美团

Meituan

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

Stock Code: 3690

2023

Annual Report

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wang Xing (王興)
(Chairman and Chief Executive Officer)
Mr. Mu Rongjun (穆榮均)

Non-executive Director

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)
Ms. Yang Marjorie Mun Tak (楊敏德)
(appointed on June 30, 2023)

AUDIT COMMITTEE

Mr. Orr Gordon Robert Halyburton *(Chairman)*
Mr. Leng Xuesong (冷雪松)
Dr. Shum Heung Yeung Harry (沈向洋)
Ms. Yang Marjorie Mun Tak (楊敏德)
(appointed on March 22, 2024)

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)

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. Mu Rongjun (穆榮均)
(appointed on June 26, 2023)

AUDITOR

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

REGISTERED OFFICE

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Cayman Islands

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Chaoyang District
Beijing 100102
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CORPORATE INFORMATION

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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348 Kwun Tong Road
Kowloon
Hong Kong

LEGAL ADVISORS

As to Hong Kong law:
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Hong Kong

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The Landmark
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As to the PRC law:
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As to Cayman Islands law:
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Hong Kong

COMPLIANCE ADVISOR

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Hong Kong

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Grand Cayman KY1-1102
Cayman Islands

PRINCIPAL BANKER

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Haidian District
Beijing
China

STOCK CODES

3690 (HKD counter)
83690 (RMB counter)

STOCK SHORT NAMES

美團-W (HKD counter)
MEITUAN-W (HKD counter)

美團-WR (RMB counter)
MEITUAN-WR (RMB counter)

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 (i.e. March 22, 2024), the WVR Beneficiaries are Wang Xing and Mu Rongjun. Wang Xing beneficially owned 515,869,783 Class A Shares, representing approximately 44.33% 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 84,401,229 Class A Shares, representing approximately 7.25% 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 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.

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 600,271,012 Class B Shares, representing approximately 10.65% 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,				
	2019	2020	2021	2022	**2023**
	(RMB in thousands)				
Revenues	97,528,531	114,794,510	179,127,997	219,954,948	**276,744,954**
Gross profit	32,320,388	34,050,142	42,474,128	61,752,979	**97,191,161**
Profit/(loss) before income tax	2,762,388	4,437,875	(23,566,477)	(6,755,517)	**14,021,868**
Profit/(loss) for the year	2,236,165	4,707,612	(23,536,198)	(6,685,323)	**13,857,331**
Profit/(loss) for the year attributable to equity holders of the Company	2,238,769	4,708,313	(23,538,379)	(6,686,110)	**13,855,828**
Total comprehensive income/(loss) for the year	2,919,043	1,728,980	(25,036,620)	(6,129,362)	**14,224,686**
Total comprehensive income/(loss) for the year attributable to equity holders of the Company	2,921,721	1,729,681	(25,038,801)	(6,130,149)	**14,223,183**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of December 31,				
	2019	2020	2021	2022	**2023**
	(RMB in thousands)				
ASSETS					
Non-current assets	49,877,870	78,268,647	92,824,592	101,335,725	**109,913,453**
Current assets	82,135,045	88,306,155	147,828,677	143,145,467	**183,116,179**
Total assets	132,012,915	166,574,802	240,653,269	244,481,192	**293,029,632**
EQUITY					
Equity attributable to equity holders of the Company	92,112,445	97,693,027	125,613,442	128,761,610	**152,013,207**
Non-controlling interests	(58,051)	(58,752)	(56,680)	(55,893)	**(56,840)**
Total Equity	92,054,394	97,634,275	125,556,762	128,705,717	**151,956,367**
LIABILITIES					
Non-current liabilities	3,365,958	17,792,886	46,503,550	39,345,378	**40,199,170**
Current liabilities	36,592,563	51,147,641	68,592,957	76,430,097	**100,874,095**
Total liabilities	39,958,521	68,940,527	115,096,507	115,775,475	**141,073,265**
Total equity and liabilities	132,012,915	166,574,802	240,653,269	244,481,192	**293,029,632**

FINANCIAL SUMMARY AND OPERATION HIGHLIGHTS

FINANCIAL INFORMATION BY SEGMENT

	Unaudited Three Months Ended December 31, 2023			
	Core local commerce	New initiatives	Unallocated items[1]	Total
	(RMB in thousands)			
Revenues:				
Delivery services	21,927,023	–	–	21,927,023
Commission	19,426,729	569,576	–	19,996,305
Online marketing services	10,907,096	76,905	–	10,984,001
Other services and sales (including interest revenue)	2,869,794	17,918,828	–	20,788,622
Total revenues	55,130,642	18,565,309	–	73,695,951
Cost of revenues, operating expenses and unallocated items	(47,111,217)	(23,398,001)	(1,428,599)	(71,937,817)
Operating profit/(loss)	8,019,425	(4,832,692)	(1,428,599)	1,758,134

	Unaudited Three Months Ended December 31, 2022			
	Core local commerce	New initiatives	Unallocated items	Total
	(RMB in thousands)			
Revenues:				
Delivery services	19,772,732	–	–	19,772,732
Commission	14,636,518	297,341	–	14,933,859
Online marketing services	7,744,751	24,841	–	7,769,592
Other services and sales (including interest revenue)	1,318,663	16,334,093	–	17,652,756
Total revenues	43,472,664	16,656,275	–	60,128,939
Cost of revenues, operating expenses and unallocated items	(36,257,422)	(23,021,295)	(1,581,812)	(60,860,529)
Operating (loss)/profit	7,215,242	(6,365,020)	(1,581,812)	(731,590)

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, (iv) other gains, net and (v) certain corporate administrative expenses and other items. They are not allocated to individual segments.

FINANCIAL SUMMARY AND OPERATION HIGHLIGHTS

	Year-over-year change			
	Core local commerce	New initiatives	Unallocated items	Total
	(Percentages %)			
Revenues:				
Delivery services	10.9	NA	NA	10.9
Commission	32.7	91.6	NA	33.9
Online marketing services	40.8	209.6	NA	41.4
Other services and sales (including interest revenue)	117.6	9.7	NA	17.8
Total revenues	26.8	11.5	NA	22.6
Cost of revenues, operating expenses and unallocated items	29.9	1.6	(9.7)	18.2
Operating profit/(loss)	11.1	(24.1)	(9.7)	NA

	Year Ended December 31, 2023			
	Core local commerce	New initiatives	Unallocated items	Total
	(RMB in thousands)			
Revenues:				
Delivery services	82,190,980	–	–	82,190,980
Commission	74,630,737	2,057,806	–	76,688,543
Online marketing services	40,266,890	246,326	–	40,513,216
Other services and sales (including interest revenue)	9,818,325	67,533,890	–	77,352,215
Total revenues	206,906,932	69,838,022	–	276,744,954
Cost of revenues, operating expenses and unallocated items	(168,208,085)	(90,004,506)	(5,116,976)	(263,329,567)
Operating profit/(loss)	38,698,847	(20,166,484)	(5,116,976)	13,415,387

FINANCIAL SUMMARY AND OPERATION HIGHLIGHTS

	Year Ended December 31, 2022			
	Core local commerce	New initiatives	Unallocated items	Total
	(RMB in thousands)			
Revenues:				
Delivery services	70,063,908	–	–	70,063,908
Commission	55,143,008	1,366,691	–	56,509,699
Online marketing services	30,683,079	85,511	–	30,768,590
Other services and sales (including interest revenue)	4,869,027	57,743,724	–	62,612,751
Total revenues	160,759,022	59,195,926	–	219,954,948
Cost of revenues, operating expenses and unallocated items	(131,256,353)	(87,575,136)	(6,943,907)	(225,775,396)
Operating (loss)/profit	29,502,669	(28,379,210)	(6,943,907)	(5,820,448)

	Year-over-year change			
	Core local commerce	New initiatives	Unallocated items	Total
	(Percentages %)			
Revenues:				
Delivery services	17.3	NA	NA	17.3
Commission	35.3	50.6	NA	35.7
Online marketing services	31.2	188.1	NA	31.7
Other services and sales (including interest revenue)	101.6	17.0	NA	23.5
Total revenues	28.7	18.0	NA	25.8
Cost of revenues, operating expenses and unallocated items	28.2	2.8	(26.3)	16.6
Operating profit/(loss)	31.2	(28.9)	(26.3)	NA

FINANCIAL SUMMARY AND OPERATION HIGHLIGHTS

OPERATING METRICS

	Three Months Ended		
	December 31, 2023	December 31, 2022	Year-over-year change
	(in millions, except for percentages)		
Number of On-demand Delivery transactions	**6,046.0**	4,830.2	25.2%

	Year Ended		
	December 31, 2023	December 31, 2022	Year-over-year change
	(in millions, except for percentages)		
Number of On-demand Delivery transactions	**21,893.2**	17,670.2	23.9%

CHAIRMAN'S STATEMENT

To our Shareholders:

As an industry leader, Meituan achieved healthy and high-quality growth during 2023. Annual Transacting Users and annual Active Merchants both increased to record highs, laying a solid foundation for the long-term business expansion in the future. We continued to cultivate consumer mindshare in the "Everything Now" lifestyle. In addition, we fostered a sustainable development ecosystem for our consumers, merchants, couriers, and business partners, and facilitated the high-quality growth of on-demand retail in China. Our in-store, hotel and travel businesses continued to deepen online penetration in the new consumption environment, and achieved robust growth in merchant base and user base. We effectively satisfied the diverse needs from consumers and invigorated local consumption, by offering value-for-money selections through various product formats. Going forward, we will continue to execute our "Retail + Technology" corporate strategy, and deliver greater value to consumers and merchants, as well as 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, 2023.

COMPANY FINANCIAL HIGHLIGHTS

For the full year of 2023, our revenues increased by 25.8% to RMB276.7 billion from RMB220.0 billion in 2022. Our Core local commerce segment achieved an operating profit of RMB38.7 billion in 2023, which increased by 31.2% from RMB29.5 billion in 2022. Meanwhile, the operating loss for our New initiatives segment narrowed to RMB20.2 billion in 2023 from RMB28.4 billion in 2022. Our profit for the year of 2023 was RMB13.9 billion, compared to the loss of RMB6.7 billion for the year of 2022. Our adjusted EBITDA and adjusted net profit increased to RMB23.9 billion and RMB23.3 billion in 2023, respectively. We also achieved an operating cash inflow of RMB40.5 billion in 2023. We held cash and cash equivalents of RMB33.3 billion and short-term treasury investments of RMB111.8 billion as of December 31, 2023.

COMPANY BUSINESS HIGHLIGHTS

Core Local Commerce

For the full year of 2023, revenue for the Core local commerce segment increased by 28.7% year over year to RMB206.9 billion, thanks to the rapid recovery of local businesses. Operating profit increased by 31.2% year over year to RMB38.7 billion, and operating margin improved slightly to 18.7% from 18.4% in 2022.

For the fourth quarter of 2023, segment revenue increased by 26.8% year over year to RMB55.1 billion. Operating profit increased by 11.1% year over year to RMB8.0 billion, and operating margin was 14.5% in the fourth quarter.

CHAIRMAN'S STATEMENT

2023 marks the 10-year anniversary of our food delivery business. After continuous innovation and growth over the past decade, our food delivery business further solidified its market leadership and core competence in 2023. Annual Transacting Users of food delivery continued to grow, and mid- to high-frequency users, and their purchase frequency increased steadily. Having food and meals delivered in 30 minutes has become a new lifestyle. It now covers broader consumption categories and caters to a much larger consumer base. As consumer preference evolved throughout 2023, we proactively iterated our business strategies and refined our operations in products, marketing and supply. We expanded the scale of Pin Hao Fan ("拼好飯") to better satisfy consumer demand in value-for-money selections. Additionally, we refined our operations in high order value products, such as Shen Qiang Shou ("神搶手"), Meal For One ("一人食") and Must-Order List ("必點榜"). During the process, we enhanced two key competences. The first one is product display. We enhanced our content production capabilities across various formats, including graphics, texts, videos and live streaming, to nurture a vibrant content ecosystem. The other one is promotional schemes. We upgraded and simplified our membership program to make it easier to use by consumers and merchants alike. Our continuous improvement in the shelf-based model, combined with our enhanced marketing ability to sell mega-hit products, allows us to stimulate consumer demand more effectively.

Meituan Instashopping posted another stellar growth with order volume increasing by over 40% year over year in 2023. After rapid expansion over the past five years, it plays a pivotal role in the on-demand retail industry, and connects millions of local retailers and brands with hundreds of millions of consumers. Compared to the food delivery users, the user base of Meituan Instashopping has higher stickiness to our platform and stronger purchasing power, with a significant portion being younger users. While we continued to improve our supply, we noticed that purchase frequency and spending of Meituan Instashopping users grew consistently. Meanwhile, annual Active Merchants of Meituan Instashopping grew by almost 30% year over year in 2023. As more offline retailers embraced the on-demand channel, the quality and diversity of our platform supply also enhanced. We partnered with around 400 brands and supported their transition to online operation. We also expanded our new supply formats to broader regions. Meituan InstaMart ("美团閃電倉") now covers more than 200 cities. Our improved supply capability has led to elevated user experience and robust growth in order volume. Moreover, we continued to optimize our platform solutions to cope with the evolving demand. For example, we offered consumers one-stop online health services. Consumers could get quick home testing, diagnose online, and have their medicines delivered. We also extended our coverage for 24-hour pharmacies and partnered with chain pharmacies to provide medical insurance payment options.

As we proactively captured the offline consumption rebound, GTV of our in-store, hotel and travel businesses increased by over 100% year over year in 2023. The year-over-year growths of Annual Transacting Users and Annual Active Merchants exceeded 30% and 60%, respectively.

In 2023, we continued to iterate business operations and drive industry transformation. During the year, we enhanced our ability in promoting value-for-money mega-hit products and enriched our video content offerings. Through the Special Deals sessions ("特價團購"), we collaborated with high-quality merchants to offer a diverse selection of discounted deals and improved our traffic allocation efficiency. As a result, order volume from Special Deals ("特價團購") increased rapidly. We also introduced a combination of live streaming programs, which includes Meituan platform live streaming ("官方直播"), merchant live streaming and sales team live streaming. We can thereby provide vivid recommendations for consumers and satisfy their stockpiling needs. Throughout 2023, the transaction scale from live streaming increased rapidly. Consumers have become more willing to watch live streaming and place orders on our platform. Both Special Deals sessions and live streaming events helped us to further solidify our consumer mindshare of "Everyday Low Price".

Amidst the changing industry landscape, we continued to optimize our shelf-based search model in order to strengthen our competitive advantage. During 2023, by offering merchant incentives and joint-marketing programs, we not only deepened collaborations with high-quality merchants, but also provided consumers with value-for-money deals. We also lowered the threshold for subscription-based services, thus accelerating merchant onboarding and significantly expanding our merchant base. We provided comprehensive solutions and marketing tools for the newly opened merchants to support their business growth. As a trustworthy platform in local services, we helped merchants accumulate valuable digital assets like user reviews and transaction data to further improve their operations, while helping consumers make consumption decisions more easily. We further optimized our theme-based marketing events and organized more diversified online and offline promotions for our trusted "Must-Eat List" ("必吃榜"), "Must-Eat Festival" ("必吃節"), and "Black Pearl List" ("黑珍珠榜單"), which helped these high-quality merchants further enhance brand awareness and transaction conversions. In addition, we implemented direct operations nationwide to replace the former agency model, so that we can seize more growth opportunities in the lower-tier markets. Throughout the year, we also launched a series of measures to better meet consumer needs and incentivize consumption, such as offering add-on selections for combo meals, and providing delivery service options.

For hotel and travel businesses, we effectively captured the strong industry rebound, by leveraging our expertise in leisure travel and our competitive advantage in the domestic market. Our domestic hotel GTV increased by over 100% year over year in 2023. We enhanced our platform supply and improved live streaming capabilities that could help consumers make informed decisions. Through a combination of live streaming and shelf-based model, we helped hotel merchants improve operational efficiency, acquire user traffic, and sell mega-hit products. We also iterated the Hotel+X products and leveraged our unique positioning in in-store dining to offer more diversified bundle deals. Our expanded effort in marketing and promotions led to record high reservation volume during holiday seasons in 2023. In addition, we further strengthened our presence in the high-star domain, and deepened merchant collaborations through joint marketing events and joint membership programs with high-star hotels. For alternative accommodations, we continued to expand supply, improve our service quality and enhance user experience, after achieving absolute leadership in the domestic market.

CHAIRMAN'S STATEMENT

New Initiatives

In 2023, revenues from the New initiatives segment increased by 18.0% year over year to RMB69.8 billion. Operating loss narrowed to RMB20.2 billion, while operating margin improved to negative 28.9%, primarily attributable to improvement in operational efficiency across all businesses in this segment.

For the fourth quarter of 2023, revenues from the New initiatives segment increased by 11.5% year over year to RMB18.6 billion. Operating loss for the segment decreased by 24.1% year over year to RMB4.8 billion, and operating margin improved sequentially to negative 26.0%.

Growth of Meituan Select ("美团優選") slowed down in 2023, as the market size of community e-commerce was relatively flat on year-over-year basis. Despite the year-over-year efficiency improvement, Meituan Select still made significant loss with high operating loss ratio during 2023 mainly due to: 1) scale growth was slower than expected which made it difficult to meaningfully lower fulfillment cost per item; and 2) fierce competition which made it difficult to improve price mark-up ratio and lower subsidies. While Meituan Select is still part of our online grocery strategy, we admitted this market was much tougher than we originally expected. We will make strategic changes and refine the business model in 2024, aiming to significantly reduce the operating loss. We will prioritize on building key competences and improving user experience, rather than focusing on market share. We plan to increase the price mark-up ratio and reduce subsidies in the future, paying more attention to the long-term growth of natural retention rate.

In December 2023, we upgraded the former Meituan Grocery ("美团買菜") to a new brand – Xiaoxiang Supermarket ("小象超市"), which marks the official transition from grocery to online supermarket. During 2023, GTV from Xiaoxiang Supermarket increased by around 30% year over year. We further enhanced our market position and led the industry growth. During the year, we diversified our product selections to provide consumers with more high-quality items. We also enhanced our ability in private labels. As a result, sales contribution from private labels continued to grow. Our user base, average order value and purchase frequency all increased steadily, indicating a stronger consumer mindshare. Moreover, we steadily improved our operational efficiency through supply chain optimization and fulfillment cost reduction.

COMPANY OUTLOOK AND STRATEGY FOR 2024

Facing the new macro environment and competitive landscape, we proactively responded to the changes and iterated our business operations in 2023. We are convinced that the domestic consumption market has immense potential, and we are well-positioned to seize growth opportunities. As we venture into 2024, we will continue to enrich our product and service matrix that caters to a broader consumer base and merchant base. We will deep-dive into the intricacies of the on-demand delivery industry, as we firmly believe that having everything delivered to the consumers' doorsteps within 30 minutes will be the next era. In addition, with the continuous emergence of new consumption trends, digital transformation of the local service industry is inevitable, and there is tremendous room for its online penetration. As an industry leader, we will leverage our know-hows, solidify our core competencies, and continue to enhance our capabilities, to facilitate the digital transformation process. Moreover, we will make our utmost effort to benefit all the participants in our ecosystem, create more job opportunities and realize greater social value.

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 2024, we will continue to execute our "Retail + Technology" corporate strategy and fulfill our mission that "We help people eat better, live better".

Wang Xing
Chairman

Hong Kong, March 22, 2024

MANAGEMENT DISCUSSION AND ANALYSIS

The Fourth Quarter of 2023 Compared to the Fourth Quarter of 2022

The following table sets forth the comparative figures for the fourth quarter of 2023 and 2022:

	Unaudited Three Months Ended	
	December 31, 2023	December 31, 2022
	(RMB in thousands)	
Revenues	**73,695,951**	60,128,939
Including: Interest revenue	**438,293**	409,525
Cost of revenues	**(48,702,612)**	(43,195,543)
Gross profit	**24,993,339**	16,933,396
Selling and marketing expenses	**(16,725,310)**	(10,766,926)
Research and development expenses	**(5,425,285)**	(5,242,928)
General and administrative expenses	**(2,700,281)**	(2,450,697)
Net (provisions for)/reversals of impairment losses on financial and contract assets	**(408,417)**	19,168
Fair value changes of other financial investments at fair value through profit or loss	**(61,652)**	187,942
Other gains, net	**2,085,740**	588,455
Operating profit/(loss)	**1,758,134**	(731,590)
Finance income	**216,153**	147,391
Finance costs	**(366,725)**	(405,168)
Share of profits/(losses) of investments accounted for using the equity method	**705,484**	(95,873)
Profit/(loss) before income tax	**2,313,046**	(1,085,240)
Income tax (expenses)/credits	**(96,059)**	1,699
Profit/(loss) for the period	**2,216,987**	(1,083,541)
Non-IFRS Accounting Standards measures:		
Adjusted EBITDA	**3,744,406**	2,960,883
Adjusted net profit	**4,374,712**	829,145

Revenues

Our revenues increased by 22.6% to RMB73.7 billion for the fourth quarter of 2023 from RMB60.1 billion for the same period of 2022. We achieved revenue growth in both reportable segments.

The following table sets forth our revenues by segment and type for the fourth quarter of 2023 and 2022:

	Unaudited Three Months Ended December 31, 2023		
	Core local commerce	**New initiatives**	**Total**
	(RMB in thousands)		
Revenues			
Delivery services	**21,927,023**	**–**	**21,927,023**
Commission	**19,426,729**	**569,576**	**19,996,305**
Online marketing services	**10,907,096**	**76,905**	**10,984,001**
Other services and sales (including interest revenue)	**2,869,794**	**17,918,828**	**20,788,622**
Total	**55,130,642**	**18,565,309**	**73,695,951**

	Unaudited Three Months Ended December 31, 2022		
	Core local commerce	New initiatives	Total
	(RMB in thousands)		
Revenues			
Delivery services	19,772,732	–	19,772,732
Commission	14,636,518	297,341	14,933,859
Online marketing services	7,744,751	24,841	7,769,592
Other services and sales (including interest revenue)	1,318,663	16,334,093	17,652,756
Total	43,472,664	16,656,275	60,128,939

MANAGEMENT DISCUSSION AND ANALYSIS

Our revenues from the Core local commerce segment increased by 26.8% to RMB55.1 billion for the fourth quarter of 2023 from RMB43.5 billion for the same period of 2022. The revenue growth in delivery services and commission was mainly due to the growth in the number of transactions of the Core local commerce segment, which was driven by our supply enhancement, product iterations, and continued recovery in consumption, partially offset by lower average order value of our food delivery and Meituan Instashopping businesses. The revenue growth in online marketing services was mainly attributable to the increases in the number of and the average revenue from online marketing Active Merchants.

Our revenues from the New initiatives segment increased by 11.5% to RMB18.6 billion for the fourth quarter of 2023 from RMB16.7 billion for the same period of 2022. The year-over-year growth was mainly due to the development of our goods retail businesses, partially offset by the contraction of our self-operated ride sharing business.

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, 2023		December 31, 2022	
	Amount	**As a percentage of revenues**	Amount	As a percentage of revenues
	(RMB in thousands, except for percentages)			
Costs and Expenses:				
Cost of revenues	**48,702,612**	**66.1%**	43,195,543	71.8%
Selling and marketing expenses	**16,725,310**	**22.7%**	10,766,926	17.9%
Research and development expenses	**5,425,285**	**7.4%**	5,242,928	8.7%
General and administrative expenses	**2,700,281**	**3.7%**	2,450,697	4.1%

Cost of Revenues

Our cost of revenues increased by 12.7% to RMB48.7 billion for the fourth quarter of 2023 from RMB43.2 billion for the same period of 2022, and decreased by 5.7 percentage points to 66.1% from 71.8% as a percentage of revenues on a year-over-year basis. The increase in amount was primarily due to the increases in: (i) delivery related costs of our food delivery and Meituan Instashopping businesses, and (ii) cost of revenues of our goods retail businesses. The decrease in cost of revenues as a percentage of revenues on a year-over-year basis was mainly due to: (i) the change of revenue mix, (ii) lower delivery related costs per order of our food delivery and Meituan Instashopping businesses, and (iii) the improved gross margin of our goods retail businesses.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 55.3% to RMB16.7 billion for the fourth quarter of 2023 from RMB10.8 billion for the same period of 2022, and increased by 4.8 percentage points to 22.7% from 17.9% as a percentage of revenues on a year-over-year basis. Both the increases in amount and as a percentage of revenues were primarily attributable to the increases in Transacting User incentives as well as promotion and advertising expenses, resulting from the consumption recovery, evolving business circumstances and business strategies. In addition, the increase in employee benefits expenses contributed to the increase in amount of selling and marketing expenses.

Research and Development Expenses

Our research and development expenses was RMB5.4 billion for the fourth quarter of 2023, remaining stable on a year-over-year basis. The percentage of revenues decreased by 1.3 percentage points to 7.4% from 8.7% on a year-over-year basis, primarily due to improved operating leverage.

General and Administrative Expenses

Our general and administrative expenses increased by 10.2% to RMB2.7 billion for the fourth quarter of 2023 from RMB2.5 billion for the same period of 2022. The percentage of revenues was 3.7%, remaining stable on a year-over-year basis.

MANAGEMENT DISCUSSION AND ANALYSIS

Net (Provisions for)/Reversals of Impairment Losses on Financial and Contract Assets

Our net (provisions for)/reversals of impairment losses on financial and contract assets changed to net provisions of RMB408.4 million for the fourth quarter of 2023 from net reversals of RMB19.2 million for the same period of 2022, which reflected the changes in expected credit losses for 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 changed to a loss of RMB61.7 million for the fourth quarter of 2023 from a gain of RMB187.9 million for the same period of 2022, which was mainly driven by the fluctuation in the fair value of our investment portfolios.

Other Gains, Net

Our other gains, net for the fourth quarter of 2023 was RMB2.1 billion, compared to RMB588.5 million for the same period of 2022, which was primarily attributable to the increase in the fair value changes and gains of treasury investments, as well as in the subsidies and tax preference.

Operating Profit/(Loss)

As a result of the foregoing, our operating profit and operating margin for the fourth quarter of 2023 was RMB1.8 billion and 2.4% respectively, compared to operating loss of RMB731.6 million and operating margin of negative 1.2% for the same period of 2022.

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

	Unaudited Three Months Ended			
	December 31, 2023		December 31, 2022	
	Amount	**As a percentage of revenues**	Amount	As a percentage of revenues
	(RMB in thousands, except for percentages)			
Core local commerce	**8,019,425**	**14.5%**	7,215,242	16.6%
New initiatives	**(4,832,692)**	**(26.0%)**	(6,365,020)	(38.2%)
Unallocated items	**(1,428,599)**	**NA**	(1,581,812)	NA
Total operating profit/(loss)	**1,758,134**	**2.4%**	(731,590)	(1.2%)

Our operating profit from the Core local commerce segment increased to RMB8.0 billion for the fourth quarter of 2023 from RMB7.2 billion for the same period of 2022 and the operating margin decreased by 2.1 percentage points to 14.5% from 16.6% on a year-over-year basis. The increase in operating profit was mainly attributable to: (i) the growth in the number of transactions of the Core local commerce segment, (ii) lower delivery related costs per order of our food delivery and Meituan Instashopping businesses, and partially offset by (i) lower average order value of food delivery and Meituan Instashopping businesses; and (ii) higher Transacting User incentives as well as more promotion and advertising expenses. The decrease in operating margin was mainly due to lower average order value of food delivery and Meituan Instashopping businesses, higher Transacting User incentive ratio and more promotion and advertising expenses.

Our operating loss from the New initiatives segment narrowed to RMB4.8 billion for the fourth quarter of 2023 from RMB6.4 billion for the same period of 2022, and the operating margin for this segment improved by 12.2 percentage points to negative 26.0% from negative 38.2% on a year-over-year basis. The improvements in both operating loss and operating margin were primarily attributable to our efforts to improve operating efficiency.

Share of Profits/(Losses) of Investments Accounted for Using the Equity Method

Our share of profits/(losses) of investments accounted for using the equity method changed to a profit of RMB705.5 million for the fourth quarter of 2023 from a loss of RMB95.9 million for the same period of 2022, which primarily resulted from the fluctuation of the financial results of our investees.

Profit/(Loss) for the Period

As a result of the foregoing, we had a profit of RMB2.2 billion for the fourth quarter of 2023, compared to a loss of RMB1.1 billion for the same period of 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

The Fourth Quarter of 2023 Compared to the Third Quarter of 2023

The following table sets forth the comparative figures for the fourth quarter of 2023 and the third quarter of 2023:

	Unaudited Three Months Ended	
	December 31, 2023	September 30, 2023
	(RMB in thousands)	
Revenues	**73,695,951**	76,466,907
Including: Interest revenue	**438,293**	385,674
Cost of revenues	**(48,702,612)**	(49,484,515)
Gross profit	**24,993,339**	26,982,392
Selling and marketing expenses	**(16,725,310)**	(16,905,422)
Research and development expenses	**(5,425,285)**	(5,321,157)
General and administrative expenses	**(2,700,281)**	(2,537,785)
Net provisions for impairment losses on financial and contract assets	**(408,417)**	(276,377)
Fair value changes of other financial investments at fair value through profit or loss	**(61,652)**	28,089
Other gains, net	**2,085,740**	1,388,793
Operating profit	**1,758,134**	3,358,533
Finance income	**216,153**	201,225
Finance costs	**(366,725)**	(350,950)
Share of profits of investments accounted for using the equity method	**705,484**	434,521
Profit before income tax	**2,313,046**	3,643,329
Income tax expenses	**(96,059)**	(50,095)
Profit for the period	**2,216,987**	3,593,234
Non-IFRS Accounting Standards measures:		
Adjusted EBITDA	**3,744,406**	6,189,201
Adjusted net profit	**4,374,712**	5,727,397

Revenues

Our revenues decreased by 3.6% to RMB73.7 billion for the fourth quarter of 2023 from RMB76.5 billion for the third quarter of 2023. The decrease was primarily due to the seasonality of our businesses.

The following table sets forth our revenues by segment and type for the fourth quarter of 2023 and the third quarter of 2023:

	Unaudited Three Months Ended December 31, 2023		
	Core local commerce	**New initiatives**	**Total**
	(RMB in thousands)		
Revenues			
Delivery services	**21,927,023**	**–**	**21,927,023**
Commission	**19,426,729**	**569,576**	**19,996,305**
Online marketing services	**10,907,096**	**76,905**	**10,984,001**
Other services and sales (including interest revenue)	**2,869,794**	**17,918,828**	**20,788,622**
Total	**55,130,642**	**18,565,309**	**73,695,951**

	Unaudited Three Months Ended September 30, 2023		
	Core local commerce	New initiatives	Total
	(RMB in thousands)		
Revenues			
Delivery services	22,983,696	–	22,983,696
Commission	20,986,527	550,181	21,536,708
Online marketing services	11,369,580	69,641	11,439,221
Other services and sales (including interest revenue)	2,351,205	18,156,077	20,507,282
Total	57,691,008	18,775,899	76,466,907

MANAGEMENT DISCUSSION AND ANALYSIS

Our revenues from the Core local commerce segment decreased by 4.4% to RMB55.1 billion for the fourth quarter of 2023 from RMB57.7 billion for the third quarter of 2023. The revenue decrease was primarily due to the decrease in the number of our food delivery business transactions and the decreased GTV of our in-store, hotel and travel businesses resulting from seasonality impact, partially offset by the increased number of transactions of Meituan Instashopping business.

Our revenues from the New initiatives segment decreased by 1.1% to RMB18.6 billion for the fourth quarter of 2023 from RMB18.8 billion for the third quarter of 2023, mainly due to the seasonality of our certain 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, 2023		September 30, 2023	
	Amount	As a percentage of revenues	Amount	As a percentage of revenues
	(RMB in thousands, except for percentages)			
Costs and Expenses:				
Cost of revenues	**48,702,612**	**66.1%**	49,484,515	64.7%
Selling and marketing expenses	**16,725,310**	**22.7%**	16,905,422	22.1%
Research and development expenses	**5,425,285**	**7.4%**	5,321,157	7.0%
General and administrative expenses	**2,700,281**	**3.7%**	2,537,785	3.3%

Cost of Revenues

Our cost of revenues decreased by 1.6% to RMB48.7 billion for the fourth quarter of 2023 from RMB49.5 billion for the third quarter of 2023, and increased by 1.4 percentage points to 66.1% from 64.7% as a percentage of revenues. The decrease in amount was primarily attributable to the decreases in delivery related costs driven by decreased Number of On-demand Delivery transactions and cost of revenues of our retail businesses. The increase in cost of revenues as a percentage of revenues was mainly due to higher courier incentives and lower average order value of our food delivery and Meituan Instashopping businesses due to seasonality, partially offset by the improved gross margin of our goods retail businesses.

Selling and Marketing Expenses

Our selling and marketing expenses was RMB16.7 billion for the fourth quarter of 2023, remaining stable on a quarter-over-quarter basis. The percentage of revenues increased by 0.6 percentage points to 22.7% from 22.1% on a quarter-over-quarter basis.

Research and Development Expenses

Our research and development expenses was RMB5.4 billion for the fourth quarter of 2023, and the percentage of revenues was 7.4%, both of which remained stable on a quarter-over-quarter basis.

General and Administrative Expenses

Our general and administrative expenses increased by 6.4% to RMB2.7 billion for the fourth quarter of 2023 from RMB2.5 billion for the third quarter of 2023. The percentage of revenues was 3.7%, remaining stable on a quarter-over-quarter basis.

MANAGEMENT DISCUSSION AND ANALYSIS

Net Provisions for Impairment Losses on Financial and Contract Assets

Our net provisions for impairment losses on financial and contract assets increased to RMB408.4 million for the fourth quarter of 2023 from RMB276.4 million for the third quarter of 2023, which reflected the changes in expected credit losses for 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 changed to a loss of RMB61.7 million for the fourth quarter of 2023 from a gain of RMB28.1 million for the third quarter of 2023, which was mainly driven by the fluctuation in the fair value of our investment portfolios.

Other Gains, Net

Our other gains, net for the fourth quarter of 2023 was RMB2.1 billion, compared to RMB1.4 billion for the third quarter of 2023, which was primarily attributable to the increase in the fair value changes and gains of treasury investments, as well as in the subsidies and tax preference.

Operating Profit

As a result of the foregoing, our operating profit and operating margin for the fourth quarter of 2023 were RMB1.8 billion and 2.4% respectively, compared to operating profit of RMB3.4 billion and operating margin of 4.4% for the third quarter of 2023.

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

	Unaudited Three Months Ended			
	December 31, 2023		September 30, 2023	
	Amount	As a percentage of revenues	Amount	As a percentage of revenues
	(RMB in thousands, except for percentages)			
Core local commerce	**8,019,425**	**14.5%**	10,095,831	17.5%
New initiatives	**(4,832,692)**	**(26.0%)**	(5,111,976)	(27.2%)
Unallocated items	**(1,428,599)**	**NA**	(1,625,322)	NA
Total operating profit	**1,758,134**	**2.4%**	3,358,533	4.4%

Our operating profit from the Core local commerce segment decreased to RMB8.0 billion for the fourth quarter of 2023 from RMB10.1 billion for the third quarter of 2023. The operating margin for this segment decreased by 3.0 percentage points to 14.5% from 17.5% on a quarter-over-quarter basis. The decrease in operating profit was mainly due to the decrease in GTV of Core local commerce segment on a quarter-over-quarter basis, as a result of seasonality. The decrease in operating margin was mainly due to (i) higher Transacting User incentive ratio, and (ii) higher courier incentives and lower average order value of our food delivery and Meituan Instashopping businesses due to seasonality.

Our operating loss from the New initiatives segment narrowed to RMB4.8 billion for the fourth quarter of 2023 from RMB5.1 billion for the third quarter of 2023, and our operating margin for this segment improved by 1.2 percentage points to negative 26.0% from negative 27.2% on a quarter-over-quarter basis. The improvements in operating loss and operating margin were primarily attributable to our efforts to improve operating efficiency, partially offset by the seasonality of our certain new initiatives.

Share of Profits of Investments Accounted for Using the Equity Method

Our share of profits of investments accounted for using the equity method increased to RMB705.5 million for the fourth quarter of 2023 from RMB434.5 million for the third quarter of 2023, which primarily resulted from the fluctuation of the financial results of our investees.

Profit for the Period

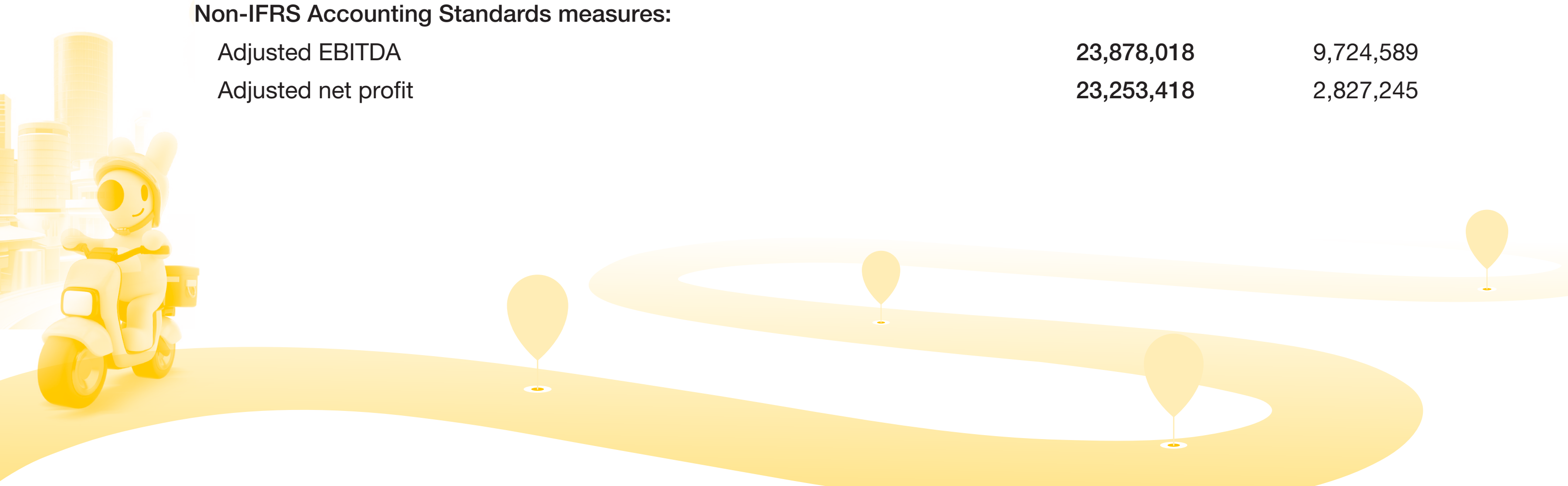
As a result of the foregoing, we had a profit of RMB2.2 billion for the fourth quarter of 2023, compared to a profit of RMB3.6 billion for the third quarter of 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

The Year ended December 31, 2023 Compared to the Year ended December 31, 2022

The following table sets forth the comparative figures for the years ended December 31, 2023 and 2022:

	Year Ended	
	December 31, 2023	December 31, 2022
	(RMB in thousands)	
Revenues	**276,744,954**	219,954,948
Including: Interest revenue	**1,449,743**	1,133,670
Cost of revenues	**(179,553,793)**	(158,201,969)
Gross profit	**97,191,161**	61,752,979
Selling and marketing expenses	**(58,616,997)**	(39,745,112)
Research and development expenses	**(21,201,005)**	(20,739,865)
General and administrative expenses	**(9,372,067)**	(9,771,810)
Net provisions for impairment losses on financial and contract assets	**(1,135,405)**	(468,620)
Fair value changes of other financial investments at fair value through profit or loss	**234,227**	(1,013,057)
Other gains, net	**6,315,473**	4,165,037
Operating profit/(loss)	**13,415,387**	(5,820,448)
Finance income	**818,986**	657,908
Finance costs	**(1,425,157)**	(1,628,825)
Share of profits of investments accounted for using the equity method	**1,212,652**	35,848
Profit/(loss) before income tax	**14,021,868**	(6,755,517)
Income tax (expenses)/credits	**(164,537)**	70,194
Profit/(loss) for the year	**13,857,331**	(6,685,323)
Non-IFRS Accounting Standards measures:		
Adjusted EBITDA	**23,878,018**	9,724,589
Adjusted net profit	**23,253,418**	2,827,245



Revenues

Our revenues increased by 25.8% to RMB276.7 billion in 2023 from RMB220.0 billion in 2022. The increase was primarily attributable to the revenue growth of our both reportable segments.

The following table sets forth our revenues by segment and type in 2023 and 2022:

	Year Ended December 31, 2023		
	Core local commerce	**New initiatives**	**Total**
	(RMB in thousands)		
Revenues			
Delivery services	**82,190,980**	**–**	**82,190,980**
Commission	**74,630,737**	**2,057,806**	**76,688,543**
Online marketing services	**40,266,890**	**246,326**	**40,513,216**
Other services and sales (including interest revenue)	**9,818,325**	**67,533,890**	**77,352,215**
Total	**206,906,932**	**69,838,022**	**276,744,954**

	Year Ended December 31, 2022		
	Core local commerce	New initiatives	Total
	(RMB in thousands)		
Revenues			
Delivery services	70,063,908	–	70,063,908
Commission	55,143,008	1,366,691	56,509,699
Online marketing services	30,683,079	85,511	30,768,590
Other services and sales (including interest revenue)	4,869,027	57,743,724	62,612,751
Total	160,759,022	59,195,926	219,954,948

MANAGEMENT DISCUSSION AND ANALYSIS

Our revenues from the Core local commerce segment increased by 28.7% to RMB206.9 billion in 2023 from RMB160.8 billion in 2022. The revenue growth in delivery services and commission was mainly due to the increase in the Number of On-demand Delivery transactions and GTV of our in-store, hotel and travel businesses. The growth in online marketing services was mainly attributable to the increase in the number of and the average revenue from online marketing Active Merchants.

Our revenues from the New initiatives segment increased by 18.0% to RMB69.8 billion in 2023 from RMB59.2 billion in 2022, mainly due to the growth of our goods retail businesses and partially offset by the contraction of our self-operated ride sharing business.

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, 2023		December 31, 2022	
	Amount	**As a percentage of revenues**	Amount	As a percentage of revenues
	(RMB in thousands, except for percentages)			
Costs and Expenses:				
Cost of revenues	**179,553,793**	**64.9%**	158,201,969	71.9%
Selling and marketing expenses	**58,616,997**	**21.2%**	39,745,112	18.1%
Research and development expenses	**21,201,005**	**7.7%**	20,739,865	9.4%
General and administrative expenses	**9,372,067**	**3.4%**	9,771,810	4.4%

Cost of Revenues

Our cost of revenues increased by 13.5% to RMB179.6 billion in 2023 from RMB158.2 billion in 2022 and decreased by 7.0 percentage points to 64.9% from 71.9% as a percentage of revenues on a year-over-year basis. The increase in amount was primarily due to the increases in: (i) delivery related costs of our food delivery and Meituan Instashopping businesses, and (ii) cost of revenues of our goods retail businesses. The decrease in cost of revenues as a percentage of revenues on a year-over-year basis was mainly attributable to: (i) the change of revenue mix, (ii) lower delivery related costs per order of our food delivery and Meituan Instashopping businesses, and (iii) the improved gross margin of our goods retail businesses.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 47.5% to RMB58.6 billion in 2023 from RMB39.7 billion in 2022, and increased by 3.1 percentage points to 21.2% from 18.1% as a percentage of revenues on a year-over-year basis. Both the increases in amount and as a percentage of revenues were primarily attributable to the increases in Transacting User incentives as well as promotion and advertising expenses, resulting from the consumption recovery, evolving business circumstances and business strategies. In addition, the increase in employee benefits expenses contributed to the increase in amount of selling and marketing expenses.

Research and Development Expenses

Our research and development expenses was RMB21.2 billion in 2023, remaining stable on a year-over-year basis. The percentage of revenues decreased by 1.7 percentage points to 7.7% from 9.4% on a year-over-year basis, primarily due to improved operating leverage.

General and Administrative Expenses

Our general and administrative expenses was RMB9.4 billion in 2023, remaining stable on a year-over-year basis. The percentage of revenues decreased by 1.0 percentage points to 3.4% from 4.4% on a year-over-year basis, primarily due to improved operating leverage.

Net Provisions for Impairment Losses on Financial and Contract Assets

Our net provisions for impairment losses on financial and contract assets increased to RMB1.1 billion in 2023 from RMB468.6 million in 2022, which reflected the changes in expected credit losses for financial assets.

MANAGEMENT DISCUSSION AND ANALYSIS

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 changed to a gain of RMB234.2 million in 2023 from a loss of RMB1.0 billion in 2022, which was mainly driven by the fluctuation in the fair value of our investment portfolios.

Other Gains, Net

Our other gains, net in 2023 was RMB6.3 billion, compared to RMB4.2 billion in 2022, which was primarily due to the increase in the fair value changes and gains of treasury investments.

Operating Profit/(Loss)

As a result of the foregoing, our operating profit and operating margin in 2023 was RMB13.4 billion and 4.8% respectively, compared to operating loss of RMB5.8 billion and operating margin of negative 2.6% in 2022.

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

	Year Ended			
	December 31, 2023		December 31, 2022	
	Amount	**As a percentage of revenues**	Amount	As a percentage of revenues
	(RMB in thousands, except for percentages)			
Core local commerce	**38,698,847**	**18.7%**	29,502,669	18.4%
New initiatives	**(20,166,484)**	**(28.9%)**	(28,379,210)	(47.9%)
Unallocated items	**(5,116,976)**	**NA**	(6,943,907)	NA
Total operating profit/(loss)	**13,415,387**	**4.8%**	(5,820,448)	(2.6%)

Our operating profit from the Core local commerce segment increased to RMB38.7 billion in 2023 from RMB29.5 billion in 2022. The operating margin for this segment increased by 0.3 percentage points to 18.7% from 18.4% on a year-over-year basis. The increase in operating profit was mainly attributable to revenue growth and partially offset by higher Transacting User incentives. The increase in operating margin was mainly due to: (i) the improvement of the unit economics for our food delivery and Meituan Instashopping businesses, and (ii) partially offset by higher Transacting User incentive ratio.

Our operating loss from the New initiatives segment narrowed to RMB20.2 billion in 2023 from RMB28.4 billion in 2022, and our operating margin for this segment improved by 19.0 percentage points to negative 28.9% from negative 47.9% on a year-over-year basis. The improvements in both operating loss and operating margin were primarily attributable to our efforts to improve operating efficiency, particularly in our goods retail businesses.

Share of Profits of Investments Accounted for Using the Equity Method

Our share of profits of investments accounted for using the equity method increased to RMB1.2 billion in 2023 from RMB35.8 million in 2022, which primarily resulted from the fluctuation of the financial results of our investees.

Profit/(Loss) for the Year

As a result of the foregoing, we had a profit of RMB13.9 billion in 2023, compared to a loss of RMB6.7 billion in 2022.

Reconciliation of Non-IFRS Accounting Standards Measures to the Nearest IFRS Accounting Standards Measures

To supplement our consolidated results which are prepared and presented in accordance with IFRS Accounting Standards, we also use adjusted EBITDA and adjusted net profit as additional financial measures, which are not required by, or presented in accordance with IFRS Accounting Standards. We believe that these non-IFRS Accounting Standards 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 Accounting Standards measures has limitations as an analytical tool, and one should not consider them in isolation from, or as a substitute for analysis of, our results of operations or financial conditions as reported under IFRS Accounting Standards. In addition, these non-IFRS Accounting Standards measures may be defined differently from similar terms used by other companies.

Adjusted EBITDA represents profit/(loss) for the year/period adjusted for (i) fair value changes of other financial investments at fair value through profit or loss, other gains, net, finance income, finance costs, share of profits/(losses) of investments accounted for using the equity method and income tax credits/(expenses); and (ii) certain non-cash or one-off items, consisting of share-based compensation expense, amortisation of intangible assets, depreciation of property, plant and equipment, and certain impairment and expense reversal/(provision).

Adjusted net profit represents profit/(loss) for the year/period adjusted for (i) certain non-cash or one-off items, consisting of share-based compensation expense, amortisation of intangible assets resulting from acquisitions, and certain impairment and expense reversal/(provision); (ii) net gains/(losses) from certain investments; and (iii) related income tax effects.

MANAGEMENT DISCUSSION AND ANALYSIS

The following tables set forth the reconciliations of our non-IFRS Accounting Standards measures for the three months ended December 31, 2023 and 2022, the three months ended September 30, 2023, and the years ended December 31, 2023 and 2022 to the nearest measures prepared in accordance with IFRS Accounting Standards.

	Unaudited Three Months Ended		
	December 31, 2023	December 31, 2022	September 30, 2023
		(RMB in thousands)	
Profit/(loss) for the period	**2,216,987**	(1,083,541)	3,593,234
Adjusted for:			
Share-based compensation expenses	**1,857,422**	2,321,115	2,138,443
Net losses/(gains) from investments (Note (i))	**98,933**	(390,604)	(95,835)
Impairment and expense provision/(reversal)	**242,223**	(238,687)	55,183
Amortisation of intangible assets resulting from acquisitions	**42,825**	117,779	42,793
Tax effects on non-IFRS Accounting Standards adjustments	**(83,678)**	103,083	(6,421)
Adjusted net profit	**4,374,712**	829,145	5,727,397
Adjusted for:			
Income tax expenses/(credits), except for tax effects on non-IFRS Accounting Standards adjustments	**179,737**	(104,782)	56,516
Share of (profits)/losses of investments accounted for using the equity method not adjusted for adjusted net profit	**(742,765)**	150,781	(455,779)
Finance income	**(216,153)**	(147,391)	(201,225)
Finance costs	**366,725**	405,168	350,950
Other gains, net not adjusted for adjusted net profit	**(2,085,740)**	(539,832)	(1,299,789)
Amortisation of software and others	**16,037**	16,038	15,799
Depreciation of property, plant and equipment	**1,851,853**	2,351,756	1,995,332
Adjusted EBITDA	**3,744,406**	2,960,883	6,189,201

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

	Year Ended	
	December 31, 2023	December 31, 2022
	(RMB in thousands)	
Profit/(loss) for the year	**13,857,331**	(6,685,323)
Adjusted for:		
Share-based compensation expenses	**8,383,353**	8,742,962
Net losses from investments	**12,486**	193,472
Impairment and expense provision	**817,785**	322,872
Amortisation of intangible assets resulting from acquisitions	**246,190**	471,372
Tax effects on non-IFRS Accounting Standards adjustments	**(63,727)**	(218,110)
Adjusted net profit	**23,253,418**	2,827,245
Adjusted for:		
Income tax expenses, except for tax effects on non-IFRS Accounting Standards adjustments	**228,264**	147,916
Share of (profits)/losses of investments accounted for using the equity method not adjusted for adjusted net profit	**(1,554,673)**	290,822
Finance income	**(818,986)**	(657,908)
Finance costs	**1,425,157**	1,628,825
Other gains, net not adjusted for adjusted net profit	**(6,405,729)**	(3,771,253)
Amortisation of software and others	**62,744**	64,362
Depreciation of property, plant and equipment	**7,687,823**	9,194,580
Adjusted EBITDA	**23,878,018**	9,724,589

MANAGEMENT DISCUSSION AND ANALYSIS

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 held cash and cash equivalents of RMB33.3 billion and short-term treasury investments of RMB111.8 billion as of December 31, 2023.

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

	Year Ended	
	December 31, 2023	December 31, 2022
	(RMB in thousands)	
Net cash flows generated from operating activities	**40,521,850**	11,411,448
Net cash flows used in investing activities	**(24,663,844)**	(14,713,569)
Net cash flows used in financing activities	**(2,781,303)**	(9,990,201)
Net increase/(decrease) in cash and cash equivalents	**13,076,703**	(13,292,322)
Cash and cash equivalents at the beginning of the year	**20,158,606**	32,513,428
Exchange gains on cash and cash equivalents	**104,445**	937,500
Cash and cash equivalents at the end of the year	**33,339,754**	20,158,606

Net Cash Flows Generated from Operating Activities

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

For the year ended December 31, 2023, net cash flows generated from operating activities was RMB40.5 billion, which was primarily attributable to our profit before income tax, as adjusted by (i) share-based compensation expenses, depreciation and amortisation and fair value changes and gains related to treasury investments and other investments, and (ii) the changes in working capital, which primarily consisted of the increase in certain current liabilities driven by business recovery.

Net Cash Flows Used in Investing Activities

For the year ended December 31, 2023, net cash flows used in investing activities was RMB24.7 billion, which was composed of purchase of treasury investments and property, plant and equipment, as well as some other investments.

Net Cash Flows Used in Financing Activities

For the year ended December 31, 2023, net cash flows used in financing activities was RMB2.8 billion, which was mainly attributable to the payments of lease liabilities.

Gearing ratio

As of December 31, 2023, our gearing ratio, calculated as total borrowings and notes payable divided by total equity attributable to equity holders of the Company, was approximately 36%.

Contingent Liabilities

The Group did not have any material contingent liabilities as of December 31, 2023.

Investments Held

As of December 31, 2023, our investment portfolio amounted to approximately RMB39,085 million (December 31, 2022: RMB33,977 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 Note 12, Note 19 and Note 20 to the consolidated financial statements in this annual report.

MANAGEMENT DISCUSSION AND ANALYSIS

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 RMB37,331 million as of December 31, 2023 (December 31, 2022: RMB21,628 million). There was no investment of which the carrying amount individually constituted 5% or more of our total assets as of December 31, 2023.

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 D2 to the Listing Rules.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

For the year ended December 31, 2023, we did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

Foreign Exchange Risk

The functional currency of the Company is US dollars whereas the functional currency of the subsidiaries operating in the PRC is Renminbi. As of December 31, 2023, our cash and cash equivalents balance was mainly denominated in US dollars and Renminbi. We manage foreign exchange risk by performing periodic reviews of our net foreign exchange exposures and try to minimise these exposures through natural hedges, wherever possible and may enter into forward foreign exchange contracts, when necessary. We operate mainly in the PRC with most of the transactions settled in Renminbi. The management considers that the business is not exposed to any significant foreign exchange risk, as there are no significant financial assets or liabilities denominated in the currencies other than the respective functional currencies of our entities. As of December 31, 2023, we did not have significant foreign currency exposure from our operations.

Pledge of Assets

As of December 31, 2023, we did not pledge any assets for fund raising and we had some charges on our assets which are disclosed in Note 31 to the consolidated financial statements.

Future Plans for Material Investments and Capital Assets

Save as disclosed in this report, as of December 31, 2023, we did not have other plans for material investments and capital assets.

Employees

As of December 31, 2023, we had a total of approximately 114,731 full-time employees. Substantially all of our employees are based in China, primarily at our headquarters in Beijing and Shanghai, with the rest in Shijiazhuang, Chengdu, Wuhan, Shenzhen 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 as at the date of this annual report are set out as follows:

DIRECTORS

Executive Directors

Wang Xing (王興), aged 45, 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 15 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 44, 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 15 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.

Non-executive Director

Neil Nanpeng Shen (沈南鵬), aged 56, 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 HongShan (formerly known as Sequoia China) in September 2005 and has been serving as the founding managing partner since then. Prior to founding HongShan, he co-founded Trip.com Group Ltd. (NASDAQ Ticker: TCOM; HKEx Stock Code: 9961), formerly known as 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 1988 and his master's degree from Yale University in 1992.

Neil Nanpeng Shen has been an independent 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) since October 2008, and a non-executive director of BTG Hotels Group Co., Ltd. (SHSE Stock Code: 600258) since January 2017.

Neil Nanpeng Shen served as an independent non-executive director of Pinduoduo Inc. (NASDAQ Ticker: PDD) from April 2018 to November 2022, a non-executive director of Noah Holdings Limited (NYSE Ticker: NOAH; HKEx Stock Code: 6686) from January 2016 to August 2023, and a non-executive director of Ninebot Limited (SHSE Stock Code: 689009) from July 2015 to December 2023.

DIRECTORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Orr Gordon Robert Halyburton, aged 61, is an independent non-executive Director. He was appointed as Director in September 2018 and 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 and a non-executive director of Fidelity China Special Situations PLC (LSE Stock Code: FCSS) since January 2023. He is also the vice chairman of China-Britain Business Council. He was the independent non-executive director of Sondrel (Holdings) PLC (LSE Stock Code: SND) from October 2022 to January 2024.

Leng Xuesong (冷雪松), aged 55, 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 served as independent director of China Index Holdings Limited (NASDAQ Ticker: CIH) from July 2019 to May 2022.

Shum Heung Yeung Harry (沈向洋), aged 57, is an independent non-executive Director. He was appointed as Director in September 2018 and is responsible for providing independent advice on technology innovation, the global technology and internet industry trends, and other matters subject to the Board guidance and approval.

Shum Heung Yeung Harry joined Microsoft Research in November 1996 as a researcher based in Redmond, Washington. In November 1998, he moved to Beijing as one of the founding members of Microsoft Research China (later renamed Microsoft Research Asia) and spent nine years there first as a researcher, subsequently moving on to become managing director of Microsoft Research Asia and a distinguished engineer of Microsoft Corporation. From October 2007 to November 2013, Shum Heung Yeung Harry served as the corporate vice president responsible for Bing search product development. From November 2013 to February 2020, he served as the executive vice president of Microsoft Corporation. He has been an independent non-executive director of Youdao, Inc. (NYSE Ticker: DAO) since October 2019 and an independent non-executive director of China Vanke Co., Ltd. (HKEx Stock Code: 2202) since June 2023.

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.

DIRECTORS AND SENIOR MANAGEMENT

Yang Marjorie Mun Tak (楊敏德), aged 71, is an independent non-executive Director. She was appointed as Director in June 2023 and responsible for providing independent advice on the Company's business development and corporate governance matters, and bring a broader perspective to the Board.

Yang Marjorie Mun Tak has been the chairwoman of Esquel Group since April 1995, the appointed representative of Hong Kong, China, to the APEC Business Advisory Council since December 2017 and the co-chairwoman of the advisory board of Computer Science and Artificial Intelligence Lab at the Massachusetts Institute of Technology since March 2015. She has also been the chairperson of the Steering Committee of Coolthink@JC created and funded by The Hong Kong Jockey Club Charities Trust since April 2016. She also serves on Harvard University's Global Advisory Council and the Tsinghua University School of Economics and Management advisory board since August 2012 and October 2003, respectively.

Yang Marjorie Mun Tak has been an Executive Board member of the International Chamber of Commerce since July 2022. She has been an independent non-executive director of Budweiser Brewing Company APAC Limited (HKEx Stock Code: 1876) since May 2019, and was an independent non-executive director of The Hongkong and Shanghai Banking Corporation Limited, a subsidiary of HSBC Holdings plc (HKEx Stock Code: 0005), from July 2003 to April 2019 and Swire Pacific Limited (HKEx Stock Codes: 0019 and 0087) from October 2002 to May 2017.

Yang Marjorie Mun Tak obtained a Bachelor's Degree of Science from the Massachusetts Institute of Technology in February 1974 and a Master of Business Administration Degree from the Harvard Business School in June 1976. She was awarded Justice of the Peace and the Gold Bauhinia Star by the Hong Kong Special Administrative Region Government in July 2009 and July 2013, respectively.

SENIOR MANAGEMENT

Wang Xing (王興), aged 45, 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 44, is a Co-founder, an executive Director and a Senior Vice President of the Company. For further details, please see the section headed "Directors and Senior Management — Executive Directors" above.

Chen Shaohui (陳少暉), aged 43, is the Chief Financial Officer and a Senior Vice President of the Company. He is responsible for overseeing the Company's finance, strategic planning, investments and capital market activities.

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

In July 2018, Chen Shaohui was appointed as a non-executive director of Maoyan Entertainment (HKEx Stock Code: 1896).

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

Chen Shaohui was a director of Beijing Enlight Media Co., Ltd. (SZSE Stock Code: 300251) from August 2018 to March 2023.

Wang Puzhong (王莆中), aged 40, currently serves as the CEO of the Core local commerce segment of Meituan. He is responsible for nine divisions including Meituan platform, Meituan infrastructure platform, in-store dining, in-store other services, hotel and travel, food delivery, Meituan Delivery, Meituan Instashopping, and Meituan Medicine. He leads the development of strategic planning for the core business segment and executes operational strategies for the Company.

Since joining the Company in 2015, Wang Puzhong has successfully led the Company's food delivery business and on-demand delivery network to become global leaders while achieving sustainable growth. In his role as the head of the on-demand delivery business, he introduced the "Everything Now (萬物到家)" concept and actively promoted the business development of Meituan Instashopping, drones, and other new businesses.

Wang Puzhong received his bachelor's degree in engineering from North China Electric Power University in June 2006.

DIRECTORS AND SENIOR MANAGEMENT

Zhang Chuan (張川), aged 48, is a Senior Vice President and is responsible for overseeing the Company's Dianping, RMS, bike and e-moped sharing, and power bank 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

Meituan is a tech-driven retail company. 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, 2023 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 Accounting Standards. 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, 2023.

REPORT OF DIRECTORS

BUSINESS REVIEW

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

USE OF NET PROCEEDS

1. 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. During the Reporting Period, approximately US$1,307.7 million of the net proceeds of the 2027 Bonds and 2028 Bonds have been utilised for technology innovations, and as of December 31, 2023 and 2022, US$241.2 million and US$1,548.9 million remained unutilised, respectively. The Company expects to fully utilise the residual amount of the net proceeds in accordance with such intended purposes within 5 years from the issuance of the 2027 Bonds and 2028 Bonds. 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.

2. **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. During the Reporting Period, approximately US$347.6 million of the net proceeds of the 2021 Placing and Subscription have been utilised for technology innovations and general corporate purposes, and as of December 31, 2023 and 2022, US$3.3 billion and US$3.6 billion remained unutilised, respectively. The Company expects to fully utilise the residual amount of the net proceeds in accordance with such intended purposes within 5 years from the completion of the 2021 Placing and Subscription. 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 and April 28, 2021.

3. **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, 2023, 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 from the completion of the Tencent Subscription. 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, 2023, 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, 2023, the Group's five largest suppliers accounted for less than 30% of the Group's total purchases.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements in the share capital of the Group during the Reporting Period are set out in Note 26 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group during the Reporting Period are set out in Note 27 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As of December 31, 2023, the Company's reserves available for distribution, amounted to approximately RMB325.6 billion.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as of December 31, 2023 are set out in Note 31 to the consolidated financial statements.

ISSUANCE OF DEBT SECURITIES

For the year ended December 31, 2023, the Company did not issue any debt security.

DIRECTORS

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

Executive Directors

Mr. Wang Xing (王興) *(Chairman and Chief Executive Officer)*
Mr. Mu Rongjun (穆榮均)

Non-executive Directors

Mr. Wang Huiwen (王慧文) *(redesignated from an executive Director to a non-executive Director with effect from March 25, 2023, and resigned with effect from June 26, 2023)*
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)
Ms. Yang Marjorie Mun Tak (楊敏德) *(appointed on June 30, 2023)*

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

REPORT OF DIRECTORS

DIRECTORS AND SENIOR MANAGEMENT

Mr. Wang Huiwen was re-designated from an executive Director to a non-executive Director with effect from March 25, 2023, as he would like to devote more time to his other commercial and personal affairs, and he resigned as a non-executive Director with effect from June 26, 2023, due to personal health reasons. On June 30, 2023, Ms. Yang Marjorie Mun Tak was elected as an independent non-executive Director at the annual general meeting of the Company.

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. Save as disclosed in this annual report, no other changes in the information of directors and chief executive which shall be subject to disclosure according to Rule 13.51B(1) of the Listing Rules since the date of publication of 2023 interim report of the Company.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has reviewed the independence of independent non-executive Directors and considers each of the independent non-executive Directors to be independent and meet the independence guidelines as set out in Rule 3.13 of the Listing Rules.

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, 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 Director shall continue for a term of three years and will automatically renew after that 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. No annual director's fees are payable to the non-executive Directors under the current arrangement.

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 and will automatically renew after that 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, Mr. Orr Gordon Robert Halyburton, Mr. Leng Xuesong, and Dr. Shum Heung Yeung Harry entered into an appointment letter, respectively, with the Company for three years, under which each of them 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. On June 30, 2023, Ms. Yang Marjorie Mun Tak entered into an appointment letter with the Company on similar terms for three years, under which she is entitled to receive (i) a fixed cash compensation of RMB500,000 per annum; and (ii) a share based compensation per annum, in the amount of RMB1,000,000, subject to certain conditions of grant and relevant rules.

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 or an entity connected with a 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

Save for the Directors' service contracts and appointment letters, 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.

REPORT OF DIRECTORS

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, past Directors or the five highest paid individuals during the Reporting Period, as an inducement to join, or upon joining the Group, or as compensation for the loss of office.

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

RETIREMENT AND EMPLOYEE BENEFITS SCHEME

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

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

As of December 31, 2023, 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 C3 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[5]
WANG Xing[2]	Beneficiary and founder of a Trust (L)	Trust	489,600,000 Class A Shares	80.99%
	Interest in controlled corporation (L)	Songtao Limited	489,600,000 Class A Shares	80.99%
	Interest in controlled corporation (L)	Crown Holdings	489,600,000 Class A Shares	80.99%
	Interest in controlled corporation (L)	Shared Patience	26,269,783 Class A Shares	4.35%
			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	47,789,542 Class B Shares	0.85%
	Interest of spouse (L)		200 Class B Shares	0.00%

REPORT OF DIRECTORS

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[5]
MU Rongjun[3]	Beneficiary and founder of a Trust (L)	Trust	88,650,000 Class A Shares	14.66%
			26,000,000 Class B Shares	0.46%
	Interest in controlled corporation (L)	Day One Holdings Limited	88,650,000 Class A Shares	14.66%
			26,000,000 Class B Shares	0.46%
	Interest in controlled corporation (L)	Charmway Enterprises	88,650,000 Class A Shares	14.66%
			26,000,000 Class B Shares	0.46%
	Interest in controlled corporation (L)	Shared Vision	7,996,668 Class B Shares	0.14%
	Beneficial interest (L)	–	5,000,000 Class B Shares	0.09%
SHEN Nanpeng Neil[4]	Interest in controlled corporations (L)	HongShan Funds (formerly known as Sequoia Capital China Funds) and Other Controlled Entities	95,174,222 Class B Shares	1.69%
	Beneficial interest (L)	–	9,476,400 Class B Shares	0.17%

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[5]
ORR Gordon Robert Halyburton	Beneficial interest (L)	–	72,914 Class B Shares	0.00%
LENG Xuesong	Beneficial interest (L)	–	46,714 Class B Shares	0.00%
SHUM Heung Yeung Harry	Beneficial interest (L)	–	72,914 Class B Shares	0.00%
YANG Marjorie Mun Tak	Beneficial interest (L)	–	25,721 Class B Shares	0.00%

Notes:

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

(2) Crown Holdings is wholly owned by Songtao Limited. The entire interest in Songtao Limited is held through a trust which was established by Wang Xing (as settlor) for the benefit of Wang Xing and his family. Wang Xing is deemed to be interested in the 489,600,000 Class A Shares held by Crown Holdings under the SFO. Shared Patience and WAFO Global Inc. are wholly owned by Wang Xing. On March 24, 2023, 200 Class B ordinary shares of the Company were distributed to Guo Wanhuai (the spouse of Wang Xing) following completion of the distribution in specie by Tencent, details of which were disclosed in the announcement of Tencent dated November 16, 2022.

(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 88,650,000 Class A Shares and 26,000,000 Class B Shares held by Charmway Enterprises under the SFO. Shared Vision is wholly owned by Mu Rongjun.

(4) HongShan Funds (formerly known as Sequoia Capital China Funds) refers to HongShan Capital I, L.P. (formerly known as Sequoia Capital China I, L.P.), HongShan Capital Partners Fund I, L.P. (formerly known as Sequoia Capital China Partners Fund I, L.P.), HongShan Capital Principals Fund I, L.P. (formerly known as Sequoia Capital China Principals Fund I, L.P.), HongShan Capital II, L.P. (formerly known as Sequoia Capital China II, L.P.), HongShan Capital Partners Fund II, L.P. (formerly known as Sequoia Capital China Partners Fund II, L.P.), HongShan Capital Principals Fund II, L.P. (formerly known as Sequoia Capital China Principals Fund II, L.P.), HSG 2010 CV Holdco, Ltd. (formerly known as Sequoia Capital 2010 CV Holdco, Ltd.), HSG Venture V Holdco I, Ltd. (formerly known as SCC Venture V Holdco I, Ltd.), HSG Venture VI Holdco, Ltd. (formerly known as SCC Venture VI Holdco, Ltd.), HSG Venture VI Holdco B, Ltd. (formerly known as SCC Venture VI Holdco B, Ltd.), HSG Growth 2010-Top Holdco, Ltd. (formerly known as SCC Growth 2010-Top Holdco, Ltd.), HSG Growth IV Holdco A, Ltd. (formerly known as SCC Growth IV Holdco A, Ltd.) and HongShan Capital Growth Fund IV, L.P. (formerly known as Sequoia Capital China Growth Fund IV, L.P.) (which hold approximately 0.19%, 0.02%, 0.03%, 0.58%, 0.01%, 0.10%, 0.15%, 0.001%, 0.003%, 0.01%, 0.23%, 0.02% and 0.01%, respectively, of the outstanding Shares).

REPORT OF DIRECTORS

The general partner of each of HongShan Capital I, L.P. (formerly known as Sequoia Capital China I, L.P.), HongShan Capital Partners Fund I, L.P. (formerly known as Sequoia Capital China Partners Fund I, L.P.) and HongShan Capital Principals Fund I, L.P. (formerly known as Sequoia Capital China Principals Fund I, L.P.) is HongShan Capital Management I, L.P. (formerly known as Sequoia Capital China Management I, L.P.) ("**HSG Management I**"). The general partner of each of HongShan Capital II, L.P. (formerly known as Sequoia Capital China II, L.P.), HongShan Capital Partners Fund II, L.P. (formerly known as Sequoia Capital China Partners Fund II, L.P.) and HongShan Capital Principals Fund II, L.P. (formerly known as Sequoia Capital China Principals Fund II, L.P.) is HongShan Capital Management II, L.P. (formerly known as Sequoia Capital China Management II, L.P.) ("**HSG Management II**"). The sole shareholder of HSG 2010 CV Holdco, Ltd. (formerly known as Sequoia Capital 2010 CV Holdco, Ltd.) is HongShan Capital Venture 2010 Fund, L.P. (formerly known as Sequoia Capital China Venture 2010 Fund, L.P.), whose general partner is HSG Venture 2010 Management, L.P. (formerly known as SC China Venture 2010 Management, L.P.) ("**HSGV 2010 Management**"). The sole shareholder of HSG Venture V Holdco I, Ltd. (formerly known as SCC Venture V Holdco I, Ltd.) is HongShan Capital Venture Fund V, L.P. (formerly known as Sequoia Capital China Venture Fund V, L.P.), whose general partner is HSG Venture V Management, L.P. (formerly known as SC China Venture V Management, L.P.) ("**HSGV V Management**"). The sole shareholder of each of HSG Venture VI Holdco, Ltd. (formerly known as SCC Venture VI Holdco, Ltd.) and HSG Venture VI Holdco B, Ltd. (formerly known as SCC Venture VI Holdco B, Ltd.) is HongShan Capital Venture Fund VI, L.P. (formerly known as Sequoia Capital China Venture Fund VI, L.P.), whose general partner is HSG Venture VI Management, L.P. (formerly known as SC China Venture VI Management, L.P.) ("**HSGV VI Management**"). The controlling shareholder of HSG Growth 2010-Top Holdco, Ltd. (formerly known as SCC Growth 2010-Top Holdco, Ltd.) is HongShan Capital Growth 2010 Fund, L.P. (formerly known as Sequoia Capital China Growth 2010 Fund, L.P.) ("**HongShan Growth Fund 2010**"), whose general partner is HSG Growth 2010 Management, L.P. (formerly known as SC China Growth 2010 Management, L.P.) ("**HSGGF 2010 Management**"). In respect of the casting of votes held by HongShan Growth Fund 2010 in HSG Growth 2010-Top Holdco, Ltd. (formerly known as SCC Growth 2010-Top Holdco, Ltd.), HongShan Growth Fund 2010 is accustomed to act in accordance with the instructions of HongShan Capital Growth Fund I, L.P. (formerly known as Sequoia Capital China Growth Fund I, L.P.), whose general partner is HongShan Capital Growth Fund Management I, L.P. (formerly known as Sequoia Capital China Growth Fund Management I, L.P.) ("**HSGGF Management I**"). The sole shareholder of HSG Growth IV Holdco A, Ltd. (formerly known as SCC Growth IV Holdco A, Ltd.) is HongShan Capital Growth Fund IV, L.P. (formerly known as Sequoia Capital China Growth Fund IV, L.P.), whose general partner is HSG Growth IV Management, L.P. (formerly known as SC China Growth IV Management, L.P.) ("**HSGGF IV Management**" and, together with HSG Management I, HSG Management II, HSGV 2010 Management, HSGV V Management, HSGV VI Management, HSGGF 2010 Management and HSGGF Management I, collectively, the "**General Partners**"). The general partner of each of the General Partners is HSG Holding Limited (formerly known as SC China Holding Limited), which is a wholly-owned subsidiary of SNP China Enterprises Limited.

Neil Nanpeng Shen is the sole shareholder of SNP China Enterprises Limited, and has a beneficial interest of 9,476,400 Class B Shares. Other Controlled Entities refers to URM Management Limited, N&J Investment Holdings Limited and Smart Master International Limited (which hold approximately 0.00004%, 0.16% and 0.001%, respectively, of the outstanding Shares) and are controlled by Neil Nanpeng Shen.

In view of the above, each of HongShan Funds are deemed to be interested in Shares held by each other and by Neil Nanpeng Shen and his controlled entities and vice versa; and is therefore each deemed to be interested in 1.68% interest in the share capital of the Company (or 1.86% of the total issued Class B Shares).

(5) As at December 31, 2023, the Company had 6,244,375,781 issued Shares in total, comprising of 604,519,783 Class A Shares and 5,639,855,998 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, 2023.

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, 2023.

Save as disclosed above, as of December 31, 2023, none of the Directors or the chief executives of the Company had or was deemed to have any interest or short position in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As of December 31, 2023, 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[4]
Class A Shares – Wang Xing			
Crown Holdings[2]	Beneficial interest (L)	489,600,000 Class A Shares	80.99%
Share Patience[2]	Beneficial interest (L)	26,269,783 Class A Shares	4.35%
Songtao Limited[2]	Interest in controlled corporation (L)	489,600,000 Class A Shares	80.99%
TMF (Cayman) Ltd.	Trustee (L)	489,600,000 Class A Shares	80.99%
Wang Xing	Beneficiary and founder of a trust[2] (L)	489,600,000 Class A Shares	80.99%
	Interest in controlled corporation[2] (L)	489,600,000 Class A Shares	80.99%
		26,269,783 Class A Shares	4.35%
Class A Shares – Mu Rongjun			
Charmway Enterprises[3]	Beneficial interest (L)	88,650,000 Class A Shares	14.66%
Day One Holdings Limited[3]	Interest in controlled corporation (L)	88,650,000 Class A Shares	14.66%
TMF (Cayman) Ltd.	Trustee (L)	88,650,000 Class A Shares	14.66%
Mu Rongjun	Beneficiary of a trust[3] (L)	88,650,000 Class A Shares	14.66%
	Founder of a trust[3] (L)	88,650,000 Class A Shares	14.66%

REPORT OF DIRECTORS

Name of Substantial Shareholder	Capacity/Nature of interest[1]	Number and class of Shares held	Approximate percentage of interest in each class of Shares[4]
Class B Shares			
BlackRock, Inc.	Interest in controlled corporation (L)	331,564,182 Class B Shares	5.88%
	Interest in controlled corporation (S)	27,900 Class B Shares	0.00%
JPMorgan Chase & Co.	Interest in controlled corporation (L)	132,265,101 Class B Shares	2.35%
	Interest in controlled corporation (S)	79,352,629 Class B Shares	1.41%
	Investment manager (L)	54,866,137 Class B Shares	0.97%
	Investment manager (S)	829,521 Class B Shares	0.01%
	Person having a security interest in shares (L)	4,352,486 Class B Shares	0.08%
	Trustee (L)	43,010 Class B Shares	0.00%
	Approved lending agent (L)	111,108,574 Class B Shares	1.97%
Brown Brothers Harriman & Co.	Approved lending agent (L)	295,591,050 Class B Shares	5.24%

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 88,650,000 Class A Shares held by Charmway Enterprises under the SFO.

(4) As at December 31, 2023, the Company had 6,244,375,781 issued Shares in total, comprising of 604,519,783 Class A Shares and 5,639,855,998 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, 2023.

Save as disclosed above, as at December 31, 2023, the Company had not been notified by any other persons (other than the Directors of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register required to be kept by the Company pursuant to Section 336 of the SFO.

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, 2023, 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 December 31, 2023		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	7.84%	489,600,000	7.81%	489,600,000	7.81%	489,600,000	7.77%
Charmway Enterprises	114,650,000	1.84%	114,650,000	1.83%	114,650,000	1.83%	114,650,000	1.82%
2027 CB Bondholders	0	0.00%	26,734,628	0.43%	0	0.00%	26,734,628	0.42%
2028 CB Bondholders	0	0.00%	0	0.00%	27,030,158	0.43%	27,030,158	0.43%
Other Shareholders	5,640,125,781	90.32%	5,640,125,781	89.93%	5,640,125,781	89.93%	5,640,125,781	89.56%
Total:	6,244,375,781	100.00%	6,271,110,409	100.00%	6,271,405,939	100.00%	6,298,140,567	100.00%

As the potential issuance and allotment of the relevant Class B Shares upon full conversion of the outstanding convertible securities under the 2027 Bonds and the 2028 Bonds would have anti-dilutive effect on the earnings per share, the relevant Class B Shares upon full conversion has not been included in calculating diluted earnings per share of the Company for the year ended December 31, 2023. For further details, please refer to Note 14 of the consolidated financial statements.

To the best of the Directors' knowledge, having made all reasonable enquiries and having considered the financial and liquidity position of the Group, the Directors expected that the Company has the ability to meet its redemption obligations in respect of all outstanding convertible securities under the 2027 Bonds and the 2028 Bonds when they become due.

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

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 to whom awards in the form of Options, restricted share awards and RSUs (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 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. As disclosed in the Prospectus, the Company would not grant further share options and RSUs under the Pre-IPO ESOP after the Listing.

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.

REPORT OF DIRECTORS

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

The Company has not granted further share options under the Pre-IPO ESOP after the Listing Date. The table below shows the details of movements of share options granted to the relevant Directors and other employee participants under the Pre-IPO ESOP.

Name	Date of Grant	Vesting Period[1]	Exercise Price	Number of Shares underlying options outstanding as of January 1, 2023	Number of options exercised during the Reporting Period and the exercise price	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, 2023
Directors								
Mu Rongjun	July 1, 2017 to July 1, 2018	6 years	US$3.86-US$5.18	5,000,000	0	0	0	5,000,000
Wang Huiwen *(redesignated from an executive Director to a non-executive Director with effect from March 25, 2023, and resigned with effect from June 26, 2023)*	February 1, 2015 to July 1, 2018	4 to 6 years	US$1.005-US$5.18	1,133,334	0	1,133,334	0	0
Other grantees save for Directors								
Other employees	May 31, 2006 to August 1, 2018	0.5 to 6 years	US$0.000017-US$5.18	18,629,546	2,937,855 US$0.000017-US$5.18	504,845	0	15,186,846
Total				24,762,880	2,937,855	1,638,179	0	20,186,846

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

The Company has not granted further RSUs under the Pre-IPO ESOP after the Listing Date. The table below shows the details of movements of outstanding 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, 2023	RSUs vested during the Reporting Period	RSUs cancelled during the Reporting Period	RSUs lapsed during the Reporting Period	Number of Shares underlying RSUs outstanding as of December 31, 2023
Directors							
Mu Rongjun	July 1, 2017	6 years	166,665	166,665	0	0	0
Wang Huiwen *(redesignated from an executive Director to a non-executive Director with effect from March 25, 2023, and resigned with effect from June 26, 2023)*	January 1, 2016 to July 1, 2018	4 to 6 years	7,766,665	0	0	7,766,665	0
Other grantees save for Directors							
Other Employees	December 29, 2010 to August 2, 2018	0 to 6 years	3,377,862	1,139,793	0	1,165,000	1,073,069
Total			11,311,192	1,306,458	0	8,931,665	1,073,069

REPORT OF DIRECTORS

POST-IPO SHARE OPTION SCHEME

The Post-IPO Share Option Scheme was adopted and amended as approved by Shareholders at the general meetings on August 30, 2018 and June 30, 2023, respectively. The Post-IPO Share Option Scheme shall be valid and effective for a period of ten years commencing on the Listing Date.

The following is a summary of certain principal terms of the Post-IPO Share Option Scheme. For further details of the Post-IPO Share Option Scheme, please refer to the announcement of the Company dated March 24, 2023, the circular of the Company dated June 8, 2023 and the poll results announcement of the Company dated June 30, 2023. Unless otherwise indicated, capitalized terms used in this section shall have the same meaning as those defined in the circular of the Company dated June 8, 2023.

Purpose

The purpose of the Post-IPO Share Option Scheme is to provide eligible persons with the opportunity to acquire proprietary interests in the Company and to encourage eligible persons 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, incentivizing, rewarding, remunerating, compensating and/or providing benefits to eligible persons.

Eligible Participants

The eligible persons who may be selected to become a participant of the Post-IPO Share Option Scheme are any individuals, or corporate entities (as the case may be), being any of (i) an Employee Participant; (ii) a Related Entity Participant; and (iii) a Service Provider, who the Board or its delegates considers, in its sole discretion, to have contributed or will contribute to the Group. No individual who is resident in a place where the grant, acceptance or exercise of the 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 make it necessary or expedient to exclude such individual, shall be entitled to participate in the Post-IPO Share Option Scheme.

Scheme Limit and Service Provider Sublimit

The Company shall not make any further grant of Options which will result in the aggregate number of Class B Shares to be issued by the Company in respect of all grants of options and awards made after June 30, 2023 pursuant to the Post-IPO Share Option Scheme and any other share schemes adopted by the Company (excluding options and/or awards lapsed in accordance with relevant scheme rules) to exceed 624,212,527 (representing approximately 10% of the total number of issued Shares as at the date of this annual report) unless Shareholders approve a further refreshment of the Scheme Limit or Shareholders' approval is obtained in compliance with the Listing Rules.

The Company shall not make any further grant of Options to Service Providers which will result in the aggregate number of Class B Shares to be issued by the Company in respect of all grants of options and awards made after June 30, 2023 pursuant to the Post-IPO Share Option Scheme and any other share schemes adopted by the Company (excluding options and/or awards lapsed in accordance with relevant scheme rules) to exceed 62,421,252 (representing approximately 1% of the total number of issued Shares as at the date of this annual report) unless the Shareholders approve a further refreshment of the Service Provider Sublimit or Shareholders' approval is obtained in compliance with the Listing Rules.

1% Individual Limit

Where any grant of Options to a grantee would result in the Class B Shares issued and to be issued in respect of all options and awards granted to such person, pursuant to the Post-IPO Share Option Scheme and any other share schemes adopted by the Company (excluding options or awards lapsed in accordance with relevant scheme rules), in the 12-month period up to and including the date of such grant representing in aggregate over 1% of the total number of issued Shares (for the avoidance of doubt, includes Class A Shares which carry weighted voting rights and Class B Shares) at the relevant time, such grant must be separately approved by Shareholders in general meeting with such grantee and their close associates (or associates if the grantee is a connected person of the Company) abstain from voting.

0.1% Limit

Where any grant of Options to a substantial shareholder of the Company or an independent non-executive Director (or any of their respective associates) would result in the number of Class B Shares issued and to be issued upon exercise of all options and vesting of all awards already granted and to be granted pursuant to the Post-IPO Share Option Scheme and any other share schemes adopted by the Company (excluding options or awards lapsed in accordance with relevant scheme rules) to such person in the 12-month period up to and including the date of such grant, representing in aggregate over 0.1% of the total number of issued Shares (for the avoidance of doubt, includes Class A Shares which carry weighted voting rights and Class B Shares) at the relevant time, such further grant of Options shall be subject to prior approval by the Shareholders (voting by way of poll) in general meeting.

Grant of Option

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 Options to selected participants (in the case of the Board's delegate(s), to any selected participant other than a Director) by way of a grant letter. The grant letter will specify the date of grant, the number of options, the vesting criteria and conditions, the vesting period and such other details as the Board or its delegate(s) may consider necessary.

No consideration is payable on acceptance of each grant of Option(s) and there is no period within which payments or calls must or may be made or loans for such purposes must be repaid.

REPORT OF DIRECTORS

Option Period

Any Option granted may be exercised during a period, which is to be determined and notified by the Board to each grantee in the grant letter, and shall not expire later than ten years from the date of grant of the Option (the "**Option Period**").

Subscription Price

The amount payable for each Class B Share to be subscribed for under an option (the "**Subscription Price**") in the event of the option being exercised shall be determined by the Board but shall be not less than the greater 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.

Vesting of Option

The Board or the Scheme Administrator may from time to time while the Post-IPO Share Option Scheme is in force and subject to all applicable laws, determine such vesting criteria and conditions or periods for the Options to be vested hereunder, provided however that the vesting period for Options shall not be less than 12 months, except that any Options granted to an Employee Participant is subject to a shorter vesting period, including where:

(i) grants of "make whole" Options to new Employee Participant to replace awards or options such Employee Participants forfeited when leaving their previous employers;

(ii) grants to an Employee Participant whose employment is terminated due to death or disability or event of force majeure;

(iii) grants of Options which are subject to fulfillment of performance targets as determined in the conditions of their grant;

(iv) grants of Options the timing of which is determined by administrative or compliance requirements not connected with the performance of the relevant Employee Participant, in which case the Vesting Date may be adjusted to take account of the time from which the Option would have been granted if not for such administrative or compliance requirements;

(v) grants of Options with a mixed vesting schedule such that the Options vest evenly over a period of 12 months; or

(vi) grant of Options with a total vesting period of more than 12 months, such as where the Options may vest by several batches with the first batch to vest within 12 months of the grant date and the last batch to vest 12 months after the grant date.

Duration

The Post-IPO Share Option Scheme shall be valid and effective for the period of ten years from September 20, 2018, 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. As at December 31, 2023, the remaining life of the Post-IPO Share Option Scheme was approximately four years and nine months.

Outstanding Options Granted under the Post-IPO Share Option Scheme

The numbers of options available for grant under the Post-IPO Share Option Scheme on January 1, 2023 is 472,240,496. On December 31, 2023, after adopting the Scheme Limit and Service Provider Sublimit, 609,351,099 and 62,401,365 underlying Shares will be available for grants under the Scheme Limit and Service Provider Sublimit, respectively. During the Reporting Period, no option was 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	Vesting Period	Exercise Period	Exercise Price	Number of Shares underlying options outstanding as of January 1, 2023	Number of Shares underlying options granted during the Reporting Period	Number of options exercised during the Reporting Period	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, 2023
Employees	July 5, 2019	4 years	June 30, 2020 to July 5, 2029	HK$69.1	695,000	0	315,000	0	0	380,000
	April 24, 2020	5.2 years	June 30, 2020 to April 24, 2030	HK$100.15	678,000	0	0	0	0	678,000
	July 20, 2020	4 years	June 30, 2021 to July 20, 2030	HK$195.98	931,410	0	0	283,212	0	648,198
Total					2,304,410	0	315,000	283,212	0	1,706,198

Note:

(1) For employees, the weighted average closing price of Class B Shares immediately before the date on which the above options were exercised in 2023 was HKD115.3667 per share.

REPORT OF DIRECTORS

POST-IPO SHARE AWARD SCHEME

The Post-IPO Share Award Scheme was adopted and amended as approved by Shareholders at the general meetings on August 30, 2018 and June 30, 2023, respectively. The Post-IPO Share Award Scheme shall be valid and effective for a period of ten years commencing on the Listing Date. 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 Option Scheme. For further details of the Post-IPO Share Award Scheme, please refer to the announcement of the Company dated March 24, 2023, the circular of the Company dated June 8, 2023 and the poll results announcement of the Company dated June 30, 2023. Unless otherwise indicated, capitalized terms used in this section shall have the same meaning as those defined in the circular of the Company dated June 8, 2023.

Purpose

The purposes of the Post-IPO Share Award Scheme are (i) to align the interests of eligible persons with those of the Group through ownership of Shares, dividends and other distributions paid on Shares and/or the increase in value of the Shares; and (ii) to encourage and retain eligible persons to make contributions to the long-term growth and profits of the Group.

Eligible Participants

The eligible persons who may be selected to become a participant of the Post-IPO Share Award Scheme are any individuals, or corporate entities (as the case may be), being any of (i) an Employee Participant; (ii) a Related Entity Participant; and (iii) a Service Provider, who the Board or its delegates considers, in its sole discretion, to have contributed or will contribute to the Group. No individual who is resident in a place where the grant, acceptance or vesting of the Awards pursuant to the Post-IPO Share Award 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 make it necessary or expedient to exclude such individual, shall be entitled to participate in the Post-IPO Share Award Scheme.

Scheme Limit and Service Provider Sublimit

The Company shall not make any further grant of Awards which will result in the aggregate number of Class B Shares to be issued by the Company in respect of all grants of options and awards made after the June 30, 2023 pursuant to the Post-IPO Share Award Scheme and any other share schemes adopted by the Company (excluding options or awards lapsed in accordance with relevant scheme rules) to exceed 624,212,527 (representing approximately 10% of the total number of issued Shares as at the date of this annual report) unless Shareholders approve a further refreshment of the Scheme Limit or Shareholders' approval is obtained in compliance with the Listing Rules.

The Company shall not make any further grant of Awards to Service Providers which will result in the aggregate number of Class B Shares to be issued by the Company in respect of all grants of options and awards made after the June 30, 2023 pursuant to the Post-IPO Share Award Scheme and any other share schemes adopted by the Company (excluding options or awards lapsed in accordance with relevant scheme rules) to exceed the 62,421,252 (representing approximately 1% of the total number of issued Shares as at the date of this annual report) unless the Shareholders approve a further refreshment of the Service Provider Sublimit or Shareholders' approval is obtained in compliance with the Listing Rules.

1% Individual Limit

Where any grant of Awards to a grantee would result in the Class B Shares issued and to be issued in respect of all options and awards granted to such person, pursuant to the Post-IPO Share Award Scheme and any other share schemes adopted by the Company (excluding options or awards lapsed in accordance with relevant scheme rules), in the 12-month period up to and including the date of such grant representing in aggregate over 1% of the total number of issued Shares (for the avoidance of doubt, includes Class A Shares which carry weighted voting rights and Class B Shares) at the relevant time (i.e. the 1% Individual Limit), such grant must be separately approved by Shareholders in general meeting with such grantee and their close associates (or associates if the grantee is a connected person of the Company) abstain from voting.

0.1% Limit

Any grant of Awards to a Director, chief executive (as defined in the Listing Rules), or substantial shareholder of the Company (or any of their respective associates), must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Awards). Where any of Awards to a Director (other than an independent non-executive Director) or chief executive (as defined in the Listing Rules), or any of their associates would result in the Class B Shares issued and to be issued in respect of all Awards granted (excluding any Awards lapsed in accordance with the terms of Scheme) to such person in the 12-month period up to and including the date of such grant, representing in aggregate over 0.1% of the total number of issued Shares (for the avoidance of doubt, includes Class A Shares which carry weighted voting rights and Class B Shares) at the relevant time, such further grant of Awards must be approved by Shareholders in general meeting in the manner set out in Listing Rule 17.04(4).

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 selected participants (in the case of the Board's delegate(s), to any selected participant other than a Director) by way of an award letter. The award letter will specify the date of grant, the number of Award Shares underlying the Award, the vesting criteria and conditions, the vesting period and such other details as the Board or its delegate(s) may consider necessary.

No consideration is payable on acceptance of each grant of Award(s) and there is no period within which payments or calls must or may be made or loans for such purposes must be repaid.

Purchase Price

The purchase price payable (if any) for the Award Shares will be stated in the Award Letter, to be determined by the Board or the Scheme Administrator in accordance with the purpose of the Post-IPO Share Award Scheme, taking into account (including but not limited to) the prevailing closing price of the Class B Shares and profile of the selected participant.

Vesting of Awards

The Board or Scheme Administrator may from time to time while the Post-IPO Share Award Scheme is in force and subject to all applicable laws, determine such vesting criteria and conditions or periods for the Award to be vested hereunder, provided however that the vesting period for Awards shall not be less than 12 months, except that any Awards granted to an Employee Participant may be subject to a shorter vesting period, including where:

(i) grants of "make whole" Awards to new Employee Participant to replace awards or options such Employee Participants forfeited when leaving their previous employers;

(ii) grants to an Employee Participant whose employment is terminated due to death or disability or event of force majeure;

(iii) grants of Awards which are subject to fulfillment of performance targets as determined in the conditions of his/her grant;

(iv) grants of Awards the timing of which is determined by administrative or compliance requirements not connected with the performance of the relevant Employee Participant, in which case the vesting date may be adjusted to take account of the time from which the Award would have been granted if not for such administrative or compliance requirements;

(v) grants of Awards with a mixed vesting schedule such that the Awards vest evenly over a period of 12 months; or

(vi) grant of Awards with a total vesting period of more than 12 months, such as where the Awards may vest by several batches with the first batch to vest within 12 months of the grant date and the last batch to vest 12 months after the grant date.

Termination

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

(i) the end of the period of ten years from September 20, 2018, 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.

As at December 31, 2023, the remaining life of the Post-IPO Share Award Scheme was approximately four years and nine months.

Outstanding RSUs Granted under the Post-IPO Share Award Scheme

The numbers of RSUs available for grant under the Post-IPO Share Award Scheme on January 1, 2023, is 86,973,192. On December 31, 2023, after adopting the Scheme Limit and Service Provider Sublimit, 609,351,099 and 62,401,365 underlying Shares will be available for grants under the Scheme Limit and Service Provider Sublimit, respectively.

The table below show details of RSUs granted to Directors under the Post-IPO Share Award Scheme:

			Number of RSUs					
Name	Date of Grant	Vesting Period	Outstanding as of January 1, 2023	Granted during the Reporting Period	Vested during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Outstanding as of December 31, 2023
ORR Gordon Robert Halyburton	September 23, 2022[1]	12.5% to vest in each quarter commencing from December 20, 2022 until September 20, 2024	11,300	0	6,456	0	0	4,844
LENG Xuesong	September 23, 2022[1]	12.5% to vest in each quarter commencing from December 20, 2022 until September 20, 2024	11,300	0	6,456	0	0	4,844
SHUM Heung Yeung Harry	September 23, 2022[1]	12.5% to vest in each quarter commencing from December 20, 2022 until September 20, 2024	11,300	0	6,456	0	0	4,844
YANG Marjorie Mun Tak	July 24, 2023[2]	8.33% to vest in each quarter commencing from September 30, 2023 until June 30, 2026	0	25,721	4,286	0	0	21,435
Total			33,900	25,721	23,654	0	0	35,967

REPORT OF DIRECTORS

Notes:

(1) RSUs granted to Mr. Orr Gordon Robert Halyburton, Mr. Leng Xuesong and Dr. Shum Heung Yeung Harry on September 23, 2022, may be satisfied through issue of new Class B Shares or on-market purchase of the Class B Shares. For more details, please refer to the announcements and circular of the Company dated May 25, June 8, and June 30, 2023, respectively.

(2) RSUs granted to Ms. Yang Marjorie Mun Tak on July 24, 2023, was funded by new Class B Shares issued and to be issued under the Scheme Limit, which was approved by Shareholders at the annual general meeting of the Company on June 30, 2023.

(3) For Mr. Orr Gordon Robert Halyburton, Mr. Leng Xuesong, Dr. Shum Heung Yeung Harry and Ms. Yang Marjorie Mun Tak, the weighted average closing price of the Class B Shares immediately before the dates on which the RSUs were vested in 2023 was HKD116.8875, HKD116.8875, HKD116.8875, and HKD98.2500, respectively.

(4) Purchase price for RSUs in the table above is nil.

(5) All of the grant of RSUs mentioned above during the year ended December 31, 2023 were made without any performance targets.

(6) The closing price of Class B Shares immediately before July 24, 2023 is HKD128.20 per share. Fair value of RSUs granted on July 24, 2023, as at the date of grant, was HKD125.00, and as for relevant accounting standard and policy adopted, please refer to Note 2.1.15(b) to the consolidated financial statements.

The table below show details of RSUs granted to employees of the Group and service providers under the Post-IPO Share Award Scheme, which shall be funded by new Class B Shares issued or to be issued by the Company for incentive purpose:

			Number of RSUs					
Category	Year of Grant	Vesting Period	Outstanding as of January 1, 2023	Granted during the Reporting Period	Vested during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Outstanding as of December 31, 2023
Employees[1]	2018	4 years	29,525	0	29,525	0	0	0
	2019	4 years	7,861,041	0	7,457,998	334,243	0	68,800
	2020	4 to 5.2 years	19,369,790	0	8,426,934	3,026,712	0	7,916,144
	2021	2 to 6 years	35,169,206	0	13,457,728	4,845,481	0	16,865,997
	2022	1 to 6 years	57,328,250	0	16,936,092	5,195,494	0	35,196,664
	2023	2 months to 4 years	0	65,900,265	3,170,312	4,468,591	0	58,261,362
Service Providers[2]	2019	4 years	8,786	0	8,786	0	0	0
	2020	4 years	30,296	0	9,417	8,989	0	11,890
	2021	2 to 6 years	609,145	0	146,330	8,989	0	453,826
	2022	2 to 4 years	66,814	0	19,430	2,935	0	44,449
	2023	1 to 4 years	0	64,357	0	0	0	64,357
Total			120,472,853	65,964,622	49,662,552	17,891,434	0	118,883,489

Notes:

(1) For employees, the weighted average closing price of Class B Shares immediately before the date on which the RSUs were vested in 2023 was HKD124.6346 per share.

(2) For service providers, the weighted average closing price of Class B Shares immediately before the date on which the RSUs were vested in 2023 was HKD125.8363 per share.

(3) Purchase price for RSUs in the table above is nil.

(4) The following grants were made in 2023:

Date of Grant	Vesting Period	Number of RSUs Granted	Closing Price of Class B Shares immediately before the Date of Grant	Fair Value of RSUs as at the Date of Grant per RSU
Employees				
January 18, 2023	22 months to 48 months from the date of grant	2,014,422	HK$164.80	HK$163.60
April 13, 2023	6 months to 48 months from the date of grant	46,041,476	HK$131.00	HK$130.90
April 20, 2023	2 months to 48 months from the date of grant	2,371,351	HK$135.60	HK$140.40
July 24, 2023	6 months to 48 months from the date of grant	3,712,582	HK$128.20	HK$125.00
September 12, 2023	13 months to 47 months from the date of grant	286,701	HK$125.70	HK$124.80
October 26, 2023	23 months to 67 months from the date of grant	11,473,733	HK$109.60	HK$109.80
Service Providers				
April 20, 2023	12 months to 48 months from the date of grant	44,470	HK$135.60	HK$140.40
July 24, 2023	13 months from the date of grant	14,913	HK$128.20	HK$125.00
October 26, 2023	23 months to 35 months from the date of grant	4,974	HK$109.60	HK$109.80

As for the accounting standard and policy adopted for estimating the fair value of RSUs, please refer to Note 2.1.15(b) to the consolidated financial statements.

(5) All of the grant of RSUs mentioned above during the year ended December 31, 2023 were made without any performance targets.

The numbers of Shares that may be issued in respect of options and awards granted under all share schemes of the Company during the Reporting Period divided by the weighted average number of Class B Shares in issue for the Reporting Period is 1.17%.

As at the date of this annual report, total number of Shares available for issue under the Post-IPO Share Option Scheme and the Post-IPO Share Award Scheme is 691,997,124, representing approximately 11.10% of the total number of issued Shares, comprising:

(i) 609,701,980 Shares which may be issued in respect of Options or RSUs to be granted under the Scheme Limit;

(ii) 1,691,345 Shares which may be issued upon exercise of outstanding Options; and

(iii) 80,603,799 Shares which may be issued in respect of outstanding RSUs.

REPORT OF DIRECTORS

EQUITY-LINKED AGREEMENTS

Other than the Pre-IPO ESOP, Post-IPO Share Option Scheme and Post-IPO Share Award Scheme, and 2027 Bonds and 2028 Bonds, 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 2023.

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.

Following the year ended December 31, 2023 and as at the date of this annual report, the Company repurchased a total of 44,131,100 Class B Shares (the "**Shares Repurchased**") on the Stock Exchange at the aggregate consideration of HK$3,199,839,636.20 before expenses. The repurchase was effected to benefit the Company and create value to its Shareholders. Particulars of the Shares Repurchased are as follows:

Month of Repurchase	No. of Shares Repurchased	Price Paid per Share Highest *(HK$)*	Price Paid per Share Lowest *(HK$)*	Aggregate Consideration *(HK$)*
January 2024	44,131,100	77.05	68.20	3,199,839,636.20
Total	44,131,100			3,199,839,636.20

All Shares Repurchased were subsequently cancelled on February 20, 2024. On the same date, Mr. Mu Rongjun, as a WVR beneficiary, simultaneously converted 4,248,771 Class A Shares into Class B Shares on a one-to-one ratio pursuant to Rule 8A.21 of the Listing Rules, such that the proportion of Shares carrying WVR shall not be increased, pursuant to the requirements under Rules 8A.13 and 8A.15 of the Listing Rules.

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 HongShan (formerly known as 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 HongShan (formerly known as Sequoia Capital China) participates in its day-to-day management.

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

PARTIALLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

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

Marketing and Promotion Services Framework Agreement

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

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 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-mile, 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. Tencent was a substantial shareholder of the Company during the period from January 1 to March 24, 2023, and therefore, a connected person of the Company during such period. On March 24, 2023, 958,121,562 Class B Shares were distributed by Tencent to its shareholders (the "**Tencent Distribution**"), after which Tencent ceased to be a substantial shareholder of the Company.

The annual cap payable by the Company to Tencent for the year ended December 31, 2023 is RMB1,830 million, while the actual transaction amount for the period from January 1, 2023 to March 24, 2023 is approximately RMB180 million[Note]. The annual cap payable by Tencent to the Company for the year ended December 31, 2023 is RMB90 million, while the actual transaction amount for the period from January 1, 2023 to March 24, 2023 is approximately RMB7 million[Note].

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 expired 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, 2023 is RMB690 million, while the actual transaction amount for the period from January 1, 2023 to March 24, 2023 is approximately RMB50 million[Note]. The annual cap payable by Tencent to the Company for the year ended December 31, 2023 is RMB120 million, while the actual transaction amount for the period from January 1, 2023 to March 24, 2023 is zero[Note].

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, 2023 is RMB3,840 million, while the actual transaction amount for the period from January 1, 2023 to March 24, 2023 is approximately RMB679 million[Note].

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.

Note: As the relevant parties to the transactions are no longer connected persons of the Company following the completion of the Tencent Distribution on March 24, 2023, the transaction amounts during 2023 as stated above were incurred prior to the completion of the Tencent Distribution.

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.

Details of related party transactions carried out in the normal course of business are set out in Note 38 to the consolidated financial statements. Save as disclosed above and payments of remuneration to certain Directors, which constitute continuing connected transactions fully exempt from the connected transaction requirements under Rule 14A.92 or Rule 14A.95 of the Listing Rules, no related party transactions disclosed in the consolidated financial statements constitutes a connected transaction or a continuing connected transaction as defined under Chapter 14A of the Listing Rules. During the Reporting Period, the Company has fully complied with the disclosure requirements under Chapter 14A of the Listing Rules.

REPORT OF DIRECTORS

NON-EXEMPT CONNECTED TRANSACTIONS

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

Reference is made to the announcement of the Company dated September 23, 2022, in which it was disclosed that, on September 23, 2022, an aggregate of 38,742 Award Shares in the form of RSUs were granted to independent non-executive Directors, namely Mr. Orr Gordon Robert Halyburton, Mr. Leng Xuesong and Dr. Shum Heung Yeung Harry (collectively, "**Connected Grantees**"), under the Post-IPO Share Award Scheme subject to the terms and conditions of the Post-IPO Share Award Scheme.

Amongst the 38,742 Award Shares in the form of RSUs granted to the Connected Grantees under the Post-IPO Share Award Scheme in September 2022, 9,684 existing Class B Shares were repurchased from the open-market to satisfy 9,684 RSUs vested in favour of the Connected Grantees. On May 25, 2023, the Board resolved to propose to issue an aggregate of 29,058 Class B Shares to the Connected Grantees upon vesting of the remaining RSUs. For further details, please refer to the announcements and circular of the Company dated September 23, 2022, May 25, 2023 and June 8, 2023, respectively.

Mr. Orr Gordon Robert Halyburton, Mr. Leng Xuesong and Dr. Shum Heung Yeung Harry are Directors. Therefore, they are connected persons of the Company at the issuer level. The proposed issue of Class B Shares to each of the Connected Grantees constitutes a non-exempt connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to reporting, announcement and the independent Shareholders' approval requirements. The proposed issue of Class B Shares was approved by independent Shareholders in the annual general meeting held on June 30, 2023.

PARTIALLY-EXEMPT CONNECTED TRANSACTIONS

Acquisition of the Entire Interest in Light Year

Unless otherwise indicated, capitalized terms used in this section shall have the same meaning as those defined in the announcement of the Company dated June 29, 2023.

On June 29, 2023, (i) the Offshore Buyer entered into the Offshore Share Purchase Agreement with, among others, Founder Seller, Qimai and SCC Growth VII Holdco, Ltd., and (ii) the Onshore Buyer entered into the Onshore Equity Transfer Agreement, to acquire the entire interest in Light Year. In August 2023, the said acquisitions have been completed, upon which, the consideration of approximately RMB1,675 million (equivalent to approximately US$234 million) have been paid and a total of approximately RMB1,675 million identifiable net assets (arrived after taking into account the cash position of approximately US$286 million offset by the Assumed Liabilities of approximately RMB367 million) have been acquired. Following completion of the aforesaid transactions, the Company held 100% interest in Light Year. For further details, please refer to the announcement of the Company dated June 29, 2023.

Light Year is a leading AGI innovator in the PRC, which was founded and previously controlled by Mr. Wang Huiwen, the co-founder of Meituan, a former director and a connected person of the Company. Each of Mr. Wang Xing and Mr. Neil Nanpeng Shen is a Director. Thus, each of (i) the Founder Seller, being an associate of Mr. Wang Huiwen; (ii) Qimai, being an associate of Mr. Wang Xing; and (iii) SCC Growth VII Holdco, Ltd., being an associate of Mr. Neil Nanpeng Shen, is a connected person of the Company at the issuer level. Accordingly, the Transfer Agreements and the transactions contemplated thereunder with these connected sellers constituted connected transactions of the Company under Chapter 14A of the Listing Rules.

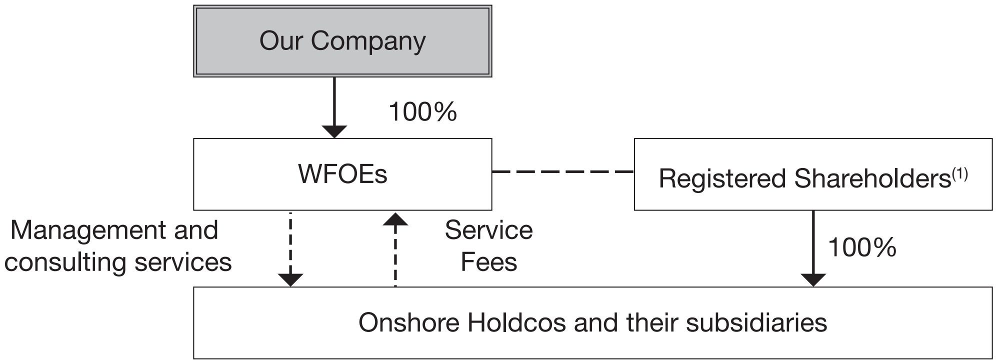
As the highest applicable percentage ratio (calculated in accordance with Rule 14.07 of the Listing Rules) in respect of the Connected Acquisitions, on an aggregated basis, exceeds 0.1% but is less than 5%, the Connected Acquisitions are subject to reporting and announcement requirements but are exempt from the circular and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

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) Beijing Kuxun Interaction; (iii) Shanghai Sankuai Technology; (iv) Meituan Finance; (v) Beijing Sankuai Cloud Computing; (vi) Beijing Xinmeida; (vii) Chengdu Meigengmei; (viii) Beijing Mobike; (ix) Beijing Sankuai Technology; and (x) Shanghai Hantao.

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

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

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

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

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

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

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

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

(ix) Beijing Sankuai Technology is owned by Wang Xing as to 50.97% and Mu Rongjun as to 49.03%; and

(x) 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) (2022 Version) and other laws and regulations. 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.

REPORT OF DIRECTORS

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.

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, 2023, 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 RMB13.0 billion for the year ended December 31, 2023, representing approximately 4.7% of the total revenue for the year of the Group. The total assets of the Onshore Holdcos and their respective subsidiaries amounted to RMB17.3 billion as of December 31, 2023, representing approximately 5.9% 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 Foreign Investment Access (Negative List) (2022 Version) and other laws and regulations. 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.

REPORT OF DIRECTORS

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

Risks Relating to the Contractual Arrangements

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

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

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

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

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

REPORT OF DIRECTORS

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

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

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

(b) no change without independent Shareholders' approval;

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

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

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

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

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

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

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

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

The Auditor has carried out review procedures in accordance with Hong Kong Standard on Assurance Engagements 3000 (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, 2023 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 their 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 RMB44 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.

REPORT OF DIRECTORS

PERMITTED INDEMNITY PROVISION

Under the Articles of Association, during the Reporting Period and up to the date of this annual report 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

Save for the Shares Repurchased following the end of the reporting period as disclosed on page 76, there were no other important events affecting the Company and its subsidiaries which occurred after December 31, 2023 and up to the date of this annual report.

AUDIT COMMITTEE

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

CORPORATE GOVERNANCE

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

SUFFICIENCY OF PUBLIC FLOAT

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

CLOSURE OF THE REGISTER OF MEMBERS

The Company will hold the AGM on June 21, 2024. The register of members of the Company will be closed from Tuesday, June 18, 2024 to Friday, June 21, 2024, 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 Monday, June 17, 2024.

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 IFRS Accounting Standards have been audited by PricewaterhouseCoopers. There has been no change in Auditors in preceding three years.

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 22, 2024

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE CULTURE AND PURPOSE

The Company is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects its belief that, to achieve its long-term objectives, it is imperative to act with probity, transparency and accountability. By so acting, the Company believes that Shareholder wealth will be maximised in the long term and that its employees, its business partners and the communities it operates in will all benefit.

Corporate governance is the process by which the Board instructs management of the Group to conduct its affairs with a view to ensuring that its objectives are met. The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure:

– satisfactory and sustainable returns to Shareholders;

– that the interests of those who deal with the Company are safeguarded;

– that overall business risk is understood and managed appropriately;

– the delivery of high-quality products and services meeting the satisfaction of customers; and

– that high standards of ethics are maintained.

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 C.2.1 described in the paragraph headed "Board of Directors – Chairman and Chief Executive Officer".

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries of all Directors, each of the Directors has confirmed that he has complied with the required standards as set out in the Model Code for the Reporting Period.

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

BOARD OF DIRECTORS

The Company is headed by an effective Board which assumes responsibility for its leadership and control and be collectively responsibility for promoting the Company's success by directing and supervising the Company's affairs. Directors take decisions objectively in the best interests of the Company.

The Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and regularly reviews the contribution required from a Director to perform his responsibilities to the Company and whether the Director is spending sufficient time performing them that are commensurate with their role and the Board responsibilities. The Board includes a balance composition of Executive Directors and Non-executive Directors (including Independent Non-executive Directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

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. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

CORPORATE GOVERNANCE REPORT

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 for the Reporting Period and relevant details are summarized as follows:

Name of Director	Participated in continuous professional development[1]
Executive Directors	
Wang Xing	A, B
Mu Rongjun	A, B
Non-executive Directors	
Wang Huiwen *(redesignated from an executive Director to a non-executive Director with effect from March 25, 2023, and resigned with effect from June 26, 2023)*	A, B
Neil Nanpeng Shen	A, B
Independent Non-executive Directors	
Orr Gordon Robert Halyburton	A, B
Leng Xuesong	A, B
Shum Heung Yeung Harry	A, B
Yang Marjorie Mun Tak *(appointed on June 30, 2023)*	A, B

Note:

(1) Type of continuous professional development
A: Attending training sessions, including but not limited to briefings, seminars, conferences and workshops;
B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications.

CORPORATE GOVERNANCE REPORT

Chairman and Chief Executive Officer

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

During the year ended December 31, 2023 and up to the date of this annual report, the composition of the Board comprised the following Directors:

Executive Directors
Mr. WANG, Xing *(Chairman of the Board and Chief Executive Officer)*
Mr. MU, Rongjun

Non-executive Directors
Mr. WANG, Huiwen *(redesignated from an executive Director to a non-executive Director with effect from March 25, 2023, and resigned with effect from June 26, 2023)*
Mr. SHEN, Nanpeng Neil

Independent non-executive Directors
Mr. ORR, Gordon Robert Halyburton
Mr. LENG, Xuesong
Dr. SHUM, Heung Yeung Harry
Ms. YANG, Marjorie Mun Tak *(appointed on June 30, 2023)*

During the Reporting Period and up to the date of this annual report, (i) Mr. WANG, Huiwen was redesignated from an executive Director to a non-executive Director with effect from March 25, 2023, and resigned as a non-executive Director with effect from June 26, 2023 and (ii) Ms. YANG, Marjorie Mun Tak was appointed as an independent non-executive Director with effect from June 30, 2023, and save as aforesaid, there has been no other 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.

Board Independence Evaluation

The Board has established mechanisms to ensure independent views and input are available to the Board. The Board ensures the appointment of at least three independent non-executive directors and at least one-third of its members being independent non-executive directors. Further, independent non-executive directors will be appointed to Board Committees as required under the Listing Rules and as far as practicable to ensure independent views and input are available. The Nomination Committee strictly adheres to the independence assessment criteria as set out in the Listing Rules with regard to the nomination and appointment of independent non-executive directors, and is mandated to assess annually the independence of independent non-executive directors to ensure that they can continually exercise independent judgement.

Independent Non-executive Directors

The Board's composition is in compliance with the requirement under Rules 3.10(1) and (2) and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive directors representing at least one-third of the Board and at least one of them have appropriate professional qualifications or accounting or related financial management expertise. 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 or her 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.

CORPORATE GOVERNANCE REPORT

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. Their appointment as a Director shall continue for a term of three years 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 9, 2021, Neil Shen Nanpeng entered into an appointment letter with the Company on similar terms for three years, and on March 25, 2023, Wang Huiwen entered into an appointment letter on similar terms, and he has been redesignated from an executive director to a non-executive director and subsequently resigned as a non-executive Director with effect from June 26, 2023, due to personal health reasons.

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 with automatic renewal 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, Mr. Orr Gordon Robert Halyburton, Mr. Leng Xuesong, and Dr. Shum Heung Yeung Harry entered into an appointment letter, respectively, with the Company for three years. On June 30, 2023, Ms. Yang Marjorie Mun Tak entered into an appointment letter with the Company on similar terms for three years.

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

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

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

Board Activity

The Board has met four 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	4/4					1/1
Mu Rongjun	4/4		1/1			1/1
Non-executive Directors						
Wang Huiwen *(redesignated from an executive Director to a non-executive Director with effect from March 25, 2023, and resigned with effect from June 26, 2023)*	2/2			1/1		
Neil Nanpeng Shen	4/4					1/1
Independent Non-executive Directors						
Orr Gordon Robert Halyburton	4/4	4/4			2/2	1/1
Leng Xuesong	4/4	4/4	1/1	1/1	2/2	1/1
Shum Heung Yeung Harry	4/4	4/4	1/1	1/1	2/2	1/1
Yang Marjorie Mun Tak *(appointed on June 30, 2023)*	2/2					

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

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

On June 30, 2023, the Company held its annual general meeting to consider and approve (i) the proposed election of an independent non-executive Director; (ii) the proposed re-election of Directors; (iii) the proposed granting of general mandate to issue and repurchase Shares; (iv) the proposed re-appointment of auditor; (v) the proposed amendments to the Post-IPO Share Option Scheme; (vi) the proposed amendments to the Post-IPO Share Award Scheme; (vii) the proposed amendments to the Articles of Association and the adoption of the Seventh Amended and Restated Memorandum and Articles of Association; and (viii) the proposed issue of Class B Shares to the connected grantees of RSUs. 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 30, 2023. 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 C1 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.

During the Reporting Period, the Audit Committee consisted of three independent non-executive Directors, namely Orr Gordon Robert Halyburton, Leng Xuesong, Shum Heung Yeung Harry. On March 22, 2024, Yang Marjorie Mun Tak was appointed as a member of the Audit Committee, and the Audit Committee currently consists of four independent non-executive Directors. Orr Gordon Robert Halyburton has been appointed as the chairman of the Audit Committee and is the independent non-executive Director with the appropriate professional qualifications.

During the Reporting Period, the Audit Committee met four times. Individual attendance of each Audit Committee member is set out on page 103. 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 2023 interim report;

(b) reviewing the Company's quarterly result announcements for the first quarter ended March 31, 2023 and the third quarter ended September 30, 2023, 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 C1 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.

CORPORATE GOVERNANCE REPORT

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 103.

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;

During the Reporting Period, the Remuneration Committee approved the grant of 25,721 RSUs to Ms. Yang Marjorie Mun Tak, and noted that (a) such grant which involves certain RSUs having a vesting period shorter than 12 months, is (i) consistent with previous customary practice of the Company in terms of equity-based remuneration to independent non-executive Directors, and (ii) in line with the purpose of attracting, motivating and retaining core talents of the Group; and (b) such grant without any performance-related elements attached is consistent with the previous customary practice of the Company in terms of equity-based remuneration to independent non-executive Directors.

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 C1 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.

After the resignation of Wang Huiwen on June 26, 2023, the Nomination Committee consists of two members, namely Leng Xuesong and Shum Heung Yeung Harry, the independent non-executive Directors. 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 has appointed one female director in June 2023. 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 103.

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;

(d) reviewing the proposed election of Ms. Yang Marjorie Mun Tak as an independent non-executive Director, and providing suggestions to the Board; and

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

CORPORATE GOVERNANCE REPORT

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 non-executive Director, Wang Huiwen and independent non-executive Directors, Orr Gordon Robert Halyburton and Leng Xuesong in the annual general meeting of the Company held on June 30, 2023. After due consideration of the aforesaid mentioned factors and the previous contributions of the independent non-executive Director, the Nomination Committee was satisfied that Wang Huiwen, Orr Gordon Robert Halyburton and Leng Xuesong would continue to bring valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning and diversity.

Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a Director Nomination Policy which sets out the selection criteria and nomination process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The nomination process set out in the Director Nomination Policy:

(i) The company secretary shall call a meeting of the Nomination Committee, and invite nominations of candidates from Board members if any, for consideration by the Nomination Committee prior to its meeting. The Nomination Committee may also put forward candidates who are not nominated by Board members.

(ii) For filling a casual vacancy, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation.

(iii) In order to provide information of the candidates nominated by the Board to stand for election at a general meeting, and to invite nominations from shareholders, a circular will be sent to shareholders. The circular will set out the lodgment period for shareholders to make the nominations. The names, brief biographies (including qualifications and relevant experience), independence, proposed remuneration and any other information, as required pursuant to the applicable laws, rules and regulations, of the proposed candidates will be included in the circular to shareholders.

(iv) A shareholder can serve a notice to the company secretary within the lodgement period of its intention to propose a resolution to elect a certain person as a Director, without the Board's recommendation or the nomination committee's nomination, other than those candidates set out in the shareholder circular. The particulars of the candidates so proposed will be sent to all shareholders for information by a supplementary circular.

(v) The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

Pursuant to the Director Nomination Committee, for assessing the suitability and the potential contribution to the Board of a proposed candidate, the Nomination Committee will consider, including but not limited to (i) reputation for integrity, (ii) accomplishment and experience in the internet industry, (iii) commitment in respect of available time and relevant interest, and (iv) diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

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 C1 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;

CORPORATE GOVERNANCE REPORT

(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 103.

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, 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.

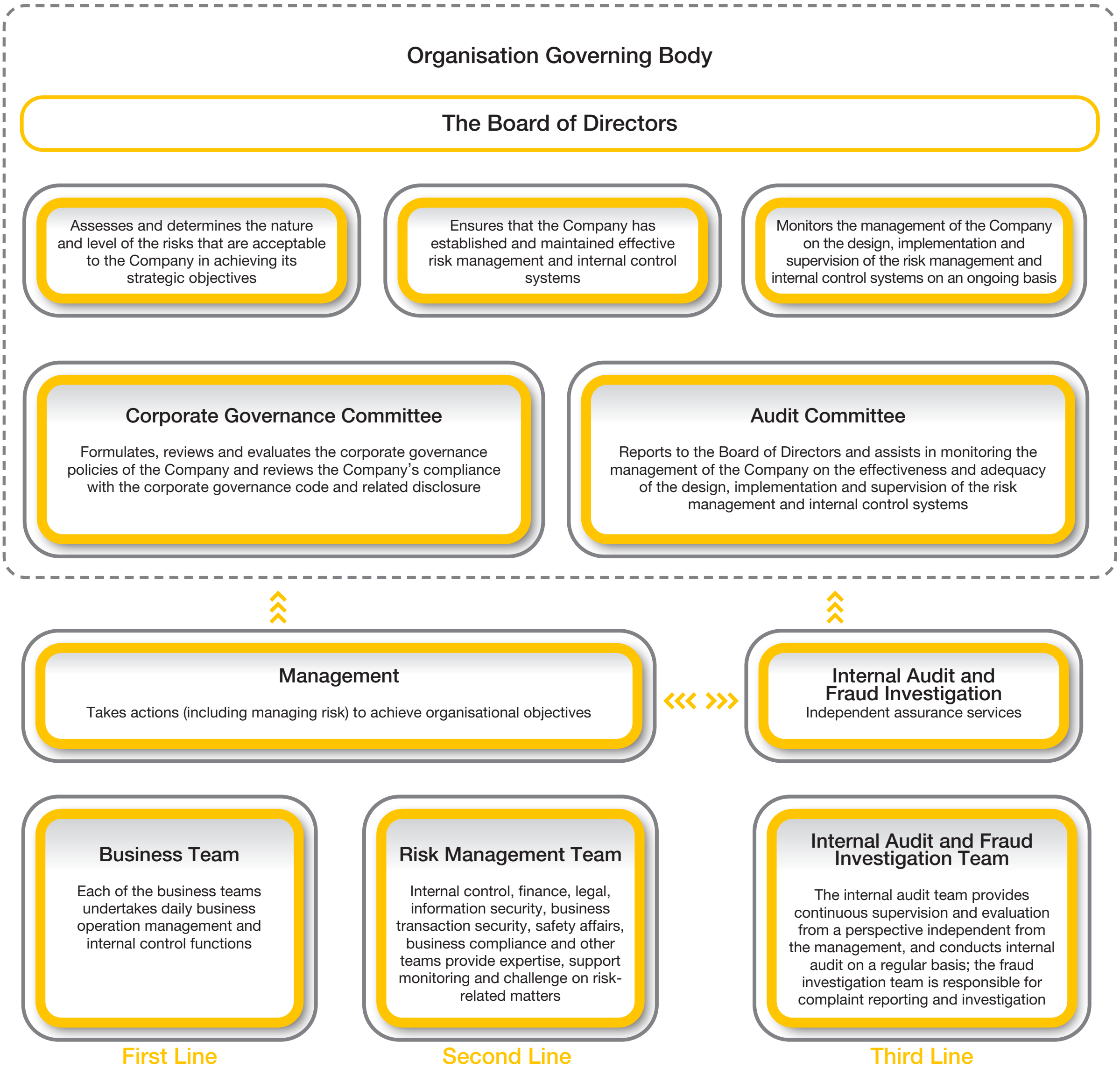
The Board acknowledges that it is the Board's responsibility to ensure that the Company has established and maintained adequate and effective risk management and internal control systems. The Board delegates its responsibility to the Audit Committee to review the practices of management with respect 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 (including ESG risks) 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
The Board of Directors
Assesses and determines the nature and level of the risks that are acceptable to the Company in achieving its strategic objectives
Ensures that the Company has established and maintained effective risk management and internal control systems
Monitors the management of the Company on the design, implementation and supervision of the risk management and internal control systems on an ongoing basis
Corporate Governance Committee
Formulates, reviews and evaluates the corporate governance policies of the Company and reviews the Company's compliance with the corporate governance code and related disclosure
Audit Committee
Reports to the Board of Directors and assists in monitoring the management of the Company on the effectiveness and adequacy of the design, implementation and supervision of the risk management and internal control systems
Management
Takes actions (including managing risk) to achieve organisational objectives
Internal Audit and Fraud Investigation
Independent assurance services
Business Team
Each of the business teams undertakes daily business operation management and internal control functions
Risk Management Team
Internal control, finance, legal, information security, business transaction security, safety affairs, business compliance and other teams provide expertise, support monitoring and challenge on risk-related matters
Internal Audit and Fraud Investigation Team
The internal audit team provides continuous supervision and evaluation from a perspective independent from the management, and conducts internal audit on a regular basis; the fraud investigation team is responsible for complaint reporting and investigation
First Line
Second Line
Third Line

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.

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 2023, 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 2022 still persist, albeit with an adjusted risk level. In particular, there is a certain increase in market competition and innovation risk and a slight decrease in compliance risk, while the other risk levels are mostly unchanged.

CORPORATE GOVERNANCE REPORT

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.

Market Competition and Innovation Risk

The internet and technology industry faces with keen competition from rapid market changes, the emergence of new business models and the entry of well-funded competitors, which may pose certain challenges to the achievement of the Company's business goals and maintaining sustainable and healthy business growth. In the meantime, the industry may undergo new changes and the Company's business model may be challenged as users increase their demand for innovation in services and products, and the innovation of AI related technologies and competition are becoming intensified.

The Company closely monitors the landscape of industry and market competition, and also attaches significant importance to the changing trends of user demand. The Company supports its establishment of strategies to address market competition risks through continuous in-depth analysis and research in the industry. The Company strives to consolidate its core competitiveness by continuously enhancing the diversity and quality of the platform's offerings, improving the operation efficiency and enhancing and improving the responsiveness, functionality and features of its mobile apps, websites and systems, and brings new value and experience to its users and partners by exploring emerging technology application scenarios. 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.

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, regulations and policies 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 or revised laws, regulations and policies by different regulatory authorities, such as regulations and policy documents relating to anti-monopoly, data protection, cybersecurity, IP, financial compliance, etc.

In the past year, the policy focus has been adjusted in line with the improvement of the compliance of the platform economy. The competition order in the platform economy has been improving steadily, and the business environment of the platform economy has been continuously optimized, benefiting from more emphasis on "enhancing the healthy development of the platform economy". On one hand, the compliance of platform enterprises has been continuously enhanced; on the other hand, the relevant laws and policies in the field of platform economy have been gradually refined, and more reliant on clear regulatory rules to guide and maintain a fair and orderly competitive market environment, making compliance requirements and regulatory expectations clearer and more stable. It is expected that the internet industry will maintain a normalized regulatory posture in the long run. 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, ensuring the healthy and compliant development of the business thereof.

Information Security Risk

Protection of user data and other related information is critical to the Company's business. The Standing Committee of the National People's Congress promulgated the Data Security Law and the Personal Information Protection Law in 2021. The above-mentioned laws have strengthened the security protection of data and personal information, and further refined and improved the basic principles and compliance requirements for data security management and personal information protection. The Company is strongly aware that 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. Therefore, the Company actively deploys compliance strategies to continuously improve its data security and personal information protection capabilities. Cyberspace regulatory authorities of China has issued the Provisions on the Administration of Algorithm-generated Recommendations for Internet Information Services, which established explicit requirements for the provision of Internet information services by applying recommendation algorithm technology. In accordance with the requirements, the Company proactively improved the lifecycle process of algorithms, enhanced the governance capacity of algorithm security, and finished the filing of 7 algorithm systems in total, such as scheduling decision-making, personalised recommendation and generation and integration.

The Board and the management of the Company place emphasis on information security risk management, and continue to improve the Company's data security and privacy protection management system. We have established a Data Compliance and Privacy Protection Committee to coordinate the Company's internal data compliance and privacy protection governance, including formulating management strategies, promoting and supervising the effective implementation of the strategies.

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, ISO 27018 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 emergency drill system is recognised by Ministry of Industry and Information Technology and awarded the outstanding project award.

The Company's Audit Committee also reviews the cybersecurity updates regularly to provide suggestions and recommendations on the compliance with information security compliance requirements and 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 meetings in the first and fourth quarter and reviewed the latest regulatory requirements of cyber security and compliance process of the Company.

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 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; and (iii) supporting and facilitating the leadership role of its management, stimulating its employees' full potential and promoting personal development among its employees.

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

Internal Control

Based on the Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organisations ("**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.

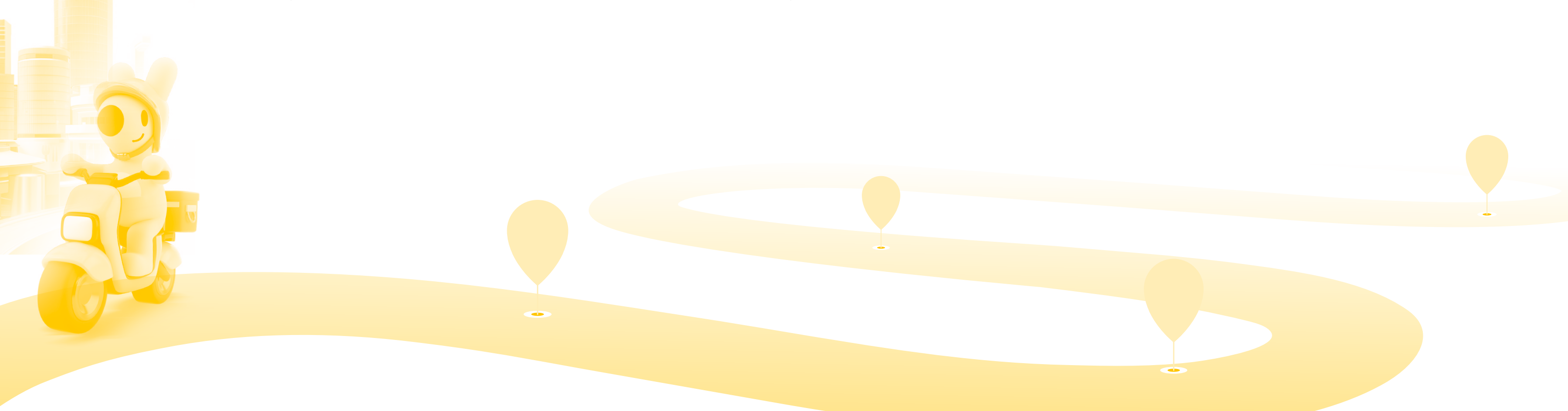
The Audit Committee is delegated to monitor the implementation of the risk management policies across the Company on an ongoing basis in order to ensure that the internal control system is effective in identifying, managing and mitigating risks in its business operations.

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.

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 promote risk management level and (iii) promote risk awareness throughout the Company. Apart from its internal control department, the Company has also established different functional divisions 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 fundamental 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 management, conducts study on regulations, policies and industry trend, optimizes the internal control policy of food safety, guides and supervises the implementation of food safety laws and regulations requirements and internal compliance measures in all food business segments, and enables partners such as merchants and suppliers to jointly control and mitigate food safety risks; (iii) the internet finance compliance department is responsible for the compliance risk management of the internet finance business; by analyzing rules and regulations and the regulatory environment, it provides guidance and support to each finance business line to implement rules, regulations and financial regulatory requirements, 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 user privacy, and it periodically reports to the Audit Committee.

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

Effectiveness of Risk Management and Internal Control

The Audit Committee, on behalf of the Board, continuously reviews the risk management (including ESG risks) 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.

CORPORATE GOVERNANCE REPORT

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 30, 2023. Notice of the meeting was sent to the Shareholders on June 8, 2023, at least 21 calendar days before the meeting. The chairman of the Board and the chairman of each of the Audit Committee, the Corporate Governance Committee, the Nomination Committee and the Remuneration Committee attended the annual general meeting and were available to answer any questions raised by the Shareholders. A representative of the Auditor also attended the meeting to answer any questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.

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

The Company's management regularly reviewed the implementation and effectiveness of these shareholder communication channels in 2023. Having compared the implementation and outcome of the shareholder communication channels of the Group with that of the other listed issuers who principally engage in comparable industry, and their effectiveness was confirmed.

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.

CORPORATE GOVERNANCE REPORT

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address:	Block B&C, Hengjiweiye Building, No. 4 Wang Jing East Road, Chaoyang District, Beijing, People's Republic of China (For the attention of the Investor Relations Department)
Email:	ir@meituan.com

For the avoidance of doubt, Shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address, apart from the registered office of the Company, and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

SHAREHOLDERS' COMMUNICATION POLICY

The Company has in place a Shareholders' Communication Policy. The policy aims at promoting effective communication with Shareholders and other stakeholders, encouraging Shareholders to engage actively with the Company and enabling Shareholders to exercise their rights as Shareholders effectively. The Board reviewed the implementation and effectiveness of the Shareholders' Communication Policy and the results were satisfactory.

The Company has established a number of channels for maintaining an on-going dialogue with its Shareholders as follows:

(a) Corporate Communication

"Corporate Communication" as defined under the Listing Rules refers to any document issued or to be issued by the Company for the information or action of holders of any of its securities, including but not limited to the following documents of the Company: (a) the Directors' report, annual accounts together with a copy of the auditor's report and, where applicable, its summary financial report; (b) the interim report and, where applicable, its summary interim report; (c) a notice of meeting; (d) a listing document; (e) a circular; and (f) a proxy form. The Corporate Communication of the Company will be published on the Stock Exchange's website (www.hkex.com.hk) in a timely manner as required by the Listing Rules. Corporate Communication will be provided to Shareholders and non-registered holders of the Company's securities in both English and Chinese versions or where permitted, in a single language, in a timely manner as required by the Listing Rules.

(b) **Announcements and Other Documents pursuant to the Listing Rules**

The Company shall publish announcements (on inside information, corporate actions and transactions etc.) and other documents (e.g. Memorandum and Articles of Association) on the Stock Exchange's website in a timely manner in accordance with the Listing Rules.

(c) **Corporate Website**

Any information or documents of the Company posted on the Stock Exchange's website will also be published on the Company's website (about.meituan.com).

(d) **Shareholders' Meetings**

The annual general meeting and other general meetings of the Company are the primary forum for communication between the Company and its Shareholders. The Company shall provide Shareholders with relevant information on the resolutions(s) proposed at a general meeting in a timely manner in accordance with the Listing Rules. The information provided shall be reasonably necessary to enable Shareholders to make an informed decision on the proposed resolution(s). Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at the meetings for and on their behalf if they are unable to attend the meetings. Where appropriate or required, the Chairman of the Board and other Board members, the chairmen of board committees or their delegates, and the external auditors should attend general meetings of the Company to answer Shareholders' questions (if any).

(e) **Shareholders' Enquiries**

Enquiries about shareholdings

Shareholders should direct their enquiries about their shareholdings to the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, by Online Feedback at https://www.computershare.com/hk/en/online_feedback or calling its hotline at 2862 8555, or going in person to its public counter at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

Enquiries about Corporate Governance or Other Matters to be put to the Board and the Company

The Company will not normally deal with verbal or anonymous enquiries. Shareholders may send written enquiries to the Company, for the attention of the Board by mail to Block B&C, Hengjiweiye Building, No. 4 Wang Jing East Road, Chaoyang District, Beijing 100102, China.

AMENDMENTS TO CONSTITUTIONAL DOCUMENTS

Upon the Shareholders' approval on June 30, 2023 at the AGM, the Company has adopted the Seventh Amended and Restated Memorandum of Association and Articles of Association for the purpose of, among others, bringing the then-existing Articles of Association in line with the Core Shareholder Protection Standards set out in Appendix 3 to the Listing Rules and the applicable laws of the Cayman Islands, and providing flexibility to the Company in relation to the conduct of general meetings (to hold virtual meetings) and other house-keeping amendments that are consistent with such amendments and the applicable laws and the Listing Rules; and to incorporate and consolidate other amendments to the Memorandum of Association passed at previous annual general meeting(s) of the Company. A summary of the major changes made to the Seventh Amended and Restated Memorandum and Articles of Association are set out below. For further details, please refer to the announcement of the Company dated March 24, 2023 and the circular of the Company dated June 8, 2023.

- To provide that an annual general meeting of the Company shall be held in each financial year and to be held within six (6) months after the end of its financial year, and removing any exception no longer applicable to the Company;

- to provide that the minimum stake required for members to requisition an extraordinary general meeting and to add resolutions to a meeting agenda, being not less than one-tenth of the voting rights of the Company, is on a "one vote per share" basis;

- to codify the rights of a Shareholder holding any Class A Share(s) to convert into any Class B Share(s) on a voluntary basis;

- to allow the participants of general meetings to virtually attend, participate and vote by means of specified conferencing application and/or communication facilities and to make corresponding amendments on the related proceedings and procedures as regards the general meetings of the Company;

- to remove the requirement that the board of Directors consist of less than one-half of independent non-executive Directors;

- to provide that the Company may by special resolution resolve that the Company be wound up voluntarily;

- to codify the requirement that, unless the Directors otherwise prescribe, the financial year of the Company shall end on December 31 in each year;

- to clarify that all Shareholders have the right to speak at general meetings of the Company except where the Shareholder is required by the Listing Rules to abstain from voting; and

- to make other house-keeping amendments to update or clarify provisions considered by the Board to be necessary or desirable to comply with or better align with the wording and requirements of the applicable laws of the Cayman Islands and the Listing Rules.

ADDITION OF THE RMB COUNTER

The launch of the RMB counter for trading in the Class B Shares on the Stock Exchange has taken effect from 9:00 a.m. on June 19, 2023. The Chinese stock short name for trading in the Class B Shares under the RMB counter is "美团-WR". The English stock short name for trading in the Class B Shares under the RMB counter is "MEITUAN-WR". The stock code of the Company on the RMB counter is "83690" and the board lot size for trading in the Class B Shares under the RMB counter remains the same as that for the HKD counter, being 100 Class B Shares. For further details, please refer to the announcements of the Company dated April 28, 2023 and June 6, 2023, respectively.

JOINT COMPANY SECRETARIES

Ms. 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. Ms. Xu Sijia has been appointed to succeed Mr. 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 Ms. Lau Yee Wa, a director of corporate services division of Tricor Services Limited, as the other joint company secretary to assist Ms. Xu Sijia to discharge her duties as a company secretary of the Company. Ms. Lau Yee Wa's primary contact person at the Company is Ms. Xu Sijia.

For the year ended December 31, 2023, Ms. Xu Sijia and Ms. 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, 2023.

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, 2023 are set out below:

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

CORPORATE GOVERNANCE REPORT

The Company's compensation policy is to ensure that the remuneration offered to employees, including Directors and senior management, is based on skill, knowledge, responsibilities and involvement in the Company's affairs. The remuneration packages of executive Directors are also determined with reference to the Company's performance and profitability, the prevailing market conditions and the performance or contribution of each executive Director. The remuneration for the executive Directors comprises basic salary, pensions and discretionary bonus. The remuneration policy for non-executive Directors and independent non-executive Directors is to ensure that non-executive Directors and independent non-executive Directors are adequately compensated for their efforts and time dedicated to the Company's affairs, including their participation in Board committees. The remuneration for the non-executive Directors and independent non-executive Directors mainly comprises Director's fee which is determined with reference to their duties and responsibilities by the Board. Individual Directors and senior management have not been involved in deciding their own remuneration.

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, 2023, and are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

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

AUDITOR'S REMUNERATION

The remuneration for the audit and non-audit services provided by the Auditor to the Group during the year ended December 31, 2023 was approximately as follows:

Type of Services	Amount (RMB'000)
Audit and audit-related services	32,197
Non-audit services(1)	2,434
Total	34,631

Note:

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

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.

DIVIDEND POLICY

The Company has adopted a Dividend Policy on payment of dividends. The Company do not have any pre-determined dividend payout ratio. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out in the Dividend Policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the Shareholders' approval.

DIVERSITY

The Company is committed to promoting 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.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

* The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

* The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

CORPORATE GOVERNANCE REPORT

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. The Company had appointed Ms. Yang Marjorie Mun Tak to the Board on June 30, 2023. For more details, please refer to the section headed "Corporate Governance Report – Board Committees – Nomination Committee" in this annual report. In 2023, we hired 114,860 employees, of which 72,225 were male and 42,635 were female. The gender ratio in the workforce (including senior management) was approximately 17 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.

GENDER DIVERSITY

The Company values gender diversity across all levels of the Group. The following table sets out the gender ratio in the workforce of the Group, including the Board and senior management as at the date of this Annual Report:

	Female	Male
Board	14.29% (1)	85.71% (6)
Senior Management (as listed in this Annual Report)	0% (0)	100% (5)
Other employees	37.12% (42,635)	62.88% (72,220)
Overall workforce	37.12% (42,635)	62.88% (72,225)

Details on the gender ratio of the Group together with relevant data can be found in the Environmental, Social and Governance Report on pages 131 to 199 of this annual report.

REPORT OVERVIEW

Meituan (hereinafter referred to as "the Company", "Company" or "We") prepared this report in accordance with *Appendix C2 Environmental, Social and Governance Reporting Guide* in *Listing Rules of* the Stock Exchange of Hong Kong Limited, and upholds the principles of materiality, quantitative, balance, and consistency.

We proactively engaged with key stakeholders and gathered insights into their concerns regarding environmental, social and governance (ESG) issues. These ESG issues were prioritised and addressed in the report according to their materiality, as discussed in chapters "Stakeholder Engagement" and "Materiality Assessment". Quantitative information was used to reflect environmental and social key performance indicators (KPIs) for reliable evaluation and validation. The criteria for quantification, methodologies, assumptions, and/or calculation tools for KPIs, as well as the sources of conversion factors, were indicated and explained when necessary. The statistical approach for disclosing information in this report remains consistent with previous years. Any specific changes made in the report were justified and accompanied by explanations for their inclusion.

This report aims to present our ESG performance in 2023 on an objective, fair, and balanced basis. It is recommended to read the governance section in conjunction with the "Corporate Governance Report" included in this annual report.

Unless otherwise specified, the scope of this report is the ESG performance of businesses directly operated and managed by the Company. The reporting period for this report is from January 1, 2023 to December 31, 2023.

BOARD STATEMENT

The Board takes full responsibility for the Company's ESG strategy and reporting. The Board's Audit Committee assists in overseeing ESG issues. The ESG Governance Team is responsible for routine management of ESG issues and provides guidance on ESG practices. The ESG Execution Team, which consists of key members from major business and functional departments, coordinates and implements ESG initiatives, and periodically reports the progress to the management and governance teams. The Board, the responsible management, and the execution team participate in ESG training programs annually, including climate change action, information security and privacy protection, anti-corruption, etc., to enhance their expertise in ESG and keep up with the latest trends in the field.

The Company conducts materiality assessments to understand key ESG issues of stakeholders' interest and develops and integrates ESG management strategies into daily operations and management. The Board participates in assessing and prioritising key ESG issues and reviews ESG management strategies on a regular basis to evaluate their potential impact on the Company's overall strategy. In 2023, the Company made continuous efforts and achieved progress on key ESG issues such as climate change action, management and protection of couriers, Meituan Food Delivery environmental protection action in the industry, environmental management of data centres, and information security and privacy protection.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Company recognises the significant impact that ESG-related risks and opportunities could potentially have and thus incorporates them into our risk management system. The Board oversees the assessment of ESG-related risks and opportunities and ensures the establishment of an appropriate and effective ESG risk management and internal supervision system. This year, the Company established an internal process to identify, assess, and manage climate-related risks and opportunities. We carried out risk identification, assessment, and management for ESG issues, such as business compliance, information security, and human resource management. For detailed information, please refer to the "Climate Change Action" section in this report and the "Corporate Governance Report-Risk Management and Internal Control" section in the annual report.

The Company has set ESG goals associated with business operations, including environmental targets, such as energy conservation, water conservation, and waste management within the workplace. The Board regularly reviews the progress of these targets.

OUR VALUES AND ESG MANAGEMENT

As our mission is "we help people eat better, live better", we adhere to the values including "customer-centric", "integrity", "win-win cooperation", and "striving for excellence".

Based on the Company's mission and values, we enhance the integration of bellowing ESG visions and our business practices and strategic planning:

1. *Environment:*

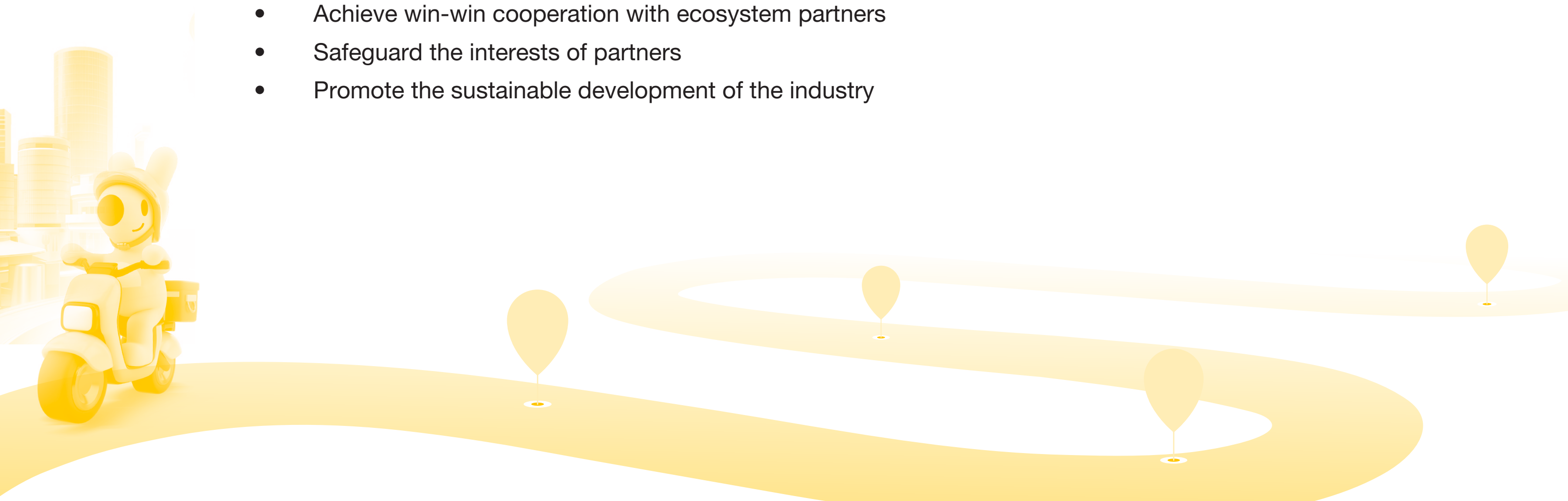
   - Advocate green consumption
   - Promote the harmonious coexistence of corporate development and environmental sustainability
   - Promote the industry's capacity for environmental protection

2. *Customers:*

   - Be customer-centric
   - Strive for excellence, continuously improve, and build a positive reputation among customers
   - Create more value in people's life

3. *Partners:*

   - Achieve win-win cooperation with ecosystem partners
   - Safeguard the interests of partners
   - Promote the sustainable development of the industry



4. *Operation:*

- Maintain integrity
- Protect employee's rights and benefits
- Facilitate talent development

5. *Community:*

- Support solving more social issues
- Create greater social value
- Advocate for community participation in public service activities

ESG Governance

To enhance the implementation of our ESG management strategies and strengthen our competence in sustainable development, we have established a three-tier ESG governance structure of "Governance-Management-Execution" and documented rules that outline the responsibilities and duties of each tier when facilitating our ESG work. The purpose of this governance structure is to support the long-term administration of ESG within the Company and facilitate collaboration with stakeholders.

Governance

The Board of Directors serves as the highest decision-making body in ESG management. It participates in assessing and prioritising key ESG issues and holds overall responsibility for ESG strategies and reporting. It authorises the Audit Committee to supervise ESG management and receives regular updates from the committee regarding significant ESG-related matters.

The Audit Committee is responsible for supervising ESG matters. It evaluates the Company's ESG related strategies, frameworks, principles, and policies, and assesses and supervises the Company's relevant practices. It also monitors the establishment and progress of the Company's ESG goals and provides updates to the Board on these matters.

Management

Consisted of key members from major business and functional departments, the ESG Governance Team is established to manage ESG matters. It is responsible for reviewing ESG strategies, frameworks, principles, and policies of the Company, providing guidance on ESG practices, regularly assessing progress towards ESG goals, and participating in specialised trainings on ESG topics.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Execution

Comprised of representatives from major businesses and functional departments, the ESG Execution Team facilitates the execution of management strategies and realisation of ESG goals. It is tasked with conducting ESG materiality assessment, incorporating ESG risk management into daily risk control processes, organising ESG-focused trainings to raise awareness among employees at different levels and in different roles, conducting specialised research on critical ESG issues such as the impact of climate-related risks and opportunities, and regularly reporting to the Company's management and governance bodies.

Stakeholder Engagement

We actively listen and respond to the demands of stakeholders. In line with the *Environmental, Social and Governance Reporting Guide*, we identified the key stakeholders and collected their main concerns through various communication channels.

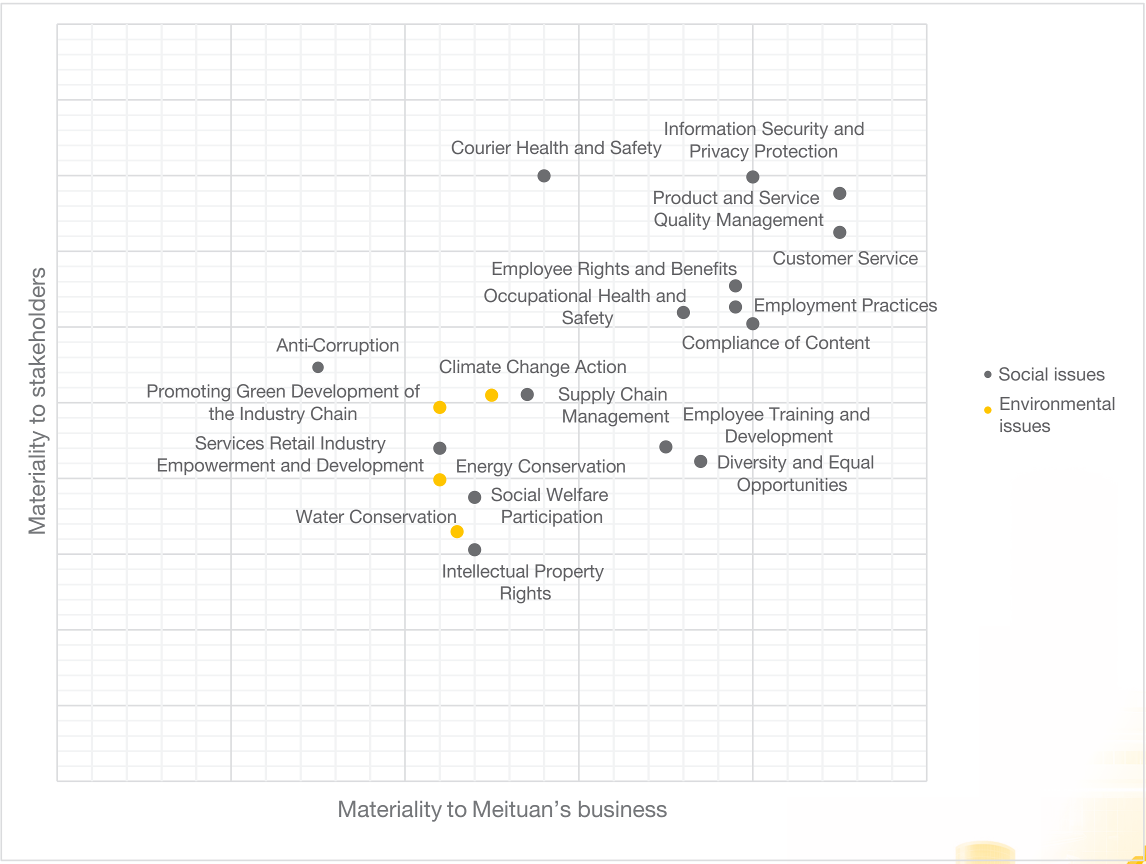
The main stakeholders identified, ESG concerns collected, and communication channels used are listed as follows.

Main stakeholders	Main ESG concerns	Main communication channels
Government and regulatory bodies	Product and Service Quality Management, Anti-Corruption, Compliance of Content, Employment Practices, Courier Health and Safety, Information Security and Privacy Protection, Climate Change Action, Services Retail Industry Empowerment and Development, and Intellectual Property Rights	Policy consultation, incident reporting, visitor reception, information disclosure, and participation in government meeting
Shareholders and investors	Courier Health and Safety, Information Security and Privacy Protection, Employee Training and Development, Product and Service Quality Management, and Anti-Corruption	Shareholder meeting, earnings release, annual report, interim report, official website, communication meeting, and email communication
Employees	Employment Practices, Employee Rights and Benefits, Employee Training and Development, Occupational Health and Safety, Diversity and Equal Opportunities, Product and Service Quality Management, and Social Welfare Participation	HR helpdesk, employee engagement meeting, social media and in-person meeting, and communication hotline
Customers	Product and Service Quality Management, Information Security and Privacy Protection, and Customer Service	Online platform, customer service hotline, social media, and information disclosure
Platform merchants	Customer Service, Services Retail Industry Empowerment and Development, and Product and Service Quality Management	Online platform, customer service hotline, merchant meeting, and merchant inspection

Main stakeholders	Main ESG concerns	Main communication channels
Suppliers	Supply Chain Management, Product and Service Quality Management, Anti-Corruption, and Information Security and Privacy Protection	Supplier inspection and supplier meeting
Media and non-governmental organisations	Courier Health and Safety, Product and Service Quality Management, Customer Service, Promoting Green Development of the Industry Chain, Energy Conservation, Services Retail Industry Empowerment and Development, and Water Conservation	Social media, official website, press conference, information-sharing meeting, and dedicated customer service
Couriers	Courier Health and Safety, Customer Service, and Product and Service Quality Management	Courier feedback session and grievance, and complaint hotline

Materiality Assessment

In 2023, through engaging in ongoing communication with key stakeholders and taking the business impact analysis of ESG issues into account, we conducted a materiality assessment as a reference for our action planning and report preparation. The result of our materiality assessment is presented in the following figure, and each issue identified will be discussed in detail in this report.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENT

We remain committed to actively practicing environmental protection and the concept of green operation by proactively identifying and managing major environmental risks and striving to minimise the impact of our operation on the environment. We also aim to promote the green development of the industry value chain and enhance the overall capacity and performance of environmental management in the industry.

Practising Green Operations

We strictly abide by environmental laws and regulation, such as *Environmental Protection Law of the People's Republic of China* and *Law of the People's Republic of China on Energy Conservation*. Authorised directors from relevant departments are designated to supervise the Company's environmental management. They constantly drive the implementation of specific initiatives related to environmental management and green operation in our daily office and business operations.

Green Workplace

The main resources consumed in our workplaces are electricity, water, and paper. Major types of waste we generated include domestic waste, electronic waste, fluorescent tubes, batteries, toner cartridges, and ink cartridges. We have established a workplace environmental management team, led by the management. With the participation of relevant departments, the team is responsible for promoting energy and resource conservation measures and ensuring compliant disposal of all types of waste.

We continue enhancing our energy conservation performance by improving electrical equipment management, exploring new energy-saving technologies, and raising awareness of energy conservation:

- Improve electrical equipment management: We conduct regular inspections of office workplaces to avoid leaving lights on in unoccupied areas, and we shut down non-essential equipment in offices and washrooms during off-hours. We have implemented a monitoring mechanism to track monthly and quarterly workplace electricity consumption. We collect real-time energy consumption data of selected office areas through the online energy management system to detect abnormal conditions and conduct timely evaluation and control.

- Explore new energy-saving technologies: We expand the use of energy-saving LEDs and replace manual switches with sound-activated ones to shorten the duration of illumination. We also install centralised control systems for air conditioning in selected meeting rooms and cafeterias.

- Raise awareness of energy conservation: We set up energy-saving reminders and labels next to thermostats and switch panels to raise employees' awareness of energy conservation in workplaces.

To reduce paper use and water consumption, we install sensor taps for selected office areas and set up related signs to promote water and paper conservation throughout our workplaces. Double-sided printing mode is set as default for all printers in our offices to realise the efficient use of paper.

In terms of waste treatment, we strictly follow local authorities' requirements in our areas of operation. In all headquarter offices, dustbins are categorised to collect different types of waste. Hazardous waste from our offices, such as fluorescent tubes, batteries, toner cartridges, and ink cartridges, is collected separately and handed over to qualified agencies for further treatment. 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, such as obsolete computers, monitors, telephones, and projectors, we have formulated an internal processing procedure for centralized management and hand the waste over to professional institutions for harmless disposal and recycling. We classify the garbage generated in the cafeteria as kitchen waste, recyclable waste, and other waste. Kitchen waste is collected by a designated waste removal company and transported to a waste treatment centre for composting, biogas fermentation, and other methods of conversion into fertilizer or energy. Recyclable waste and other types of waste are handed over to property management companies of the leased park for further treatments.

Environmental Management in Retail Businesses

We integrate energy-saving technologies into our cold chain management, logistics management, and warehouse network planning to promote precision operations, reduce resource consumption, and improve resource efficiency in our retail business.

- Cold chain management: We took various measures to continuously promote environmental-friendly transformations in our cold chain operations, including (i) resource circularity and reuse: replacing single-use dry ice with reusable ice packs. Recycling turnover materials to reduce the use of disposable materials; (ii) reduction by design: optimising the design of disposable packaging materials such as containers for fruits and vegetables and single-use plastic bags, as well as circulating baskets and transportation trays, while ensuring performance or functionality requirements; (iii) energy conservation and emissions reduction: implementing refined onsite management of electric appliance and optimise lighting strategies. Employing intelligent equipment with early warning functions to monitor temperature, humidity, and door curtain closure status to conduct real-time monitor of cold storage status and improve operation efficiency; and (iv) introduction of refrigerant freezing racks: replacing plastic baskets and cage trolleys with refrigerant freezing racks to improve freezing efficiency.

- Logistics management: We adopt several measures to promote energy saving and emissions reduction through precision operations and the use of new energy vehicles (NEVs): (i) precision operations: monitoring vehicle loading rate and quantity during routine operations to reduce vehicle operations. Performing regular maintenance to ensure optimal performance of vehicles. Optimising the efficient use of fuel consumption based on different vehicle models; (ii) use of NEVs: actively cooperating with companies offering new energy vehicle leasing services to increase the proportion of new energy vehicle usage; and (iii) use of environmentally friendly materials: applying degradable plastic bags or non-woven bags in multiple cities across the country.

- Warehouse network planning: We continuously optimise warehouse layout, improve inventory level, and enhance resource utilisation efficiency to reduce carbon emissions and energy consumption. In particular, we take several measures, including (i) optimisation of warehouse site selection: assessing product demand of merchants and consumers and conducting research on location and layout of warehouses to shorten the transportation distance from warehouse to merchants and consumers, and further reduce the carbon emissions arising from transportation; (ii) in-warehouse handling efficiency improvement: applying double-sided loading and unloading stations and multi-layer storage racks to improve the efficiency of in-warehouse operations and reduce the frequency of goods delivery; (iii) inventory turnover improvement: identifying category differences and optimisation opportunities. Continuously optimising inventory turnover and reducing energy consumption of commodity circulation through improving forecast accuracy, strengthening supplier performance management, promoting standardisation of ordering and inventory management; and (iv) turnover equipment utilisation improvement: using PP plastic turnover boxes and other recyclable turnover equipment to reduce the use of single-use materials, such as plastic bags and cartons.

Environmental Management of Power Banks

While providing consumers with convenient charging services, we also strive to minimise the environmental impact of our power banks throughout their entire lifecycle by considering factors like product service life, resource utilization efficiency, and the use of environmentally friendly materials.

- Design phase: We focus on product service life and energy conversion efficiency. We adopt product design schemes with high-energy conversion efficiency and select high-performance electronic components to reduce energy loss during charging and discharging processes.

- Production phase: In terms of product manufacturing, we have established detailed environmental and quality management requirements, and fully examined the qualifications of our production suppliers, including ISO 9001 quality management system certification and ISO 14001 environmental management system certification. Also, we have established a mechanism for our production supplier onboarding audit and daily and annual audits to control the environmental impact and quality risks. In terms of raw material selection, we strictly control the use of hazardous substances, such as lead and mercury. By the end of 2023, our power bank products are all in compliance with the European Union's RoHS Directive[1].

- Operation and maintenance phase: We continue optimising the distribution and management of charging station through analysing the utilisation of power banks in deployment areas to avoid resource wastage due to redundant placement. We recycle worn-out power banks and hand them over to qualified recycling and processing companies to ensure proper end treatments.

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1 RoHS Directive refers to EU's *Directive 2011/65/EU on the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment (Restriction of Hazardous Substances)*, which aims to standardise the materials and manufacturing processes of electronic and electrical products, and eliminate the use of lead, mercury, cadmium, and hexavalent chromium in such devices.

Environmental Management of Data Centres

The Company does not yet have its own data centre. We actively responding to the policy guidance such as the *Guiding Opinions on Strengthening the Construction of Green Data Centres*, and attach importance to environmental protection and low-carbon operations of the leased data centres.

To enhance the environmental management of our leased data centres, we take actions to optimise location selection, define onboarding standards, implement the management requirements for the full-life cycle, and explore the use of renewable energy.

- Optimise location selection: In response to the national strategy of "East-to-West Computing Resources Transfer" project, we keep working to optimise our geographical deployment of data centres. Four regional computational clusters have been formed based on the latency feature of our businesses. We expand the capacity of our existing data centres in Beijing, Shanghai, Zhongwei, and other areas, while the recent-deployed large-scale data centre in Huailai, Hebei is largely customised to meet our business demands for efficient data storage and data call in different business scenarios. Moreover, according to the national standard *Maximum Allowable Values of Energy Efficiency and Energy Efficiency Grades for Data Centres*, we gradually decommission data centres with low energy efficiency. In 2023, we stopped using three data centres of this kind.

- Define onboarding standards: We prioritise the leasing of eco-friendly data centres and consider various factors related to the inner spatial arrangement and operation of leased data centre, including environmental impacts, resource consumption, renewable energy utilisation, and regional climate conditions. In addition, we require data centre suppliers to obtain certification such as ISO 9001 quality management system certification, ISO 20000 IT service management system certification. We also review and assess data centres' environmental impact assessment reports and energy-saving assessment reports.

- Implement the management requirements for the full-life cycle: We propose appropriate management requirements for data centre suppliers in construction, operation, and decommissioning. During the construction phase, we require data centre suppliers to select eco-friendly materials and fill in the Standardised Manual on Safe and Courteous On-Site Construction and the Manual on Hazardous Waste Management. These measures aim to refine the management tasks related to waste sorting, collection, storage, and recycling at the construction site. During the operation phase, we conduct quarterly inspections of the on-site environment of data centres. We regularly inspect the water quality of the circulating water system in data centres, publicise the requirements for the final treatment of pollutants, and ensure routine management and compliant disposal of hazardous waste such as waste batteries. During the decommissioning phase, suppliers are required to scrap and recycle servers in accordance with the regulations.

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- Explore the use of renewable energy: Our leased data centre in Zhongwei is now completely powered by renewable energy. Through advanced structural design, temperature control, heat recovery, and other technical means, it has achieved a continuous control and reduction of power usage effectiveness (PUE). Furthermore, we actively discussed the possibility of utilising Distributed Photovoltaics (DPV) with data centre suppliers. In 2023, we installed rooftop photovoltaic panels in our data centres in Beijing and Shanghai to power the lighting in the server rooms and the auxiliary power areas.

In 2023, by implementing the aforementioned environmental protection measures, we successfully reduced the overall average PUE of our data centres in Beijing, Shanghai, and Zhongwei to 1.25, with that of some areas even lowered to 1.1, which is superior to the industry average.

Promoting Green Development of the Industry Chain

We pay attention to the environmental impacts of the value chain of our business and proactively seek solutions to promote green development of the value chain.

Meituan Food Delivery Environmental Protection Action in the Industry

We actively implement various environmental protection actions in response to the laws and regulations and the 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,* the *Action Plan for Plastic Pollution Control of the 14th Five-Year Plan*, the *Anti-Food Waste Law of the People's Republic of China*, the *Implementation Plan on Promoting Green Consumption*, and the *Administrative Measures for the Use and Reporting of Disposable Plastic Products by Business Operators*.

Meituan Food Delivery has launched the "Lush Mountain Project" since 2017 as the food delivery industry's first action plan to focus on environmental protection. "Lush Mountain Project" aims to promote the low-carbon society transformation through building a green and low-carbon consumption ecosystem in cooperation with the entire food delivery industry and consumers. We formulate short, medium, and long-term goals and plans around green environmental protection, and carry out environmental protection work through four modules, including Green Packaging, Low-Carbon Ecology, Green Tech, and Green Charity. In 2023, on the basis of our vision of "Better Life, Better Nature", we focused on developing low-carbon alternatives for our business on all platforms, collaborating with our ecosystem partners for sustainable development, and exploring the way of harmonious coexistence between human and nature, and continued strengthening our investment in the four modules.

Green Packaging

We actively cooperate with industry associations, manufacturers, catering merchants, and research institutions to carry out food delivery green packaging innovations. We also explore innovative and practical green packaging solutions that meet the needs of catering merchants. In 2023, the "Working Group on Green Packaging Application in Food Delivery"[2], which we established in collaboration with China Packaging Federation and other industry associations completed the first phase of "Green Packaging Solution", covering 6 categories of dishes. By the end of 2023, we had facilitated the development and launched 41 green packaging products on the market, with a total of over 2.91 million pieces. In addition, we jointly issued the Guidelines on Packaging Reduction in Food Delivery with the China Packaging Federation and other industry associations to provide practical operational guidelines for catering merchants and avoid over-packaging.

We participate in the establishment of green packaging standards for food delivery services. We are continuously working to improve the relevant standard system under the three major categories of green packaging that have been defined. We guide the supply chain of the food delivery industry to produce standardly, thereby promote the wider adoption of green packaging. By the end of 2023, we had initiated or participated in the formulation of 11[3] national standards and association standards, including *Implementation Rules for the Design and Evaluation of Recyclable and Renewable Plastic Products – Evaluation Criteria for Disposable Food and Beverage Plastic Packaging Containers in Food Delivery (Takeaways), General Requirements for Green Paper Takeaway Package, Recycled Polypropylene Nonwoven Tote Bag, Closure Labels for Takeaway Food Package*, and *Green Management Specifications for Takeaways*.

We continuously explore and promote large-scale recycling of plastic take-out boxes and investigate the challenges and suitable recycling methods under different scenarios. In 2023, we launched joint projects with local recycling enterprises, environmental protection organisations, and regulatory authorities to explore innovative solutions for the large-scale recycling of plastic take-out boxes, including (i) "Dandelion – Boxes Transformers into New Fashion", a regional pilot programme of large-scale regular recycling of take-out boxes in Shenzhen; (ii) in collaboration with the China Environmental Protection Foundation, we carried out the recruitment of implementing units for the "Boxes Transformers" programme, a city-level large-scale recycling initiative of plastic take-out boxes. In 2023, 9 recycling enterprises in 7 provinces joined the programme as partners; (iii) jointed alongside with 3 recycling enterprises, we established a full-chain recycling system of take-out boxes, namely "Recycling Site – Community Transfer Station – Recyclable Resources Sorting Centre", in different areas of Beijing. We continuously exploring the effective method of integrating take-out boxes into urban waste recycling system while promoting our achievements in the industry. By the end of 2023, we had facilitated large-scale waste sorting and plastic box recycling projects in 15 cities of 14 provinces across the country and recycled approximately 17.6 thousand tonnes of take-out boxes, which achieved an increase of over 11,000 tonnes compared to 2022. Furthermore, we collaborated with M&G Stationery to launch the first carbon-neutral stationery series. Each one of the gel pens' body in this series are made from reprocessed plastic from recycled plastic take-out boxes, which can reduce the carbon emissions generated from the production of approximately 2.3g of plastic.

2 "Working Group on Green Packaging Application in Food Delivery" aims to promote the research and development and design of green packaging, as well as its application in the food delivery industry through innovation and collaboration, and to complete the "Green Packaging Solution" of 16 categories of dishes in three phases by 2025.

3 For more information about our participation in formulating green packaging standards and standard content, please see *Meituan Lush Mountain 5-year Progress Report (2017-2022)*.

Low-Carbon Ecology

We promote the digital transformation of goods and services retail on both the demand side and the supply side to build a sustainable ecosystem involving "Merchants-Platform-Consumers". We encourage merchants to practise sustainable operations through constraint and incentive mechanisms. We guide consumers to achieve sustainable consumption through product design and campaigns. We collaborate with industry partners to develop tools and guidelines that promote the sustainable development of the food delivery industry.

- On the merchant side, we launched a feature called "Merchant's Lush Mountain Profile" to encourage merchants to share their environmental protection practices. Merchants can showcase their commitment to sustainable operations by creating visible environmental profiles, in which they could tag themselves with 7 merchant sustainable categories, such as "food saving action" and "low-carbon consumption improvement". Also, the merchants are enabled to improve their own environmental protection profiles by uploading environmental protection actions, making environmental protection commitments and so on. By the end of 2023, 2.63 million merchants had acquired their own "Merchant's Lush Mountain Profile", an increase of 630,000 merchants from 2022. In addition, we pay attention and respond to new consumption trends to promote food saving. We incentivize catering merchants in a variety of ways to provide "Small-portion Dishes" and "One-person Meal" packages to consumers. We also jointly released the *Insight Report* on *Small-Portion Dishes* with the China Hospitality Association. There had been more than 7.4 million types of "Small-portion Dishes" provided by over 1.1 million merchants by the end of 2023, an increase of 1.5 million types compared to 2022.

- On the consumer side, we advocate sustainable consumption. In the entire process of food ordering, consumers receive reminders such as "portion size" and "order proper portion" in the ordering interface. In addition, since September 2017, we have utilized both online and offline resources and cooperated with public welfare organisations, industry associations, merchants, and other relevant parties, to establish the "Meituan Food Delivery Environmental Protection Day". The initiative includes a series of environmental protection advocacy activities, such as cutlery saving, waste sorting, food waste reduction, and wild animal protection. By the end of 2023, more than 400 million consumers had used the "no need for cutlery" option while ordering and the cumulative carbon reduction exceeded 226,000 tonnes.

- On the industry side, we actively promote sustainable operations in the Chinese catering industry. In 2023, jointly with the School of Environment, Tsinghua University, and China Chain Store & Franchise Association, we published the official result of the "Quantitative Evaluation of Food Consumption Reduction Paths". This research provides a comprehensive analysis of policies, systems, and measures as well as the best practices of related entities towards food waste reduction in the domestic and international catering industry. It also proposes feasible paths and development directions of food waste reduction for the Chinese catering industry. We collaborated with the China Hospitality Association and other organisations to develop the *Guidelines for the Description of Food Portion to Save Food* in order to provide catering merchants with more universal, practical, and operational guidance on meal portion information.

Green Tech

In 2021, we launched the "Meituan Green Tech Fund", the first public welfare fund focusing on "carbon neutrality and circular economy". The Fund mainly supports two areas: the "Meituan Green Tech Award" and the "Innovation China Meituan Green Tech Demonstration Project Grant". The "Meituan Green Tech Award" is set up to encourage more young scientists to engage in scientific exploration and technological transformation in the green and low-carbon field. The "Innovation China Meituan Green Tech Demonstration Project Grant" focuses on three major areas of technology, including green innovative packaging, green recycling, and green supply chain systems, to promote the applications of environmental protection related technological achievements in the industry, as well as to contribute to the vision of realising a beautiful China.

- In 2023, we continued the selection process for the "Meituan Green Tech Award", with a focus on the four major topics: green and low-carbon materials, carbon capture and resource utilisation, new energy and energy storage, and synchronous control of pollution reduction and carbon emissions. The award covered research in key areas, including material science, chemistry, chemical engineering, environmental science, and energy science. We rewarded each scientist with RMB1 million to encourage and support their research. By the end of 2023, a total of 19 winners had been awarded.

- The first batch of 9 demonstration projects selected for the "Innovation China Meituan Green Tech Demonstration Project Grant" have obtained a total of 24 granted and pending patents. By the end of 2023, all plastic take-out box recycling pilots of the demonstration projects had been put into operation, and a total of over 4,400 tonnes of plastic take-out boxes had been recycled. In 2023, the Meituan Green Tech Fund provided support to Donghua University to develop "the First Low-Carbon Polypropylene Fabric Made from Recycled Take-out Boxes". Through innovative processing and modification, waste take-out boxes are upcycled and transformed into polypropylene fibres, which are used as raw materials for fabrics and T-shirt products with quick-drying function. Besides, we are currently collecting, evaluating, and selecting the second round of demonstration projects.

Green Charity

We partnered with the China Environmental Protection Foundation to establish the "Lush Mountain Nature Guard Campaign". This foundation provides financial support to social organisations and scientific research institutions and implements nature-based solutions to carry out public welfare projects in conservation areas to improve the ecological quality, as well as to enhance the human adaptability to climate change and build a harmonious and coexisting relationship between human and nature. In 2023, we reviewed the second batch of the "Lush Mountain Public Welfare Nature Guard Campaign" projects and supported 20 initiatives that continue emphasising on developing "ecological protection and restoration" and "livelihood substitution". On August 15, 2023, the first National Ecology Day, we jointly launched the "Lush Mountain Public Welfare Clean Nature Campaign" with the Beijing Society of Entrepreneurs and Ecology Foundation. The Campaign funded the first batch of 12 public welfare projects, aiming to cooperate with environmental protection public welfare organisations to eliminate plastic and other wastes in the natural environment, as well as to contribute to the construction of a beautiful China where human beings and nature coexist in harmony.

We leveraged the platform's philanthropic influence and encouraged platform merchants to participate in public welfare projects to become Lush Mountain Charitable Merchants, thereby building an environmental protection public welfare ecosystem. Since the launch of the "Lush Mountain Public Welfare Action", the number of the Lush Mountain Charitable Merchants has grown rapidly. By the end of 2023, more than 1.23 million merchants had joined the "Lush Mountain Public Welfare Action", completing over 10 billion donations and implementing more than 110 public welfare projects.

Meituan Bikes and Meituan E-mopeds' Lifecycle Environmental Management

Green concepts are integrated into the lifecycles of Meituan Bikes and Meituan E-mopeds. The principle of "3 Rs" – reduce, reuse, recycle – is strictly followed in the production, operation, and disposal of these bikes and E-mopeds.

- Production phase: During the preliminary design process, bike components are designed to be universally adaptable and easy to maintain and the frames are designed in a light-weighted way. When choosing raw materials, we give preference to environmentally friendly components, such as recyclable PP plastic and composite materials with low carbon emissions per unit. For E-mopeds, we also opt for lithium batteries that are more environmentally friendly. In the manufacturing stage, we require bike components suppliers to produce durable products to extend the product life and reduce waste.

- Operation phase: During the deployment stage, we use intelligent dispatch systems to collect and analyse information, such as the placement number and the transport mileage, for smart scheduling to ensure the scientific and standardised placement. During the operation and maintenance stage, we promptly dealing with faulty and damaged bikes to prevent accidents while consumers are riding. Maintenance personnel will collect bikes in a timely manner, carry out bike inspection after replacing damaged parts, and redeploy qualified bikes.

- Disposal phase: Hazardous waste, such as batteries in locks and batteries powering E-mopeds, are handed over to bike lock and battery suppliers for unified recycling and disposal. As for non-hazardous waste, such as frames and tyres, we cooperate with resource recycling companies to recycle and reuse them, thus forming a closed-loop supply chain and achieving 100% recycling and reuse of scrapped bikes.

In 2023, Meituan Bikes and Meituan E-mopeds were certified as "carbon-negative" products, and consumers reduced 485,800 tonnes[4] of carbon emissions through green and low-carbon cycling.

Climate Change Action

Against the backdrop of global efforts to address climate change and enhance climate governance, we have prioritised "continuously strengthening the assessment and responses to risks related to climate change" as one of our key tasks. Following the recommendations made by Task Force on Climate-Related Financial Disclosures (TCFD), we have implemented a systematic approach to identify different types of climate-related risks and assess their potential impacts on our key business operations. We have integrated climate risk management into our daily risk management system, evaluated specific "physical risks" and "transition risks", and optimised our management measures accordingly. Furthermore, in line with the characteristics of our key businesses, we have leveraged our service strengths to fully explore the opportunities brought by climate change.

To enhance our capacity for climate change governance, we integrated climate-related supervision and management into our three-tier ESG structure of "Governance-Management-Execution". The governance body regularly oversees the Company's strategies and progress in responding to climate change, including strategy development, work plans, risk, and opportunity management. The management level guides the identification and management of climate-related risks and opportunities and promote specific actions by relevant departments within the execution level to implement approved strategies and goals related to climate change. We attach great importance to enhancing the professional understanding of personnel at all levels on climate-related issues and provide them with specialized training covering the identification of climate-related risks and opportunities, climate risk management, and other topics.

This year, under the supervision of the governance body and the guidance of the management level, we improved the process of identifying and assessing climate-related risks and opportunities. We identified key climate risks and opportunities by means of industry analysis, internal discussions, and expert consultations. By referring to the climate risk and opportunity analysis framework recommended by TCFD and industry practices, we compiled a list of risks and opportunities that can be considered. We organised special seminars with key business and functional departments to collect and discuss management's suggestions on climate-related risks and opportunities assessment and the current management status. We also sought external opinions from industry experts and scholars to obtain external perspectives. The following eight key climate risks and opportunities were prioritised, and their potential impacts were assessed. We have also optimised the corresponding response measures for these identified climate risks and opportunities.

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4 Data calculated according to the *Report on Bike-sharing Contribution to Pollution and Carbon Reduction* issued by the Environmental Development Centre of the Ministry of Ecology and Environment and China Environmental United Certification Centre.

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Climate-related risks

Physical risks	**Category**	**Potential risks**	**Major risk mitigation measures**
Increasingly frequent extreme weather events, such as hurricanes and floods	Acute physical risks	Extreme climate hazards like severe precipitation, flooding, and typhoons can reduce or impede the efficiency of supply chain, operation, and service fulfilment of our businesses	Establish standardised emergency management systems and optimise corresponding management measures in a timely manner to address identified extreme climate hazards. Regularly provide special training for employees and couriers in daily operations Stock up emergency supplies and reinforce protective facilities in advance for workplaces or premises in regions susceptible to extreme climate hazards. Purchase commercial insurance for assets that are vulnerable to extreme climate hazards
Rising average temperature	Chronic physical risks	Regular heat waves have posed challenges to control the quality of fresh food and other perishable goods throughout stages such as storage, cold chain transportation, and delivery	Optimise supply chain infrastructure and reduce product loss by strengthening the construction of cold chain storage, flexibly deploying mobile cold chain storage, and enhancing temperature management during storage and transportation Establish comprehensive standards for the entire workflow of cold chain operations, covering operational procedures, control mechanisms, and product quality management to ensure consistent quality management throughout the logistics and transportation process for fresh groceries

Transition risks	Category	Potential risks	Major risk mitigation measures
Tightening climate-related disclosure requirements	Policy and legal risks	The tightening of climate-related policies has led to increasingly stringent compliance requirements for related data management and information disclosure, which require enterprises to enhance data and statistics management capabilities, hire additional industry experts, etc., resulting in potential management costs. Failure to build capabilities in climate risks management, information disclosure, and related data statistics management in a timely manner can also lead to compliance and disclosure risks	Actively build a professional team, learn from industry experts, establish and improve the data management system, and continuously track and understand the latest updates in climate-related disclosure standards to steadily improve climate-related disclosure performance and enhance the Company's ability to manage and control climate risks and identify opportunities
Mandatory regulation on existing goods and services	Market risks	Due to national or regional regulatory policies, such as plastic restriction, waste sorting, and gasoline & diesel truck restriction, key retail businesses are required to use green plastic materials in their goods and services, establish fine management measures for solid waste, and increase the proportion of new-energy vehicles, etc., which will result in potential compliance or operating costs. Failure to adjust goods and services in a timely manner in accordance with regulatory requirements can also result in market compliance risks	Timely identify and interpret major national, provincial and municipal policies related to climate change, including plastic restriction, waste sorting, gasoline & diesel truck restriction, etc., and analyse their impacts Evaluate substitute green plastic materials to ensure compliance with national and regional requirements; categorise solid waste and identify recyclable waste to reduce disposal costs; and expand cooperation channels with high-quality new-energy vehicle suppliers to enrich the supply of transport capacity

Climate-related opportunities

Opportunities	Category	Potential opportunities	Actions to seize opportunity
Recycling of packaging and other materials	Resource efficiency	Increase the use of reusable packaging materials and support green packaging R&D projects and industrialisation to improve resource efficiency	Continuously increasing the proportion of reusable packaging materials such as containers used in storage and transportation in retail and other key businesses Launch the "Lush Mountain Project" and collaborate with universities and research institutions to promote the use of green packaging materials across the entire food delivery industry
Active exploration of innovative voluntary emissions reduction mechanisms	Exploration of innovative voluntary emissions reduction mechanisms	Actively explore the diversified application of scenarios under the "Carbon Inclusion" programme, an incentive mechanism to motivate consumers to choose low-carbon and green travel modes, which will in return increase consumer loyalty	Promote the concept of green travel and environmental protection, and encourage consumers to use the carbon credits they earn from cycling to participate in activities such as the "Contribute to Carbon Reduction – Playground Environmental Protection Corner Programme", organised by Meituan Charity, to create the connection between green and low-carbon lifestyle and public welfare activities Actively participate in piloting carbon inclusion platforms in provincial and municipal governments, counting the personal emissions reductions achieved by local cycling consumers into the respective carbon platforms, to help expand the number of participants in green travel Scientifically quantify the carbon emissions reductions of Meituan Bikes consumers, actively participate in the development of carbon reduction accounting methods for cycling, and assist the development of innovative voluntary emissions reduction mechanisms based on low-carbon consumer behaviour

Opportunities	Category	Potential opportunities	Actions to seize opportunity
Shifts in consumer preference	Goods and services	As the government continuously advocates the concept of green consumption, more Chinese consumers are willing to purchase green and low-carbon goods and services	Meituan Food Delivery cooperates with merchants to optimise the supply of "Small-Portion Dishes" and other dish categories and remind consumers to "order proper portion" and "reduce the use of disposable cutlery" Meituan Bikes and Meituan E-mopeds continue exploring measures to reduce the carbon footprint from bike production and operation, and have been certified by China Communications (Beijing) Transportation Product Certification Center as lifecycle "carbon-negative"
Office buildings with lower energy consumption	Resilience	Construct office buildings that meet national and international leading green building standards, and plan for ongoing management of energy efficiency and other green aspects in office and operating spaces to increase climate resilience	Apply the green building concepts of safety, durability, and liveability throughout the site selection, design, and construction processes. Benchmark against green building standards in terms of water conservation, energy efficiency, and renewable energy utilisation

With regard to physical risks, a mature extreme weather management mechanism is the cornerstone for ensuring the normal operation of workplaces, the safety of employees and couriers, and the smooth flow of business processes. We have set up a professional and highly qualified emergency support team for extreme weather events, which is responsible for implementing specific work tasks in the workplace, business operations, and other key scenarios before, during, and after extreme weather events under the general principle of coordinating command with flexible response:

- Before the events: We issue weather forewarning to employees and partners across the country through the "Weather Forewarning System". In 2023, more than 120 thousand pushes were issued. We have formulated the "Meteorological Disaster Emergency Plan" and arranged employees to work from home when the workplace could not operate normally.

- During the events: We adjust the response level according to the weather conditions, implementing special emergency plans and adjusting business strategies in a timely manner based on the actual disruptions occurred, and promptly initiate various support measures to help the affected employees and business partners.

- After the events: We conduct timely and comprehensive assessment of the damage, and orderly restore workplace and business operations. Through reviewing the effectiveness of the "Meteorological Disaster Emergency Plan", we keep identifying areas for optimisation. We include basic knowledge of extreme weather responses into the training content for employees and business partners.

For transition risks, we actively embrace the global trend of low-carbon transition and proactively contribute to China's green economy development. We pay close attention to the laws and regulations on climate change, energy consumption management, energy saving, and carbon reduction that may present significant impacts to our businesses. We adjust and deploy key control measures in line with the relevant requirements set by the latest laws and regulations. Through evaluating and adopting emerging low-carbon technologies, deploying data centres with higher energy efficiency level, and incorporating green and low-carbon initiatives into our key businesses and services, we continuously manage and improve our environmental performance, minimising environmental impacts and practicing the concept of eco-friendliness in our operations, so as to achieve sustainable development for mankind and nature. For more information, please refer to the chapters of "Environmental Targets", "Environmental Management of Data Centres", "Green Procurement", "Environmental Management in Retail Businesses", and "Meituan Bikes and Meituan E-mopeds' Lifecycle Environmental Management" in this report.

We explore carbon reduction opportunities across the whole industry chain that are in line with our business attributes, continue facilitating the transformation of green and low-carbon scientific research and technological achievements, and constantly guide consumers to cultivate low-carbon and environmentally friendly consumption habits. Following the invitation to attend the 27th United Nations Climate Change Conference in 2022 to share the "Chinese Story" about how Meituan Bikes and Meituan E-mopeds promote a green and low-carbon lifestyle, the sustainability practice of Meituan Food Delivery's Lush Mountain Project was listed in the *2023 Business Climate Action Cases*, and was presented at China's Pavilion Side Event - "Corporate Net Zero Drive: China's Practice and Global Perspective" during the 28th United Nations Climate Change Conference. For more information, please refer to the chapters of "Green Packaging", "Low-Carbon Ecology", and "Green Tech" in this report, or log on to the Social Responsibility section of the official website of Meituan Food Delivery (https://waimai.meituan.com/) and check out the special reports of *Protection of Rights and Interests of Meituan's Food Delivery Couriers, Green Packaging Solutions for Food Delivery, Guidelines for Reducing Packaging for Food Delivery, Recommended Green Packaging List of Lush Mountain Project,* and *Handbook on Green and Low-Carbon Actions for Food Delivery Consumption*.

Environmental Targets

In 2021, we set environmental targets based on our previous environmental performances and the characteristics of our own operations. The progress of our environmental targets in this year is as follows:

Environmental targets	2023 progress of the environmental targets
Starting from 2022, waste sorting in all headquarter offices will be conducted.	All headquarter offices have implemented waste sorting by categories by 2023.
Starting from 2022, electronic waste generated in all headquarter offices will be 100% treated for harmless disposal.	Electronic waste generated in all headquarter offices has been 100% treated for harmless disposal by 2023.
Starting from 2022, all offices will stop using fluorescent tubes in all newly renovated or entirely replaced lighting systems.	All newly renovated or entirely replaced lighting systems in our offices have stopped using fluorescent tubes by 2023.
Using running water consumption per employee in 2021 as a benchmark, by the end of 2026, running water consumption per employee in headquarter offices will be reduced by 8%.	In 2023, the running water consumption per employee in headquarter offices was reduced by 11% compared with 2021 levels, and the set target was achieved.
Using total energy consumption per employee in 2021 as a benchmark, by the end of 2026, total energy consumption per employee in headquarter offices will be reduced by 8%.	The energy consumption per employee in headquarter offices was increased by 15% in 2023 compared with 2021, mainly because of the increased workplace area in 2023. Meanwhile, a large number of employees worked from home in base year, resulting in relatively lower electricity consumption per employee.

Our greenhouse gas (GHG) emissions are mainly generated from the energy consumption of our operations. Since the energy use efficiency target has already been set, we do not set a separate GHG emissions reduction target this year.

Environmental Performance Indicators

Below are the key environmental performance indicators of the Company. The scope of these includes headquarters offices, regional sales offices, warehouses, and service stations. Currently, the Company does not have a self-owned data centre, and the values of the emissions and the resource and energy consumption of the leased data centres are not included in the scope.

"HQ offices" are headquarter-level offices located in Beijing and Shanghai with integrated functions and centre offices for customer service and R&D, mainly used by customer service and R&D personnel. The headquarter-level workplaces mainly include our Beijing Hengdian office, R&D park and surrounding workplaces and the Hulianbaodi office in Shanghai. Centre customer service and R&D offices are mainly our offices in Shijiazhuang, Yangzhou, Nantong, Wuhan, and Luoyang.

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

"Warehouses and service stations" refers to the main warehouses and stations used for the business units of Meituan Select, Kuailv Jinhuo, Xiaoxiang Supermarket, and Meituan Bikes and E-mopeds.

Emissions[5,6,7,8]

HQ offices	**2023**
Total GHG emissions (tonnes)	27,346.66
GHG emissions per employee (tonnes per employee)	0.48
GHG emissions per square metre of floor area (tonnes per square metre)	0.05
Total hazardous waste (tonnes)	2.45
Hazardous waste per employee (tonnes per employee)	0.00
Total non-hazardous waste (tonnes)	5,010.37
Non-hazardous waste per employee (tonnes per employee)	0.09

5 Due to the Company's business nature, the primary emissions of the Company are GHG emissions, arising from the use of electricity generated from fossil fuels.

6 GHG emissions include carbon dioxide, methane, and nitrous oxide. GHG emissions data is presented in carbon dioxide equivalent and calculated based on the *2021 Baseline Emission Factors for Regional Power Grids in China for Emission Reduction Projects* issued by the Ministry of Ecology and Environment.

7 The Company's hazardous waste mainly contain waste lead-acid batteries, waste fluorescent tubes, toner cartridges and ink cartridges from offices, which are disposed by qualified institutions. In 2023, the actual hazardous waste per employee in the HQ offices was 0.00004 tonnes, and the actual hazardous waste per employee in regional sales offices was 0.00005 tonnes. The data listed in the table above is rounded to two decimal places.

8 The Company's non-hazardous waste mainly includes domestic waste and waste electronic equipment from various types of offices. Domestic waste mainly includes office waste, which is handled by the property management companies, and we calculate such waste 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 electronic equipment is handed to professional institutions for harmless disposal and recycling.

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Regional sales offices	**2023**
Total GHG emissions (tonnes)	6,479.37
GHG emissions per employee (tonnes per employee)	0.15
GHG emissions per square metre of floor area (tonnes per square metre)	0.03
Total hazardous waste (tonnes)	2.09
Hazardous waste per employee (tonnes per employee)	0.00
Total non-hazardous waste (tonnes)	3,785.48
Non-hazardous waste per employee (tonnes per employee)	0.08

Warehouses and service stations	**2023**
Total GHG emissions (tonnes)	236,809.93

Energy and Resources Consumption[9,10,11]

HQ offices	**2023**
Total energy consumption (MWh)	42,779.82
Energy consumption per employee (MWh per employee)	0.74
Energy consumption per square metre of floor area (MWh per square metre)	0.08
Running water consumption (tonnes)	365,777.62
Running water consumption per employee (tonnes per employee)	6.36

Regional sales offices	**2023**
Total energy consumption (MWh)	11,569.58
Energy consumption per employee (MWh per employee)	0.26
Energy consumption per square metre of floor area (MWh per square metre)	0.05
Running water consumption (tonnes)	48,215.86
Running water consumption per employee (tonnes per employee)	2.74

Warehouses and service stations	**2023**
Total energy consumption (MWh)	431,911.88
Running water consumption (tonnes)	1,725,919.45

9 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.

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

11 The Company's core businesses do not directly produce finished products, therefore the Key Performance Indicator A2.5 – Total packaging material used for finished products with reference to per unit produced is not applicable to the Company.

WORKPLACE

Employees are one of the most vital assets of the Company. We strive to build a comfortable and harmonious working environment through ensuring equal opportunities, protecting employees' rights, providing competitive compensation and benefits that match employees' capabilities, and ensuring sufficient learning resources and opportunities for employees. For more information, please refer to the section of "Management Discussion and Analysis – Employees" in this annual report.

Employment and Labour Standards

We abide by relevant laws and regulations, including the *Labour Law of the People's Republic of China*, the *Labour Contract Law of the People's Republic of China*, the *Social Insurance Law of the People's Republic of China*, the *Law of the People's Republic of China on the Protection of Women's Rights and Interests*, the *Special Rules on the Labour Protection of Female Employees*, and the *Special Provisions on the Protection of Juvenile Workers* to safeguard employees' legitimate rights and prevent child labour and forced labour. We have established internal policies and conducted standardised management on recruitment, departure, compensation, benefits, performance review, and promotion by following the specific measures described below.

Recruitment and Departure Management

We recruit candidates who match the positions the most. We treat different races, ethnics, genders, ages, and religious beliefs equally to ensure that admission and development opportunities are accessible to all. We have formulated internal policies such as the Employee Recruitment and Selection Policy, the Job Posting Policy of Meituan and the Interviewer Management Specifications to clarify the code of conduct for the whole recruitment process and the penalties for possible violations such as discrimination.

We standardise and improve the management of recruitment process, prohibiting the use of discriminatory words or statements in job descriptions that violate the principle of equal opportunities. We organise recruitment trainings and conduct regular reviews to continually optimise the recruitment process, ensure the implementation of our equality and diversity policies, and guarantee the compliance of recruitment.

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We continuously strengthen our talent pool by improving the interview experience, diversifying recruitment channels, and encouraging internal rotation to attract talents that match our development directions:

- For improving the interview experience, we advocate a candidate-centric recruitment concept. During the interview process, we assess candidates' work experience and skills to ensure we recruit qualified candidates who meet the job requirements. We will revoke the interview authorisation of any interviewer who violates related policies and negatively impacts candidates' experience.

- In terms of diversifying recruitment channels, we strive to establish new talent recruitment channels to attract more proficient candidates. Since 2017, we have consistently implemented the "Beidou Program" to recruit technology talents from universities around the world to meet our demand for talents specialised in emerging technologies, such as autonomous delivery vehicles and drones. In addition, we have been cooperating with Tsinghua University on several research projects to align real-world industry scenarios with academic research results. In this way, we can ensure adequate resources of excellent talents while facilitating the practical application of innovative methods in the technology field.

- For encouraging internal rotation, we prioritize internal talents for vacant positions, ensuring a healthy flow of talents within the Company. Through job rotation, we help employees to grow and encourage them to choose career development paths aligned with their interests, thereby unleashing their potential.

We strictly comply with relevant laws and regulations and communicate with employees adequately in case of employee departure. We have formulated the Employee Departure Policy, a standard procedure to protect employees' rights and interests on departure.

Labour Standards

We have formulated the Attendance Management Policy and Integrity Workplace Code of Conduct to safeguard our employees' legitimate rights and interests. We verify the identification documents of candidates during the recruitment process to prevent the employment of child labour. Since the establishment of the Company, no illegal employment incidents such as child labour have occurred. We respect the willingness of employees at all stages of employment to ensure their voluntary participation in work and avoid forced labour. We have formulated an internal management policy following the requirements of relevant laws and regulations, specifying the remedial measures that should be implemented under instances of child labour and forced labour.

Compensation and Benefits

We offer competitive salaries to all employees. Through annual benchmarking with industry peers, we make sure that our compensation can fully attract, motivate, and retain top-tier talents. We develop a high-performance culture and offer employees with performance-based incentives to encourage them to consistently strive for excellence and realise their full potential. Moreover, we grant shares to employees in core positions and those who have contributed to our company's long-term development, motivating them to continue creating value for the Company and our clients.

We provide social insurance and housing fund for employees in accordance with the related laws and regulations. We also offer commercial insurance in different categories, including accident, life, and supplementary medical insurance, as well as various subsidies. We have established a Kind Fund, including Kind Loans, Critical Illness Care, Death Grants, Special Occasions Solatium, and Emergency Fund. We have also established the Kind Fund Management Policy to help employees and their families in need.

Performance and Promotion

We have established a performance and position ranking management system, and formulated policies, such as the Performance Management Policy and the Position Ranking Management Policy, to standardise the performance management process, the evaluation cycle, and the promotion and position ranking system.

We attach importance to developing goal management skills for our employees and teams. Through daily management of individual goals, we support the continuous growth of our employees. Employees communicate with their managers in a "1 on 1" manner about the progress towards self-goals, resolution of difficulties encountered, and necessary changes to the self-goals. Meanwhile, to ensure effective team goals, all teams timely conduct monthly or quarterly reviews based on business development.

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We evaluate employees' performances objectively, fairly, and comprehensively based on their job performance, the achievement of personal and team goals, and the feedback from managers, subordinates, and partners. Besides, we set different evaluation cycles for different positions. For sales and customer service personnel, who are expected to achieve short-term goals, we evaluate their performance on a monthly or quarterly basis to align with the performance output cycle. For R&D and functional personnel, we evaluate their overall performance on an annual basis and guide them to focus on long-term development. We also value timely and effective performance feedback. For example, we require managers to communicate with employees on evaluation results and follow up on their feedback in a timely manner.

We review the employees' promotion based on their performance contribution, leadership, and professional competence. Employees with outstanding contributions are offered fast-track promotions. Prior to the review, employees can participate in trainings to understand the criteria and processes. During the review process, we have an internal supervision mechanism for the promotion process. Employees can make suggestions or report any violations related to the promotion process.

Work-Life Balance

We have formulated the Attendance Management Policy, Holiday Management Policy, and other policies to manage working hours with certain flexibility.

To continuously enhance employees' sense of well-being, we offer facilities including gyms, libraries, and nursing rooms and hold employee-culture activities like "Family Day" and "Xiaomei Day". During festivals, such as Spring Festival, Mid-autumn Festival, International Women's Day, and Children's Day, we distribute gifts to all employees. We also give blessing gifts to employees on important occasions, such as marriages and births. In addition, we have established "Heart-Warming Classes" on the themes of "mental health", "physical health", and "mindfulness & meditation" to safeguard the physical and mental health of our employees.

We support all employees to enjoy their holidays and lead healthy lives. We provide statutory annual leave, various welfare leaves, and fully paid sick and childcare leave, and extend marriage leave, maternity leave, and paternity leave. We try to work out a flexible operation and management model for some business scenarios and offer a work-from-home solution. Moreover, we encourage employees to take part in recreation and sports activities by organising more than 50 social clubs across the country to relieve their work pressure and enrich their spare time.

We make great efforts to improve the employee experience by collecting and analysing employees' annual satisfaction survey through questionnaires and face-to-face communication. In 2023, we conducted the "Heart-Warming Group" satisfaction survey for all employees to understand their sense of identity with the Company and their expectations. In addition, we collect and assess employee experience on topics such as "Onboarding Experience" and "Working Environment", by conducting annual employee experience index survey with reference to the calculation method of Net Promoter Score (NPS)[12].

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[12] Net Promoter Score (NPS): A measure of the extent to which employees would recommend the Company to others for a job.

Communication and Democratic Management

We provide a variety of communication channels for employees, such as topic-based communities, HR helpdesk, official WeChat account, and employee engagement meetings, to provide a better communication experience, encourage employees to communicate with others, and create an open and equal working environment. We value continuous communication between employees and management, and help management listen to employees' suggestions and feedback and answer their questions through luncheon and group meetings. We also clarify matters of general concern to employees through online and offline channels, such as messages on the official WeChat account and face-to-face communication.

We value employees' feedbacks and maintain unimpeded channels for complaints and reports. If an employee disagrees with the performance evaluation or promotion results or identifies a suspected violation of Integrity Workplace Code of Conduct, they may submit formal complaints or reports through channels such as the Integrity Workplace Reporting e-mail address and the reporting platform. We also provide an anonymous reporting option to protect whistle-blowers' privacy. Our HR helpdesk is equipped with an automatic keyword-triggered response mechanism, and when it receives an employee complaint, it notifies the appropriate department according to the complaint type to handle it and inform them of the result.

We implement democratic management and communication within the Company and introduced the Measures for Releasing Institutional Policies and an internal platform for policy release. Before officially releasing significant policies that directly impact employee interests, we conduct survey interviews with employees to ensure their rights and interests are sufficiently protected.

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 have established management policies, including the Administrative Measures for Access Control of Office Areas and the Fire Safety Management Policy of Meituan to constantly improve our workplace safety management. Some of our workplaces obtained ISO 45001 occupational health and safety management system certification and maintain the validity of the certification through annual follow-up audits. Based on the experience learnt from the certification application process, and in accordance with the requirements of the certification standards, we have built the workplace risk assessment mechanism and internal audit standards. In 2023, in light of the audit standards, we completed a series of internal audits, including the identification of occupational health and safety risk factors, environmental impact factors, as well as the evaluation of management effectiveness in all workplaces. In addition, we stepped up the fire prevention early warning system in the workplace. We identified the main occupational health and safety risk factors in different workplaces, assess and quantify their risk levels, and used an online system to periodically present the risk levels, allowing us to focus on high-risk areas and implement effective control measures.

We implemented a number of workplace safeguarding measures, including (i) launching an office security system and a Security Operations Centre to respond to emergencies at all times and protect the safety of personnel in the workplace; (ii) improving the first aid system, formulating first aid response procedures, and establishing a three-level response strategy composed of security personnel, health cabins, and employee volunteers; achieving full coverage of AED (Automatic External Defibrillator) for all headquarters and regional workplaces with more than 300 employees to ensure the provision for first aid equipment in emergency situations; (iii) organising safety training and emergency drills on a regular basis and formulating specific publicity plans about safety according to major events and seasonal safety characteristics to improve employees' safety awareness; and (iv) establishing an emergency handling process to respond to employee safety accidents promptly and properly.

We continually strengthen the safety protection capabilities of frontline employees in positions such as sales and warehouse management. We reduce the probability of safety accidents in high-risk work scenarios and the harm from occupational diseases through multi-level protection practices, including (i) formulating clear safety rules and regulations for field operations and discovering safety hazards through morning meetings, routine inspections, etc., actively responding to them; (ii) specifying the standards for safe operation in warehouses, standardising the use of warehouse equipment, identifying and rectifying potential safety hazards timely; (iii) strengthening the safety awareness of sales employees while adding reflective strips to the employees' electric vehicles to reduce the probability of traffic accidents; and (iv) hiring professional physical and mental health service agencies to evaluate employees mental health and improve their mental stability through professional training.

In addition to ensuring employees' safety at work, their physical and mental health is also crucial to us. In 2023, we provided various services and organised activities to improve employees' physical and mental health, including (i) monitoring air quality, drinking water, and lighting conditions in our workplace to provide a comfortable working environment for our employees and setting up health stations in some offices to provide consulting services and essential medicines for them; (ii) providing online consultation, annual physical examinations, and supplementary medical reports interpretations and starting to offer services such as the "Workplace Health Day" and vaccinations; (iii) regularly organising a series of "Healthy Lecture" seminars focused on topics, including health and psychology, which attracted nearly 60,000 times of participation of employees from 118 cities across the country; (iv) organising special health training programmes, such as the "Healthy Weight Loss Camp" and the "Cloud Sleeping Camp" to guide employees in enhancing physical conditions and relieving work stress; and (v) launching an Employee Assistance Programme and partnering with external organisations to offer mental health hotline and regular mental health training sessions.

Employee Training and Development

We set up a talent development department covering all employees, particularly emphasising the concept of "truth-seeking and being practical", with a focus on "talent development", "cultural heritage", and "knowledge management", to create a talent development system that aligns with industry trends and represents our characteristics. We continue improving the training management mechanism and standardise the planning, implementation, and management of training contents. We appoint the Company's internal senior employees from different professional fields as training experts and meanwhile cooperate with external agencies to introduce learning resources to help employees enrich their knowledge about the industry and broaden horizons.

We highly value the growth and development of all employees and business partners. We conduct face-to-face classes, online courses, and practical activities to provide systematic training resources matching different grades, career stages, and positions of employees.

Professional Competence and Leadership Development

Depending on the working scenarios and demand from business departments, we develop customised learning programmes, standardised learning products and personalised learning programmes for all employees to promote the Company's talent cultivation.

- We pay attention to cultivating the professional skills of newly recruited employees, and are committed to guiding them to better integrate into the workplace and seek their career development directions, particularly through: (i) for campus recruitment, we provide "Sprout Campus Recruitment" training programme covering company culture, management policies, and business capabilities. In 2023, 2,616 employees attended the program; (ii) for social recruitment, we provide a dedicated training program - "Sprout Social Recruitment" program, and offer appropriate professional competence trainings based on their experience levels; and (iii) for management personnel from social recruitment, we offer a customised program, "Tree Planting Plan", which incorporates three learning modules of "Constructing New Thought", "Embracing New Positioning", and "Taking New Actions". We also offer various support, such as one-on-one learning peers and seminars for the newly recruited.

- We continuously enhance the professional quality and ability of all employees, focusing on general workplace skill training and professional skill training based on workplace scenarios: (i) for technical staff, providing professional skill training relevant to their positions through programmes such as the "General Skill Training Ground" and "Online General Knowledge Courses"; meanwhile, launching the Big Model Learning Zone, organising the "AIGC Hackathon Contest", and carrying out a series of "AIGC Hack Show" empowering activities. In 2023, the number of project participants reached 7,100 employees; and (ii) for sales employees, using various teaching methods, such as "online learning", "centralised training", "apprenticeship" and "benchmarking sharing" to help front-line sales employees better understand the industry and the customers they are serving, master professional knowledge and skills, and get familiar with sales service process.

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- Through online and offline customised management training lessons, we actively assist different levels of management in deeply understanding and improving management basic skills, including target management, employee coaching, and talent review: (i) for junior management, providing the "New Tree Plan" to help them have a clear development direction and meet the key challenges of their current role; (ii) for middle management, providing the "Shade Tree Plan" to help them obtain systematic knowledge about the core concepts, tools, methods, and practice guidance in terms of role recognition, manager selection, manager coaching, and high-performance team building through case study and activity experience, so that they can better cope with different management challenges; and (iii) for senior leadership, providing the "Prosperity Plan" to help them strengthen their comprehensive understanding of business and business thinking and improve their ability for strategy development, team building, and collaboration through offline training, pre-training online learning, and post-training feedback follow-up.

School-Enterprise Joint Training Programmes

We continuously deepen school-enterprise cooperation and promote close collaboration with universities and research institutions. We fully tap into the resources of colleges and universities in education, science and technology, and talent cultivation to achieve mutual promotion and development between academic and the industry: (i) developing big data technology and practical application courses combining basic theories with real business cases as optional courses for postgraduates and undergraduates; (ii) organising the "Business Analysis Elite Contest". In 2023, we sought business analysis case reports from over 2,000 students from around 400 colleges and universities from China and abroad, to help them improve their comprehensive abilities in business theory, business analysis skills, and practical operations under real business scenarios; and (iii) supporting the summer professional practice programmes of undergraduates for three consecutive years and coaching undergraduates in completing research projects independently by providing professional subjects related to real business scenarios and corresponding senior employees as professional mentors.

Workplace Performance Indicators

Employment

Indicators		2023
Total number of employees		114,860
Number of employees by gender	Male	72,225
	Female	42,635
Number of employees by age group	Age 30 and under	62,761
	Age 31 to 50	52,071
	Above age 50	28
Number of employees by geographical region	Mainland China	114,692
	Hong Kong, Macao and Taiwan	159
	Other countries and regions	9
Number of employees by management level	Management	488
	Non-management	114,372
Number of employees by employment type	Full-time	114,731
	Contractors and other types	129
Total turnover rate		18.80%
Employee turnover rate by gender	Male	18.44%
	Female	19.37%
Employee turnover rate by age group	Age 30 and under	24.18%
	Age 31 to 50	13.49%
	Above age 50	46.81%
Employee turnover rate by geographical region	Mainland China	18.81%
	Hong Kong, Macao and Taiwan	6.30%
	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 includes 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	2023	2022	2021
Number of work-related fatalities	3	2	0
Rate of work-related fatality	0.0026%	0.0022%	0

The number of working days lost due to work injuries in 2023 was 9,529.5 days[13].

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		2023
Percentage of employees trained by gender	Male	99.76%
	Female	99.79%
Percentage of employees trained by management level	Management	99.80%
	Non-management	99.77%
Average training hours of employees by gender	Male	24.55
	Female	23.94
Average training hours of employees by management level	Management	25.75
	Non-management	24.32

SUPPLY CHAIN MANAGEMENT

Our main suppliers are delivery partners and suppliers of goods and services. Supply chain compliance management and stable business partnerships are important for our sustainable operation, and we encourage partners to improve their ESG risk management.

13 The number of working days lost due to work injuries are mainly from the longer recovery periods we offered to injured employees for the fracture injury from traffic accidents.

Whole Process Management of the Supply Chain

We constantly improve the supply chain management mechanism. We have established 10 procurement management systems, with the Procurement Management Policy as the general guideline, and formed the management mechanism covering different links, including supplier onboarding management, daily management, and performance evaluation to effectively manage suppliers' ESG risks.

Onboarding Management

In the supplier onboarding process, we conduct qualification review and audit mechanism to ensure that suppliers' ESG risks are effectively managed in advance:

- Qualification review: We require suppliers to provide qualifications for relevant goods or services and proof of no violations of law and discipline, and we review the corporate reputation of suppliers by checking the corporate credit information disclosure system (National Enterprise Credit Information Publicity System) and other means. We call on suppliers to meet the ESG management requirements specified in the Supplier Code of Conduct, require them to provide system certificates, including ISO 14001 environmental management systems certification and ISO 45001 occupational health and safety management system certification as necessary based on product categories, and verify the authenticity and accuracy of qualification information of suppliers.

- Audit mechanism: We evaluate suppliers' ESG risk level on an ongoing basis and implement multiple audit methods for suppliers at different risk levels, including remote audit, on-site audit, and supervisory audit conducted by us or third parties. We will initiate on-site audit and information verification procedures for key suppliers[14] and suppliers of specific product categories, in order to assess their ESG risks and relevant managerial skills.

We maintain a database of qualified suppliers, and all suppliers listed in the database have undergone supplier onboarding audits. Before official engagement, we require all suppliers to complete real-name authentication, sign our Anti-Commercial Bribery Agreement, Confidentiality Agreement, and Commitment of Self-Discipline, and abide by the regulations of anti-corruption, confidentiality, and behaviour with integrity. In 2023, a total of 5,079 newly added centralised procurement suppliers completed the signing of the Anti-Commercial Bribery Agreement, Confidentiality Agreement, and Commitment of Self-Discipline.

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14 Key suppliers: Through our supplier selection process, the suppliers that are identified as consistently applicable with unique standards, and suppliers that have relatively high ESG risks, regional risks, or product quality risks (e.g., meat, poultry, and vegetable products).

Daily Management and Performance Evaluation

We manage and track suppliers' qualification, performances, and compliance with Supplier Code of Conduct to continuously evaluate their professional services capabilities throughout the contract execution.

We value common development with suppliers and guide them to constantly improve their performance. After the supplier audit, we communicate with suppliers in a timely manner. For suppliers with unsatisfactory performance, the procurement personnel will formulate a performance improvement plan together with suppliers and urge them to implement the rectification advice. Two weeks after the implementation of the performance improvement plan, the Supplier Management Team will assess the supplier rectification result and conduct a second audit for suppliers when necessary. For suppliers in breach of the procurement red line, we will adopt the blacklisting management system, imposing penalties and permanently excluding them from our platform. For suppliers who fail to meet the standards after rectification or violate the baseline ESG standards such as integrity, information security, and other critical areas, we will terminate cooperation and promptly use alternative suppliers to ensure that goods or services are delivered on time.

We promote competence building of employees. We enhance the professional capabilities of our employees in procurement and supplier management positions through internal sharing and special training, promoting the implementation of supplier management policies and processes.

Supply Chain Anti-Corruption

We have implemented supplier feedback and review mechanisms. Suppliers can report any corruption-related issues during business cooperation to us on Meituan official websites or via a questionnaire on the procurement supplier portal. If a violation committed by a supplier is confirmed, cooperation would be terminated and the supplier would be disqualified from providing services.

We actively promote a corporate culture of integrity cooperation and engage in ongoing activities to build a culture of integrity among our suppliers. We regularly conduct supplier integrity training and send integrity reminder emails to suppliers on certain holidays. In 2023, we launched and enabled the online function of integrity cooperation promotion on the supplier portal, achieving full coverage of integrity cooperation promotion for centralised procurement suppliers.

Green Procurement

We pay attention to environmental protection when procuring goods and services. In 2023, the Company invested more than RMB200 million in packaging bags made of environmentally friendly materials, including fully biodegradable bags, non-woven bags, and environmentally friendly paper bags for all lines of business. When choosing kitchen equipment, we select energy-saving gas stoves and automatic spray dishwashers and add UV lights to the exhaust hood to reduce particulate matter emissions. We also regularly maintain the oil and smoke cleansing equipment to ensure its effective operation.

Number of Suppliers[15]

Number of suppliers by geographical region	2023
Mainland China	41,744
Hong Kong, Macao and Taiwan	13
Other countries and regions	20

Management and Protection of Couriers

Our platform requires a substantial number of couriers to provide delivery service. The safety and rights of couriers are essential to our supply chain's social risk management and socially responsible commitments.

Standardisation of Management Mechanism for Partners

We permit our delivery partners to use our logo and require them to comply with the relevant laws and regulations to protect couriers' safety and labour rights. We also require our business partners to comply with operation and delivery standards as contracted, formulate scientific labour management rules, and set recruitment standards for couriers. Furthermore, we have established explicit requirements for fair employment for couriers and strictly prohibit delivery partners from engaging in any form of discrimination during courier recruitment. Delivery partners must not discriminate against women or people with disabilities nor threaten the fair employment rights of workers in any form. Meanwhile, we enhance the delivery partners' management of the couriers' compensation, assuring couriers are properly paid on time. We optimise order structures to ensure a stable income for couriers.

We require our delivery partners to have a complete safety management system for couriers and consider courier riding safety management performance in the delivery partner assessment. We supervise and assess delivery partners' safety management through multiple means, including (i) building evaluation mechanisms to assess delivery partners' compliance with regard to safety policies; for delivery partners with poor safety management performance, we take actions such as restricting their expansion, dismissing some or all their sites, and charging penalties; (ii) setting up dynamic assessment indicators, considering couriers' helmet wearing rates and delivery vehicle compliance to urge delivery partners to fulfil their safety management responsibilities; and (iii) continually operating the delivery partners' remote monitor centres, encouraging them to update their safety equipment and persistently monitoring the safety equipment operation status.

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15 Number of suppliers: refers to the number of suppliers in collaboration and maintained in the supplier management system as of December 31, 2023. "Region" refers to the place where the suppliers are registered.

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We require our delivery partners to provide adequate safety training for couriers, including (i) conducting safety training before couriers receive orders and further advancing the training once they have received a certain number of orders; (ii) conducting regular monthly safety training as well as special training for couriers who have traffic violations or accidents; and (iii) setting training assessment standards to evaluate couriers' knowledge of the content involved in safety training, such as traffic rules, safe riding, emergency response, and dress codes, ensuring that the couriers pass the assessment before they start working. In addition, we restrict the development of the delivery partners who fail to meet the standards in couriers' safety training assessment or have safety accidents with major responsibility.

Depending on the types of couriers, we require partners to purchase "employer's liability insurance" for couriers or work together with partners to launch "personal accident insurance" products for couriers. In 2023, we required the insurance enrolment rate to reach 100% during the couriers' service time, providing more protection for couriers' personal safety during delivery. We continue improving the commercial insurance and its claim process. We have launched the "Couriers' Direct Compensation Project" so the couriers can self-claim their settlement through one click on their Apps. This has improved claim settlement efficiency and enhanced the couriers' experience.

Optimise Couriers' Rights and Interests Protection Measures

We ensure couriers' rights and interests protection by protecting their safety, improving their work experience, and providing practical support to them.

Protecting Courier Safety

Through technological upgrade, risk management, and control and awareness enhancement, we continuously improve the safety capabilities of couriers and help them handle and reduce the safety risk during delivery services:

- Technological upgrade: In terms of software, we optimise the dispatch system to improve the efficiency of order delivery by setting reasonable delivery time limits and routes, while also allowing flexibility in the delivery time for couriers. In order to improve delivery safety, we offer complaint channels for couriers to extend the delivery time limit in special scenarios, such as severe weather and delayed preparation of meals. In terms of hardware, we continue extending the use of smart helmets to enable couriers to receive orders through voice commands. The helmets also remind vehicles behind through self-sensing taillights to lower the risk of traffic accidents. By the end of 2023, we had put smart helmets into trial operation in 28 cities across the country, covering over 120 thousand couriers. We also strictly standardise the use of batteries and charging equipment for E-mopeds and promote a charging and battery replacement network development. We provide a dense network of safe charging and replacement devices, thereby mitigating fire risks when charging batteries.

- Risk management and control: We continue optimising the security centre in the couriers' order receiving App. Apart from common safety protection functions, such as severe weather warning, courier insurance, emergency contact person, and case reporting, we have also added features to display data on traffic violations and accidents to inform couriers of riding safety status. We organise blood pressure checks for all couriers across the country, rescheduling work shifts and arranging sick leave or medical services for couriers with abnormal blood pressure to minimise accidents. In addition, we have expanded the coverage of the "Couriers' Accident Warning" function to identify couriers in need through technical means and provide online and offline emergency support.

- Raising awareness: We have launched safety training courses on Couriers' App to educate couriers on traffic safety, fire safety, and emergency response and incorporated safety into couriers' bonuses, strengthening their awareness of safe riding. In 2023, our online safety training courses were viewed more than 50 million times. Moreover, we held more than 3,000 sessions of offline safety training in collaboration with local traffic police in more than 60 cities. During the training, couriers learned about traffic laws and participated in law enforcement activities with the police. By doing so, couriers have obtained a better understanding in terms of safety.

Improving Couriers' Work Experience

We take multiple measures to improve couriers' work experience, including:

- Optimising delivery rules: Constantly optimising the delivery algorithm by collecting opinions and suggestions from couriers, external experts, and other stakeholders and conducting consumer surveys in different cities. By the end of 2023, we had disclosed the algorithm rules seven times in total.

- Providing work support: We build courier stations across the country, where basic amenities are available, such as drinking water, rest areas, and mobile phone charging. In 2023, we constructed more than 38,000 courier stations. Our support for couriers varies depending on the season and weather. For example, in snowstorm days, we provide free lunch, ginger tea, hot porridge, and other food and beverages at some stations and free portable chargers in designated areas.

- Enhancing incentive mechanisms: We have optimised the management for "Bulk Orders", where we have refined the delivery rules for the orders of large, heavy, and expensive items in terms of dispatching mechanism, delivery time, and subsidy to improve couriers' delivery experience.

- Listening to couriers' voice: We actively expand the communication channels for couriers and listen to couriers' feedback and opinions through "Couriers Feedback Sessions" and "Courier Rights Protection Hotline". By the end of 2023, we had held a total of 310 "Couriers Feedback Sessions" and developed support programs based on the collected feedback, which significantly improved couriers' work experience. In addition, we continue promoting the development of couriers' union. Through courier negotiation and coordination mechanisms, we collect couriers' concerns and explore targeted solutions.

Caring for Couriers

We keep improving the courier welfare policy to better care for and support couriers in their work and life. To this end, we take multiple measures in caring for couriers' health, looking after couriers' families, protecting female couriers, and helping couriers in need, as follows:

- Caring for couriers' health: We regard couriers' physical and mental health as a priority. We provide twenty-four seven online health counselling and medicine-delivery services for couriers and their families. Couriers can acquire free consultation from doctors or pharmacists through the Couriers' App and receive monthly allowances for medicine purchase. We continue enhancing the "Tongzhou 1 m^2 Protection" self-service health area, which integrates functions, such as couriers' health promotion, service guidelines, service applications, feedback, medical equipment, and medical supplies display to help couriers acquire proper health support. In addition, we have set up courier's mental health counselling hotline and mental health mini-classes, helping them relieve pressure and negative emotion in their daily work and life, and maintaining a positive and optimistic mindset in a scientific and comprehensive manner.

- Looking after couriers' families: We continue delivering the "Baby Kangaroo Charity Project" initiated in 2019, striving to provide education and support for serious illness for couriers' children across the industry. To help couriers balance work and childcare, we have established the "Baby Kangaroo Charity Home" with charity organisations, where extracurricular activities, after-school care, early childhood education, and other childcare services are available. By the end of 2023, the "Baby Kangaroo Charity Project" had provided assistance totalling RMB29 million for 749 couriers' children with serious illness, whilst 5 "Baby Kangaroo Charity Homes" were established.

- Protecting female couriers: We acknowledge the importance of and promote female couriers' health by providing free cervical cancer and breast cancer screening services across the country. Female couriers can make an appointment on the Couriers' App for cervical cancer and breast cancer screening at our partner medical institutions. In 2023, we opened a free appointment channel for female couriers in more than 300 cities across the country. In addition, we also offer a "Health Kit" designed for female couriers' health at distribution sites, Party-masses service centres, courier stations, and other locations across the country, and regularly hold the "Health Salon" on women's health.

- Helping couriers in need: We have established a funding for serious diseases to help couriers and their families suffering from serious illnesses. By the end of 2023, the fund had provided a total of RMB170 million to 5,433 couriers and courier families, providing effective help for the courier's family to overcome the difficulties.

Empowering Couriers' Development

We offer career development assistance to our couriers in various aspects. In 2023, we unveiled the "Courier Growth Plan", focusing on couriers' needs for development at different career stages, from entry, proficiency, promotion to further career transition. The plan aims to create a development path that encompasses skill, career, education, job transfer, and career transition to broaden couriers' career horizon, enlarge talent pool, and underpin the long-term and robust advancement of the industry, as follows:

- Skill: We provide newly onboarded couriers with new courier orders and liability exemption cards to help them familiarise themselves with the working mechanism rapidly. In addition, we release an instructional video of order receiving skills through the "Order Receiving VR Simulation" function on Couriers' App and carry out the "Experienced Couriers Help the New Ones" project to help new couriers master basic career skills.

- Career: We continue improving the courier training and development system. Through holding the "Station Manager Training Plan" and other projects, we keep discovering management talents among couriers. By the end of 2023, there had been more than 440,000 participations in the "Station Manager Training Plan".

- Education: We have launched the "Couriers Go to Universities" project in collaboration with The Open University of China to provide couriers with opportunities for academic advancement, alleviating financial pressure and expanding their career prospects, aiming to send high-quality talents to the industry. By the end of 2023, a total of 320 couriers had been admitted to study logistics management at The Open University of China.

- Job transfer: We also provide job transfer opportunities for couriers through the "Courier Job Transfer Program", enabling couriers to gain experience in different roles within our business operations, such as customer service and training instructor.

- Career transition: We encourage couriers to explore diverse career paths and get themselves armed with skills and resources for starting new journeys in other industries.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

PRODUCT RESPONSIBILITY

Platform Responsibility

Meituan is a technology-driven retail company that offers a wide range of diversified daily goods and services in the retail sector through the use of technology. This includes food delivery, in-store services, hotel and travel bookings, and other service offerings and sales. In accordance with the requirements of the *Law of the People's Republic of China on the Protection of Consumer Rights and Interests,* the *E-Commerce Law of the People's Republic of China*, the *Measures for the Supervision and Administration of Food Safety in Online Catering Services*, and other laws and regulations, we systematically manage the goods and services provided by the platform in terms of safety guarantees, merchant management, customer service, etc., to protect the legal rights and interests of consumers.

Safety Guarantees

Food Safety

We place great importance on food safety. In accordance with the requirements of 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 *Interim Measures for the Supervision and Administration of Food-related Product Quality and Safety* and other laws and regulations, we hold responsibility for the food safety supervision and administration within our platform, as well as our retail businesses. We regularly follow up on updates to food safety regulations and make timely and dynamic adjustments to compliance requirements.

We take our role in food safety seriously, optimising our food safety management system, and continuously improving our organisational capacity and human resource support for food safety. At the Company level, we have established the Food Safety Committee and Food Safety Office to take responsibility of formulating strategies, building competence, interpreting laws and regulations with further implementations, and coordinating multiple business lines. At the business operations level, we have arranged a quality control team for different business types to undertake specific food safety compliance requirements in the areas of qualification examination of partner merchants, supplier's on-site audit, goods warehousing, in-stock management, transportation, and distribution, thereby achieving efficient and unified management of food safety within the Company.

We have established an emergency response mechanism with clear procedures and measures for handling food safety incidents. We cooperate with market regulatory authorities and other relevant departments to ensure proper emergency handling. We also established a food recall management system to regulate the recall process and the disposal method for unsafe food products. In 2023, there were no significant food safety incidents requiring recalls for health and safety reasons.

We develop and implement targeted food safety initiatives for both our platform and retail operations, including:

- On food delivery: We develop and update 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 Food Safety Issues in Meituan Delivery Processing Specifications. We optimise the monitoring mechanism of merchants' food safety performance. On one hand, we objectively evaluate the food safety performance of merchants by conducting regular food sampling tests in delivery services through partnering with third party testing agencies. On the other, we continue piloting and promoting the on-site inspection mechanism of merchants as well as urging merchants to maintain a neat environmental hygiene and other food safety management practices. We provide timely solutions to problems identified during sampling test and on-site inspection to help and guide merchants to improve their food safety management continuously. We continue applying daily cleaning and disinfection to delivery boxes whilst collaborating with market regulatory departments and industry partners to promote applications of take-out sealing methods, such as food safety sealing labels. Moreover, we continue exploring and promoting measures such as the "Food safety for food delivery" liability insurance to enhance the protection of consumer's rights and interests.

- On food retail: We actively respond to the regulatory requirements of food safety responsibilities for enterprises, improve the food safety management organisation and staffing, and implement the "Daily Controlling, Weekly Investigating and Monthly Scheduling" food safety risk prevention and control mechanism. We have formulated and refined food safety management policies in different stages, including supplier admission, product storage, and product selling. In the supplier admission stage, we check suppliers' qualifications, including business licence, food production and operation licence and filing, etc. For food suppliers with large volume of purchases and sales, we proceed on-site inspections, random inspections, and other methods to monitor the compliance of their production and operation processes. In the product storage stage, we conduct sensory inspections and rapid detections for fresh agricultural products with high food safety risks to safeguard the quality and safety of products. In the product selling stage, we have established a quality control system, using quality and safety data analysis models to monitor the food safety performance of the products, and take timely control measures for products with food safety issues. We strengthen cooperation with third-party testing agencies, and regularly conduct specific food safety sampling to identify and manage food safety risks of products on sale.

- On community e-commerce food: We continue improving a comprehensive food safety management model that is tailored to the actual requirements of the community e-commerce ecosystem and establishing a food safety and quality assurance system that covers all aspects of the workflow, including platform partner merchants, storage facilities, and self-pickup points. We strive to improve food safety management capabilities in all stages. We employ methods such as safety sampling inspections and intelligent evaluations to dynamically monitor the quality and safety of food sold through the platform. We partner with merchants to continuously improve food quality and ensure community e-commerce food safety.

- On private label products: We have formulated the Guidelines for Safety Management and Control of Private Label Products and Food and have continuously updated the life-cycle food safety management system covering supplier selection, product selection, R&D, production, storage, and distribution. Before cooperation, we perform audits on suppliers in aspects of qualifications, premises, and production process management. In conjunction with third-party testing agencies, we conduct regular sampling test on private label food and dynamic monitoring and evaluation on food quality and safety during cooperation to improve the management of suppliers.

In addition, we actively support the social co-governance of food safety. We have strengthened communication and cooperation on food safety with food safety regulatory authorities, industry associations, research institutions, and think tanks in three areas: industry standard setting, culture promotion, and collaborative governance.

- Standard setting: We actively participate in the establishment of food safety standards. For example, we collaborated with the China Chain Store & Franchise Association, the China Aquatic Products Processing and Marketing Alliance, and other industry partners to publish the *Specification of Quality Management for Live White leg Shrimp in Preposition Warehouse Pattern* and the *Specification of Quality Management for Prepared Meals in OEM Model* to guarantee food quality and safety.

- Culture promotion: We continuously organise food safety trainings to promote food safety culture and enhance awareness and capability of food safety compliance. For employees, we regularly conduct "Food Safety Lecture" training sessions where industry experts are invited to teach compliance requirements and skills to improve employee knowledge about food safety regulatory requirements and practices. For couriers, we provide regular trainings on food safety and code of conduct during delivery process. For suppliers and merchants, we provide them with food safety knowledge and solutions through a variety of means, such as regular promotion of "Key Points on Food Safety Management", launching of "Food Safety Training Camp", and continuous operation of the "Safe 365" public welfare training programme on food safety.

- Collaborative governance: We continue strengthening government and business collaboration in food safety through actively participating in national and local "Food Safety Publicity Weeks" activities, supporting the co-construction of food safety demonstration stores, districts, and cities. In 2023, we actively piloted the online exhibition of "Bright Kitchen and Stove" to help merchants improve the food safety synergy of delivery food governance. We have strengthened research cooperation with research institutions and think tanks on innovation in food safety governance, to further guide food safety practices with scientific theories.

Biking Safety

We actively implement and abide by relevant national standards regarding the R&D and production of bikes and E-mopeds, such as the *Safety Technical Specification for Electric Bicycle (GB 17761-2018)* and the *Safety Requirement for Bicycles (GB 3565-2005)* to ensure vehicle safety.

We take several measures to ensure the safe use of shared bikes and E-mopeds, including (i) ensuring the reliability of operated vehicles through several management methods, such as preventive maintenance, problem identification, automatic off-line of malfunctioning vehicles, and overall vehicle maintenance; (ii) optimising the vehicle design, equipping vehicles with loading sensors, monitoring vehicle speeds and areas of operation, and monitoring and managing E-mopeds multi-riding and other high-risk riding scenarios; (iii) installing the brake self-adjustment system, which can automatically adjust the brake tightness during riding, thus preventing and reducing accidents; (iv) applying consumer real-name authentication, facial recognition, and other technical means and managing consumer credit by taking riding location, Bluetooth matching, and accident history into account, to prevent account sharing and underage riding; (v) reminding consumers of the potential risks through App pop-up notifications before riding and voice messages triggered when unlocking; and (vi) buying riding accident insurance for consumers to ensure the personal safety and property security of consumers and third parties.

In 2023, we assisted the regulatory authorities to promote and manage consumers' rider behaviours. In cooperation with the public security and traffic management authorities, we made the publicity video "New Riding Safety Rules" to promote riding safety. In addition, we supported local traffic police bureaus in various cities across the country to launch a customised traffic safety pop-up window for accurately pushing riding safety reminders and carried out 27 offline activities with the theme of "Traffic Safety".

We continuously upgrade our vehicle models to offer consumers a comfortable experience with guaranteed vehicle safety. Through consistent improvement, the X1 and X2 models of shared E-mopeds won the "2022 Design Intelligence Award" and "2023 Design Intelligence Award" respectively, granted by the Organisation Committee of Design Intelligence Award (DIA).

Merchant Management

Abiding by relevant laws and regulations, such as the *Electronic Commerce Law of the People's Republic of China* and the *Law of the People's Republic of China on the Protection of Consumer Rights and Interests*, we have formulated rules and policies based on different business models for managing the operations and services of merchants on our platform. In 2023, we revised the Specification for Handling Violations of Meituan In-Store Dining Merchants and the Terms of Service for Meituan Group Buying Consumers to further standardise the management measures for the improper behaviours of merchants, such as illegal collection of consumers' private information, integrity violation, and fake transactions in service scenarios to continuously improve the service awareness of merchants and consumer experience.

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We guide merchants to provide safe, healthy, and convenient goods and services to consumers. We have undertaken multiple projects to guarantee the product and service quality of merchants to enhance consumers' experience.

- For catering and snack merchants, in conjunction with well-known catering snack chain brands and the China Hospitality Association, we have developed and issued the group standard *Operation Requirements for Snack Chain Enterprises in Digital Services of Catering* to guide chain enterprises of catering snacks to realise digital service and management. In 2023, we launched the food safety insurance "Safe Dining", which effectively protects consumers rights in scenarios involving foreign objects, expired meals, and spoiled meals.

- For accommodation merchants, we ensured a hygienic and clean accommodation environment for consumers by establishing hygiene and sanitary standards for different hotels, including e-sports hotels and cinema hotels. In 2023, we expanded the coverage of the "Assured Refund" and the "Agreement for Cancellation before Eight P.M." to further enhance the booking experience of consumers and the performance awareness of merchants. For homestay merchants, we have added tiered refund and change rules to our cancellation policy to safeguard the rights and interests of merchants while allaying potential cancellation concerns of customers and constraining their refund behaviours.

- For the ticket merchants of tourism attractions, we have collaborated with a number of scenic spots to set up dedicated service personnel, exclusive service materials, and channels for the elderly, in order to comprehensively improve the booking experience of elderly consumers. We continuously promote the "Elderly-Friendly Ticket Project", further optimise the consumer interface, simplify the operating procedure, and use more intelligent methods to solve the operational difficulties of online ticket purchases for the elderly and provide a better service experience.

We supervise and assess platform merchants' quality of service and take appropriate actions against violations, such as service non-conformance, fake advertising, fake transactions, fake stores, and fake listing of real estate sources. In response to certain merchant violations, we, as a clue provider, have established a joint working mechanism with the public security authorities. We have established a systematic violation handling process and hierarchical punishment mechanism to standardise the behaviour of merchants and safeguard consumers' rights and interests. We impose penalties, including warnings, adjustments to search results, hidden ratings, suspension of businesses and stores, account bans and fines according to the severity of the merchant's violation.

We have established a training system for merchants on our platform, enhancing merchants' service awareness through regular online and offline training courses. We offer diversified training courses and seminars, including:

- Legal awareness campaign: We conduct legal awareness campaigns to enhance merchants' understanding of the rules of our platform and guide them to operate their business in compliance with platform guidelines and legal regulations.

- Live Q&A: We organise live Q&As for merchants to answer their questions regarding business operations, which act as new communication channels for merchants and the platform.

- Industry experience learning platform: We provide a platform for merchants to share cutting-edge industry information and opinions in the form of live streaming and other activities, thereby fostering the collective development of the industry.

- Integration of industry, education, and research: We promote the integrated development of industry, education, and research, and help merchants develop the brand marketing throughout the industry chain. We, in cooperation with various universities and colleges of culture and tourism, conduct training for merchants nationwide, informing merchants of policy and regulatory updates, business experience of merchant champions, safety compliance concepts, platform rules and norms, etc.

Customer Service

We strive to improve customer satisfaction by providing high-quality customer service. We have established operation centres across Shijiazhuang, Yangzhou, Nantong, Wuhan, and Luoyang with professional service teams, allowing us to respond faster to customers.

We promote smart customer service by equipping service teams with intelligent assistance that can quickly answer highly frequent and repetitive inquiries and handle standardised tasks automatically. By using intelligent assistance, the service teams can manage unexpected business peaks and improve efficiency in handling customer issues. In addition, we quickly identify possible service issues by using the intelligent quality inspection system to improve customer service management capability and efficiency.

We use the issue-tickets system to record consumer issues, forming a closed-loop solution process from issue initiation, issue handling, issue resolution to solution evaluation. We clarify the internal responsible party for each procedure to urge and follow up with the main responsible party for problem feedback and resolution. We timely check and respond to customers' feedback and requests through different channels, including consumer satisfaction questionnaires and public opinion monitoring, continuously improving and standardising our customer service procedures.

We continuously enhance the professional capability of our customer service personnel to solve customer issues by sorting out major customer service procedures and increasing their knowledge on procedures in different business scenarios. We grant customer service personnel with flexibility and authority so that they can deal with different situations. For example, if we receive complaints regarding a merchant refusing to serve a customer, once these complaints are confirmed, customer service personnel have right to suspend the merchant from listing goods and services on the platform until the rectification is completed.

As a result of our excellent customer service, we have won the CCM World Group's Golden Headset championship for consecutive years and retained the trophy permanently as the annual champion of the China's Best Customer Centre Competition. Moreover, in 2023, our employees were awarded the titles of "Most Beautiful Customer Service Staff" and "Excellent Customer Service Staff" in the national customer service staff selection by the China Consumer Journal.

In 2023, we received a total of 1,201,801 customer complaints, which accounted for 0.13% of the total number of service times, and 95.6% of the complaints were resolved within 3 working days.

Intellectual Property Rights

We recognise the importance of protecting intellectual property rights (IPR) and thus focus on IPR application and accumulation. We conduct IPR management 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 other jurisdictions where we operate. We are the vice president unit of the Patent Protection Association of China, the director unit of the China Trademark Association, and the standing director unit of the China Intellectual Property Society.

We have established effective mechanisms to manage intellectual property risks, including (i) systematically identifying and evaluating intellectual property risks, setting response plans, and improving prevention mechanisms; (ii) establishing evaluation policies in key business lines, including IPR pre-examination rules in procurement and R&D and trademark reviews during new brand design, to provide IPR protection for major projects; (iii) enhancing the integrity of the market and safeguarding the interests of consumers through monitoring and combating external infringements and excluding fake trademarks and applications; (iv) enhancing our resilience against intellectual property risks through external exchanges and cooperation; and (v) improving intellectual property operation guidelines across all business lines and undertaking ongoing training and publicity to raise awareness of business departments on IPR risks.

We continuously strengthen IP management, foster a culture of innovation, respect and encourage originality, and enhance the accumulation of our own IP. Based on the standards of patent output and value evaluation, we have improved patent filing efficiency and output value by implementing our Guidelines for Patent Application, reviewing pre-patent proposals, and performing sampling inspection on the application text quality. Also, we incentivize innovation through both intangible and tangible rewards. In 2023, we continued promoting the IP quality management. Through tracking important projects and setting systematic IP operational indicators, we manage our important innovations and improve our overall ability of IP management in terms of quantity and quality.

We also respect the IP of other parties and safeguard IP owners' rights and interests with measures such as formulating user agreements and implementing platform IP protection mechanisms. Once receiving infringement notices, we delete or block the alleged infringing item in accordance with relevant laws and regulations and the evidence provided in the complaint. We protect IP owners with a comprehensive "front-end, mid-end, back-end, and co-governance and supervision" mechanism, including (i) front-end: optimising and upgrading the brand protection database to intercept the source of infringing stores; (ii) mid-end: establishing a long-term brand monitoring mechanism and continuously enhancing control efforts to promote compliance operations of existing merchants; (iii) back-end: launching and iterating our IP Protection Platform to serve brand owners on their requests and complaints and improve processing efficiency and transparency; and (iv) co-governance and supervision: collaborating with IP owners, regulatory authorities, and the public for collaborative governance, assisting the IP owners who submit protection requests on the "Brand Protection Service Station" and introducing a public review mechanism to allow public participation in the formulation of IP protection rules. In 2023, we actively carried out brand protection in cooperation with IP protection associations, and effectively advanced the progress by means of "face-to-face" communication, two-way survey, and exchanges. For example, we launched a brand protection livestreaming lecture for catering merchants jointly with a hot-pot brand, benefiting more than 400 thousand merchants.

Information Security and Privacy Protection

Meituan always upholds a "customer-centric" approach and is committed to information security and user privacy protection. We strictly abide by the *Cybersecurity Law of the People's Republic of China*, the *Data Security Law of the People's Republic of China*, the *Personal Information Protection Law of the People's Republic of China*, the *Provisions on the Administration of Mobile Internet Applications Information Services* and other relevant laws and regulations. We continue managing and protecting information security and user privacy by defining systematic management requirements, implementing internal procedures and control measures, fostering employee security awareness, and promoting the orderly development of the industry.

Defining Systematic Management Requirements

We continue improving our information security and privacy protection system. The Board's Audit Committee receives an annual report on information security and privacy protection issues, makes decisions on the risk identification and assessment strategy, and supervises the effective implementation of the strategy. The Data Compliance and Privacy Protection Committee is responsible for coordinating the internal data compliance and privacy protection management work of the Company, developing the Company's data compliance and privacy protection management strategy and promoting its implementation.

We are continuously advancing the management of data security and privacy protection. We have formulated the Regulations on Privacy Protection, the Data Security Management Procedure, the Employee Information Security and Confidentiality Behaviour Standard, and other internal management policies, and publicly released management policies, such as the Meituan Privacy Policy and Privacy Policy for Minors, in a bid to standardise the Company's management requirements for the entire lifecycle of personal information, including collection, transfer, storage, processing, and deletion of data.

We protect information security and user privacy in compliance with international and industry standards. We have obtained ISO 27001 information security management system certification, ISO 27701 privacy information management system certification, ISO 27018 public cloud privacy security management system certification, CSA Star certification, and the Certificate of Level 3 Classified Protection of Cybersecurity. Meituan App has received the Mobile Internet Application Security certification issued by China Cybersecurity Review Technology and Certification Centre (CCRC). The business systems that we use and the services we offer are managed in accordance with the above certification standards, and the validity of such certifications are maintained through independent third-party audit on an annual basis.

Implementing Internal Procedures and Control Measures

To support information security protection, we have built up a security management mode that incorporates functions of permission management, security assessment and audit, encryption, data recovery and backup, and vulnerability prevention and control:

- Permission management: We have established systematic and universal rules regarding user account permissions and management and implemented access controls over network access devices. We regularly check the status of user accounts and related permissions, automatically revoking expired accounts and permissions.

- Security assessment and audit: We conduct multiple security configuration assessments of databases and servers every year. Real-time auditing of high-risk operations is conducted through the automated security audit system, which aims to reduce the risk of data leakage, identify misuse and abuse of data, and prevent the unauthorised access.

- Encryption: We manage the storage and usage of user data through software and hardware-level data encryption. We protect personal information from unauthorised access, public disclosure, use, modification, damage, or loss through information confidentiality agreements and monitoring and auditing mechanisms.

- Data recovery and backup: We have developed a series of backup management procedures and a backup recovery process to ensure rapid recovery of damaged data. For artificial intelligence and cloud platforms, local or off-site backup is deployed depending on the nature of the business to minimise the risk of losing users' data.

- Vulnerability prevention: We implement tiered data management based on security vulnerabilities, undertake daily inspections, set up emergency response mechanisms for evaluating critical risks, develop disaster recovery plans, and conduct regular drills.

In privacy protection, we focus on refining privacy rules, iterating services' privacy functions and enhancing information demand review, and implement various privacy protection measures as follows:

- Refining privacy rules: We inform users about the collection and usage of personal information, as well as their rights to access, modify, delete, and secure their data, through App pop-up windows for privacy policy and privacy rule authorization. We also provide a clear list of personal data collected and shared with third parties.

- Iterating privacy browsing function: We have developed a private browsing mode, in which users can use our basic services such as browsing without providing any personal information. Users can search, modify, delete, and make other operations on their personal information through the App privacy management page to protect their legal rights. In the Meituan App's personalised recommendation function, we introduce the mechanism and principle of recommendation to users and provide convenient options for users to control and optimise the recommendation content through user feedback.

- Enhancing information demand review: We ensure legal and compliant use of personal information by establishing a personal information protection impact assessment system to review business needs involving personal information.

Fostering Employees' Security Awareness

Confidentiality agreements are signed with our employees, and relevant training is provided regularly. All staff, including full-time employees, contract personnel, and interns, are required to take courses on information security and pass relevant examinations before taking on duties. We provide targeted training on information leakage prevention and "anti-phishing" for key employees who have access to highly sensitive information or are engaged in the processing of such information to uplift their awareness of information security. In 2023, we conducted 2 sessions of information security training for all employees and targeted trainings for employees in every line of business on a monthly basis.

Our Integrity Workplace Code of Conduct and Integrity Management Responsibility Policy include clear stipulations regarding information security management, interaction security, and information release control on employee departure and transfer. Employees who leak data will receive severe disciplinary punishments.

Promoting the Orderly Development of the Industry

We implement the "least-necessary" principle to ensure information security. All third parties exchanging data with us are managed strictly, and we have clarified the types of data shared with third parties and our policies regarding the use of third-party data in the Meituan Privacy Policy[16]. We have a dedicated team to manage suppliers and partners, and conduct pre-event assessment, in-process control, and post-event tracking to ensure security and compliance in the process of cooperation, as follows:

- Pre-event assessment: We have set up supplier onboarding requirements and a hierarchical security fund mechanism and verify the supporting materials submitted by suppliers. We only cooperate with the suppliers who have met all onboarding requirements, such as qualification and data security capabilities. Meanwhile, we will enter into a confidentiality agreement with the supplier to specify obligations for data security and violation penalty rules binding on both parties during the course of our cooperation.

- In-process control: We control potential security risks in data exchanges with suppliers by assessing the necessity and sensitivity of data interfaces and checking data transfer logs and exceptions.

- Post-event tracking: We have established a violation accountability mechanism, and different punishments like fines, contract termination, and legal actions are imposed on suppliers who are engaged in improper data processing. Moreover, we will trigger an emergency response process when necessary to ensure effective protection of user data.

We actively promote the enhancement of industry-wide data security and user personal information management capacity building. As a member of the National Information Security Standardisation Technical Committee, we actively participate in the formulation of national standards for data security and user's personal information management. In 2023, we assisted the China Academy of Information and Communications Technology in the formulation of the *Processing Specification for Personal Information of Software Development Kit* and the *Technical Requirements for Differential Privacy-based User Personal Information Protection*.

[16] For more information about the data shared with third parties and related management requirements, please see the Meituan Privacy Policy.

Compliance of Content

Compliance of Advertisement

We abide by the *Advertising Law of the People's Republic of China*, the *Regulations on Control of Advertisement*, the *Administrative Measures for 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 actively fulfil the relevant compliance requirements for Internet information service providers and set up the advertising acceptance, review, and file management systems. Moreover, we continue enhancing advertisement review standards and processes. We strengthen the construction of the advertisement reviewing team, organise learning and training sessions, and publicise compliance knowledge and cases of violations to increase the risks awareness in advertisement and compliance capabilities.

In 2023, we further made improvements to our platform to better identify and handle illegal activities and content in advertising. We developed a sensitive word and image filtering system, which achieves full coverage of advertisement review, and conducted second review for frequently displayed and popular materials. We screen out illegal words in advertising and strictly control advertising content through automatic and manual inspection, ensuring that advertising content is legal and compliant. For special industries, such as medical treatment, medicine, and dietary supplements, we have set up relevant special advertisement reviewing rules and conduct focused review on these advertisements to protect the rights and interests of consumers.

Compliance of UGC

We strictly comply with the *Measures for the Administration of Internet Information Services* and the *Provisions on Ecological Governance of Network Information Content* and continue enhancing compliance and quality management of User Generated Content (UGC). We have established a Content Security Committee to coordinate and promote the establishment of the content security system, guarantee UGC compliance, and enhance UGC quality. In addition, we have set up communication channels with regulatory authorities to respond quickly and continue managing UGC in line with regulatory requirements.

In terms of UGC review, our multiple-layer review mechanism helps to improve UGC quality via automatic and manual review.

- Manual inspection: Different level of reviewers are assigned by content, with designated personnel in charge of screening high-risk contents.

- Automatic inspection: Constantly enhancing the automatic identification system, improving text recognition capability, and optimising the image recognition and semantic analysis models to improve the screening accuracy of content of violation.

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In case of any illegal content, we would implement a hierarchical management policy supplemented with blocking and deleting measures. In 2023, we extended our risk management to further cover the content of videos and live streaming, and built risk prevention and control links.

We have also established a specific emergency response system and a mechanism for prevention and control of sensitive information. We set up emergency response mechanisms for content management, covering regulatory directives and special projects and enabling recall capabilities for UGC contingency on the platform. We have launched 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 resolve process. We continuously maintain a sensitive-word database to track and update new sensitive words. For sensitive occasions such as festivals, we have established a prevention and control mechanism to ensure content security.

We are committed to strengthening employees' ability to manage UGC and developing a merchant content compliance culture. We provide online and offline content security courses to train and assess employees' awareness of UGC security. We require all UGC reviewers to take special training on UGC security, following which they will have to pass examinations before they can start to work.

Compliance of POI

We attach great importance to the compliance, authenticity, and accuracy of POIs (Points of Interests, i.e., the places considered interesting or helpful by the consumers).

We continuously improve the review system to enhance the quality control of POI content, including (i) integrating manual review with the intelligent identification system to conduct quality sampling inspection and review of POI content, introducing video-based verification methods to strengthen POI authenticity. We continue enhancing the capability and expanding the range of application of POI anti-cheating identification to screen and filter inappropriate and illegal POI; (ii) collecting the complained and reported content of the POI through various channels, and carrying out unified revision and rectification of such content; (iii) keeping adequate communication with regulators and continuously improving POI management according to regulatory requirements; and (iv) providing training on the prevention and control of fake POI, organising relevant employees to take part in the examination, assessing their POI management ability, and providing follow-up guide to employees underperforming in POI management in real work.

In 2023, we upgraded the POI information feedback portal and channel, lowering the barrier for consumers and merchants to provide feedback. We have designated personnel to follow up and solve POI-related issues reported by consumers and merchants in a timely manner. We corrected data and iterated services based on feedback to improve consumer experience.

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, continuously enhance our internal policies and management systems, and build up our capabilities for fraud risk prevention and management. We are committed to fostering a culture of integrity and building a clean, transparent, and fair workplace. For external partnership, we create an open, transparent, honest, and efficient cooperation environment to attract high-quality partners.

Anti-Fraud Policy and System Construction

We have formulated the Integrity Workplace Code of Conduct and the Integrity Management Responsibility Policy to specify the Company's requirements on corporate integrity behaviours and clarify that managers shall assume management responsibility for employee's fraud-related incidents, reflecting the bottom-line requirement of integrity.

We have established the Integrity Committee which is responsible for leading the Company's anti-corruption undertaking, policy system building, corruption investigation and handling, and integrity culture development. The Committee is chaired by the head of the Corporate Affairs Platform and the head of the relevant functional department serves as the Secretary-General. Adhering to our Specification for Integrity Committee and Framework of Integrity & Operational Mechanism of Integrity Committee, the Committee independently reports to the senior management team. The Committee's main responsibilities include:

- Formulating and optimising our code of professional conduct, while implementing integrity strategy to comprehensively identify and prevent integrity risks.

- Leading the investigation and handling of disciplinary breaches, making qualitative decisions on major, difficult, and complex cases. Accepting and adjudicating appeals from employees regarding disciplinary treatment.

- Establishing internal platforms for the management of integrity issues in a coordinated manner, such as the Reporting Platform, Investigation and Handling Platform, and Adjudication Platform.

- Building and continuously deepening our integrity culture.

We assess potential corruption risks involved in internal and external communication of employees, comprehensively monitor fraud conduct, adopt a "zero tolerance" attitude towards fraud, and deal with violations seriously in accordance with rules and regulations. In 2023, the Integrity Committee focused on promoting fraud and corruption governance in key areas of the value chain, such as procurement of goods, services, products and spare parts, and major business cooperation. We assisted the public security authorities to file and investigate a total of 93 internal and external persons suspected of committing crimes.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

To mitigate fraud risk, we have established a whole-crew risk management system based on the Three Lines Model and our actual needs. For more details on the risk management system, please refer to the section of "Risk Management and Internal Control – Organisational Structure for Risk Management" in the annual report.

Fostering a Corporate Culture of Integrity

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 others.

We coordinate all departments to promote the co-creation of an integrity culture and instruct all employees to understand and abide by the Integrity Workplace Code of Conduct. We conduct integrity training and publicity at different levels, including the Board of Directors and senior management, and all employees are required to take integrity examinations. In 2023, we had 798 integrity instructors delivering 701 sessions of integrity training or publicity activities to 101,024 trainees, including 1 session of integrity training for Board members and 39 sessions for management.

Our culture of integrity is further promoted by a series of publicity activities. For example, in 2023, we organised publicity activities and commitment activities in various forms to raise employees' awareness of gifts declaration this year. A total of more than 6,977 employees participated in the activities and declared giving or receiving gifts.

We have conducted an integrity index survey for seven consecutive years since 2017 to examine factors, including integrity perception, integrity attitude, integrity behaviour, and integrity system. The results are then internally shared and explained with full transparency.

Whistleblowing and Inspection Mechanism

We have established the Integrity Declaration Platform to encourage employees to proactively disclose any instances of giving or receiving gifts and conflicts of interests. We also accept employees' reports of violations of laws and commercial ethics through a whistleblowing mechanism. We have established an internal case management system that integrates the processes of complaint acceptance, investigation inquiries, qualitative adjudication, appeals, and disciplinary enforcement into a close-loop management system. Moreover, we have established a standardised operation for handling reporting clues with "full coverage, no omissions, high efficiency, and mandatory feedback" and protecting whistle blowers' information to safeguard their legitimate rights and interests. Our Department of Integrity and Supervision accepts fraud reports and forms investigative teams. We have established a grievance 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 transferred to judicial authorities.

As one of the initiators and vice-chairman of the strategic decision-making committee of the Trust and Integrity Enterprise Alliance, we have been continuously participating in the work of the Trust and Integrity Enterprise Alliance since 2017, jointly carrying out anti-corruption actions. We issue the anti-corruption announcements every year, which aim at punishing corruption, fraud, counterfeiting, breach of information security rules, and other criminal acts through Internet approaches, improving the anti-corruption governance level of alliance members and fostering a community of integrity with our partners.

In 2023, we received the investigation and litigation outcomes of 7 corruption cases. All 7 employees involved in the cases were transferred to the public security authorities and sentenced in accordance with the law. We have terminated labour relations with the above-mentioned employees by the Integrity Workplace Code of Conduct and established a case review mechanism to avoid the recurrence of similar cases. The cases have not had a significant impact on our business.

Anti-Money Laundering and Countering Terrorism Financing

Abiding by the anti-money laundering laws and regulations, such as the *Anti-Money Laundering Law of the People's Republic of China,* the *Administrative Measures for the Anti-money Laundering and Anti-terrorist Financing Work of Payment Institutions,* and the *Guidelines for the Assessment of Money Laundering and Terrorism Financing Risks and Categorized Management of Customers of Financial Institutions*, we have amended related internal policies, such as the Administrative Measures for Customer Due Diligence, and formulated the Guidelines for Strengthened Anti-Money Laundering Due Diligence, in a bid to realise a more robust anti-money laundering system and better fulfil the reporting obligations of large-sum and suspicious transactions. Meanwhile, we have formulated the Administrative Measures for the Assessment of Money Laundering Risk in Services to clarify the standards and processes for the assessment of money laundering risk in our services.

In compliance with regulatory requirements, we have set up multiple positions in various departments to carry out precision management of anti-money laundering work, including (i) establishing an anti-money laundering management department and a dedicated anti-money laundering compliance position in the public affairs department to coordinate and implement various anti-money laundering work; (ii) assigning personnel in the risk control department for suspicious transaction monitoring, anti-money laundering product design, and anti-money laundering strategy, responsible for the implementation of anti-money laundering management such as suspicious transaction monitoring; and (iii) launching anti-money laundering system support positions and anti-money laundering data support positions in the technical department, responsible for the development, daily maintenance, and upgrade of the anti-money laundering system.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We enhance control at all key links of money laundering risk management and continue uplifting capabilities for anti-money laundering monitoring and management. In terms of customer due diligence, following “Know Your Customer” and “Risk Priority” principles, we refine the due diligence work and increase the accuracy of monitoring to strengthen our ability to manage money-laundering risks. In the early stage of due diligence, we verify the qualifications and licences submitted by customers and verify customers’ identities via officially authorised third-party verification channels. In the ongoing stage of due diligence, we refine the identification scenarios, optimise the risk rating model, and distinguish the risk level indicators between new and existing customers. In the enhanced stage of due diligence, we upgrade the mechanism for due diligence on high-risk customers and design more effective follow-up control measures. To identify and address money laundering and terrorist financing risk with higher effectiveness and accuracy, we have upgraded the suspicious transaction monitoring model and iterated the list scanning and matching logic.

We pay special attention to improving employees’ and partner merchants’ awareness and knowledge of anti-money laundering and we are working to build an anti-money laundering culture both internally and externally. Internally, we have formulated the Policy for Anti-Money Laundering Training and Publicity Management to specify the content, form, and frequency of anti-money laundering training. The anti-money laundering management department organises and conducts training on various topics, including key tasks for anti-money laundering and typical money laundering cases. In 2023, we launched monthly training sessions of anti-money laundering for the management, anti-money laundering personnel, anti-money laundering partners, and the public. We report to the management on anti-money laundering work and the progress of important projects and interpret the latest laws and regulations for anti-money laundering every two weeks. Externally, we conduct training on topics such as anti-money laundering knowledge and fund security to our partner merchants through social media posts. We carry out publicity at our branches, in business districts, and among communities, involving a wide range of participants and achieving favourable results.

In 2023, we actively communicated with the People’s Bank of China, reported on the experience and challenges of our anti-money laundering projects, and facilitated their research studies. We also regularly visited the digital currency research institute to exchange with them the industry development trends. We carried out a tripartite cooperation project among public security authorities, enterprises, and government, to assist regulators in combating illegal and criminal activities. Finally, we kept strengthening communication and cooperation with peers, and actively participated in various seminars organised by industry associations to exchange with peers on issues like telecom fraud and new money laundering tricks.

COMMUNITY INVESTMENT

We actively communicate with communities to understand their development needs and organise public welfare charity and community investment activities with the concept of "Internet +". We contribute to the development of the retail industry, enhance the influence of community investment, and promote the sustainable development of communities through various channels.

Public Welfare Platform and Projects

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

Public Welfare Initiatives

In terms of public welfare, we jointly carry out the Meituan "Playgrounds for Rural Children" charity project with other charity organisations, aiming to build multifunctional playgrounds for children in less-developed areas to empower them to engage in joyful play and support their healthy growth. Through our self-developed donation tracking system, compassionate consumers and merchants can track the specific details of rubber floor they donated, including the names of the supported kindergartens and the exact locations of the floor inside the playgrounds. By the end of 2023, with the support of 638 thousand charitable merchants and 474 thousand warm-hearted consumers, the project had supported constructing 1,276 playgrounds in 29 provinces and autonomous regions, such as Guizhou, Yunnan, Xizang, and Qinghai, directly benefiting 189 thousand children in rural areas.

In the Company, our employees participate in public welfare initiatives through various forms, such as "Employee Monthly Donation", "Charity Bazaars", and "Charity Salons".

- Employee Monthly Donation: We encourage our employees to donate RMB1 per day to support the children of couriers in the industry. By the end of 2023, more than 36,000 employees had joined the programme and collectively donated RMB22.309 million to the "Baby Kangaroo Charity Project", helping 560 couriers' children who suffer from serious diseases.

- Charity Bazaars: Gifts declared through our "Integrity Workplace Declaration" project are sold at charity sales and all proceeds are donated to public welfare projects. In 2023, the funds raised from the Charity Bazaars were used to build 3 rural playgrounds for children.

- Public Welfare Initiatives: Employees can support environmental protection by donating garments and recycling water bottles and can also contribute to public welfare through book-reading events, charity auction of home-made items, blood donation, and participation in charity salons.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Emergency Response

In 2023, we fulfilled our corporate social responsibility for responding to public health emergencies and natural disasters by leveraging our business advantages and gathering all parties to maintain people's livelihood, stabilise social employment, and boost economic recovery.

- Contributing to disaster relief: The Meituan Public Welfare Foundation donated RMB30 million for the disaster relief and post-disaster resettlement of the areas ravaged by rainstorm in the Beijing-Tianjin-Hebei region. We increased stock and delivery capacity to secure daily supplies for people in the disaster-stricken areas. We applied the same rigorous requirements for timeliness as in our daily operations and used our well-established and efficient logistics network and experience in regional operations to successfully secure the efficient delivery of daily supplies during the disaster.

- Stabilising prices during disasters: We take price stability as the top priority to ensure people's livelihood and resolutely resist illegal acts, such as price gouging and price cheating during disasters. In the event of a disaster, we launch an initiative calling on merchants to help maintain supplies of daily necessities and stabilise prices. At the same time, we strengthen the risk analysis of the supply and demand of daily necessities to provide a basis for alerts and decision-making for the supply of materials and price stability during disasters. In addition, we cooperate with merchants to ensure enough material supply.

- Assisting emergency medical treatment: We have established teams of professional pharmacists across the country to provide 24-hour online medical consultation services for people from affected areas during public health emergencies. We also coordinate professional service providers, including maternity hospitals and confinement centres to offer necessary assistance to special groups, such as pregnant women and new-born babies, when emergencies occur. In 2023, in response to the earthquake that occurred in Jishishan County, Gansu Province, we took immediate action to guarantee medical supplies and established medical teams to ensure the health and safety of the people in the disaster-stricken areas. Moreover, we launched an online psychological clinic to help alleviate the post-disaster trauma of the people in the affected areas.

- Supporting post-disaster reconstruction: We carry out several measures to support businesses affected by disasters in resuming their operations and participate in living guarantee work after disasters. We provide renovation funds and on-site repair service for merchants with seriously damaged storefronts in the affected areas and we also help disaster-stricken catering merchants resume a clean work environment by providing disinfection tools for them. Furthermore, we help people contact their relatives and rescuers in a timely manner through providing free portable chargers in the affected areas. In addition, we provide business suspension protection for merchants whose business is suspended due to disasters, so that the suspension will not affect their business ratings, rankings, and other performance indicators. Once their businesses resume, we provide network traffic support to help them win orders.

Barrier-Free Optimisation

As a life service platform, we give full play to the characteristics of our business and do our best to improve barrier-free access to information, striving to become an important tool facilitating the life of special groups, such as the disabled and disadvantaged, as well as an important channel through which they can find employment or self-employment opportunities.

We have set up a dedicated team on accessibility experience management, aiming to make life easier for special groups by taking the following measures for barrier-free management and renovation: (i) conducting targeted training on barrier-free optimisation, including topics on international standard interpretation, self-testing, and acceptance inspection methods; (ii) constantly raising employees' awareness through exploring the development and application of barrier-free automatic testing tools and popularising the concept of barrier-free development, thereby improving the R&D staff's awareness and ability to serve special groups; (iii) optimising product functions, actively collecting the needs of the visually impaired, conducting research on their demands and experience, and obtaining an in-depth understanding of their needs and expectations for product function improvement. Moreover, applying digital technologies to services, helping the visually impaired obtain information conveniently and operating our services accurately and smoothly by means of converting text and pictures to voice, reducing man-machine verification and identity verification, blocking advertising and marketing content, and so on, to improve their consumer experience. For example, we have developed the "Yingying Bracelet" to enable hearing-impaired baristas easily receive order notification; and (iv) assisting special groups in store operation, jointly launching the "See Digital" care action for blind merchants with the China Association of Persons with Visual Disabilities, and operating the "Version for Blind Merchants", which provides blind merchants with a low-threshold, zero-cost marketing channel and standardised training on Internet business. In 2023, we assisted nearly 7,000 blind merchants to digitalise their operations, attract online customers, reduce operating costs, and improve store services.

Elderly-Oriented Upgrade

In line with the *Implementation Plan for Effectively Resolving the Difficulties Facing the Elderly in the Use of Intelligent Technologies* and other policies, we have established an "Elderly-oriented Product and Service" team, aiming to continuously optimise new product functions based on the actual needs of the elderly and improve their consumer experience.

We provide elderly-friendly live service of "4+4" full scenarios and make efforts in aspects of online operation optimisation and offline elderly assistance services. For online operation optimisation, we have optimised the operation interfaces or product functions of the "Elderly Consumer Version" Meituan App, "Elderly Consumer Version" Dianping App, Taxi at One Click, and Voice-enabled Delivery, making these Apps more friendly to elderly consumers. For offline elderly assistance services, we have carried out four initiatives, including "Youth Volunteer Service Station for the Community", "Filial Piety Orders", "Elderly-Friendly Renovation at Scenic Spots", and "Shanghai Digital Experience Project", bringing "Elderly-Friendly approaches" to every aspect of the elderly people's life.

Rural Revitalisation

In 2023, to meet the new deployment and requirements of the Rural Revitalisation Strategy, we took full advantage of digital technology and talents, and closely integrated the revitalisation of rural industries and talent with the Company's business to improve the living standards of rural residents and actively fulfil our corporate social responsibility.

Industry Upgrade

We continue cooperating with large-scale agricultural enterprises and agricultural bases to increase direct procurement of high-quality agricultural products, so that these products could enter our communities directly from their origins, and the farmers could gain more benefits. We leverage the advantages of the digital economy to help and improve the production, circulation, and consumption of agricultural products through scientific and technological innovation. Also, we promote the digitalisation, standardisation, and branding of the agricultural product supply chains to help revitalise the rural area and stimulate the economic growth in the future.

- Commodity side: We promote high-quality speciality agricultural products across the country. We carry out a series of "Local Top-notch Product" activities in conjunction with seasonal availability of agricultural products to raise the brand-awareness of local quality products. We shorten the supply chain of agricultural products and promote local employment and agricultural brands by leveraging our digital capabilities in instant retail. We also strengthen collaboration with local governments to launch the "Direct Sourcing of Fresh Produce" to increase direct procurement of high-quality agricultural products at source.

- Sales side: We fully leverage the advantages of the retail platform to create more exposure opportunities and traffic for agricultural products. During the 2023 Farmers' Harvest Festival, we collaborated with more than 1.3 million merchants on our platform for online promotion of fresh produce, rice, flour, grain, and oil to increase farmers' income. We also actively participated in production-to-retail marketing activities organised by governments of multiple provinces and cities to help sell local agricultural products across the country.

Talent Development

In response to policies and guidance such as the *Opinions on Accelerating the Revitalisation of Rural Talents*, we strive to play a more positive role in training talents and increasing employment in rural areas by conducting training for agricultural product suppliers and bolstering the development of new business modes.

- Training for agricultural product suppliers: We creatively combine upskilling assistance with industry assistance to launch and upgrade the "Training for High-quality Agricultural Product Suppliers in Places of Origin". For each key link in the supply process, we provide training on different themes to make the flow of agricultural products more organised, effective, and standardised. By the end of 2023, we had provided training for more than 2,000 suppliers of high-quality agricultural products.

- New form of business: We keep exploring new business modes to help boost and broaden employment channels in rural areas, in a bid to bring more opportunities and space for people in rural areas to increase their income. New jobs, such as couriers, have become an important employment option for workers in key assisted counties.

Services Retail Industry Empowerment and Development

We promote the overall development of the services retail industry by enhancing industry practitioners' capabilities. We respond to policies, including the *Guiding Opinions on Promoting Standardised and Healthy Development of Platform Economy* and the *Implementation Plan for National Vocational Education Reform*, to create a base camp of talent in the services retail industry. We have set up several training centres on catering, food delivery, hotel management, beauty care, and guest housing to meet the learning and certification needs of industry practitioners and help cultivate talents in the services retail industry.

We support flexible employment, such as couriers. We provide digital competency training on product development, data analysis, business model, and consumer and platform operation for services retail industry participants. We continue improving the courier training system, providing diversified training courses for couriers. Please see section "Empowering Couriers' Development" in this report for more details. We help practitioners in the catering industry gain systematic knowledge of food delivery operation and enhance their digital operation capabilities. By the end of 2023, we had provided free courses on food delivery operation for more than 100,000 practitioners in the catering industry and helped about 12,000 of them obtain the certificate of "Food Delivery Operation Managers".

In the hotel industry, we have been honoured as the fourth batch of vocational education and training evaluation organisations and been registered in the vocational skill level certificate list by the Ministry of Education of the People's Republic of China. We can issue relevant professional skills certificates to vocational college students and practitioners in the industry. By the end of 2023, we had nearly 20 cooperating universities for "1+X certificate (academic certificate + multiple vocational skill certificates)" pilots, and the number of students applying for hotel revenue management majors reached almost 700.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Supporting the Development of the Real Economy

In 2023, we continued our efforts in building a food delivery ecosystem sharing common growth and prosperity. We iterated and upgraded our "Prosperity Plan" to version 2.0, highlighting the assistance in the digital transformation and the development of both new and existing merchants. For new merchants, we launched the "Green Pass for Registration", "Exposure Improvement", and "Couriers Management Assistant" for new merchants and provided financial support to ensure their store growth and facilitate the success of their first store. For existing merchants, we implemented the special project of "China Time-Honoured Brands", through which we make tireless efforts in stepping up the digital innovation and development of time-honoured brands in aspects of "goods and services", "marketing models", "operation management", and "branding promotions":

- Products and services: We continue exploring online time-honoured brands to highlight exclusive labels for them. By the end of 2023, we had labelled 138 time-honoured catering brands in 29 provinces across the country.

- Marketing models: We unveil a variety of content marketing tools to create a multi-dimensional publicity matrix for time-honoured brands. We held a mid-autumn festival live-streaming event in Beijing, Shanghai, Shenzhen, and Xi'an to help time-honoured brands increase their revenue.

- Operation services: We provide exclusive service packages by integrating platform resources, such as free Food Delivery Butler Service, brand promotion, instant retail system, and other digital upgrade services.

- Branding promotions: We actively participate in the themed activity "Time-Honoured Brand Carnival" organised by the Ministry of Commerce of the People of China, and fully tap into the sales potential of time-honoured brands during the festival to help them expand their sales channels.

Leveraging the scale advantage of merchants and consumers on our platform, we supported the government in the "E-Coupons for Merchants and Consumer" project, which aims to stimulate consumers' willingness to spend by issuing e-coupons, thereby increasing the transaction scale of physical retailers and supporting the development of city economies. In addition, we also promoted the project in local live-streaming events, aiming to drive local consumption, facilitate e-coupon redemption, and encourage consumers to use coupons at local physical retailers.

Independent practitioner's limited assurance report
To the board of directors of Meituan

We have undertaken a limited assurance engagement in respect of the selected Environmental, Social and Governance ("ESG") data of Meituan (the "Company") listed below in the Company's ESG report for the year ended December 31, 2023 ("the 2023 ESG report") (the "Selected ESG Data").

SELECTED ESG DATA

The Selected ESG Data for the year ended December 31, 2023 is summarised below:

Environmental Performance Indicators	Workplace Performance Indicators
Emissions — *HQ offices* • Total GHG emissions (tonnes) • GHG emissions per employee (tonnes per employee) • GHG emissions per square metre of floor area (tonnes per square metre) • Total hazardous waste (tonnes) • Hazardous waste per employee (tonnes per employee) • Total non-hazardous waste (tonnes) • Non-hazardous waste per employee (tonnes per employee) — *Regional sales offices* • Total GHG emissions (tonnes) • GHG emissions per employee (tonnes per employee) • GHG emissions per square metre of floor area (tonnes per square metre) • Total hazardous waste (tonnes) • Hazardous waste per employee (tonnes per employee) • Total non-hazardous waste (tonnes) • Non-hazardous waste per employee (tonnes per employee) — *Warehouses and service stations* • Total GHG emissions (tonnes)	**Employment** • Total number of employees • Number of employees by gender – Male – Female • Number of employees by age group – Age 30 and under – Age 31 to 50 – Above age 50 • Number of employees by geographical region – Mainland China – Hong Kong, Macao and Taiwan – Other countries and regions • Number of employees by management level – Management – Non-management • Number of employees by employment type – Full-time – Contractors and other types • Total turnover rate • Employee turnover rate by gender – Male – Female • Employee turnover rate by age group – Age 30 and under – Age 31 to 50 – Above age 50 • Employee turnover rate by geographical region – Mainland China – Hong Kong, Macao and Taiwan – Other countries and regions

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Energy and Resources Consumption
 	
— *HQ offices*
 	
• Total energy consumption (MWh)
• Energy consumption per employee (MWh per employee)
• Energy consumption per square metre of floor area (MWh per square metre)
• Running water consumption (tonnes)
• Running water consumption per employee (tonnes per employee)
 	
— *Regional sales offices*
 	
• Total energy consumption (MWh)
• Energy consumption per employee (MWh per employee)
• Energy consumption per square metre of floor area (MWh per square metre)
• Running water consumption (tonnes)
• Running water consumption per employee (tonnes per employee)
 	
— *Warehouses and service stations*
 	
• Total energy consumption (MWh)
• Running water consumption (tonnes)
	Health and Safety
	
	• Number of work-related fatalities
	• Rate of work-related fatality (%)
	• Number of working days lost due to work injuries
	
	Employee Training
	
	• Percentage of employees trained by gender
	  – Male
	  – Female
	• Percentage of employees trained by management level
	  – Management
	  – Non-management
	• Average training hours of employees by gender
	  – Male
	  – Female
	• Average training hours of employees by management level
	  – Management
	  – Non-management

Number of Suppliers
 	
• Number of suppliers by geographical region
  – Mainland China
  – Hong Kong, Macao and Taiwan
  – Other countries and regions
	Platform Responsibility
	
	• Total number of customer complaints received
	
	Anti-Fraud
	
	• Number of corruption cases the Company received litigation outcomes

Our assurance was with respect to the year ended December 31, 2023 information only and we have not performed any procedures with respect to earlier periods or any other elements included in the 2023 ESG report and, therefore, do not express any conclusion thereon.

CRITERIA

The criteria used by the Company to prepare the Selected ESG Data is set out in the section headed "Report Overview" in the 2023 ESG report (the "Criteria").

THE COMPANY'S RESPONSIBILITY FOR THE SELECTED ESG DATA

The Company is responsible for the preparation of the Selected ESG Data in accordance with the Criteria. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of Selected ESG Data that is free from material misstatement, whether due to fraud or error.

INHERENT LIMITATIONS

The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, measures and measurement techniques and can affect comparability between entities.

OUR INDEPENDENCE AND QUALITY MANAGEMENT

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

OUR RESPONSIBILITY

Our responsibility is to express a limited assurance conclusion on the Selected ESG Data based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements other than Audits or Reviews of Historical Financial Information* issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform this engagement to obtain limited assurance about whether the Selected ESG Data is free from material misstatement.

A limited assurance engagement involves assessing the suitability in the circumstances of the Company's use of the Criteria as the basis for the preparation of the Selected ESG Data, assessing the risks of material misstatement of the Selected ESG Data whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the Selected ESG Data. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Given the circumstances of the engagement, in performing the procedures listed above we:

- obtained an understanding of the ESG governance structure;
- made inquiries of the persons involved in the preparation of the ESG report at the Company's headquarters regarding the preparation process and the internal control system relating to this process;
- understood the process for collecting and reporting the Selected ESG Data;
- performed limited substantive testing on a selective basis of the Selected ESG Data to check that data had been appropriately measured, recorded, collated and reported; and
- considered the disclosure and presentation of the Selected ESG Data.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether the Company's Selected ESG Data has been prepared, in all material respects, in accordance with the Criteria.

LIMITED ASSURANCE CONCLUSION

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Company's Selected ESG Data for the year ended December 31, 2023 is not prepared, in all material respects, in accordance with the Criteria.

RESTRICTION ON USE

Our report has been prepared solely for the board of directors of the Company and is not to be used for any other purpose. We do not assume responsibility towards or accept liability to any other parties for the content of this report.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, April 29, 2024

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 206 to 335, comprise:

- the consolidated statement of financial position as at December 31, 2023;
- 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, comprising material accounting policy information 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, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

KEY AUDIT MATTERS

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

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

- Revenue recognition
- Impairment assessments of goodwill

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition	
Refer to Notes 2.1.16, 4.2, 4.3 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 on-demand delivery, in-store, hotel and travel booking and other services and sales. The Group mainly generates revenue in the way of delivery services, commission, online marketing services and other services and sales. Revenue of RMB276,745 million 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.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessments of goodwill	
Refer to Notes 2.1.9, 4.1 and 16 to the consolidated financial statements. As at December 31, 2023, the net carrying amount of goodwill amounted to RMB27,774 million. 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 assist the preparation of the goodwill impairment testing. The recoverable amounts of CGUs were determined based on the value-in-use calculations using cash flow projections. The key assumptions used include annual revenue growth rate for the 5-year period, gross margin, terminal revenue growth rate and pre-tax discount rate. 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.	Our procedures in relation to the impairment assessments of goodwill included: 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 impairment assessment of the goodwill to assess the effectiveness of the management's estimation process. We evaluated and tested the key controls over the impairment assessment of goodwill. 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 evaluated the independent valuer's objectivity, competence and capabilities. We assessed the appropriateness of the valuation models and significant assumptions with the involvement of our internal valuation experts. 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 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.

INDEPENDENT AUDITOR'S REPORT

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 IFRS Accounting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, March 22, 2024

CONSOLIDATED INCOME STATEMENT

	Note	Year ended December 31, 2023 RMB'000	2022 RMB'000
Revenues	5,6	**276,744,954**	219,954,948
Including: Interest revenue		**1,449,743**	1,133,670
Cost of revenues	7	**(179,553,793)**	(158,201,969)
Gross profit		**97,191,161**	61,752,979
Selling and marketing expenses	7	**(58,616,997)**	(39,745,112)
Research and development expenses	7	**(21,201,005)**	(20,739,865)
General and administrative expenses	7	**(9,372,067)**	(9,771,810)
Net provisions for impairment losses on financial and contract assets		**(1,135,405)**	(468,620)
Fair value changes of other financial investments at fair value through profit or loss	19	**234,227**	(1,013,057)
Other gains, net	9	**6,315,473**	4,165,037
Operating profit/(loss)	5	**13,415,387**	(5,820,448)
Finance income	10	**818,986**	657,908
Finance costs	10	**(1,425,157)**	(1,628,825)
Share of profits of investments accounted for using the equity method	12	**1,212,652**	35,848
Profit/(loss) before income tax		**14,021,868**	(6,755,517)
Income tax (expenses)/credits	13	**(164,537)**	70,194
Profit/(loss) for the year		**13,857,331**	(6,685,323)
Profit/(loss) for the year attributable to:			
Equity holders of the Company		**13,855,828**	(6,686,110)
Non-controlling interests		**1,503**	787
		13,857,331	(6,685,323)
Earnings/(loss) per share for profit/(loss) for the year attributable to the equity holders of the Company	14		
Basic earnings/(loss) per share (RMB)		**2.23**	(1.09)
Diluted earnings/(loss) per share (RMB)		**2.11**	(1.09)

The notes on pages 214 to 335 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended December 31, 2023 RMB'000	2022 RMB'000
Profit/(loss) for the year		**13,857,331**	(6,685,323)
Other comprehensive income, net of tax:			
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	**5,192**	(4,516)
Fair value changes of debt instruments at fair value through other comprehensive income	27	**334,551**	(288,211)
Net provisions for impairment losses on debt instruments at fair value through other comprehensive income	27	**142,190**	51,041
Items that will not be reclassified to profit or loss			
Currency translation differences	27	**275,055**	1,194,270
Share of other comprehensive income of investments accounted for using the equity method	12,27	**36,880**	85,260
Fair value changes of other financial investments at fair value through other comprehensive income	20,27	**(426,513)**	(481,883)
Other comprehensive income for the year		**367,355**	555,961
Total comprehensive income/(loss) for the year		**14,224,686**	(6,129,362)
Total comprehensive income/(loss) for the year attributable to:			
Equity holders of the Company		**14,223,183**	(6,130,149)
Non-controlling interests		**1,503**	787
		14,224,686	(6,129,362)

The notes on pages 214 to 335 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As of December 31, 2023 RMB'000	2022 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**25,977,845**	22,201,259
Intangible assets	16	**30,397,947**	30,642,975
Deferred tax assets	18(a)	**1,914,449**	1,497,106
Long-term treasury investments	21	**8,527,142**	8,114,058
Other financial investments at fair value through profit or loss	19	**18,481,104**	15,073,013
Investments accounted for using the equity method	12	**18,289,183**	16,582,381
Other financial investments at fair value through other comprehensive income	20	**2,314,536**	2,321,865
Prepayments, deposits and other assets	22	**4,011,247**	4,903,068
		109,913,453	101,335,725
Current assets			
Inventories	23	**1,304,595**	1,162,765
Trade receivables	24	**2,742,999**	2,052,731
Prepayments, deposits and other assets	22	**14,534,923**	13,292,494
Short-term treasury investments	21	**111,820,679**	91,873,270
Restricted cash	25(b)	**19,373,229**	14,605,601
Cash and cash equivalents	25(a)	**33,339,754**	20,158,606
		183,116,179	143,145,467
Total assets		**293,029,632**	244,481,192
EQUITY			
Share capital	26	**418**	415
Share premium	26	**325,578,612**	316,743,344
Shares held for shares award scheme	26	**–**	–
Other reserves	27	**2,051,062**	1,484,187
Accumulated losses		**(175,616,885)**	(189,466,336)
Equity attributable to equity holders of the Company		**152,013,207**	128,761,610
Non-controlling interests		**(56,840)**	(55,893)
Total equity		**151,956,367**	128,705,717

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As of December 31, 2023 RMB'000	2022 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	18(b)	**968,230**	846,103
Financial liabilities at fair value through profit or loss		**378,720**	100,000
Borrowings	31	**610,103**	1,548,967
Notes payable	32	**34,610,966**	33,607,372
Lease liabilities		**3,598,252**	3,203,163
Other non-current liabilities		**32,899**	39,773
		40,199,170	39,345,378
Current liabilities			
Trade payables	29	**22,980,506**	17,379,302
Payables to merchants		**23,798,004**	12,432,342
Advances from transacting users		**8,547,635**	5,081,178
Other payables and accruals	30	**17,942,215**	16,655,307
Borrowings	31	**19,321,793**	17,562,145
Deferred revenues	28	**5,598,132**	5,053,375
Lease liabilities		**2,479,785**	2,165,978
Income tax liabilities		**206,025**	100,470
		100,874,095	76,430,097
Total liabilities		**141,073,265**	115,775,475
Total equity and liabilities		**293,029,632**	244,481,192

The notes on pages 214 to 335 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 206 to 335 were approved by the Board of Directors on March 22, 2024 and were signed on its behalf:

Wang Xing
Director

Mu Rongjun
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital RMB'000	Share premium RMB'000	Shares held for shares award scheme RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Equity attributable to equity holders of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
As of January 1, 2023		415	316,743,344	–	1,484,187	(189,466,336)	128,761,610	(55,893)	128,705,717
Comprehensive income									
Profit for the year		–	–	–	–	13,855,828	13,855,828	1,503	13,857,331
Other comprehensive income, net of tax									
Share of other comprehensive income of investments accounted for using the equity method	12,27	–	–	–	42,072	–	42,072	–	42,072
Fair value changes of other financial investments at fair value through other comprehensive income	20,27	–	–	–	(426,513)	–	(426,513)	–	(426,513)
Fair value changes of debt instruments at fair value through other comprehensive income	27	–	–	–	334,551	–	334,551	–	334,551
Net provisions for impairment losses on debt instruments at fair value through other comprehensive income	27	–	–	–	142,190	–	142,190	–	142,190
Currency translation differences	27	–	–	–	275,055	–	275,055	–	275,055
Total comprehensive income		–	–	–	367,355	13,855,828	14,223,183	1,503	14,224,686
Share of other changes in net assets of associates	12,27	–	–	–	322,150	–	322,150	–	322,150
Transaction with owners in their capacity as owners									
Equity-settled share-based payments	27,33	–	–	–	8,394,315	–	8,394,315	–	8,394,315
Shares held for shares award scheme	26	2	–	(2)	–	–	–	–	–
Exercise of share options and RSUs vesting	26,27	1	8,835,268	2	(8,739,989)	–	95,282	–	95,282
Distributions from a non wholly-owned subsidiary		–	–	–	–	–	–	(2,450)	(2,450)
Tax benefit from share-based payments	27	–	–	–	216,667	–	216,667	–	216,667
Appropriations to general reserves	27	–	–	–	6,377	(6,377)	–	–	–
Total transaction with owners in their capacity as owners		3	8,835,268	–	(122,630)	(6,377)	8,706,264	(2,450)	8,703,814
As of December 31, 2023		418	325,578,612	–	2,051,062	(175,616,885)	152,013,207	(56,840)	151,956,367

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	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	Equity attributable to equity holders of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
As of January 1, 2022		411	311,221,237	–	(2,866,675)	(182,741,531)	125,613,442	(56,680)	125,556,762
Comprehensive loss									
Loss for the year		–	–	–	–	(6,686,110)	(6,686,110)	787	(6,685,323)
Other comprehensive income, net of tax									
Share of other comprehensive income of investments accounted for using the equity method	12,27	–	–	–	80,744	–	80,744	–	80,744
Fair value changes of other financial investments at fair value through other comprehensive income	20,27	–	–	–	(481,883)	–	(481,883)	–	(481,883)
Fair value changes of debt instruments at fair value through other comprehensive income	27	–	–	–	(288,211)	–	(288,211)	–	(288,211)
Net provisions for impairment losses on debt instruments at fair value through other comprehensive income	27	–	–	–	51,041	–	51,041	–	51,041
Currency translation differences	27	–	–	–	1,194,270	–	1,194,270	–	1,194,270
Total comprehensive loss		–	–	–	555,961	(6,686,110)	(6,130,149)	787	(6,129,362)
Share of other changes in net assets of associates	12,27	–	–	–	251,916	–	251,916	–	251,916
Transaction with owners in their capacity as owners									
Equity-settled share-based payments	27,33	–	–	–	8,742,962	–	8,742,962	–	8,742,962
Shares held for shares award scheme	26	3	–	(3)	–	–	–	–	–
Exercise of share options and RSUs vesting	26,27	1	5,522,107	3	(5,256,130)	–	265,981	–	265,981
Tax benefit from share-based payments	27	–	–	–	17,458	–	17,458	–	17,458
Appropriations to general reserves	27	–	–	–	38,695	(38,695)	–	–	–
Total transaction with owners in their capacity as owners		4	5,522,107	–	3,542,985	(38,695)	9,026,401	–	9,026,401
As of December 31, 2022		415	316,743,344	–	1,484,187	(189,466,336)	128,761,610	(55,893)	128,705,717

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended December 31, 2023 RMB'000	2022 RMB'000
Cash flows from operating activities			
Cash generated from operations	37(a)	**40,744,699**	11,658,706
Income tax paid		**(222,849)**	(247,258)
Net cash flows generated from operating activities		**40,521,850**	11,411,448
Cash flows from investing activities			
Purchases and prepayments of property, plant and equipment and intangible assets		**(6,879,551)**	(5,731,304)
Proceeds from disposals of property, plant and equipment and intangible assets		**301,073**	407,603
Acquisitions of businesses, net of cash acquired	36	**365,114**	(89,237)
Purchases of treasury investments and others		**(132,980,842)**	(187,401,376)
Sales or maturities of treasury investments and others		**114,679,410**	179,619,759
Purchases of investments accounted for using the equity method		**(60,000)**	(40,000)
Proceeds from disposals of investments in associates and others		**90,052**	1,630
Purchases and prepayments of other financial investments at fair value		**(3,588,016)**	(3,240,760)
Net cash inflow arising from disposals or deemed disposals of subsidiaries		**–**	72,748
Gains received from treasury investments and other financial instruments		**2,465,591**	1,438,076
Dividends received		**34,101**	69,782
Loans payments to investees and others		**(202,500)**	(736,914)
Loans repayments from investees and others		**1,111,724**	874,424
Collection of investments prepayments		**–**	42,000
Net cash flows used in investing activities		**(24,663,844)**	(14,713,569)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended December 31, 2023 RMB'000	2022 RMB'000
Cash flows from financing activities	37(c)		
Proceeds from borrowings and notes payable		**42,809,865**	25,844,975
Repayments of borrowings and notes payable		**(42,146,859)**	(32,704,167)
Finance costs paid		**(578,058)**	(1,162,162)
Proceeds from exercise of share options		**193,492**	170,341
Payments of lease liabilities		**(2,969,089)**	(2,619,636)
Increase in other financial liabilities		**278,720**	480,448
Dividends paid to non-controlling interests		**(2,450)**	–
Repayments of Assumed Liabilities	36	**(366,924)**	–
Net cash flows used in financing activities		**(2,781,303)**	(9,990,201)
Net increase/(decrease) in cash and cash equivalents		**13,076,703**	(13,292,322)
Cash and cash equivalents at the beginning of the year		**20,158,606**	32,513,428
Exchange gains on cash and cash equivalents		**104,445**	937,500
Cash and cash equivalents at the end of the year	25(a)	**33,339,754**	20,158,606

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

1 GENERAL INFORMATION

Meituan (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 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.

The consolidated financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated.

2 SUMMARY OF 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 Summary of material accounting policies

2.1.1 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 as issued by the IASB ("**IFRS Accounting Standards**") 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 Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2 SUMMARY OF ACCOUNTING POLICIES *(Continued)*

2.1 Summary of material accounting policies *(Continued)*

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

(a) New standard and amendments adopted by the Group

The Group has applied the following new standard and amendments for the first time commencing January 1, 2023:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12 (Note (i))	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12 (Note 13(b))	International Tax Reform-Pillar Two Model Rules

Note (i): The Group applied Amendments to IAS 12 from the effective date on January 1, 2023. In accordance with the amendments, the Group recognised deferred tax related to assets and liabilities arising from a single transaction of leases that gave rise to equal taxable and deductible temporary differences on the initial recognition of leases that occurred on or after the beginning of the earliest comparative period presented. As a result, with the beginning of the earliest comparative period presented being January 1, 2022, an adjustment of RMB902 million was recognised to the gross amounts of deferred tax assets and deferred tax liabilities simultaneously, and the resulting deferred tax assets and deferred tax liabilities were set off and presented on a net basis on the consolidated statement of financial position. Applying the amendments mentioned above, there was nil impact on the opening balance of accumulated losses for the reporting periods presented.

Details of the effect of the amendments on the note of the consolidated financial statements were disclosed in Note 18.

The adoption of the other new standard and amendments did not have any significant financial impact on these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

2 SUMMARY OF ACCOUNTING POLICIES *(Continued)*

2.1 Summary of material accounting policies *(Continued)*

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

(b) New amendments not yet adopted by the Group

The following new amendments have been issued, but are not effective for the Group's financial year beginning on January 1, 2023 and have not been early adopted by the Group.

		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
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2024
Amendments to IAS 1	Non-current Liabilities with Covenants	January 1, 2024
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	January 1, 2024
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements	January 1, 2024
Amendments to IAS 21	Lack of Exchangeability	January 1, 2025

The Group is in the process of assessing potential impact of the above new amendments that is relevant to the Group upon initial application. According to the preliminary assessment, the above new amendments are not expected to have any significant impact on the Group's financial positions and results of operations upon adopting the above new amendments. The management of the Group plans to adopt these new amendments when they become effective.

2 SUMMARY OF ACCOUNTING POLICIES *(Continued)*

2.1 Summary of material accounting policies *(Continued)*

2.1.2 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.

(a) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

2 SUMMARY OF ACCOUNTING POLICIES *(Continued)*

2.1 Summary of material accounting policies *(Continued)*

2.1.2 Subsidiaries (Continued)

(a) Business combinations (Continued)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group 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.

(b) 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 SUMMARY OF ACCOUNTING POLICIES *(Continued)*

2.1 Summary of material accounting policies *(Continued)*

2.1.2 Subsidiaries (Continued)

(c) 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 IFRS Accounting Standards.

2.1.3 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 measured at fair value through profit or loss (Note 2.1.11). 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

2 SUMMARY OF ACCOUNTING POLICIES *(Continued)*

2.1 Summary of material accounting policies *(Continued)*

2.1.3 Associates (Continued)

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 gains/(losses), 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.

2.1.4 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 only joint ventures. Interests in joint ventures are accounted for using the equity method of accounting as mentioned in Note 2.1.3.

2 SUMMARY OF ACCOUNTING POLICIES *(Continued)*

2.1 Summary of material accounting policies *(Continued)*

2.1.5 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.

2.1.6 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. Two or more operating segments may be aggregated into a single operating segment if aggregation is consistent with the core principle of IFRS 8. The segments have similar economic characteristics, and the segments are similar in the nature of the products and services, the nature of the production processes, the type or class of customer for their products and services, the methods used to distribute their products or provide their services; and if applicable, the nature of the regulatory environment.

2.1.7 Foreign currency exchange and translation

(a) 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 People's Republic of China ("**PRC**") and these subsidiaries considered RMB as their functional currency. The Group's presentation currency is RMB.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

2 SUMMARY OF ACCOUNTING POLICIES *(Continued)*

2.1 Summary of material accounting policies *(Continued)*

2.1.7 Foreign currency exchange and translation (Continued)

(b) 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 gains/(losses), 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.

(c) 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.

2 SUMMARY OF ACCOUNTING POLICIES *(Continued)*

2.1 Summary of material accounting policies *(Continued)*

2.1.7 Foreign currency exchange and translation (Continued)

*(c) **Group companies** (Continued)*

The Group has monetary items that are receivables from or payables to foreign operations. The items for which settlements are neither planned nor likely to occur in the foreseeable future are, in substance, part of the Group's net investment in foreign operations. Such monetary items include long-term receivables or loans. They do not include trade receivables or trade payables. 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 disposed, the related foreign exchange gains or losses are reclassified into the consolidated income statement, as part of "Other gains/(losses), net". The accumulative translation adjustments related to subsidiaries with same functional currency as the Company is presented as part of items of other comprehensive income that will not be reclassified to profit or loss.

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.

2.1.8 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

2 SUMMARY OF ACCOUNTING POLICIES *(Continued)*

2.1 Summary of material accounting policies *(Continued)*

2.1.8 Property, plant and equipment (Continued)

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	3-5 years
• Bikes and electric mopeds	2-3 years
• Others	2-5 years

Leasehold improvements are depreciated over the shorter of the lease term or the estimated useful lives.

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

Management reviewed the useful lives of equipments and changed the estimated useful lives of certain equipments in "Computer equipment" category from 3 years to 5 years to better reflect the pattern in which future economic benefits associated with the assets would flow to the Group. This change in accounting estimate was effective beginning January 1, 2023. Based on the carrying amount as of December 31, 2022, the net effect of this change was a decrease in depreciation expenses of RMB1,005 million for the year ended December 31, 2023.

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

2 SUMMARY OF ACCOUNTING POLICIES *(Continued)*

2.1 Summary of material accounting policies *(Continued)*

2.1.9 Intangible assets

(a) 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 disposals 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 below the operating segments.

(b) 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

2 SUMMARY OF ACCOUNTING POLICIES *(Continued)*

2.1 Summary of material accounting policies *(Continued)*

2.1.9 Intangible assets (Continued)

(c) 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 for the years ended December 31, 2023 and 2022.

2.1.10 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 are depreciated over the remaining period of the lease on a straight-line basis.

The land use rights mainly represented prepaid lease payments in respect of land in the Mainland of China with lease periods of 40 to 50 years.

2 SUMMARY OF ACCOUNTING POLICIES *(Continued)*

2.1 Summary of material accounting policies *(Continued)*

2.1.11 Financial assets

(a) Classification

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

- financial assets measured at amortised cost;
- financial assets measured at fair value through other comprehensive income ("**FVOCI**"); or
- financial assets measured at fair value through profit or loss ("**FVPL**").

The classification is based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

Business model

The Group's business model reflects how the Group manages its financial assets in order to generate cash flows. The business model determines whether the cash flow will result from collecting contractual cash flows, selling of financial assets or both.

The contractual cash flow characteristics

The characteristics of the contractual cash flow of financial assets refer to the cash flow attributes agreed in the contract of financial instruments that reflect the economic characteristics of the relevant financial assets.

Financial assets measured at amortised cost

A debt instrument is measured at amortised cost if both of the following conditions are met and is not designated as at FVPL: (i) the asset is managed within a business model whose objective is to hold assets in order to collect contractual cash flows; (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

2 SUMMARY OF ACCOUNTING POLICIES *(Continued)*

2.1 Summary of material accounting policies *(Continued)*

2.1.11 Financial assets (Continued)

(a) Classification (Continued)

Financial assets measured at fair value through other comprehensive income

Financial assets measured at FVOCI include debt instruments measured at FVOCI and equity instruments designated as at FVOCI.

A debt instrument which is measured at FVOCI if both of the following conditions are met: (i) the asset is managed within a business model whose objective is achieved by collecting contractual cash flows and selling financial assets; (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group may make an irrevocable election at initial recognition to designate an equity instrument as at FVOCI if it is not held for trading purpose.

Financial assets measured at fair value through profit or loss

Financial assets measured at FVPL include the debt instruments that do not meet the criteria for amortised cost or FVOCI, and the equity investments which are not designated as measured at FVOCI.

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

(b) Recognition

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

2 SUMMARY OF ACCOUNTING POLICIES *(Continued)*

2.1 Summary of material accounting policies *(Continued)*

2.1.11 Financial assets (Continued)

(c) Derecognition

The Group derecognises a financial asset, if the part being considered for derecognition meets one of the following conditions: (i) the contractual rights to receive the cash flows 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

2 SUMMARY OF ACCOUNTING POLICIES *(Continued)*

2.1 Summary of material accounting policies *(Continued)*

2.1.11 Financial assets (Continued)

(d) 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 FVPL. Transaction costs of financial assets at FVPL are expensed in profit or loss.

For assets measured at fair value, gains or losses will either be recorded in profit or loss or other comprehensive income. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(i) Debt instruments

- 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 gains/(losses), net" together with foreign exchange gains or losses. Impairment losses are presented as a separate line item in the consolidated income statement.

- 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 gains/(losses), 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 gains/(losses), net" and impairment losses are presented as a separate line item in the consolidated income statement.

- FVPL: Gains or losses on debt instruments that is subsequently measured at FVPL are recognised in profit or loss and presented within "Other gains/(losses), net" or "Fair value changes of other financial investments at fair value through profit or loss".

2 SUMMARY OF ACCOUNTING POLICIES *(Continued)*

2.1 Summary of material accounting policies *(Continued)*

2.1.11 Financial assets (Continued)

***(d) Measurement** (Continued)*

(ii) 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. Provisions or reversals of impairment losses on equity investments at FVOCI are not reported separately from other changes in fair value.

(e) Impairment

The Group assesses on a forward-looking basis the expected credit losses ("**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**").

2.1.12 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. Inventories recognised in profit or loss during the year ended December 31, 2023 amounted to RMB30,422 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

2 SUMMARY OF ACCOUNTING POLICIES *(Continued)*

2.1 Summary of material accounting policies *(Continued)*

2.1.13 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.

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.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalisation.

Other 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 SUMMARY OF ACCOUNTING POLICIES *(Continued)*

2.1 Summary of material accounting policies *(Continued)*

2.1.14 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.

(a) 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.

(b) 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 and does not give rise to equal taxable and deductible temporary differences. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

2 SUMMARY OF ACCOUNTING POLICIES *(Continued)*

2.1 Summary of material accounting policies *(Continued)*

2.1.14 Current and deferred income tax (Continued)

*(b) **Deferred income tax** (Continued)*

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.

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 SUMMARY OF ACCOUNTING POLICIES *(Continued)*

2.1 Summary of material accounting policies *(Continued)*

2.1.15 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. The total expenses are recognised over the vesting period, over which all of the specified vesting conditions are to be satisfied.

(a) 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 the impact of any market performance conditions
- excluding the impact of any service and non-market performance conditions, and
- including the impact of any non-vesting conditions

At the end of each period, the Group revises its estimates of the number of share options that are expected to become vested based on the non-market performance 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

2 SUMMARY OF ACCOUNTING POLICIES *(Continued)*

2.1 Summary of material accounting policies *(Continued)*

2.1.15 Share-based payments (Continued)

(b) 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.

(c) 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.

2.1.16 Revenue recognition

Revenues are principally comprised of 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.

2 SUMMARY OF ACCOUNTING POLICIES *(Continued)*

2.1 Summary of material accounting policies *(Continued)*

2.1.16 Revenue recognition (Continued)

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.

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

(i) Delivery services

The Group provides on-demand delivery services to certain merchants and transacting users (collectively as the "**Delivery services Customers**") as a principal. Delivery services revenue is recognised at the time when the on-demand delivery services are provided and is determined based on the fees charged to the 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 "Delivery related costs" in cost of revenues.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

2 SUMMARY OF ACCOUNTING POLICIES *(Continued)*

2.1 Summary of material accounting policies *(Continued)*

2.1.16 Revenue recognition (Continued)

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

(ii) 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".

(iii) 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".

2 SUMMARY OF ACCOUNTING POLICIES *(Continued)*

2.1 Summary of material accounting policies *(Continued)*

2.1.16 Revenue recognition (Continued)

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

(iv) Other services and sales

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. Other services and sales revenue primarily comprises (i) sales of goods, mainly generated from Xiaoxiang Supermarket (formerly "**Meituan Grocery**") and B2B food distribution services, (ii) various services rendered by various businesses such as Meituan Select, bike sharing and e-moped sharing, power banks and micro-credit.

Revenues generated from micro-credit primarily consist of revenues generated from loan facilitation services and post-origination services, and interest revenue. 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 gross carrying amount of loan receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

2 SUMMARY OF ACCOUNTING POLICIES *(Continued)*

2.1 Summary of material accounting policies *(Continued)*

2.1.16 Revenue recognition (Continued)

(b) 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 generated from loan facilitation 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 SUMMARY OF ACCOUNTING POLICIES *(Continued)*

2.1 Summary of material accounting policies *(Continued)*

2.1.16 Revenue recognition (Continued)

(c) 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 a 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).

(d) 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.

2.1.17 Interest income

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

Interest income earned from financial assets that are held for cash management purposes is presented as finance income. Interest revenue earns from loan receivables that are held for micro-credit business (Note 2.1.16(a)(iv)). Any other gains from treasury investments is included in “Other gains/(losses), net”.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

2 SUMMARY OF ACCOUNTING POLICIES *(Continued)*

2.1 Summary of material accounting policies *(Continued)*

2.1.18 Leases other than land use rights

The Group leases land use rights (Note 2.1.10), 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 other than land use rights may not be used as security for borrowing purposes.

Leases other than land use rights are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

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;

2 SUMMARY OF ACCOUNTING POLICIES *(Continued)*

2.1 Summary of material accounting policies *(Continued)*

2.1.18 Leases other than land use rights (Continued)

- 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

2 SUMMARY OF ACCOUNTING POLICIES *(Continued)*

2.2 Summary of other accounting policies

2.2.1 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".

2.2.2 Impairment of non-financial assets

Other than goodwill mentioned in Note 2.1.9(a), 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.

2.2.3 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 SUMMARY OF ACCOUNTING POLICIES *(Continued)*

2.2 Summary of other accounting policies *(Continued)*

2.2.4 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.

2.2.5 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 total cash and cash equivalents in the consolidated statements of cash flows.

2.2.6 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

2 SUMMARY OF ACCOUNTING POLICIES *(Continued)*

2.2 Summary of other accounting policies *(Continued)*

2.2.7 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.

2.2.8 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.

2.2.9 Employee benefits

(a) 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 SUMMARY OF ACCOUNTING POLICIES *(Continued)*

2.2 Summary of other accounting policies *(Continued)*

2.2.9 Employee benefits (Continued)

(b) 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.

(c) 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.

2.2.10 Provisions

Provisions 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 obligation. 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, 2023

2 SUMMARY OF ACCOUNTING POLICIES *(Continued)*

2.2 Summary of other accounting policies *(Continued)*

2.2.11 Dividend income

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

2.2.12 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.

2.2.13 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.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.1 Market risk (Continued)

(a) Foreign exchange risk (Continued)

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.

(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, 2023, 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

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 for)/reversals of 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.

The Group applies the IFRS 9 simplified approach to measure ECL which uses lifetime expected loss allowance for all trade receivables and contract assets. 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 per capita disposable income of urban residents 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.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk (Continued)

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

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 after exhausting all practical recovery efforts. Subsequent recoveries of amounts previously written off are credited against the same line item.

(c) 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, 2023

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk (Continued)

(c) 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)

(c) 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.

- 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk (Continued)

(c) Loan receivables (Continued)

(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)

*(c) **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, 2023	8,448,135	48,193	22,729	8,519,057
Transfers:				
Transfer from Stage 1 to Stage 2	(136,982)	136,982	–	–
Transfer from Stage 1 to Stage 3	(258,938)	–	258,938	–
Transfer from Stage 2 to Stage 1	72	(72)	–	–
Transfer from Stage 2 to Stage 3	–	(61,483)	61,483	–
Net increases/(decreases)	320,280	(74,511)	(64,350)	181,419
Write-offs	–	–	(306,796)	(306,796)
Recovered after written off	–	–	45,694	45,694
Gross carrying amount as of December 31, 2023	8,372,567	49,109	17,698	8,439,374

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk (Continued)

(c) Loan receivables (Continued)

(ii) Loss allowance (Continued)

	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, 2022	5,849,931	78,443	37,389	5,965,763
Transfers:				
Transfer from Stage 1 to Stage 2	(73,821)	73,821	–	–
Transfer from Stage 1 to Stage 3	(243,135)	–	243,135	–
Transfer from Stage 2 to Stage 1	185	(185)	–	–
Transfer from Stage 2 to Stage 3	–	(90,177)	90,177	–
Net increases/(decreases)	2,914,975	(13,709)	(60,061)	2,841,205
Write-offs	–	–	(330,149)	(330,149)
Recovered after written off	–	–	42,238	42,238
Gross carrying amount as of December 31, 2022	8,448,135	48,193	22,729	8,519,057

For the years ended December 31, 2023 and 2022, the net decreases of stage 2 and stage 3 include fair value changes of loan receivables measured at FVOCI (Note 22(a)).

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk (Continued)

***(c) 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, 2023	(218,933)	(53,900)	(36,622)	(309,455)
Transfers:				
Transfer from Stage 1 to Stage 2	4,026	(98,022)	–	(93,996)
Transfer from Stage 1 to Stage 3	7,610	–	(210,451)	(202,841)
Transfer from Stage 2 to Stage 1	(2)	51	–	49
Transfer from Stage 2 to Stage 3	–	43,997	(49,970)	(5,973)
Net decreases/(increases)	(9,412)	6,814	31,958	29,360
Write-offs	–	–	306,796	306,796
Recovered after written off	–	–	(45,694)	(45,694)
Changes in ECL measurement	(58,432)	(1,983)	(50,083)	(110,498)
Loss allowance as of December 31, 2023	(275,143)	(103,043)	(54,066)	(432,252)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk (Continued)

(c) Loan receivables (Continued)

(ii) Loss allowance (Continued)

	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, 2022	(145,328)	(91,439)	(46,806)	(283,573)
Transfers:				
Transfer from Stage 1 to Stage 2	1,873	(53,781)	–	(51,908)
Transfer from Stage 1 to Stage 3	6,170	–	(208,570)	(202,400)
Transfer from Stage 2 to Stage 1	(5)	135	–	130
Transfer from Stage 2 to Stage 3	–	65,697	(77,357)	(11,660)
Net (increases)/decreases	(73,979)	21,125	43,726	(9,128)
Write-offs	–	–	330,149	330,149
Recovered after written off	–	–	(42,238)	(42,238)
Changes in ECL measurement	(7,664)	4,363	(35,526)	(38,827)
Loss allowance as of December 31, 2022	(218,933)	(53,900)	(36,622)	(309,455)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk (Continued)

(c) ***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, 2023

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, 2023					
Trade payables	22,980,506	–	–	–	22,980,506
Payables to merchants	23,798,004	–	–	–	23,798,004
Advances from transacting users	8,547,635	–	–	–	8,547,635
Other payables and accruals					
(excluding non-financial liabilities items)	9,994,009	–	–	–	9,994,009
Borrowings	19,425,020	21,032	142,804	607,487	20,196,343
Notes payable	382,908	16,241,706	11,570,122	9,393,431	37,588,167
Lease liabilities	2,674,679	1,616,926	2,137,652	57,082	6,486,339
	87,802,761	17,879,664	13,850,578	10,058,000	129,591,003

	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, 2022					
Trade payables	17,379,302	–	–	–	17,379,302
Payables to merchants	12,432,342	–	–	–	12,432,342
Advances from transacting users	5,081,178	–	–	–	5,081,178
Other payables and accruals					
(excluding non-financial liabilities items)	8,670,816	–	–	–	8,670,816
Borrowings	17,606,781	48,646	1,429,772	203,699	19,288,898
Notes payable	376,524	376,524	27,081,556	9,502,326	37,336,930
Lease liabilities	2,401,405	1,603,042	1,817,984	59,477	5,881,908
	63,948,348	2,028,212	30,329,312	9,765,502	106,071,374

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, 2023

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, 2023 and 2022.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As of December 31, 2023				
Financial assets				
Treasury investments at fair value through profit or loss (Note 21)	–	–	91,193,316	91,193,316
Treasury investments at fair value through other comprehensive income (Note 21)	–	7,963,958	12,630,261	20,594,219
Loan receivables at fair value through other comprehensive income (Note 22(a))	–	–	7,798,413	7,798,413
Other financial investments at fair value through profit or loss (Note 19)	–	–	18,481,104	18,481,104
Other financial investments at fair value through other comprehensive income (Note 20)	901,536*	–	1,413,000	2,314,536
	901,536	7,963,958	131,516,094	140,381,588
Financial liabilities				
Financial liabilities at fair value through profit or loss	–	–	378,720	378,720

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, 2022				
Financial assets				
Treasury investments at fair value through profit or loss (Note 21)	–	–	77,845,116	77,845,116
Treasury investments at fair value through other comprehensive income (Note 21)	–	4,819,558	6,307,707	11,127,265
Loan receivables at fair value through other comprehensive income (Note 22(a))	–	–	7,124,305	7,124,305
Other financial investments at fair value through profit or loss (Note 19)	–	–	15,073,013	15,073,013
Other financial investments at fair value through other comprehensive income (Note 20)	908,865*	–	1,413,000	2,321,865
	908,865	4,819,558	107,763,141	113,491,564
Financial liabilities				
Financial liabilities at fair value through profit or loss	–	–	100,000	100,000

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

3.3.2 Valuation techniques used to determine fair values

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required for evaluating the fair value of a financial instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to measure financial instruments of level 2 and level 3 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, 2023.

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, 2023 and 2022. 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.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

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

	Treasury investments at fair value through profit or loss RMB'000	Treasury investments at fair value through other comprehensive income RMB'000	Loan receivables at fair value through other comprehensive income RMB'000	Other financial investments at fair value through profit or loss RMB'000	Other financial investments at fair value through other comprehensive income RMB'000	Financial liabilities at fair value through profit or loss RMB'000
As of January 1, 2023	77,845,116	6,307,707	7,124,305	15,073,013	1,413,000	100,000
Additions	109,851,696	10,887,755	126,392,046	3,568,111	–	278,720
Deductions	(100,219,456)	(5,001,192)	(125,627,921)	(85,065)	–	–
Transfers, net	–	–	–	(400,261)	–	–
Changes in fair values	3,384,290	383,190	(90,017)	234,227	–	–
Currency translation differences	331,670	52,801	–	91,079	–	–
As of December 31, 2023	91,193,316	12,630,261	7,798,413	18,481,104	1,413,000	378,720
Net unrealised gains/(losses) for the year	1,780,851	312,858	(90,017)	224,175	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

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

	Treasury investments at fair value through profit or loss RMB'000	Treasury investments at fair value through other comprehensive income RMB'000	Loan receivables at fair value through other comprehensive income RMB'000	Other financial investments at fair value through profit or loss RMB'000	Other financial investments at fair value through other comprehensive income RMB'000	Financial liabilities at fair value through profit or loss RMB'000
As of January 1, 2022	59,712,781	5,414,982	4,210,835	12,038,045	1,490,250	–
Additions	170,008,154	2,190,961	101,415,941	3,149,995	706,500	480,448
Deductions	(154,810,006)	(1,528,525)	(98,508,669)	(848,881)	–	(393,304)
Transfers, net	–	–	–	498,631	(783,750)	–
Changes in fair values	905,336	167,846	6,198	(194,580)	–	–
Currency translation differences	2,028,851	62,443	–	429,803	–	12,856
As of December 31, 2022	77,845,116	6,307,707	7,124,305	15,073,013	1,413,000	100,000
Net unrealised gains/(losses) for the year	316,697	105,721	6,198	(182,223)	–	–

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 financial 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 values of the Group's level 2 and 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, market approach, etc.

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

Description	Fair values as of December 31, 2023 RMB'000	Fair values as of December 31, 2022 RMB'000	Unobservable inputs	Range of inputs as of December 31, 2023	Range of inputs as of December 31, 2022	Relationships of unobservable inputs to fair value
Other financial investments at fair value	**19,894,104**	16,486,013	Expected volatility	**31%-65%**	40%-65%	Note (i)
			Discount for lack of marketability ("**DLOM**")	**15%-30%**	20%-30%	The higher the DLOM, the lower the fair value
Treasury investments at fair value through profit or loss	**91,193,316**	77,845,116	Expected rate of return	**0.00%-9.34%**	-2.14%-6.30%	The higher the expected rate of return, the higher the fair value
Treasury investments at fair value through other comprehensive income	**12,630,261**	6,307,707	Expected rate of return	**0.94%-4.17%**	-3.75%-3.85%	The higher the expected rate of return, the higher the fair value
Loan receivables at fair value through other comprehensive income	**7,798,413**	7,124,305	Note (ii)	**Note (ii)**	Note (ii)	The higher the risk-adjusted discount rate, the lower the fair value
Financial liabilities at fair value through profit or loss	**378,720**	100,000	Note (iii)	**Note (iii)**	Note (iii)	Note (iii)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

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

Note (i): Other financial investments at fair value

The unobservable inputs of expected volatility is used in the valuation of other financial investments at fair value. The relationship between them is uncertain.

Note (ii): 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 and market risk.

Note (iii): Financial liabilities at fair value through profit or loss

In December 2022, the Group established and consolidated a limited partnership investment fund ("**the Fund**") with limited life. The Fund invested in private companies in the form of ordinary shares or preferred shares that are measured at fair value through profit or loss. The Group designates the returns to other limited partners as financial liabilities at fair value through profit or loss. These returns are calculated based on the fair value of underlying investments and the predetermined distribution mechanism of returns set out in the agreement of the Fund.

If the respective unobservable inputs of financial assets at fair value through profit or loss held by the Group had been 10% higher or lower, the aggregate profit before income tax for the year ended December 31, 2023 would have been approximately RMB59 million lower or RMB59 million higher (for the year ended December 31, 2022: RMB112 million lower or RMB116 million higher).

If the respective unobservable inputs of financial assets at fair value through other comprehensive income held by the Group had been 10% higher or lower, the aggregate other comprehensive income for the year ended December 31, 2023 would have been approximately RMB22 million higher or RMB17 million lower (for the year ended December 31, 2022: RMB8 million higher or RMB6 million lower).

The carrying amounts of the Group's financial assets and financial liabilities measured at amortised cost are approximate their fair values except for notes payable (Note 32).

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 Recoverability of goodwill

The Group tests whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.1.9(a). 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 of disposal 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 gross 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

4.2 Incentives

As disclosed in Note 2.1.16(c), all incentives provided to customers from an accounting perspective are recorded as a reduction of revenue if there is no exchange of a distinct good or service to the Group or the fair value of the good and service received cannot be reasonably estimated, 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 provided at the Group's discretion and the objectives, business strategy and design of the incentive programmes.

4.3 Principal versus agent considerations

Determining whether the Group is acting as a principal or as an agent in the provision of certain goods or 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.

4.4 Recognition of share-based compensation expenses

As mentioned in Note 2.1.15, 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 RSUs is determined by reference to the grant-date market price of the ordinary shares. Forfeitures are estimated based on historical experience and are periodically reviewed. Where the actual forfeitures differ from the initial estimate, such difference will impact the share-based compensation expenses in subsequent periods.

4.5 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).

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

4.6 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.

4.7 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.

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

4.9 Scope of consolidation

Consolidation is required only if control exists. The Group controls an investee when it has all the following: (i) power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns. Power results from rights that can be straightforward through voting rights or complicated in contractual arrangements. Variable returns are returns that are not fixed and have the potential to vary as a result of the performance of an investee. These three factors cannot be considered in isolation by the Group in its assessment of control over an investee. Where the factors of control are not apparent, significant judgement is applied in the assessment, which is based on an overall analysis of all of the relevant facts and circumstances.

The Group is required to reassess whether it controls the investee if facts and circumstances indicate a change to one or more of the three factors of control.

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, 2023 and 2022.

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 used in the performance measurement and resource allocation by the CODM.

5 SEGMENT REPORTING *(Continued)*

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

Core local commerce

The Core local commerce segment includes food delivery, Meituan Instashopping, in-store services, and hotel & travel related businesses. The food delivery and Meituan Instashopping businesses primarily help consumers place orders of food and grocery prepared by merchants through the Group's online tools, mainly various of mobile apps, and offers On-demand Delivery services. The in-store, hotel & travel related businesses primarily help consumers purchase local consumer services provided by merchants in numerous in-store categories or make reservations for hotels, attraction ticketing and transportation ticketing. Revenues from the Core local commerce segment primarily consist of (a) delivery services from both merchants and consumers; (b) commission from technology service charged to merchants and third-party agent partners; and (c) online marketing services in various formats provided to merchants. The cost of revenues and operating expenses for the Core local commerce segment primarily consist of (a) delivery related costs; (b) promotion, advertising and user incentives; and (c) employee benefits expenses.

New initiatives

The Group continually develops various New initiatives, including Meituan Select, Xiaoxiang Supermarket, B2B food distribution etc., to satisfy consumers' diverse needs in different consumption scenarios. Revenues from the New initiatives segment primarily consist of (a) sales of goods primarily from B2B food distribution and Xiaoxiang Supermarket; and (b) various services rendered by various businesses such as Meituan Select, bike sharing, e-moped sharing, power banks and micro-credit. The cost of revenues and operating expenses for the New initiatives segment primarily consist 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 such information to allocate resources to or to evaluate the performance of the operating segments.

The Group's revenues are mainly generated in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

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, 2023 and 2022 is as follows:

	Year ended December 31, 2023			
	Core local commerce RMB'000	New initiatives RMB'000	Unallocated items* RMB'000	Total RMB'000
Delivery services	82,190,980	–	–	82,190,980
Commission	74,630,737	2,057,806	–	76,688,543
Online marketing services	40,266,890	246,326	–	40,513,216
Other services and sales (including interest revenue)	9,818,325	67,533,890	–	77,352,215
Total revenues	206,906,932	69,838,022	–	276,744,954
Cost of revenues, operating expenses and unallocated items	(168,208,085)	(90,004,506)	(5,116,976)	(263,329,567)
Operating profit/(loss)	38,698,847	(20,166,484)	(5,116,976)	13,415,387

5 SEGMENT REPORTING *(Continued)*

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

	Year ended December 31, 2022			
	Core local commerce RMB'000	New initiatives RMB'000	Unallocated items* RMB'000	Total RMB'000
Delivery services	70,063,908	–	–	70,063,908
Commission	55,143,008	1,366,691	–	56,509,699
Online marketing services	30,683,079	85,511	–	30,768,590
Other services and sales (including interest revenue)	4,869,027	57,743,724	–	62,612,751
Total revenues	160,759,022	59,195,926	–	219,954,948
Cost of revenues, operating expenses and unallocated items	(131,256,353)	(87,575,136)	(6,943,907)	(225,775,396)
Operating (loss)/profit	29,502,669	(28,379,210)	(6,943,907)	(5,820,448)

* 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, (iv) other gains, net and (v) certain corporate administrative expenses and other items. They are not allocated to individual segments.

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, 2023 and 2022.

The reconciliation from operating profit/(loss) to profit/(loss) before income tax for the years ended December 31, 2023 and 2022 is shown in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

5 SEGMENT REPORTING *(Continued)*

5.2 Segment assets

As of December 31, 2023 and 2022, substantially all of the non-current assets of the Group were located in the PRC.

6 REVENUES BY TYPE

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Delivery services	**82,190,980**	70,063,908
Commission	**76,688,543**	56,509,699
Online marketing services	**40,513,216**	30,768,590
Other services and sales (including interest revenue)	**77,352,215**	62,612,751
	276,744,954	219,954,948

Further analysis of revenue disaggregation is included in Note 5.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

7 EXPENSES BY NATURE

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Delivery related costs	90,744,081	80,189,722
Employee benefits expenses (Note 8)	43,094,011	41,619,666
Transaction costs (Note (i))	38,906,399	33,333,008
Promotion, advertising and user incentives	36,474,673	20,569,982
Other outsourcing costs	27,863,828	22,563,096
Depreciation of property, plant and equipment (Note 15)	7,687,823	9,194,580
Amortisation of intangible assets (Note 16)	308,934	535,734
Auditor's remuneration		
– Audit and audit-related services	32,197	41,402
– Non-audit services	2,434	11,264

Note (i): Transaction costs consist of cost of inventories sold and certain costs for services rendered.

8 EMPLOYEE BENEFITS EXPENSES

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Wages, salaries and bonuses	27,164,687	25,512,956
Share-based compensation expenses (Note 33)	8,383,353	8,742,962
Other employee benefits	4,645,325	4,635,100
Pension costs – defined contribution plans (Note (i))	2,900,646	2,728,648
	43,094,011	41,619,666

Note (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, 2023

8 EMPLOYEE BENEFITS EXPENSES *(Continued)*

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

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Cost of revenues	305,253	258,405
Selling and marketing expenses	1,229,818	1,294,780
Research and development expenses	4,753,890	4,637,634
General and administrative expenses	2,094,392	2,552,143
	8,383,353	8,742,962

(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, 2023 (2022: None). All of these individuals have not received any emolument from the Group as an inducement to join or upon joining the Group or compensation for loss of office during the years ended December 31, 2023 and 2022. The emoluments to the five highest paid individuals for the years ended December 31, 2023 and 2022 are as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Basic salaries	17,307	18,400
Bonuses	1,360	–
Pension costs and other employee benefits	561	574
Share-based compensation expenses	502,347	512,967
	521,575	531,941

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,	
	2023	2022
Emolument bands (in HK dollar)		
HK$57,500,001 – HK$58,000,000	**–**	1
HK$71,000,001 – HK$71,500,000	**1**	–
HK$83,500,001 – HK$84,000,000	**1**	–
HK$106,000,001 – HK$106,500,000	**1**	–
HK$111,000,001 – HK$111,500,000	**–**	1
HK$120,000,001 – HK$120,500,000	**–**	1
HK$140,500,001 – HK$141,000,000	**–**	1
HK$142,000,001 – HK$142,500,000	**1**	–
HK$165,500,001 – HK$166,000,000	**–**	1
HK$172,000,001 – HK$172,500,000	**1**	–
	5	5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

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, 2023:

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	–	170	–	5,210
Mu Rongjun	–	4,080	–	170	3,635	7,885
Wang Huiwen	374	375	–	46	–	795
Neil Nanpeng Shen	–	–	–	–	–	–
Orr Gordon Robert Halyburton	500	–	–	–	1,030	1,530
Shum Heung Yeung Harry	500	–	–	–	1,030	1,530
Leng Xuesong	500	–	–	–	1,030	1,530
Yang Marjorie Mun Tak	127	–	–	–	1,277	1,404
	2,001	9,495	–	386	8,002	19,884

For the year ended December 31, 2022:

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	–	157	–	5,197
Mu Rongjun	–	4,080	–	157	7,379	11,616
Wang Huiwen	–	1,508	–	157	–	1,665
Lau Chi Ping Martin	–	–	–	–	–	–
Neil Nanpeng Shen	–	–	–	–	–	–
Orr Gordon Robert Halyburton	500	–	–	–	776	1,276
Shum Heung Yeung Harry	500	–	–	–	776	1,276
Leng Xuesong	500	–	–	–	776	1,276
	1,500	10,628	–	471	9,707	22,306

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, 2023 and 2022.

(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, 2023 and 2022.

(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, 2023 and 2022.

(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, 2023 and 2022.

(v) Waiver of Directors' emoluments

None of the Directors waived or have agreed to waive any emoluments during the years ended December 31, 2023 and 2022.

(vi) Mr. Lau Chi Ping Martin, who has served as a member of the board of directors of the Company since October 2017, has resigned as a non-executive director with effect from November 16, 2022.

(vii) Mr. Wang Huiwen has redesignated from an executive Director to a non-executive Director with effect from March 25, 2023, and has resigned as a non-executive Director with effect from June 26, 2023.

(viii) Ms. Yang Marjorie Mun Tak was appointed as an independent non-executive Director on June 30, 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

9 OTHER GAINS, NET

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Fair value changes and gains of treasury investments	**4,108,802**	1,442,083
Subsidies and tax preference (Note (i))	**2,026,177**	2,032,806
Foreign exchange gains, net	**74,998**	354,271
Others	**105,496**	335,877
	6,315,473	4,165,037

Note (i): Taxpayers in industries of postal services, telecommunication services and modern services are allowed to enjoy an additional 5% and taxpayers in industries of consumer services are allowed to enjoy an additional 10% input VAT super-credit against their VAT payable for the year ended December 31, 2023 (2022: 10% and 15%, respectively). Such input VAT super-credit treatment was recorded as "Other gains, net". For the years ended December 31, 2023 and 2022, the Group recognised a gain of RMB1,392 million and RMB1,604 million, respectively.

10 FINANCE INCOME/(COSTS)

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Finance income		
Interest income from bank deposits	**818,986**	657,908
Finance costs		
Interest expenses on bank borrowings and notes payable	**(1,163,175)**	(1,317,132)
Interest in respect of lease liabilities	**(260,678)**	(266,053)
Others	**(1,304)**	(45,640)
Total	**(1,425,157)**	(1,628,825)

11 SUBSIDIARIES

The Company's major subsidiaries (including directly held and indirectly held, collectively controlled, and structured entities) for the years ended December 31, 2023 and 2022 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	Particulars of issued capital	Effective interests held (Note (i)) As of December 31, 2023	2022	Principal activities and place of operation
Directly held:					
Inspired Elite Investments Limited	The British Virgin Islands, limited liability company	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	USD5,045,770,000	100%	100%	E-commerce service platform in the PRC
Hanhai Information Technology (Shanghai) Co., Ltd.	Shanghai, the PRC, limited liability company	USD495,000,000	100%	100%	Multimedia information technology services in the PRC
Xiamen Sankuai Online Technology Co., Ltd.	Xiamen, the PRC, limited liability company	USD549,049,120	100%	100%	E-commerce service platform in the PRC
Shanghai Sankuai Zhisong Technology Co., Ltd.	Shanghai, the PRC, limited liability company	USD320,000,000	100%	100%	Delivery services in the PRC
Chongqing Meituan Sankuai Micro-credit Co., Ltd.	Chongqing, the PRC, limited liability company	RMB7,500,000,000	100%	100%	Micro-credit business in the PRC

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For the year ended December 31, 2023

11 SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ establishment and kind of legal entity	Particulars of issued capital	Effective interests held (Note (i)) As of December 31, 2023	2022	Principal activities and place of operation
Structured entities (Note (ii)):					
Beijing Sankuai Technology Co., Ltd.	Beijing, the PRC, limited liability company	RMB5,480,000,000	100%	100%	E-commerce service platform in the PRC
Shanghai Sankuai Technology Co., Ltd.	Shanghai, the PRC, limited liability company	RMB5,000,000	100%	100%	Online retail platform in the PRC
Beijing Sankuai Cloud Computing Co., Ltd.	Beijing, the PRC, limited liability company	RMB870,000,000	100%	100%	Cloud computing in the PRC
Shanghai Hantao Information Consultancy Co., Ltd.	Shanghai, the PRC, limited liability company	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, 2024 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, the Company is able to control these structured entities or their subsidiaries and therefore consolidated these entities.

Due to the implementation of the shares award scheme of the Group mentioned in Note 2.2.1, a 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,	
	2023	2022
	RMB'000	RMB'000
Associates (a)	**18,289,183**	16,568,451
Joint ventures	**–**	13,930
	18,289,183	16,582,381

As of December 31, 2023, investments in associates with aggregated balance of RMB14,861 million were denominated in USD (as of December 31, 2022: RMB13,225 million), and remainder balances were denominated in RMB.

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

	As of December 31,	
	2023	2022
	RMB'000	RMB'000
Investments in associates		
– listed entities	**16,321,321**	14,651,457
– unlisted entities	**1,967,862**	1,916,994
	18,289,183	16,568,451

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The quoted fair value of the investments in listed entities was RMB36,429 million and RMB20,719 million as of December 31, 2023 and 2022, respectively.

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
At the beginning of the year	**16,568,451**	13,856,036
Business combination	**30,411**	–
Other additions	**2,687**	100,000
Transfers, net	**–**	1,009,246
Dilution gains (Note (i))	**89,123**	214,521
Dividends from associates	**(28,416)**	(47,029)
Share of profits of investments accounted for using the equity method	**1,227,019**	35,848
Share of other changes in equity	**368,098**	334,060
Impairment provision (Note (ii))	**(185,564)**	–
Currency translation differences	**217,374**	1,065,769
At the end of the year	**18,289,183**	16,568,451

Note (i): Dilution gains mainly comprised gains on dilution of the Group's equity interests in Li Auto Inc. due to its issuance of additional shares in 2023 and 2022.

Note (ii): During the year ended December 31, 2023, the Group identified indications that investments in associates may be impaired with significant or prolonged declines in values of the associate, mainly due to the adverse financial and business outlook of the associate. The Group carried out impairment assessment and determined the respective recoverable amount with reference to the higher of value in use and fair value less cost of disposal. The calculation of discounted cash flow was based on cash flow projected by management and pre-tax discount rate applied to the estimated cash flow projection.

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

Name of entity	Place of incorporation	Number of shares held	Interest held indirectly	Principal activities/ place of operation
Li Auto Inc.	Cayman Islands	258,171,601	13.01%	new energy vehicles manufacturer/PRC

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

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

Except for Li Auto Inc., the Directors of the Company considered that there was no other individual investment which was determined as a material associate as of December 31, 2023. There were no individually material associates that were accounted for using the equity method as of December 31, 2022.

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

	As of/Year ended December 31, 2023 RMB'000
Summarised consolidated statements of comprehensive income	
Revenues	123,851,332
Net income	11,809,125
Total comprehensive income	11,778,359
Summarised consolidated balance sheet	
Current assets	114,525,584
Non-current assets	28,941,887
Current liabilities	72,742,709
Non-current liabilities	10,149,540
Reconciliation to carrying amounts:	
Li Auto Inc. shareholders' equity	60,142,624
Group's share in %	13.01%
Group's share in RMB	7,825,526
Goodwill and others	6,116,757
Carrying amount	13,942,283

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

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

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

As of December 31, 2023, the fair value of this investment was RMB34,221 million.

There were no dividends received from Li Auto Inc. during the year ended December 31, 2023.

There were no material contingent liabilities relating to the Group's interests in the associates accounted for using the equity method.

Aggregated amount of the Group's share of profits of individually immaterial associates accounted for using the equity method is as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
– Profit from operations	**98,462**	35,848
– Other comprehensive income	**10,807**	81,961
	109,269	117,809

13 TAXATION

(a) Value Added Tax

The Group is mainly subject to VAT rate of 6% for services revenues or 13% for revenues of inventories sales, and relevant surcharges on VAT payments according to mainland China tax law.

(b) Income tax

Cayman Islands

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

13 TAXATION *(Continued)*

(b) Income tax *(Continued)*

British Virgin Islands

Under the current laws of the British Virgin Islands, entities incorporated in the British Virgin Islands are not subject to tax on their income or capital gains. Additionally, the British Virgin Islands does not impose a withholding tax on payments of dividends to shareholders.

Hong Kong

Subsidiaries incorporated in Hong Kong are subject to Hong Kong profits tax of which the tax rate is 8.25% for assessable profits on the first HK$2 million and 16.5% for any assessable profits in excess of HK$2 million.

*Mainland China corporate income tax ("**CIT**")*

CIT provision was made on the estimated assessable profit of entities within the Group incorporated in mainland China and was calculated in accordance with the relevant regulations of mainland China after considering the available tax benefits from refunds and allowances. The general mainland China CIT rate was 25% for the years ended December 31, 2023 and 2022.

Certain subsidiaries of the Group in mainland China are subject to "high and new technology enterprises", whose preferential income tax rate was 15% for the years ended December 31, 2023 and 2022. Moreover, a subsidiary which was entitled to the preferential policy of "2-year exemption and 3-year half rate concession", applied a preferential income tax rate of 12.5% for the year ended December 31, 2022. Certain mainland China subsidiaries located in western region and engaged in certain encouraged industries were eligible for a preferential income tax rate of 15% for the years ended December 31, 2023 and 2022. In addition, certain mainland China 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, 2023 and 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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,	
	2023	2022
	RMB'000	RMB'000
Current income tax expenses	**(388,300)**	(377,248)
Deferred income tax credits (Note 18)	**223,763**	447,442
Total income tax (expenses)/credits	**(164,537)**	70,194

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, 2023 and 2022, being the tax rate of the major subsidiaries of the Group.

13 TAXATION *(Continued)*

(b) Income tax *(Continued)*

The difference is analysed as follows:

	Year ended December 31,	
	2023 RMB'000	2022 RMB'000
Profit/(loss) before income tax	**14,021,868**	(6,755,517)
Tax calculated at statutory income tax rate of 25% in mainland China	**(3,505,467)**	1,688,879
Tax effects of:		
– Different tax rates available to different jurisdictions	**227,858**	20,958
– Preferential income tax rates applicable to subsidiaries	**708,080**	(1,459,002)
– Non-deductible expenses and non-taxable income, net	**86,758**	(229,507)
– Super deduction for research and development expenses	**1,874,565**	1,531,731
– Tax losses utilised from previous periods/(for which no deferred income tax assets was recognised), net	**850,268**	(924,393)
– Other temporary differences for which no deferred income tax assets was recognised, net	**(332,021)**	(559,946)
– Withholding tax	**(35,981)**	81,357
– Others	**(38,597)**	(79,883)
Total income tax (expenses)/credits	**(164,537)**	70,194

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

13 TAXATION *(Continued)*

(b) Income tax *(Continued)*

OECD Pillar Two model rules

The Group is within the scope of the OECD Pillar Two model rules. Pillar Two legislation was enacted or substantively enacted in certain jurisdictions the Group operates (e.g. South Korea, the Netherlands, Italy and Japan). The legislation will come into effect from January 1, 2024. Since the Pillar Two legislation was not effective at the reporting date, the Group has no related current tax exposure for the reporting period. The Group applies the temporary exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023.

Under the legislation, the Group is liable to Pillar Two income taxes from the constituent entities in these jurisdictions where the Pillar Two effective tax rate is below 15%. The Group is in the process of assessing its exposure to the Pillar Two legislation for when it comes into effect. Due to the complexities in applying the legislation and calculating Global Anti-Base Erosion Rules ("**GloBE**") income, the quantitative impact of the enacted or substantively enacted legislation is not yet reasonably estimable. The Group is currently engaged with tax specialists to assist it with applying the legislation.

14 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share for the years ended December 31, 2023 and 2022 were calculated by dividing the profit/(loss) attributable to the Company's equity holders by the weighted average number of ordinary shares outstanding during the year.

	Year ended December 31,	
	2023	2022
Profit/(loss) for the year attributable to the equity holders of the Company (RMB'000)	**13,855,828**	(6,686,110)
Weighted average number of ordinary shares outstanding (thousands)	**6,212,999**	6,156,595
Basic earnings/(loss) per share (RMB)	**2.23**	(1.09)

14 EARNINGS/(LOSS) PER SHARE *(Continued)*

(b) The Company has three categories of dilutive potential ordinary shares: share options, RSUs and convertible bonds. Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of ordinary shares (denominator) outstanding to assume conversion of all potential dilutive ordinary shares arising from share options and RSUs granted by the Company. As the inclusion of potential ordinary shares from the convertible bonds would be anti-dilutive, it is not included in the calculation of diluted earnings/(loss) per share. In addition, profit/(loss) for the year attributable to the equity holders of the Company (numerator) has been adjusted by all the dilutive effects.

	Year ended December 31,	
	2023	2022
Profit/(loss) for the year attributable to the equity holders of the Company used as the numerator in calculating diluted earnings/(loss) per share (RMB'000)	**13,270,533**	(6,686,110)
Weighted average number of ordinary shares outstanding (thousands)	**6,212,999**	6,156,595
Adjustments for the dilutive impact of share options and RSUs (thousands)	**87,269**	–
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings/(loss) per share (thousands)	**6,300,268**	6,156,595
Diluted earnings/(loss) per share (RMB)	**2.11**	(1.09)

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For the year ended December 31, 2023

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	Others RMB'000	Total RMB'000
As of January 1, 2023						
Cost	12,166,263	9,391,090	1,250,535	15,227,521	3,204,135	41,239,544
Accumulated depreciation and impairment	(7,214,796)	(6,683,432)	(86,840)	(3,583,263)	(1,469,954)	(19,038,285)
Net book amount	4,951,467	2,707,658	1,163,695	11,644,258	1,734,181	22,201,259
For the year ended December 31, 2023						
Opening net book amount	4,951,467	2,707,658	1,163,695	11,644,258	1,734,181	22,201,259
Additions	4,687,246	–	3,436,946	4,470,507	324,094	12,918,793
Transfers	3,073	1,926,883	(2,749,866)	–	819,910	–
Disposals	(67,172)	(166,068)	(82,288)	(854,275)	(109,049)	(1,278,852)
Depreciation charges	(1,704,625)	(2,329,820)	–	(2,881,187)	(913,667)	(7,829,299)
Impairment charges	(1,447)	–	(5,857)	–	(26,884)	(34,188)
Currency translation differences	19	–	–	113	–	132
Ending net book amount	7,868,561	2,138,653	1,762,630	12,379,416	1,828,585	25,977,845
As of December 31, 2023						
Cost	16,194,832	8,826,992	1,770,228	16,963,677	3,977,767	47,733,496
Accumulated depreciation and impairment	(8,326,271)	(6,688,339)	(7,598)	(4,584,261)	(2,149,182)	(21,755,651)
Net book amount	7,868,561	2,138,653	1,762,630	12,379,416	1,828,585	25,977,845

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, 2022						
Cost	8,975,712	12,385,280	943,000	13,568,495	2,036,595	37,909,082
Accumulated depreciation and impairment	(5,082,724)	(6,952,738)	(524)	(2,168,516)	(890,334)	(15,094,836)
Net book amount	3,892,988	5,432,542	942,476	11,399,979	1,146,261	22,814,246
For the year ended December 31, 2022						
Opening net book amount	3,892,988	5,432,542	942,476	11,399,979	1,146,261	22,814,246
Additions	3,364,983	–	2,742,454	3,151,048	381,877	9,640,362
Transfers	5,386	1,141,483	(2,235,833)	–	1,088,964	–
Disposals	(21,269)	(304,029)	(199,086)	(185,258)	(128,658)	(838,300)
Depreciation charges	(2,290,456)	(3,562,338)	–	(2,721,496)	(737,416)	(9,311,706)
Impairment charges	(165)	–	(86,316)	–	(16,847)	(103,328)
Currency translation differences	–	–	–	(15)	–	(15)
Ending net book amount	4,951,467	2,707,658	1,163,695	11,644,258	1,734,181	22,201,259
As of December 31, 2022						
Cost	12,166,263	9,391,090	1,250,535	15,227,521	3,204,135	41,239,544
Accumulated depreciation and impairment	(7,214,796)	(6,683,432)	(86,840)	(3,583,263)	(1,469,954)	(19,038,285)
Net book amount	4,951,467	2,707,658	1,163,695	11,644,258	1,734,181	22,201,259

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

15 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Depreciation charges were expensed or capitalised in the following categories in the consolidated income statement or the consolidated statement of financial position respectively:

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Cost of revenues	**5,268,327**	6,916,879
Selling and marketing expenses	**1,499,261**	1,166,851
Research and development expenses	**592,405**	604,034
General and administrative expenses	**327,830**	506,816
Assets under construction	**141,476**	117,126
	7,829,299	9,311,706

(a) Leases

The carrying amounts of right-of-use assets by category are as follows:

	As of December 31,	
	2023	2022
	RMB'000	RMB'000
Land use rights	**6,579,764**	6,538,425
Offices	**4,043,206**	3,149,108
Others	**1,756,446**	1,956,725
	12,379,416	11,644,258

The consolidated financial statements shows the following amounts relating to leases:

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Depreciation charges of right-of-use assets	**2,881,187**	2,721,496
Interest expenses (included in finance costs)	**260,678**	266,053

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, 2023				
Cost	27,975,138	7,730,260	2,016,238	37,721,636
Accumulated amortisation and impairment	(201,587)	(4,960,070)	(1,917,004)	(7,078,661)
Net book amount	27,773,551	2,770,190	99,234	30,642,975
For the year ended December 31, 2023				
Opening net book amount	27,773,551	2,770,190	99,234	30,642,975
Additions	–	1,631	63,245	64,876
Amortisation charges	–	(246,190)	(63,714)	(309,904)
Ending net book amount	27,773,551	2,525,631	98,765	30,397,947
As of December 31, 2023				
Cost	27,975,138	7,731,891	2,066,631	37,773,660
Accumulated amortisation and impairment	(201,587)	(5,206,260)	(1,967,866)	(7,375,713)
Net book amount	27,773,551	2,525,631	98,765	30,397,947

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

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, 2022				
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
For the year ended December 31, 2022				
Opening net book amount	27,730,503	3,225,932	92,379	31,048,814
Additions	43,048	15,630	71,217	129,895
Amortisation charges	–	(471,372)	(64,362)	(535,734)
Ending net book amount	27,773,551	2,770,190	99,234	30,642,975
As of December 31, 2022				
Cost	27,975,138	7,730,260	2,016,238	37,721,636
Accumulated amortisation and impairment	(201,587)	(4,960,070)	(1,917,004)	(7,078,661)
Net book amount	27,773,551	2,770,190	99,234	30,642,975

16 INTANGIBLE ASSETS *(Continued)*

Amortisation charges were expensed or capitalised in the following categories in the consolidated income statement or the consolidated statement of financial position respectively:

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Cost of revenues	**60,759**	159,683
Selling and marketing expenses	**44,164**	170,591
Research and development expenses	**30,464**	28,073
General and administrative expenses	**173,547**	177,387
Assets under construction	**970**	–
	309,904	535,734

Impairment of goodwill

Management reviews the business performance based on type of business and monitors the goodwill at the CGU level. The following is a summary of goodwill allocation for CGUs:

Year ended December 31, 2023	**Opening RMB'000**	**Additions 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 e-moped sharing services	**3,707,427**	**–**	**3,707,427**
Other CGUs	**270,248**	**–**	**270,248**
	27,773,551	**–**	**27,773,551**

Year ended December 31, 2022	Opening RMB'000	Additions 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 e-moped sharing services	3,707,427	–	3,707,427
Other CGUs	227,200	43,048	270,248
	27,730,503	43,048	27,773,551

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For the year ended December 31, 2023

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, 2023 and 2022, 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, 2023	Food delivery	In-store, hotel & travel	Bike sharing and e-moped sharing services
Annual revenue growth rate for 5-year period	3%-15%	3%-33%	1%-9%
Gross margin	28%	84%	28%-36%
Terminal revenue growth rate	2.5%	2.5%	2.5%
Pre-tax discount rate	26%	26%	25%

16 INTANGIBLE ASSETS *(Continued)*

Impairment of goodwill *(Continued)*

As of December 31, 2022	Food delivery	In-store, hotel & travel	Bike sharing and e-moped sharing services
Annual revenue growth rate for 5-year period	3%-16%	3%-28%	11%-12%
Gross margin	25%	85%	24%-42%
Terminal revenue growth rate	3.0%	3.0%	3.0%
Pre-tax discount rate	26%	26%	28%

The budgeted gross margin used in the goodwill impairment testing are 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. Pre-tax discount rates reflect market assessments of the time value and the specific risks relating to the industry.

Other CGUs cover the business of RMS, micro-credit business and Meituan Instashopping. As of December 31, 2023 and 2022, the pre-tax discount rates used in the impairment testing for other CGUs were from 21% to 30% and 20% to 29%, while the terminal revenue growth rate were 2.5% and 3.0%.

Management had not identified any reasonably possible change in key assumptions that could cause carrying amounts of CGUs to exceed the recoverable amounts.

17 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

		As of December 31,	
	Note	**2023**	2022
		RMB'000	RMB'000
Assets as per consolidated statement of financial position			
Financial assets at fair value through profit or loss:			
– Treasury investments at fair value through profit or loss	21	**91,193,316**	77,845,116
– Other financial investments at fair value through profit or loss	19	**18,481,104**	15,073,013
		109,674,420	92,918,129

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

17 FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

	Note	As of December 31, 2023 RMB'000	2022 RMB'000
Financial assets at fair value through other comprehensive income:			
– Treasury investments at fair value through other comprehensive income	21	**20,594,219**	11,127,265
– Loan receivables at fair value through other comprehensive income	22(a)	**7,798,413**	7,124,305
– Other financial investments at fair value through other comprehensive income	20	**2,314,536**	2,321,865
		30,707,168	20,573,435
Financial assets at amortised cost:			
– Trade receivables	24	**2,742,999**	2,052,731
– Prepayments, deposits and other assets (excluding non-financial assets items)	22	**5,947,057**	6,287,829
– Treasury investments at amortised cost	21	**8,560,286**	11,014,947
– Restricted cash	25(b)	**19,373,229**	14,605,601
– Cash and cash equivalents	25(a)	**33,339,754**	20,158,606
		69,963,325	54,119,714
Liabilities as per consolidated statement of financial position			
Financial liabilities at fair value through profit or loss		**378,720**	100,000
Financial liabilities at amortised cost:			
– Trade payables	29	**22,980,506**	17,379,302
– Payables to merchants		**23,798,004**	12,432,342
– Advances from transacting users		**8,547,635**	5,081,178
– Other payables and accruals (excluding non-financial liabilities items)	30	**10,061,018**	8,736,708
– Borrowings	31	**19,931,896**	19,111,112
– Notes payable	32	**34,610,966**	33,607,372
– Lease liabilities		**6,078,037**	5,369,141
		126,008,062	101,717,155

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,	
	2023	2022
	RMB'000	RMB'000
		(Restated)
The balance comprises temporary differences attributable to:		
– Tax losses	2,669,381	1,836,236
– Lease liabilities	1,310,968	1,050,416
– Others	111,242	405,282
Total gross deferred tax assets	4,091,591	3,291,934
Set-off of deferred tax assets pursuant to set-off provisions	(2,177,142)	(1,794,828)
Net deferred tax assets	1,914,449	1,497,106

	As of December 31,	
	2023	2022
	RMB'000	RMB'000
Deferred tax assets:		
– to be recovered after 12 months	949,352	518,141
– to be recovered within 12 months	965,097	978,965
	1,914,449	1,497,106

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

18 DEFERRED INCOME TAXES *(Continued)*

(a) Deferred tax assets *(Continued)*

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

	Tax losses RMB'000	Lease liabilities RMB'000	Others RMB'000	Total RMB'000
As of December 31, 2022	**1,836,236**	**2,126**	**405,282**	**2,243,644**
Adjustment on Amendments to IAS 12 (Note 2.1.1(a))	**–**	**1,048,290**	**–**	**1,048,290**
As of January 1, 2023 (Restated)	**1,836,236**	**1,050,416**	**405,282**	**3,291,934**
Credited/(charged) to consolidated income statement	**691,359**	**260,552**	**(280,967)**	**670,944**
Credited/(charged) to other reserves	**141,786**	**–**	**(13,073)**	**128,713**
As of December 31, 2023	**2,669,381**	**1,310,968**	**111,242**	**4,091,591**
As of December 31, 2021	1,695,764	2,822	508,386	2,206,972
Adjustment on Amendments to IAS 12 (Note 2.1.1(a))	–	902,177	–	902,177
As of January 1, 2022 (Restated)	1,695,764	904,999	508,386	3,109,149
Credited/(charged) to consolidated income statement	265,619	145,417	(75,589)	335,447
Charged to other reserves	(125,147)	–	(27,515)	(152,662)
As of December 31, 2022 (Restated)	1,836,236	1,050,416	405,282	3,291,934

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, 2023 and 2022, the Group did not recognise deferred tax assets of RMB14,290 million and RMB15,374 million in respect of cumulative tax losses amounting to RMB88,482 million and RMB91,891 million including the tax losses arising from the excess deduction of share-based payments. These tax losses will expire from 2024 to 2028 (2022: 2023 to 2027), and certain subsidiaries of the Group may extend to 2033 (2022: 2032).

18 DEFERRED INCOME TAXES *(Continued)*

(b) Deferred tax liabilities

	As of December 31,	
	2023	2022
	RMB'000	RMB'000
		(Restated)
The balance comprises temporary differences attributable to:		
– Other intangible assets arising from business combinations	**(374,250)**	(410,827)
– Investments accounted for using the equity method or at fair value	**(1,088,421)**	(999,646)
– Right-of-use assets	**(1,296,868)**	(1,048,294)
– Others	**(385,833)**	(182,164)
Total gross deferred tax liabilities	**(3,145,372)**	(2,640,931)
Set-off of deferred tax liabilities pursuant to set-off provisions	**2,177,142**	1,794,828
Net deferred tax liabilities	**(968,230)**	(846,103)

	As of December 31,	
	2023	2022
	RMB'000	RMB'000
Deferred tax liabilities:		
– to be recovered after 12 months	**(901,331)**	(824,564)
– to be recovered within 12 months	**(66,899)**	(21,539)
	(968,230)	(846,103)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

18 DEFERRED INCOME TAXES *(Continued)*

(b) Deferred tax liabilities *(Continued)*

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

	Other intangible assets arising from business combinations RMB'000	Investments accounted for using the equity method or at fair value RMB'000	Right-of-use assets RMB'000	Others RMB'000	Total RMB'000
As of December 31, 2022	**(410,827)**	**(999,646)**	**(4)**	**(182,164)**	**(1,592,641)**
Adjustment on Amendments to IAS 12 (Note 2.1.1(a))	**–**	**–**	**(1,048,290)**	**–**	**(1,048,290)**
As of January 1, 2023 (Restated)	**(410,827)**	**(999,646)**	**(1,048,294)**	**(182,164)**	**(2,640,931)**
(Charged)/credited to consolidated income statement	**36,577**	**(72,610)**	**(248,574)**	**(162,574)**	**(447,181)**
Charged to other reserves	**–**	**(16,165)**	**–**	**(41,095)**	**(57,260)**
As of December 31, 2023	**(374,250)**	**(1,088,421)**	**(1,296,868)**	**(385,833)**	**(3,145,372)**
As of December 31, 2021	(489,022)	(1,051,129)	(6)	(184,038)	(1,724,195)
Adjustment on Amendments to IAS 12 (Note 2.1.1(a))	–	–	(902,177)	–	(902,177)
As of January 1, 2022 (Restated)	(489,022)	(1,051,129)	(902,183)	(184,038)	(2,626,372)
Credited/(charged) to consolidated income statement	80,540	154,673	(146,111)	22,893	111,995
Charged to other reserves	–	(103,190)	–	(21,019)	(124,209)
Business combination	(2,345)	–	–	–	(2,345)
As of December 31, 2022 (Restated)	(410,827)	(999,646)	(1,048,294)	(182,164)	(2,640,931)

The Group 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,	
	2023	2022
	RMB'000	RMB'000
Associates (a)	**10,719,380**	7,901,487
Other investees (b)	**7,761,724**	7,171,526
	18,481,104	15,073,013

RMB7,742 million of other financial investments at fair value through profit or loss was denominated in USD (2022: RMB5,541 million), and other balances were denominated in RMB.

(a) Associates

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
At the beginning of the year	**7,901,487**	4,453,450
Additions	**2,802,076**	2,241,531
Changes in fair values	**67,670**	155,665
Disposals	**(85,065)**	(246,092)
Transfer, net	**–**	1,217,839
Currency translation differences	**33,212**	79,094
At the end of the year	**10,719,380**	7,901,487

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

(b) Other investees

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
At the beginning of the year	**7,171,526**	9,846,407
Additions	**766,035**	908,464
Changes in fair values	**166,557**	(1,168,722)
Disposals	**–**	(602,789)
Transfers, net (Note (i))	**(400,261)**	(2,162,543)
Currency translation differences	**57,867**	350,709
At the end of the year	**7,761,724**	7,171,526

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.

Note (i): During the year ended December 31, 2023, the Group transferred an investment from other financial investments at fair value through profit or loss to other financial investments at fair value through other comprehensive income as a result of conversion of the preferred shares into ordinary shares upon the investee's completion of Initial Public Offering.

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,	
	2023	2022
	RMB'000	RMB'000
Equity investments in listed entities	**901,536**	908,865
Equity investments in an unlisted entity	**1,413,000**	1,413,000
	2,314,536	2,321,865

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

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
At the beginning of the year	**2,321,865**	2,022,705
Additions	**–**	706,500
Changes in fair values	**(426,513)**	(442,897)
Transfers, net (Note 19(b)(i))	**400,261**	(64,542)
Currency translation differences	**18,923**	100,099
At the end of the year	**2,314,536**	2,321,865

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For the year ended December 31, 2023

21 TREASURY INVESTMENTS

	As of December 31,	
	2023	2022
	RMB'000	RMB'000
Long-term treasury investments at		
– Amortised cost	729,656	748,880
– Fair value through profit or loss	7,797,486	7,365,178
	8,527,142	8,114,058
Short-term treasury investments at		
– Amortised cost	7,830,630	10,266,067
– Fair value through profit or loss	83,395,830	70,479,938
– Fair value through other comprehensive income	20,594,219	11,127,265
	111,820,679	91,873,270

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 primarily wealth management products on which the principal and returns were not guaranteed. Treasury investments at fair value through other comprehensive income were large-denomination negotiable certificates of term deposits and other financial products.

Treasury investments were denominated in the following currencies:

	As of December 31,	
	2023	2022
	RMB'000	RMB'000
USD	28,970,000	27,615,645
RMB	91,377,821	72,371,683
	120,347,821	99,987,328

22 PREPAYMENTS, DEPOSITS AND OTHER ASSETS

	As of December 31,	
	2023	2022
	RMB'000	RMB'000
Non-current		
Loan receivables (a)	**2,375,377**	3,240,645
Prepayments for PP&E and other assets	**813,390**	1,201,428
Rental deposits	**449,792**	414,836
Others	**372,688**	46,159
	4,011,247	4,903,068
Current		
Loan receivables (a)	**6,043,377**	5,203,420
Contract assets	**2,115,482**	1,475,951
Prepayments to merchants	**1,711,802**	420,159
Deductible value-added tax	**1,303,839**	1,582,525
Prepayments on behalf of third parties	**728,714**	591,157
Prepayments for purchased goods or services	**685,739**	639,763
Receivables upon share-based payments vesting or exercise	**623,089**	1,468,075
Deposits in third-party payment processors	**360,971**	357,408
Amounts due from related parties (Note 38)	**70,211**	107,519
Others	**891,699**	1,446,517
	14,534,923	13,292,494

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For the year ended December 31, 2023

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

(a) Loan receivables

Loan receivables are derived from micro-credit business and are 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,	
	2023 RMB'000	2022 RMB'000
Loan receivables at amortised cost	640,961	1,394,752
Less: allowance for impairment (Note 3.1.2)	(20,620)	(74,992)
	620,341	1,319,760
Loan receivables at fair value through other comprehensive income	7,939,460	7,175,335
Less: fair value changes of loan receivables	(141,047)	(51,030)
	7,798,413	7,124,305
Allowances for impairment losses on loan receivables at fair value through other comprehensive income (Note 3.1.2)	(411,632)	(234,463)

23 INVENTORIES

	As of December 31,	
	2023 RMB'000	2022 RMB'000
Finished goods	1,238,098	1,084,379
Raw materials	101,712	102,989
	1,339,810	1,187,368
Less: provisions for impairment	(35,215)	(24,603)
	1,304,595	1,162,765

24 TRADE RECEIVABLES

	As of December 31,	
	2023	2022
	RMB'000	RMB'000
Trade receivables	**3,034,648**	2,367,957
Less: allowance for impairment	**(291,649)**	(315,226)
	2,742,999	2,052,731

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

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
At the beginning of the year	**(315,226)**	(225,994)
Credit loss allowance recognised, net	**(37,740)**	(91,260)
Write-offs	**61,317**	2,028
At the end of the year	**(291,649)**	(315,226)

The Group considered that the carrying amounts of the trade receivables approximated their fair values as of December 31, 2023 and 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

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,	
	2023	2022
	RMB'000	RMB'000
Trade receivables		
Within 3 months	**2,411,778**	1,867,157
3 to 6 months	**250,334**	142,353
6 months to 1 year	**66,861**	33,060
Over 1 year	**14,026**	10,161
	2,742,999	2,052,731

The majority of the Group's trade receivables was denominated in RMB.

The maximum exposure to credit risk as of December 31, 2023 and 2022 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,	
	2023	2022
	RMB'000	RMB'000
Cash on hand and cash in bank	**29,071,668**	13,347,292
Term deposits with initial terms three months or less	**3,397,467**	6,033,425
Cash held in other financial institutions (Note (i))	**870,619**	777,889
	33,339,754	20,158,606

Cash and cash equivalents of the Group primarily represents bank deposits and fixed deposits with maturities three months or less.

Note (i): As of December 31, 2023 and 2022, 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,	
	2023	2022
	RMB'000	RMB'000
RMB	**30,554,315**	18,748,198
USD	**2,510,334**	1,199,030
Others	**275,105**	211,378
	33,339,754	20,158,606

(b) Restricted cash

Restricted cash are denominated in the following currencies:

	As of December 31,	
	2023	2022
	RMB'000	RMB'000
RMB	**19,353,690**	14,538,896
USD	**11,274**	33,286
Others	**8,265**	33,419
	19,373,229	14,605,601

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, 2023

26 SHARE CAPITAL, SHARE PREMIUM AND SHARES HELD FOR SHARES AWARD SCHEME

As of December 31, 2023 and 2022, the authorised share capital of the Company comprised 10,000,000,000 ordinary shares with par value of USD0.00001 per share. The number of authorised share capital of Class A and Class B Share is 735,568,783 and 9,264,431,217, respectively. Each Class A Share will entitle the holder to exercise 10 votes, and each Class B Share will entitle the holder to exercise one vote, respectively, on any resolution tabled at the Company's general meetings, except for resolutions with respect to a limited number of reserved matters, in relation to which each Share is entitled to one vote. Class A Shares may be converted into Class B Shares on a one to one ratio. The weighted voting rights attached to the Company's Class A Shares will cease when none of the holders of the Class A Shares have beneficial ownership of any of our Class A Shares.

Issued and fully paid:

	Number of ordinary shares '000	Share capital RMB'000	Share premium RMB'000	Shares held for shares award scheme RMB'000
As of January 1, 2023	**6,193,151**	**415**	**316,743,344**	**–**
Exercise of share options and RSUs vesting	**11,538**	**1**	**8,835,268**	**2**
Shares held for shares award scheme	**39,860**	**2**	**–**	**(2)**
As of December 31, 2023	**6,244,549**	**418**	**325,578,612**	**–**
As of January 1, 2022	6,136,145	411	311,221,237	–
Exercise of share options and RSUs vesting	13,880	1	5,522,107	3
Shares held for shares award scheme	43,126	3	–	(3)
As of December 31, 2022	6,193,151	415	316,743,344	–

As of December 31, 2023, there were 604,519,783 Class A Shares amongst the total issued Shares and the remainders were Class B Shares.

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, 2023	20	10,322,138	(10,705,249)	1,513,938	353,340	1,484,187
Equity-settled share-based payments	–	8,394,315	–	–	–	8,394,315
Exercise of share options and RSUs vesting	–	(8,739,989)	–	–	–	(8,739,989)
Share of changes in net assets of associates	–	–	–	–	364,222	364,222
Currency translation differences	–	–	275,055	–	–	275,055
Fair value changes of and net provisions for impairment losses on financial assets	–	–	–	–	50,228	50,228
Tax benefit from share-based payments	–	–	–	–	216,667	216,667
Appropriations to general reserves	–	–	–	–	6,377	6,377
As of December 31, 2023	20	9,976,464	(10,430,194)	1,513,938	990,834	2,051,062

	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, 2022	20	6,835,306	(11,899,519)	1,513,938	683,580	(2,866,675)
Equity-settled share-based payments	–	8,742,962	–	–	–	8,742,962
Exercise of share options and RSUs vesting	–	(5,256,130)	–	–	–	(5,256,130)
Share of changes in net assets of associates	–	–	–	–	332,660	332,660
Currency translation differences	–	–	1,194,270	–	–	1,194,270
Fair value changes of and net provisions for impairment losses on financial assets	–	–	–	–	(719,053)	(719,053)
Tax benefit from share-based payments	–	–	–	–	17,458	17,458
Appropriations to general reserves	–	–	–	–	38,695	38,695
As of December 31, 2022	20	10,322,138	(10,705,249)	1,513,938	353,340	1,484,187

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

28 DEFERRED REVENUES

	As of December 31,	
	2023	2022
	RMB'000	RMB'000
Online marketing services and others	**5,538,424**	5,010,489
Various packages for bike sharing and e-moped sharing services	**59,708**	42,886
	5,598,132	5,053,375

The following table shows the amount of the revenues recognised in the current reporting period relating to carried-forward deferred revenues:

	Year ended December 31,	
	2023	2022
	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	**4,205,521**	4,558,722
Various packages for bike sharing and e-moped sharing services	**42,886**	57,596
Business cooperation agreement with Maoyan (Note 38)	**–**	157,264
	4,248,407	4,773,582

29 TRADE PAYABLES

As of December 31, 2023 and 2022, the aging analysis of the trade payables based on invoice date is as follows:

	As of December 31,	
	2023	2022
	RMB'000	RMB'000
Trade payables		
Within 3 months	**22,467,344**	16,960,247
3 to 6 months	**194,288**	221,416
6 months to 1 year	**129,805**	87,595
Over 1 year	**189,069**	110,044
	22,980,506	17,379,302

The Group's trade payables was primarily denominated in RMB.

30 OTHER PAYABLES AND ACCRUALS

	As of December 31,	
	2023	2022
	RMB'000	RMB'000
Employee payroll and benefits payables	**6,468,239**	6,548,048
Deposits from merchants and transacting users	**5,941,154**	5,634,670
Amounts collected on behalf of third parties	**1,846,855**	1,206,368
Customer advances	**778,055**	626,134
Taxes and surcharges payables	**738,151**	673,769
Accrued expenses	**624,740**	676,758
Amounts due to related parties (Note 38)	**360,139**	304,501
Undue interests accrued for senior notes (Note 32)	**67,009**	65,892
Others	**1,117,873**	919,167
	17,942,215	16,655,307

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

31 BORROWINGS

	As of December 31,	
	2023	2022
	RMB'000	RMB'000
Included in non-current liabilities:		
RMB bank borrowings – unsecured	**–**	1,396,000
RMB bank borrowings – secured (Note (i))	**610,103**	152,967
	610,103	1,548,967
Included in current liabilities:		
RMB bank borrowings – unsecured	**19,321,793**	17,562,145

As of December 31, 2023, the effective interest rates for bank borrowings were 1.10%-3.40% (2022: 1.77%-3.65%). For the year ended December 31, 2023, the weighted average effective interest rate was 1.92% per annum (2022: 2.39% per annum).

The amount of borrowing costs capitalised during the years ended December 31, 2023 and 2022 was immaterial.

Note (i): As of December 31, 2023, the Group's land use rights with an original book value and a net book value of RMB6,738 million and RMB6,398 million (2022: RMB6,738 million and RMB6,538 million, respectively) had been charged as collateral for borrowings.

32 NOTES PAYABLE

	As of December 31,	
	2023	2022
	RMB'000	RMB'000
Included in non-current liabilities:		
Non-current portion of long-term USD senior notes (a)	**14,112,131**	13,865,055
Non-current portion of long-term USD convertible bonds (b)	**20,498,835**	19,742,317
	34,610,966	33,607,372
Included in current liabilities:		
Undue interests accrued for senior notes (Note 30)	**67,009**	65,892
	34,677,975	33,673,264

The notes payable and undue interests were repayable as follows:

	As of December 31,	
	2023	2022
	RMB'000	RMB'000
Within 1 year (Note 30)	**67,009**	65,892
Between 1 and 2 years	**15,581,442**	–
Between 2 and 5 years	**10,216,809**	24,946,785
More than 5 years	**8,812,715**	8,660,587
	34,677,975	33,673,264

All of these notes payable issued by the Group were unsecured.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

32 NOTES PAYABLE *(Continued)*

(a) On October 29, 2020, the Company issued senior notes on the Hong Kong Stock Exchange which were comprised of 2.125% senior notes in the aggregate principal amount of US$750 million due October 28, 2025 and 3.05% senior notes in the aggregate principal amount of US$1,250 million due October 28, 2030.

As of December 31, 2023, the fair value of the senior notes was RMB12,498 million (2022: RMB11,493 million). The respective fair values were assessed based on the quoted market price of these senior notes at the end of each reporting period.

(b) 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 and US$1,500,000,000 zero coupon convertible bonds ("**Series 2 Bonds**") due on April 27, 2028 (together, the "**Bonds**") 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.

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.

32 NOTES PAYABLE *(Continued)*

The movement of the liability component of the Bonds for the years ended December 31, 2023 and 2022 is set out below:

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
At the beginning of the year	**19,742,317**	17,701,190
Interest expenses	**419,410**	392,057
Currency translation differences	**337,108**	1,649,070
At the end of the year	**20,498,835**	19,742,317

The equity component of the Bonds of RMB1,514 million was included in "Other reserves" (Note 27) of the Group as of December 31, 2023 and 2022.

As of December 31, 2023, the total fair value of the Bonds was RMB18,839 million (2022: RMB17,794 million). Such fair values were assessed based on the quoted market price of these Bonds at the end of each reporting period.

33 SHARE-BASED PAYMENTS

As of December 31, 2023, there was a total of 609,351,099 share options and RSUs available for further grant under all schemes of the Company.

Share options

Share options granted typically expire in 10 years from the respective grant dates, and vest in tranches from the vesting commence date over the vesting period, on condition that participants 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, 2023

33 SHARE-BASED PAYMENTS *(Continued)*

Share options *(Continued)*

Movements in the number of share options 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, 2023	**27,067,581**	**38.31**
Forfeited during the year	**(1,921,391)**	**60.74**
Exercised during the year	**(3,253,146)**	**32.94**
Outstanding as of December 31, 2023	**21,893,044**	**37.14**
Vested and exercisable as of December 31, 2023	**18,246,636**	**33.18**
Outstanding as of January 1, 2022	37,988,298	36.51
Forfeited during the year	(452,234)	144.17
Exercised during the year	(10,468,483)	27.21
Outstanding as of December 31, 2022	27,067,581	38.31
Vested and exercisable as of December 31, 2022	17,276,823	30.94

The weighted average remaining contractual life of outstanding share options was 3.7 years as of December 31, 2023 (2022: 4.7 years). The weighted average price of the shares at the time these share options were exercised was HKD128.49 per share (equivalent to approximately RMB116.04 per share) during the year ended December 31, 2023 (2022: HKD177.25 per share (equivalent to approximately RMB152.51 per share)). There was no share option granted during the years ended December 31, 2023 and 2022.

33 SHARE-BASED PAYMENTS *(Continued)*

RSUs

The Company also grants RSUs to employee participants, related entity participants, and service providers under the Post-IPO Share Award Scheme. The RSUs awarded vest in tranches from the vesting commence date over a certain service period. Once the vesting conditions of RSUs are met, the RSUs are considered duly and validly issued to the holder, and free of restrictions on transfer.

Movements in the number of RSUs 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, 2023	**132,202,319**	**188.60**
Granted during the year	**65,990,343**	**128.21**
Vested during the year	**(51,377,038)**	**186.50**
Forfeited during the year	**(26,823,099)**	**139.36**
Outstanding as of December 31, 2023	**119,992,525**	**167.29**
Outstanding as of January 1, 2022	125,367,125	173.66
Granted during the year	62,511,074	185.06
Vested during the year	(43,295,263)	136.55
Forfeited during the year	(12,380,617)	201.46
Outstanding as of December 31, 2022	132,202,319	188.60

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

33 SHARE-BASED PAYMENTS *(Continued)*

The total share-based payments charges were expensed or capitalised in the following categories in the consolidated income statement or the consolidated statement of financial position respectively:

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
RSUs	**8,390,805**	8,692,403
Share options	**3,510**	50,559
Total share-based payments charges	**8,394,315**	8,742,962
Amount capitalised	**(10,962)**	–
Share-based compensation expenses	**8,383,353**	8,742,962

34 DIVIDENDS

No dividends have been paid or declared by the Company during each of the years ended December 31, 2023 and 2022.

35 CAPITAL COMMITMENTS

	As of December 31,	
	2023	2022
	RMB'000	RMB'000
Within 1 year	**10,482,123**	2,782,808
1 – 2 years	**1,003,032**	1,573,132
2 – 5 years	**166,419**	969,314
More than 5 years	**60**	47,239
	11,651,634	5,372,493

35 CAPITAL COMMITMENTS *(Continued)*

	As of December 31,	
	2023	2022
	RMB'000	RMB'000
Purchase of property, plant and equipment	**10,483,811**	3,856,421
Investments	**1,167,823**	1,516,072
	11,651,634	5,372,493

36 BUSINESS COMBINATION

Reference is made to the announcement of the Company dated June 29, 2023 in relation to the acquisitions of Light Year. In August 2023, the said acquisitions have been completed, upon which, the consideration of approximately RMB1,675 million (equivalent to approximately US$234 million) have been paid and a total of approximately RMB1,675 million identifiable net assets (arrived after taking into account the cash position of approximately US$286 million offset by the Assumed Liabilities of approximately RMB367 million) have been acquired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

37 NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

	Note	Year ended December 31, 2023 RMB'000	Year ended December 31, 2022 RMB'000
Profit/(loss) before income tax		14,021,868	(6,755,517)
Adjusted for:			
Depreciation and amortisation	15,16	7,996,757	9,730,314
Net provisions for impairment losses on financial and contract assets		1,135,405	468,620
Share-based compensation expenses	33	8,383,353	8,742,962
Net gains arising from disposals or deemed disposals of subsidiaries and investees		(95,307)	(224,358)
Net provisions for impairment of non-financial assets	12,15,16	219,752	103,328
Share of profits of investments accounted for using the equity method	12	(1,212,652)	(35,848)
Fair value changes of other financial investments at fair value through profit or loss	19	(234,227)	1,013,057
Fair value changes and interest income related to treasury investments and others		(4,143,108)	(1,740,091)
Finance costs	10	1,423,853	1,583,185
Foreign exchange gains, net	9	(74,998)	(354,271)
Net gains on sales of non-current assets		(151,527)	(59,191)
Changes of working capital:			
Increase in restricted cash		(4,760,593)	(1,327,089)
Increase in trade receivables		(727,944)	(377,239)
Increase in prepayments, deposits and other assets		(1,984,534)	(150,117)
Increase in inventories		(141,830)	(481,072)
Increase in trade payables		4,381,206	2,357,980
Increase in payables to merchants		11,368,449	1,483,065
Increase/(decrease) in advances from transacting users		3,467,173	(87,112)
Increase/(decrease) in deferred revenues		544,757	(425,105)
Increase/(decrease) in other payables and accruals		1,335,720	(1,784,268)
Decrease in other non-current liabilities		(6,874)	(22,527)
Cash generated from operations		40,744,699	11,658,706

37 NOTE TO CONSOLIDATED STATEMENT 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 years ended December 31, 2023 and 2022.

(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	Assumed Liabilities RMB'000
Liabilities as of January 1, 2023	19,111,112	33,673,264	100,000	5,369,141	–
Cash flows	475,496	(390,548)	278,720	(2,969,089)	(366,924)
Business combination	–	–	–	–	366,924
Other additions	–	–	–	4,287,702	–
Deductions	–	–	–	(870,506)	–
Finance costs	340,760	822,415	–	260,678	–
Currency translation differences	4,528	572,844	–	111	–
Liabilities as of December 31, 2023	19,931,896	34,677,975	378,720	6,078,037	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

37 NOTE TO CONSOLIDATED STATEMENT 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, 2022	23,784,867	30,443,698	–	4,750,785
Cash flows	(7,654,899)	(366,455)	480,448	(2,619,636)
Additions	–	–	–	3,151,048
Deductions	–	–	(393,304)	(179,089)
Finance costs	550,668	766,464	–	266,053
Currency translation differences	2,430,476	2,829,557	12,856	(20)
Liabilities as of December 31, 2022	19,111,112	33,673,264	100,000	5,369,141

38 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control or joint 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 or joint 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.

38 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	One of the Company's shareholders (Prior to November 16, 2022, Note (i))
Dalian Tongda Enterprise Management Co., Ltd.	Associate of the Group
Guangxi Dossen Hotel Management Group Co., Ltd.	Associate of the Group
Jilin Yillion Bank Co., Ltd.	Associate of the Group
Tianjin Maoyan and its subsidiaries	Associate of the Group

Note (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. On November 16, 2022, the Board of Tencent Group has resolved to declare a special interim dividend in the form of a distribution in specie of approximately 958,121,562 Class B ordinary shares of Meituan. Following the declaration of the distribution and the resignation of Tencent's board representative with immediate effect, Tencent Group lost significant influence and was not considered as the Group's related party.

(b) Significant transactions with related parties

		Year ended December 31,	
		2023	2022
		RMB'000	RMB'000
(i)	Sales of services		
	Associates of the Group	**421,242**	521,001
	One of the Company's shareholders	**–**	20,481
		421,242	541,482
(ii)	Purchases of goods and services		
	Associates of the Group	**1,468,202**	1,256,223
	One of the Company's shareholders	**–**	2,847,498
		1,468,202	4,103,721

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

38 RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balances with related parties

	As of December 31,	
	2023	2022
	RMB'000	RMB'000
(i) Due from related parties		
Associates of the Group	**70,211**	107,519
(ii) Due to related parties		
Associates of the Group	**360,139**	304,501

(d) Key management compensation

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Fees	**2,002**	1,500
Basic salaries and bonuses	**84,156**	74,142
Pension costs and other employee benefits	**903**	967
Share-based compensation expenses	**376,771**	329,760
	463,832	406,369

39 CONTINGENCIES

The Group did not have any material contingent liabilities as of December 31, 2023 and 2022.

40 FINANCIAL POSITION AND OTHER RESERVES MOVEMENT OF THE COMPANY

(a) Financial position of the Company

	Note	As of December 31, 2023 RMB'000	2022 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries		**90,712,346**	82,365,622
Intangible assets		**1,392**	307
Long-term treasury investments		**2,646,902**	4,358,598
Prepayments, deposits and other assets		**125,724,237**	117,257,527
		219,084,877	203,982,054
Current assets			
Short-term treasury investments		**18,191,343**	23,313,996
Prepayments, deposits and other assets		**255,770**	612,755
Cash and cash equivalents		**2,083,676**	1,189,591
		20,530,789	25,116,342
Total assets		**239,615,666**	229,098,396
EQUITY			
Share capital	26	**418**	415
Share premium	26	**325,578,612**	316,743,344
Shares held for shares award scheme	26	**–**	–
Other reserves	40(b)	**9,682,271**	8,025,737
Accumulated losses		**(137,305,984)**	(135,613,683)
Total equity		**197,955,317**	189,155,813
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**3,073**	–
Notes payable	32	**34,610,966**	33,607,372
		34,614,039	33,607,372
Current liabilities			
Borrowings		**647,912**	–
Other payables and accruals		**6,398,398**	6,335,211
		7,046,310	6,335,211
Total liabilities		**41,660,349**	39,942,583
Total equity and liabilities		**239,615,666**	229,098,396

The statement of financial position of the Company was approved by the Board of Directors on March 22, 2024 and was signed on its behalf.

Wang Xing
Director

Mu Rongjun
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

40 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, 2023	20	10,322,138	(3,483,212)	1,513,938	(327,147)	8,025,737
Other comprehensive income, net of tax						
Currency translation differences	–	–	1,809,620	–	–	1,809,620
Fair value changes of and net provisions for impairment losses on financial assets	–	–	–	–	192,588	192,588
Total other comprehensive income	–	–	1,809,620	–	192,588	2,002,208
Transaction with owners in their capacity as owners						
Equity-settled share-based payments	–	8,394,315	–	–	–	8,394,315
Exercise of share options and RSUs vesting	–	(8,739,989)	–	–	–	(8,739,989)
Total transaction with owners in their capacity as owners	–	(345,674)	–	–	–	(345,674)
As of December 31, 2023	20	9,976,464	(1,673,592)	1,513,938	(134,559)	9,682,271
As of January 1, 2022	20	6,835,306	(12,781,857)	1,513,938	7,039	(4,425,554)
Other comprehensive income, net of tax						
Currency translation differences	–	–	9,298,645	–	–	9,298,645
Fair value changes of and net provisions for impairment losses on financial assets	–	–	–	–	(334,186)	(334,186)
Total other comprehensive income	–	–	9,298,645	–	(334,186)	8,964,459
Transaction with owners in their capacity as owners						
Equity-settled share-based payments	–	8,742,962	–	–	–	8,742,962
Exercise of share options and RSUs vesting	–	(5,256,130)	–	–	–	(5,256,130)
Total transaction with owners in their capacity as owners	–	3,486,832	–	–	–	3,486,832
As of December 31, 2022	20	10,322,138	(3,483,212)	1,513,938	(327,147)	8,025,737

41 SUBSEQUENT EVENTS

The Company repurchased 44,131,100 of Class B Shares in the open market in January 2024 and subsequently cancelled in February 2024. Such Class B Shares were repurchased at prices ranging from HKD68.20 to HKD77.05 per share.

Save as aforesaid, there were no other material subsequent events during the period from January 1, 2024 to the approval date of these consolidated financial statements by the Board on March 22, 2024.

DEFINITIONS

"AGM"	the forthcoming annual general meeting of the Company to be held on June 21, 2024
"Articles" or "Articles of Association"	the articles of association of the Company adopted on June 30, 2023, as amended from time to time
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Assumed Liabilities"	the outstanding principal amount payable by Domestic Light Year to certain bondholders
"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

DEFINITIONS

"Beijing Xinmeida"	Beijing Xinmeida Technology Co., Ltd. (北京新美大科技有限公司), a limited liability company incorporated under the laws of the PRC on March 17, 2016 and our Consolidated Affiliated Entity
"Board"	the board of Directors
"BVI"	the British Virgin Islands
"CG Code"	corporate governance code as set out in Appendix C1 to the Listing Rules
"Charmway Enterprises"	Charmway Enterprises Company Limited, a limited liability company incorporated under the laws of the BVI, which is indirectly wholly owned by a trust established by Mu Rongjun (as settlor) for the benefit of Mu Rongjun and his family
"Chengdu Meigengmei"	Chengdu Meigengmei Information Technology Co., Ltd. (成都美更美信息技術有限公司), a limited liability company incorporated under the laws of the PRC on July 18, 2014 and our Consolidated Affiliated Entity
"Class A Shares"	class A ordinary shares of the share capital of the Company with a par value of US$0.00001 each, conferring weighted voting rights in the Company such that a holder of a Class A Share is entitled to ten votes per share on any resolution tabled at the Company's general meeting, save for resolutions with respect to any Reserved Matters, in which case they shall be entitled to one vote per share
"Class B Shares"	class B ordinary shares of the share capital of the Company with a par value of US$0.00001 each, conferring a holder of a Class B Share one vote per share on any resolution tabled at the Company's general meeting
"Companies Ordinance" 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

DEFINITIONS

"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Consolidated Affiliated Entities"	the entities we control through the Contractual Arrangements, namely, the Onshore Holdcos and their respective subsidiaries (each a "**Consolidated Affiliated Entity**")
"Contractual Arrangement(s)"	the series of contractual arrangements entered into between WFOEs, Onshore Holdcos and Registered Shareholders (as applicable)
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Wang Xing and the directly and indirectly held companies through which Wang Xing has an interest in the Company
"Crown Holdings"	Crown Holdings Asia Limited, a limited liability company incorporated under the laws of the BVI, which is indirectly wholly owned by a trust established by Wang Xing (as settlor) for the benefit of Wang Xing and his family
"Director(s)"	the director(s) of the Company
"Domestic Light Year"	Beijing Guangnianzhiwai Technology Co., Ltd.* (北京光年之外科技有限公司), a limited liability company incorporated under the laws of the PRC
"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$" or "HKD"	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
"HKD counter"	the HKD counter for trading in the Class B Shares on the Stock Exchange
"IFRS Accounting Standards"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board

DEFINITIONS

"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
"Light Year"	collectively, Offshore Light Year and Domestic Light Year
"Listing"	the listing of the Class B Shares on the Main Board of the Stock Exchange
"Listing Date"	September 20, 2018
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange, which is independent from and operates in parallel with the GEM of the Stock Exchange
"Meituan Finance"	Beijing Meituan Finance Technology Co., Ltd. (北京美团金融科技有限公司), a limited liability company incorporated under the laws of the PRC on August 9, 2017 and our Consolidated Affiliated Entity
"Memorandum" or "Memorandum of Association"	the memorandum of association of the Company adopted on August 30, 2018 with effect from the Listing Date, as amended from time to time
"Mobike"	mobike Ltd., an exempted company with limited liability incorporated under the laws of the Cayman Islands on April 2, 2015 and our direct wholly owned subsidiary
"Mobike Beijing"	Mobike (Beijing) Information Technology Co., Ltd. (摩拜(北京)信息技術有限公司), a limited liability company incorporated under the laws of the PRC on January 12, 2016 and our indirect wholly owned subsidiary
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
"Offshore Light Year"	Light Year AI Limited, a company incorporated in the Cayman Islands

DEFINITIONS

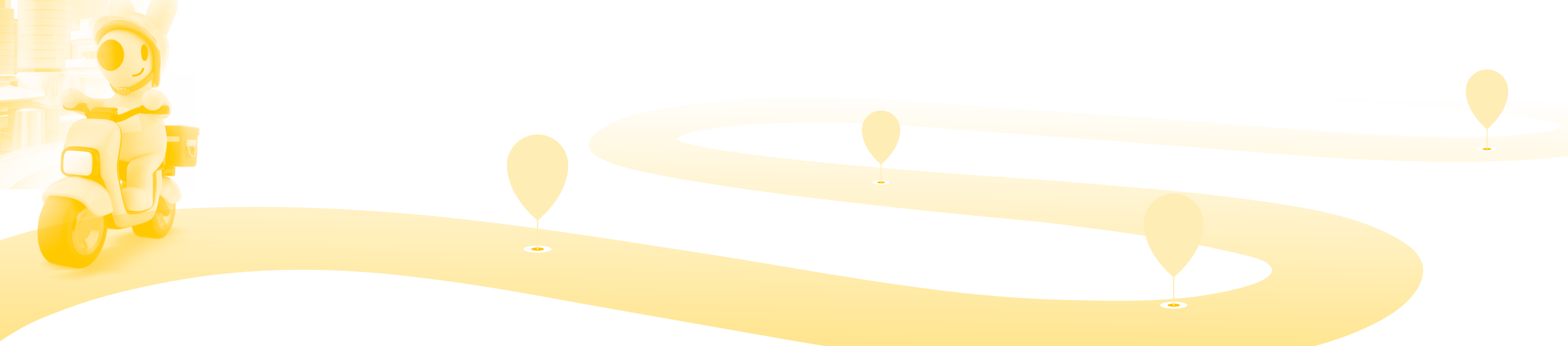
"Onshore Holdcos," each an "Onshore Holdco"	Tianjin Antechu Technology, Beijing Kuxun Interaction, Shanghai Sankuai Technology, Meituan Finance, Beijing Sankuai Cloud Computing, Beijing Xinmeida, Chengdu Meigengmei, Beijing Mobike, Beijing Sankuai Technology and Shanghai Hantao
"Option(s)"	a right granted to subscribe for Class B Shares
"Post-IPO Share Award Scheme"	the post-IPO scheme award scheme adopted by the Company on August 30, 2018 and subsequent amended on June 30, 2023
"Post-IPO Share Option Scheme"	the post-IPO share option scheme adopted by the Company on August 30, 2018 and subsequent amended on June 30, 2023
"PRC"	the People's Republic of China
"PRC Legal Advisor"	Han Kun Law Offices, legal advisor to the Company as to PRC laws
"Pre-IPO ESOP"	the pre-IPO employee stock incentive scheme adopted by the Company dated October 6, 2015, as amended from time to time
"Prospectus"	prospectus of the Company dated September 7, 2018
"Registered Shareholders"	the registered shareholders of the Onshore Holdcos
"Reporting Period"	the year ended December 31, 2023
"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
"RMB counter"	the RMB counter for trading in the Class B Shares on the Stock Exchange under the HKD-RMB Dual Counter Model program launched by the Stock Exchange
"RSU(s)"	restricted share unit(s)

DEFINITIONS

"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
"Scheme Administrator"	the committee of the Board or person(s) to which the Board has delegated its authority (as applicable) to administer the Post-IPO Share Award Scheme
"Scheme Limit"	the limit on grant(s) of share option(s) and/or award(s) over new Shares under all share schemes of the Company approved by the Shareholders, which must not exceed 624,212,527 (being 10% of the total number of issued Shares as at the date of the Shareholders' approval of the Scheme Limit)
"service provider(s)"	shall have the same meaning as set out in Rule 17.03A of the Listing Rule and permitted under the Post-IPO Share Award Scheme
"Service Provider Sublimit"	a sublimit under the Scheme Limit for share options and/or awards over new shares of the Company under all share schemes adopted by the Company granted to the Service Providers, which must not exceed 62,421,252 (being 1% of the total number of issued Shares as at the date of the Shareholders' approval of the Service Provider Sublimit)
"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 Sankuai Technology"	Shanghai Sankuai Technology Co., Ltd. (上海三快科技有限公司), a limited liability company incorporated under the laws of the PRC on September 19, 2012 and our Consolidated Affiliated Entity
"Share(s)"	the Class A Shares and Class B Shares in the share capital of the Company, as the context so requires
"Shareholder(s)"	holder(s) of the Share(s)

DEFINITIONS

"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
"Shares Repurchased"	has the meaning ascribed to it in page 76
"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 consolidated affiliated entity 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
"Tencent Distribution"	has the meaning ascribed to it in page 78
"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, 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 and Mu Rongjun, 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
"Number of On-demand Delivery transactions"	include number of transactions from food delivery and Meituan Instashopping businesses
"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; whereas (i) with respect to our instore business, one transaction is recognized if a user purchases multiple vouchers with a single payment; (ii) with respect to our hotel-booking business, one transaction is recognized if a user books multiple room nights with a single payment; (iii) with respect to our attraction, movie, air and train ticketing businesses, one transaction is recognized if a user purchases multiple tickets with a single payment; (iv) with respect to our bike-sharing business, if a user uses monthly pass, then one transaction is recognized only when the user purchases or claims the monthly pass, and subsequent rides are not recognized as transactions; if a user does not use monthly pass, then one transaction is recognized for every ride