payments. These tax losses will expire from 2022 to 2026, and certain subsidiaries of the Group may extend to 2031.

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,	
	2021	**2020**
	RMB'000	RMB'000
Associates (a)	**4,453,450**	2,690,100
Other investees (b)	**9,846,407**	7,566,686
	14,299,857	10,256,786

RMB5.9 billion of other financial investments at fair value through profit or loss was denominated in USD (2020: RMB4.0 billion), and other balances were denominated in RMB.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

19 OTHER FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

(a) Associates

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
At the beginning of the year	**2,690,100**	1,376,375
Additions (Note i)	**2,393,024**	4,717,562
Changes in fair values	**219,221**	4,785,089
Disposals	**(60,000)**	(225,681)
Transfers (Note 12, 20)	**(783,750)**	(7,853,443)
Currency translation differences	**(5,145)**	(109,802)
At the end of the year	**4,453,450**	2,690,100

(i) During the year ended December 31, 2021, the Group's additions to investments in associates at fair value through profit or loss mainly comprised some investments in food and beverage industry and technology industry.

(b) Other investees

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
At the beginning of the year	**7,566,686**	5,789,747
Additions (Note i)	**2,767,859**	2,132,299
Changes in fair values	**596,526**	170,820
Disposals	**(713,798)**	(88,794)
Transfers (Note ii) (Note 12, 20)	**(284,344)**	(218,538)
Currency translation differences	**(86,522)**	(218,848)
At the end of the year	**9,846,407**	7,566,686

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19 OTHER FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

(b) Other investees *(Continued)*

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.

(i) During the year ended December 31, 2021, the Group's additions to other investments mainly comprised the investments in some unlisted entities.

(ii) During the year ended December 31, 2021, an investment of RMB284 million is designated as other financial investments at fair value through other comprehensive income due to the conversion of preferred shares into ordinary shares.

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,	
	2021	2020
	RMB'000	RMB'000
Equity investments in listed entities	**532,455**	605,918
Equity investments in unlisted entities	**1,490,250**	—
	2,022,705	605,918

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20 OTHER FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(Continued)*

Movement of other financial investments at fair value through other comprehensive income is analysed as follows:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
At the beginning of the year	**605,918**	—
Additions (Note i)	**450,000**	548,668
Changes in fair values (Note 27)	**(86,821)**	84,387
Transfers (Note 19)	**1,068,094**	—
Currency translation differences	**(14,486)**	(27,137)
At the end of the year	**2,022,705**	605,918

(i) During the year ended December 31, 2021, the Group made a new investment with the amount of approximately RMB450 million that are not held for trading. The Group made an irrevocable election to measure the investment as other financial investments at fair value through other comprehensive income.

21 TREASURY INVESTMENTS

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Long-term treasury investments at		
– Amortised cost	**715,158**	—
– Fair value through profit or loss	**3,295,284**	612,967
	4,010,442	612,967
Short-term treasury investments at		
– Amortised cost	**18,321,513**	10,949,832
– Fair value through profit or loss	**56,417,497**	32,083,979
– Fair value through other comprehensive income	**9,543,006**	965,553
	84,282,016	43,999,364

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21 TREASURY INVESTMENTS *(Continued)*

Treasury investments at amortised cost were primarily fixed rate certificates of deposit and term deposits. Treasury investments at fair value through profit or loss were wealth management products. The principal and returns on all of these wealth management products were not guaranteed, hence their contractual cash flows did not qualify for solely payments of principal and interest. Therefore, they were measured at fair value through profit or loss. Treasury investments at fair value through other comprehensive income were large-denomination negotiable certificates of term deposits and other financial products, in which the contractual cash flows represented solely payments of principal and interest. The objective of the Group's business model was collecting contractual cash flows and selling these financial assets.

Treasury investments were denominated in the following currencies:

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
USD	**54,654,850**	31,828,437
RMB	**33,637,608**	12,783,894
	88,292,458	44,612,331

22 PREPAYMENTS, DEPOSITS AND OTHER ASSETS

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Non-current		
Loan receivables (a)	1,021,951	466,232
Prepayments for PP&E	903,474	5,935,077
Rental deposits	409,322	268,658
Prepayments for investments	339,044	297,044
Deductible value-added tax	247,226	334,509
Others	460,255	268,297
	3,381,272	7,569,817
Current		
Loan receivables (a)	4,819,078	6,441,565
Deductible value-added tax	3,056,071	2,275,045
Receivables upon share-based payments vesting or exercise	2,258,425	303,176
Contract assets	930,984	591,646
Deposits in third-party payment processors	882,395	369,744
Prepayments to merchants	568,026	299,358
Amounts due from related parties (Note 37)	516,492	1,425,059
Prepayments for purchased goods or services	469,608	602,119
Prepayments on behalf of third parties	402,626	379,799
Others	1,377,881	252,614
	15,281,586	12,940,125

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

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

(a) Loan receivables

Loan receivables are derived from micro-credit business and initially measured at fair value. Depending on the business models in which the loan receivables are held, the subsequent measurement could be at amortised cost or at fair value through other comprehensive income. Breakdown for loan receivables including both current and non-current portion is as follows:

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Loan receivables at amortised cost	**1,754,928**	7,262,016
Less: allowance for impairment (Note 3.1.2)	**(124,734)**	(354,219)
	1,630,194	6,907,797
Loan receivables at fair value through other comprehensive income	**4,268,063**	—
Less: fair value changes of loan receivables	**(57,228)**	—
	4,210,835	—
Allowances for impairment losses on loan receivables at fair value through other comprehensive income (Note 3.1.2)	**(158,839)**	—

23 INVENTORIES

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Raw materials	**139,873**	41,109
Finished goods	**598,542**	439,130
	738,415	480,239
Less: provisions for impairment	**(56,722)**	(13,747)
	681,693	466,492

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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24 TRADE RECEIVABLES

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Trade receivables	**2,019,029**	1,197,518
Less: allowance for impairment	**(225,994)**	(166,570)
	1,793,035	1,030,948

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 trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At each reporting period end the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Movements on the Group's allowance for impairment of trade receivables are as follows:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
At the beginning of the year	**(166,570)**	(155,854)
Provision	**(108,231)**	(89,964)
Reversal	**14,852**	54,016
Write-off	**33,955**	25,232
At the end of the year	**(225,994)**	(166,570)

The Group considered that the carrying amount of the trade receivables approximated their fair values as of December 31, 2021 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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24 TRADE RECEIVABLES *(Continued)*

The Group allows a credit period of 30 to 180 days to its customers. Aging analysis of trade receivables (net of allowance for impairment of trade receivables) based on invoice date is as follows:

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Trade receivables		
Up to 3 months	**1,669,739**	889,861
3 to 6 months	**101,529**	94,088
6 months to 1 year	**17,861**	39,416
Over 1 year	**3,906**	7,583
	1,793,035	1,030,948

The majority of the Group's trade receivables was denominated in RMB.

The maximum exposure to credit risk as of December 31, 2021 and 2020 was the carrying value of the trade receivables. The Group did not hold any collateral as security.

25 CASH AND BALANCES WITH BANKS AND FINANCIAL INSTITUTIONS

(a) Cash and cash equivalents

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Cash on hand and cash in bank	**20,084,162**	14,927,081
Term deposits with initial terms within three months	**11,871,616**	1,305,480
Cash held in other financial institutions (Note i)	**557,650**	860,998
	32,513,428	17,093,559

(i) Cash and cash equivalents of the Group primarily represents bank deposits and fixed deposits with maturities less than three months. As of December 31, 2021 and 2020, the Group had certain amounts of cash held in accounts managed by other financial institutions in connection with the ordinary course of business, which have been classified as cash and cash equivalents on the consolidated statement of financial position.

25 CASH AND BALANCES WITH BANKS AND FINANCIAL INSTITUTIONS *(Continued)*

(a) Cash and cash equivalents *(Continued)*

Cash and cash equivalents are denominated in the following currencies:

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
RMB	**15,934,705**	8,582,899
USD	**16,507,095**	7,866,891
Others	**71,628**	643,769
	32,513,428	17,093,559

(b) Restricted cash

Restricted cash are denominated in the following currencies:

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
RMB	**13,243,107**	12,730,092
USD	**22,166**	42,427
Others	**11,646**	3,148
	13,276,919	12,775,667

As of December 31, 2021 and 2020, RMB79 million and RMB217 million (including USD4 million and HKD1 million) restricted deposits were held by banks as letter of guarantee. Other restricted cash balances were those held in bank accounts subject to certain restriction according to agreement with certain parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

26 SHARE CAPITAL, SHARE PREMIUM AND SHARES HELD FOR SHARES AWARD SCHEME

As of December 31, 2021 and 2020, the authorised share capital of the Company comprised 10,000,000,000 ordinary shares with par value of USD0.00001 per share.

Issued and fully paid:

	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, 2021	**5,885,649**	**59**	**395**	**263,155,201**	**—**	**263,155,596**
Exercise of share options and RSUs vesting	**42,334**	**—**	**2**	**2,780,149**	**1**	**2,780,152**
Shares held for shares award scheme	**9,809**	**—**	**1**	**—**	**(1)**	**—**
Issuance of shares upon placement and subscription (i)	**198,353**	**2**	**13**	**45,285,887**	**—**	**45,285,900**
As of December 31, 2021	**6,136,145**	**61**	**411**	**311,221,237**	**—**	**311,221,648**
As of January 1, 2020	5,808,666	58	389	260,359,929	—	260,360,318
Exercise of share options and RSUs 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

(i) In April 2021, pursuant to the terms and conditions of the placing and subscription agreement entered by the Company and joint placing bookrunners, an aggregated of 187,000,000 existing shares beneficially owned by Tencent Mobility Limited ("**Tencent**") have been placed to not less than six independent placees at the price of HK$273.80 per placing share. These shares were allotted and issued to Tencent as all conditions for the completion of the subscription have been fulfilled on April 27, 2021.

In addition, in April 2021, the Company and Tencent entered into the Tencent subscription agreement, pursuant to which Tencent has agreed to subscribe for and the Company has agreed to allot and issue 11,352,600 shares at the price of HK$273.80 for each share. These shares were allotted and issued to Tencent as all conditions for the completion of the subscription have been fulfilled on July 13, 2021.

The net proceeds from the subscriptions was about RMB45.3 billion after deducting relevant share issuance costs paid and payable, which were incremental costs directly attributable to the issuance of the shares and mainly included share underwriting commissions and other related costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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27 OTHER RESERVES

	Capital reserve RMB'000	Share-based payments RMB'000	Currency translation differences RMB'000	Conversion option of convertible bonds RMB'000	Others RMB'000	Total RMB'000
As of January 1, 2021	20	4,150,291	(10,359,316)	—	(53,061)	(6,262,066)
Equity-settled share-based payments	—	5,193,445	—	—	—	5,193,445
Exercise of share options and RSUs vesting	—	(2,508,430)	—	—	—	(2,508,430)
Share of changes in net assets of associates	—	—	—	—	117,125	117,125
Currency translation differences	—	—	(1,540,203)	—	—	(1,540,203)
Fair value changes of and net provisions for impairment losses on financial assets	—	—	—	—	81,578	81,578
Issuance of convertible bonds (equity component) (Note 32)	—	—	—	1,513,938	—	1,513,938
Tax benefit from share-based payments	—	—	—	—	535,289	535,289
Appropriations to general reserves	—	—	—	—	2,649	2,649
As of December 31, 2021	20	6,835,306	(11,899,519)	1,513,938	683,580	(2,866,675)

	Capital reserve RMB'000	Share-based payments RMB'000	Currency translation differences 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)
Equity-settled share-based payments	—	3,272,930	—	—	3,272,930
Exercise of share options and RSUs vesting	—	(2,283,840)	—	—	(2,283,840)
Share of changes in net assets of associates	—	—	—	(120,986)	(120,986)
Currency translation differences	—	—	(2,920,302)	—	(2,920,302)
Fair value changes of and net provisions for impairment losses on financial assets	—	—	—	84,327	84,327
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)	(53,061)	(6,262,066)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

28 DEFERRED REVENUES

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Non-Current		
Business cooperation agreement with Maoyan	**—**	166,700
	—	166,700
Current		
Online marketing services and others	**5,263,620**	4,764,690
Business cooperation agreement with Maoyan	**157,264**	222,267
Various packages for bike-sharing and moped services	**57,596**	65,873
	5,478,480	5,052,830
	5,478,480	5,219,530

The following table shows how much of the revenues recognised in the current reporting period relates to carried-forward deferred revenues:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Revenues recognised that was included in the deferred revenues balance at the beginning of the year		
Online marketing services and others	**4,092,837**	3,665,402
Business cooperation agreement with Maoyan	**209,685**	222,267
Various packages for bike-sharing and moped services	**65,873**	44,010
	4,368,395	3,931,679

29 TRADE PAYABLES

As of December 31, 2021 and 2020, the aging analysis of the trade payables based on invoice date is as follows:

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Trade payables		
Up to 3 months	**14,906,908**	11,810,659
3 to 6 months	**146,690**	46,688
6 months to 1 year	**88,042**	45,876
Over 1 year	**23,979**	63,803
	15,165,619	11,967,026

The majority of the Group's trade payables was denominated in RMB.

30 OTHER PAYABLES AND ACCRUALS

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Employee payroll and benefits payables	**5,862,949**	3,995,916
Deposits from merchants and transacting users	**5,188,900**	4,903,176
Unpaid fine imposed pursuant to China's Anti-Monopoly Law	**2,422,440**	—
Amounts collected on behalf of third parties	**1,835,104**	1,106,030
Customer advances	**682,029**	367,960
Accrued expenses	**671,597**	312,481
Taxes and surcharges payables	**631,276**	858,974
Amounts due to related parties (Note 37)	**280,620**	395,785
Undue interests accrued for senior notes (Note 32)	**60,320**	61,732
Others	**765,503**	777,375
	18,400,738	12,779,429

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

31 BORROWINGS

	As of December 31, 2021		As of December 31, 2020	
	Original amount '000	Amount RMB'000	Original amount '000	Amount RMB'000
Included in non-current liabilities:				
USD bank borrowings – unsecured (b)	**USD1,916,600**	**12,219,667**	USD300,000	1,957,470
		12,219,667		1,957,470
Included in current liabilities:				
RMB bank borrowings – unsecured	**RMB2,140,000**	**2,140,000**	RMB3,250,000	3,250,000
USD bank borrowings – unsecured (b)	**USD1,478,300**	**9,425,200**	USD482,000	3,145,002
		11,565,200		6,395,002

(a) As of December 31, 2021, the effective interest rates for bank borrowings were 0.94%-3.75% (2020: 1.54%-3.85%). For the year ended December 31, 2021, the weighted average effective interest rate was 1.70% (2020: 3.21%).

(b) The floating rates of USD bank borrowings which were subject to LIBOR would be repriced quarterly or yearly according to the contract terms and would cease to be published after June 30, 2023.

32 NOTES PAYABLE

	As of December 31,	
	2021 RMB'000	2020 RMB'000
Included in non-current liabilities:		
Non-current portion of long-term USD senior notes (i)	**12,682,188**	12,966,341
Non-current portion of long-term USD convertible bonds (ii)	**17,701,190**	—
	30,383,378	12,966,341
Included in current liabilities:		
Undue interests accrued for senior notes (Note 30)	**60,320**	61,732
	30,443,698	13,028,073

32 NOTES PAYABLE *(Continued)*

The notes payable and undue interests were repayable as follows:

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Within 1 year (Note 30)	**60,320**	61,732
Between 2 and 5 years	**22,459,694**	4,863,174
More than 5 years	**7,923,684**	8,103,167
	30,443,698	13,028,073

All of these notes payable issued by the Group were unsecured.

(i) On October 29, 2020, the Company issued senior notes with an aggregate principal amount of USD2,000 million on the Hong Kong Stock Exchange. The principal amounts, applicable interest rates and due dates of the two tranches set out as 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, 2021, the fair value of the senior notes was RMB12,023 million (2020: RMB13,515 million). The respective fair values were assessed based on the quoted market price of these senior notes at the reporting period end.

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32 NOTES PAYABLE *(Continued)*

(ii) On April 27, 2021, the Company completed the issuance of US$1,483,600,000 zero coupon convertible bonds ("**Series 1 Bonds**") due on April 27, 2027 ("**Series 1 Bonds maturity date**") and US$1,500,000,000 zero coupon convertible bonds ("**Series 2 Bonds**") due on April 27, 2028 ("**Series 2 Bonds maturity date**") (together, the "**Bonds**" and the "**Maturity Date**") to third party professional investors (the "**Bondholders**").

The Bonds will, at the option of the Bondholders, be convertible on or after June 7, 2021 up to the 10 days prior to the Maturity date (both days inclusive) into Class B ordinary shares of the Company at a conversion price of HK$431.24 per Class B share, subject to adjustments.

The Company will, at the option of the Bondholders, redeem all or some only of such Bondholder's Series 1 Bonds on April 27, 2025 at 100.37% of the principal amount of the Series 1 Bonds, and redeem all or some only of such Bondholder's Series 2 Bonds on April 27, 2026 at 101.28% of the principal amount of the Series 2 Bonds.

The Company may at any time redeem in whole, but not in part, the Bonds at the early redemption amount, if, immediately prior to the date the notice of redemption is given, 90% or more in principal amount of the Bonds originally issued has already been converted, redeemed or purchased and cancelled. The early redemption amount is determined by the principal amount with a gross yield of negative 0.182% and positive 0.255% per annum calculated on a semi-annual basis for the Series 1 Bonds and the Series 2 Bonds, respectively.

The Company will redeem each bond at 100.00% of its principal amount in respect of the Series 1 Bonds and 101.80% of its principal amount in respect of the Series 2 Bonds, on April 27, 2027 and April 27, 2028, respectively, if not previously redeemed, converted or purchased and cancelled.

32 NOTES PAYABLE *(Continued)*

The liability and equity components of the convertible bonds are presented as follows:

	RMB'000
The face value of convertible bonds issued on the issuance date	19,370,725
Issuance premium	105,953
Gross proceeds	19,476,678
Less: issuance costs	(184,635)
Net proceeds	19,292,043
Less: equity component for the conversion right (Note 27)	(1,513,938)
Liability component on initial recognition	17,778,105
Interest expenses	250,659
Currency translation differences	(327,574)
Liability component as of December 31, 2021	17,701,190

Subsequent to the initial recognition, the liability component of the Bonds was carried at amortised cost using the effective interest rate method. The effective interest rates of the liability component of the Series 1 Bonds and the Series 2 Bonds were 1.94% per annum and 2.26% per annum, respectively.

As of December 31, 2021, the fair value of the convertible bonds was RMB17,969 million (2020: nil). The respective fair values were assessed based on the quoted market price of these convertible bonds at the reporting period end.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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 was valid and effective for 10 years from the date of approval by the Board. The Group had reserved 598,483,347 ordinary shares under the Pre-IPO ESOP, and permited the awards of share options and RSUs of the Company's ordinary shares.

As of August 30, 2018, the Group had authorised and reserved 683,038,063 ordinary shares under the Pre-IPO ESOP for awards of share 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 would not grant further share options or RSUs under the Pre-IPO ESOP after the listing of the Class B Shares on the Main Board of the Hong Kong Stock Exchange.

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 share 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 awards 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 limit of 3% of the total number of issued shares at the relevant time.

As of December 31, 2021, there was a total of 609,679,104 ordinary shares under the Post-IPO Share Option Scheme and Post-IPO Share Award Scheme for awards of share options and RSUs of the Company.

Share options

Share options granted typically expire in 10 years from the respective grant dates. The share 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 share options may be exercised at any time after they have vested subject to the terms of the award agreement and are exercisable for a maximum period of 10 years after the date of grant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

33 SHARE-BASED PAYMENTS *(Continued)*

Share options *(Continued)*

Movements in the number of share options granted and their related weighted average exercise prices are as follows:

	Number of share options	Weighted average exercise price per share option (HKD)
Outstanding as of January 1, 2021	**50,893,174**	**33.95**
Granted during the year	—	—
Forfeited during the year	**(811,629)**	**31.28**
Exercised during the year	**(12,093,247)**	**26.11**
Outstanding as of December 31, 2021	**37,988,298**	**36.51**
Vested and exercisable as of December 31, 2021	**21,788,214**	**25.34**
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

The weighted average remaining contractual life of outstanding share options was 5 years and 6 years as of December 31, 2021 and 2020. The weighted average price of the shares at the time these share options were exercised was HKD280.10 per share (equivalent to approximately RMB232.80 per share) during the year ended December 31, 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

33 SHARE-BASED PAYMENTS *(Continued)*

Fair value of share options

The Group had used Black-Scholes model to determine the fair value of the share options as of the grant date. Key assumptions are set as below:

	Year ended December 31,	
	2021	2020
Risk-free interest rates	—	0.5%
Expected term (years)	—	6.3-6.5
Expected volatility	—	40%-45%
Fair value of share options (HKD)	—	43.20-72.99
Exercise price (HKD)	—	100.15-195.98

The weighted average fair value of granted share options was HKD57.52 per share for the year ended December 31 2020.

RSUs

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

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, 2021	126,541,129	90.18
Granted during the year	51,236,349	289.67
Vested during the year	(42,912,697)	66.03
Forfeited during the year	(9,497,656)	173.61
Outstanding as of December 31, 2021	125,367,125	173.66
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

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 were RMB5.2 billion and RMB3.3 billion for the years ended December 31, 2021 and 2020, respectively. The following table sets forth a breakdown of the share-based compensation expenses by awards types:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Share options	**107,105**	170,017
RSUs	**5,086,340**	3,102,913
Others	**415**	4,546
	5,193,860	3,277,476

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

34 DIVIDENDS

No dividends have been paid or declared by the Company during each of the years ended December 31, 2021 and 2020.

35 CAPITAL COMMITMENTS

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Within 1 year	**4,064,519**	5,242,423
1-2 years	**235,352**	—
	4,299,871	5,242,423

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Purchase of property, plant and equipment	**3,062,527**	4,508,976
Investments	**1,237,344**	733,447
	4,299,871	5,242,423

36 NOTE TO CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Cash (used in)/generated from operations

	Note	Year ended December 31, 2021 RMB'000	2020 RMB'000
(Loss)/profit before income tax		**(23,566,477)**	4,437,875
Adjusted for:			
Depreciation and amortisation	15,16	**8,928,019**	5,194,109
Net provisions for impairment losses on financial and contract assets		**259,953**	467,690
Share-based compensation expenses	33	**5,193,860**	3,277,476
Net gains arising from disposals or deemed disposals of subsidiaries and investees		**(702,808)**	(853,618)
Net provisions for impairment of non-financial assets	15,16	**51,649**	87,857
Share of gains of investments accounted for using the equity method	12	**(145,620)**	(264,105)
Fair value changes of other financial investments at fair value through profit or loss	19	**(815,747)**	(4,955,909)
Fair value changes and interest income related to treasury investments and others		**(1,332,183)**	(1,218,122)
Finance costs	10	**1,080,698**	384,791
Foreign exchange losses, net	9	**34,977**	151,198
Net (losses)/gains on sales of non-current assets		**48,250**	(38,217)
Changes of working capital:			
Increase in restricted cash		**(501,723)**	(4,016,150)
Increase in trade receivables		**(746,561)**	(381,667)
Increase in prepayments, deposits and other assets		**(3,163,467)**	(3,261,037)
Increase in inventories		**(40,579)**	(191,265)
Increase in trade payables		**3,345,963**	3,991,118
Increase in payables to merchants		**1,534,661**	1,919,674
Increase in advances from transacting users		**862,902**	452,277
Increase in deferred revenues		**258,899**	263,331
Increase in other payables and accruals		**5,708,088**	3,108,912
(Decrease)/increase in other non-current liabilities		**(49,481)**	5,106
Cash (used in)/generated from operations		**(3,756,727)**	8,561,324

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

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, 2021.

(c) Reconciliation of liabilities related to cash flows generated from financing activities

	Borrowings RMB'000	Notes payable and undue interests RMB'000	Financial liabilities at fair value through profit or loss RMB'000	Lease liabilities RMB'000
Liabilities as of January 1, 2021	8,352,472	13,028,073	114,600	2,737,855
Cash flows	15,768,196	19,288,691	791,400	(2,191,299)
Additions	—	—	—	4,219,704
Deductions	—	—	(906,000)	(208,867)
Equity component of convertible bonds	—	(1,513,938)	—	—
Derecognition of issuance costs	—	3,352	—	—
Finance costs	—	261,749	—	193,420
Currency translation differences	(335,801)	(624,229)	—	(28)
Liabilities as of December 31, 2021	23,784,867	30,443,698	—	4,750,785

36 NOTE TO CONSOLIDATED STATEMENTS OF CASH FLOWS *(Continued)*

(c) Reconciliation of liabilities related to cash flows generated from financing activities *(Continued)*

	Borrowings RMB'000	Notes payable and undue interests RMB'000	Financial liabilities at fair value through profit or loss RMB'000	Lease liabilities RMB'000
Liabilities as of January 1, 2020	4,019,263	—	—	1,526,799
Cash flows	4,621,559	13,337,825	114,600	(936,380)
Additions	—	—	—	2,180,516
Deductions	—	—	—	(125,346)
Recognition of issuance costs	—	(3,352)	—	—
Finance costs	768	63,606	—	92,266
Currency translation differences	(289,118)	(370,006)	—	—
Liabilities as of December 31, 2020	8,352,472	13,028,073	114,600	2,737,855

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 to 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 are also considered as related parties of the Group.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

37 RELATED PARTY TRANSACTIONS *(Continued)*

(a) Names of and the Group's relationship with related parties

The following companies are significant related parties of the Group that had transactions and/or balances with the Group during the years and/or as of years then ended.

Name of related parties	Relationship
Tencent Group (i)	One of the Company's shareholders
AsiaSea Co., Ltd.	Associate of the Group
Dalian Tongda Enterprise Management Co., Ltd.	Associate of the Group
Fujian Piaofutong Information Technology Co., Ltd	Associate of the Group
Jilin Yillion Bank Co., Ltd.	Associate of the Group
Tianjin Maoyan and its subsidiaries	Associate of the Group

(i) The Group had transactions and balances with affiliates of Tencent Holdings limited ("**Tencent Group**"), which is considered as a related party of the Group.

(b) Significant transactions with related parties

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
(i) Sales of services		
Associates of the Group	**944,715**	679,133
One of the Company's shareholders	**1,497**	3,695
	946,212	682,828
(ii) Purchases of goods and services		
One of the Company's shareholders	**2,928,280**	1,885,502
Associates of the Group	**1,246,871**	927,744
	4,175,151	2,813,246

(iii) In 2021, the Company issued 198,352,600 ordinary shares to Tencent of which 187,000,000 shares were issued for its placing shares to other independent placees. Please refer to Note 26 for details.

37 RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balances with related parties

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
(i) Due from related parties		
Associates of the Group	**274,950**	1,136,433
One of the Company's shareholders	**241,542**	288,626
	516,492	1,425,059
(ii) Due to related parties		
Associates of the Group	**232,626**	362,708
One of the Company's shareholders	**47,994**	33,077
	280,620	395,785

(d) Key management compensation

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Fees	**1,500**	1,500
Basic salaries	**22,854**	12,721
Bonuses	—	12,648
Pension costs and other employee benefits	**864**	764
Share-based compensation expenses	**349,173**	425,834
	374,391	453,467

38 CONTINGENCIES

The Group did not have any material contingent liabilities as of December 31, 2021 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

39 FINANCIAL POSITION AND OTHER RESERVES MOVEMENT OF THE COMPANY

(a) Financial position of the Company

	Note	As of December 31, 2021 RMB'000	2020 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries		73,669,047	68,519,333
Intangible assets		281	287
Long-term treasury investments		2,579,982	612,967
Prepayments, deposits and other assets		88,004,538	41,208,960
		164,253,848	110,341,547
Current assets			
Short-term treasury investments		52,074,868	31,572,008
Prepayments, deposits and other assets		963,662	302,553
Cash and cash equivalents		15,699,578	6,920,635
		68,738,108	38,795,196
Total assets		232,991,956	149,136,743
EQUITY			
Share capital	26	411	395
Share premium	26	311,221,237	263,155,201
Shares held for shares award scheme	26	—	—
Other reserves	39(b)	(4,425,554)	(6,405,555)
Accumulated losses		(128,993,290)	(125,790,405)
Total equity		177,802,804	130,959,636
LIABILITIES			
Non-current liabilities			
Borrowings		10,148,520	1,957,470
Notes payable		30,383,378	12,966,341
		40,531,898	14,923,811
Current liabilities			
Borrowings		6,348,284	—
Other payables and accruals		8,308,970	3,253,296
		14,657,254	3,253,296
Total liabilities		55,189,152	18,177,107
Total equity and liabilities		232,991,956	149,136,743

The statement of financial position of the Company was approved by the Board of Directors on March 25, 2022 and was signed on its behalf.

Wang Xing
Director

Mu Rongjun
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

39 FINANCIAL POSITION AND OTHER RESERVES MOVEMENT OF THE COMPANY *(Continued)*

(b) Other reserves movement of the Company

	Capital reserve RMB'000	Share-based payments RMB'000	Currency translation differences RMB'000	Conversion option of convertible bonds RMB'000	Others RMB'000	Total RMB'000
As of January 1, 2021	20	4,150,291	(10,555,695)	—	(171)	(6,405,555)
Other comprehensive loss						
Currency translation differences	—	—	(2,226,162)	—	—	(2,226,162)
Fair value changes of and net provisions for impairment losses on financial assets	—	—	—	—	7,210	7,210
Total other comprehensive loss	—	—	(2,226,162)	—	7,210	(2,218,952)
Transaction with owners in their capacity as owners						
Equity-settled share-based payments	—	5,193,445	—	—	—	5,193,445
Exercise of share options and RSUs vesting	—	(2,508,430)	—	—	—	(2,508,430)
Issuance of convertible bonds (equity component)	—	—	—	1,513,938	—	1,513,938
Total transaction with owners in their capacity as owners	—	2,685,015	—	1,513,938	—	4,198,953
As of December 31, 2021	20	6,835,306	(12,781,857)	1,513,938	7,039	(4,425,554)
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)
Fair value changes of and net provisions for impairment losses on financial assets	—	—	—	—	(171)	(171)
Total other comprehensive loss	—	—	(4,299,457)	—	(171)	(4,299,628)
Transaction with owners in their capacity as owners						
Equity-settled share-based payments	—	3,272,930	—	—	—	3,272,930
Exercise of share options and RSUs 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)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

40 SUBSEQUENT EVENTS

There were no material subsequent events during the period from January 1, 2022 to the approval date of these consolidated financial statements by the Board on March 25, 2022.

41 RECLASSIFICATION OF COMPARATIVE FIGURES

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

DEFINITIONS

"AGM"	the forthcoming annual general meeting of the Company to be held on May 18, 2022
"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

DEFINITIONS

"BVI"	the British Virgin Islands
"CG Code"	The version of corporate governance code as set out in Appendix 14 to the Listing Rules valid until December 31, 2021
"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" or "Hong Kong 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)

DEFINITIONS

"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

DEFINITIONS

"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
"New CG Code"	the version of the corporate governance code set out in Appendix 14 to the Listing Rules valid from January 1, 2022
"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

DEFINITIONS

"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, 2021
"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"	Beijing Sankuai Internet Technology Co., Ltd. (北京三快網絡科技有限公司) (formerly known as Sankuai Cloud Online Technology Co., Ltd. (三快雲在線(北京)科技有限公司)), a limited liability company incorporated under the laws of the PRC on November 3, 2015 and our indirect wholly-owned subsidiary
"Shanghai Hanhai"	Hanhai Information Technology (Shanghai) Co., Ltd. (漢海信息技術(上海)有限公司), a limited liability company incorporated under the laws of the PRC on March 16, 2006 and our indirect wholly-owned subsidiary
"Shanghai Hantao"	Shanghai Hantao Information Consultancy Co., Ltd. (上海漢濤信息諮詢有限公司), a limited liability company incorporated under the laws of the PRC on September 23, 2003 and our Consolidated Affiliated Entity
"Shanghai Juzuo"	Shanghai Juzuo Technology Co., Ltd. (上海駒座科技有限公司), a limited liability company incorporated under the laws of the PRC on April 12, 2018 and our indirect wholly-owned subsidiary
"Shanghai Lutuan"	Shanghai Lutuan Technology Co., Ltd. (上海路團科技有限公司), a limited liability company incorporated under the laws of the PRC on January 12, 2017 and our Consolidated Affiliated Entity
"Shanghai Sankuai Technology"	Shanghai Sankuai Technology Co., Ltd. (上海三快科技有限公司), a limited liability company incorporated under the laws of the PRC on September 19, 2012 and our Consolidated Affiliated Entity

DEFINITIONS

"Share(s)"	the Class A Shares and Class B Shares in the share capital of the Company, as the context so requires
"Shareholder(s)"	holder(s) of the Share(s)
"Shared Patience"	Shared Patience Inc., a limited liability company incorporated under the laws of the BVI, which is wholly owned by Wang Xing
"Shared Vision"	Shared Vision Investment Limited, a limited liability company incorporated under the laws of the BVI, which is wholly owned by Mu Rongjun
"Shenzhen Sankuai Online"	Shenzhen Sankuai Online Technology Co., Ltd. (深圳三快在線科技有限公司), a limited liability company incorporated under the laws of the PRC on November 18, 2015 and our indirect wholly-owned subsidiary
"Shenzhen Tencent Computer"	Shenzhen Tencent Computer Systems Co., Ltd. (深圳市騰訊計算機系統有限公司), a company established in the PRC on November 11, 1998 and a wholly owned subsidiary of Tencent
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"substantial shareholder"	has the meaning ascribed to it in the Listing Rules
"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

DEFINITIONS

"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.

GLOSSARY

"Active Merchant"	a merchant that meets any of the following conditions in a given period: (i) completed at least one transaction on our platform, (ii) purchased any online marketing services from us, (iii) processed offline payment at least once through our integrated payment systems, or (iv) generated any order through our ERP systems
"DAU"	daily active user
"Gross Transaction Volume" or "GTV"	the value of paid transactions of products and services on our platform by consumers, regardless of whether the consumers are subsequently refunded. This includes delivery charges and VAT, but excludes any payment-only transactions, such as QR code scan payments and point-of-sale payments
"monetization rate"	the revenues for the year/period divided by the Gross Transaction Volume for the year/period
"SKU"	the stock keeping unit
"Transacting User"	a user account that paid for transactions of products and services on our platform in a given period, regardless of whether the account is subsequently refunded
"transaction"	the number of transactions is generally recognized based on the number of payments made. (i) With respect to our in-store business, one transaction is recognized if a user purchases multiple vouchers with a single payment; (ii) with respect to our hotel-booking business, one transaction is recognized if a user books multiple room nights with a single payment; (iii) with respect to our attraction, movie, air and train ticketing businesses, one transaction is recognized if a user purchases multiple tickets with a single payment; (iv) with respect to our bike-sharing business, if a user uses a monthly pass, then one transaction is recognized only when the user purchases or claims the monthly pass, and subsequent rides are not recognized as transactions; if a user does not use a monthly pass, then one transaction is recognized for every ride