



# Meituan

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

Stock Code: 3690



# 2021

## Interim Report



# CONTENTS

CORPORATE INFORMATION	2
KEY HIGHLIGHTS	4
CHAIRMAN'S STATEMENT	7
MANAGEMENT DISCUSSION AND ANALYSIS	12
OTHER INFORMATION	32
REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION	56
CONSOLIDATED INCOME STATEMENT	57
CONSOLIDATED STATEMENT OF COMPREHENSIVE (LOSS)/INCOME	58
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	59
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	61
CONSOLIDATED STATEMENT OF CASH FLOWS	63
NOTES TO THE INTERIM FINANCIAL INFORMATION	65
DEFINITIONS	117
GLOSSARY	124



## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Wang Xing (王興) (*Chairman of the Board*)

Mu Rongjun (穆榮均)

Wang Huiwen (王慧文)

#### Non-Executive Directors

Lau Chi Ping Martin (劉熾平)

Neil Nanpeng Shen (沈南鵬)

#### Independent Non-Executive Directors

Orr Gordon Robert Halyburton

Leng Xuesong (冷雪松)

Shum Heung Yeung Harry (沈向洋)

### AUDIT COMMITTEE

Orr Gordon Robert Halyburton (*Chairman*)

Leng Xuesong (冷雪松)

Shum Heung Yeung Harry (沈向洋)

### REMUNERATION COMMITTEE

Leng Xuesong (冷雪松) (*Chairman*)

Shum Heung Yeung Harry (沈向洋)

Mu Rongjun (穆榮均)

### NOMINATION COMMITTEE

Leng Xuesong (冷雪松) (*Chairman*)

Shum Heung Yeung Harry (沈向洋)

Wang Huiwen (王慧文)

### CORPORATE GOVERNANCE COMMITTEE

Leng Xuesong (冷雪松) (*Chairman*)

Shum Heung Yeung Harry (沈向洋)

Orr Gordon Robert Halyburton

### JOINT COMPANY SECRETARIES

Xu Sijia (徐思嘉)

Lau Yee Wa (劉綺華)

### AUTHORIZED REPRESENTATIVES

Wang Xing (王興)

Wang Huiwen (王慧文)

### AUDITOR

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

### REGISTERED OFFICE

PO Box 309, Ugland House  
Grand Cayman, KY1-1104  
Cayman Islands

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

Block B&C, Hengjiweiye Building  
No.4 Wang Jing East Road  
Chaoyang District  
Beijing 100102  
China

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## LEGAL ADVISORS

*As to Hong Kong law (in alphabetical order):*

Davis Polk & Wardwell  
18/F., The Hong Kong Club Building  
3A Chater Road  
Central  
Hong Kong

Skadden, Arps, Slate, Meagher & Flom  
42/F, Edinburgh Tower  
The Landmark  
15 Queen's Road Central  
Hong Kong

*As to the PRC law:*

Han Kun Law Offices  
Beijing office  
9/F, Office Tower C1 Oriental Plaza  
No. 1 East Chang An Ave  
Beijing 100738, the PRC

*As to Cayman Islands law:*

Maples and Calder (Hong Kong) LLP  
26th Floor, Central Plaza  
18 Harbour Road, Wanchai  
Hong Kong

## COMPLIANCE ADVISOR

Guotai Junan Capital Limited  
27/F, Low Block  
Grand Millennium Plaza  
181 Queen's Road Central  
Hong Kong

## HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services  
Limited  
Shops 1712-1716, 17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wan Chai  
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited  
PO Box 1093, Boundary Hall  
Cricket Square  
Grand Cayman, KY1-1102  
Cayman Islands

## PRINCIPAL BANKER

China Merchants Bank, Beijing Branch,  
Shouti Sub-branch  
1/F, Tengda Building  
No. 168 Xizhimenwai Street  
Haidian District  
Beijing  
China

## STOCK CODE

3690

## COMPANY WEBSITE

[about.meituan.com](http://about.meituan.com)

## KEY HIGHLIGHTS

### FINANCIAL SUMMARY

	Unaudited				
	Three Months Ended				
	June 30, 2021		June 30, 2020		Year-over-year change
Amount	As a percentage of revenues	Amount	As a percentage of revenues		
	<i>(RMB in thousands, except for percentages)</i>				
Revenues	43,759,232	100.0%	24,721,837	100.0%	77.0%
Operating (loss)/profit	(3,251,705)	(7.4%)	2,174,645	8.8%	NA
(Loss)/profit for the period	(3,356,375)	(7.7%)	2,210,181	8.9%	NA
<b>Non-IFRS Measures:</b>					
Adjusted EBITDA	(1,239,986)	(2.8%)	2,610,255	10.6%	NA
Adjusted net (loss)/profit	(2,217,141)	(5.1%)	2,718,478	11.0%	NA

	Unaudited				
	Six Months Ended				
	June 30, 2021		June 30, 2020		Year-over-year change
Amount	As a percentage of revenues	Amount	As a percentage of revenues		
	<i>(RMB in thousands, except for percentages)</i>				
Revenues	80,775,494	100.0%	41,475,724	100.0%	94.8%
Operating (loss)/profit	(8,018,712)	(9.9%)	459,115	1.1%	NA
(Loss)/profit for the period	(8,202,637)	(10.2%)	630,903	1.5%	NA
<b>Non-IFRS Measures:</b>					
Adjusted EBITDA	(3,622,669)	(4.5%)	2,651,566	6.4%	NA
Adjusted net (loss)/profit	(6,108,858)	(7.6%)	2,502,130	6.0%	NA



## KEY HIGHLIGHTS

### FINANCIAL INFORMATION BY SEGMENT

	Unaudited		
	Three Months Ended		Year-over-year change
	June 30, 2021	June 30, 2020	
<i>(RMB in thousands, except for percentages)</i>			
<b>Revenues:</b>			
Food delivery	23,125,084	14,544,095	59.0%
In-store, hotel & travel	8,602,179	4,543,982	89.3%
New initiatives and others	12,031,969	5,633,760	113.6%
<b>Total revenues</b>	<b>43,759,232</b>	<b>24,721,837</b>	<b>77.0%</b>
<b>Operating (loss)/profit:</b>			
Food delivery	2,447,076	1,253,421	95.2%
In-store, hotel & travel	3,663,818	1,891,563	93.7%
New initiatives and others	(9,238,125)	(1,459,539)	NA
Unallocated items <sup>1</sup>	(124,474)	489,200	NA
<b>Total operating (loss)/profit</b>	<b>(3,251,705)</b>	<b>2,174,645</b>	<b>NA</b>

	Unaudited		
	Six Months Ended		Year-over-year change
	June 30, 2021	June 30, 2020	
<i>(RMB in thousands, except for percentages)</i>			
<b>Revenues:</b>			
Food delivery	43,700,494	24,034,518	81.8%
In-store, hotel & travel	15,186,570	7,638,960	98.8%
New initiatives and others	21,888,430	9,802,246	123.3%
<b>Total revenues</b>	<b>80,775,494</b>	<b>41,475,724</b>	<b>94.8%</b>
<b>Operating (loss)/profit:</b>			
Food delivery	3,562,961	1,182,540	201.3%
In-store, hotel & travel	6,412,023	2,571,742	149.3%
New initiatives and others	(17,282,570)	(2,823,256)	NA
Unallocated items <sup>1</sup>	(711,126)	(471,911)	50.7%
<b>Total operating (loss)/profit</b>	<b>(8,018,712)</b>	<b>459,115</b>	<b>NA</b>

<sup>1</sup> Unallocated items mainly include (i) share-based compensation expenses, (ii) amortization of intangible assets resulting from acquisitions, (iii) fair value changes on other financial investments at fair value through profit or loss, and (iv) other gains, net.



## KEY HIGHLIGHTS

### OPERATING METRICS

	Twelve Months Ended		
	June 30, 2021	June 30, 2020	Year-over- year change
	<i>(in millions, except for percentages)</i>		
Number of Transacting Users	628.4	457.3	37.4%
Number of Active Merchants	7.7	6.3	23.5%
	<i>(units, except for percentages)</i>		
Average number of transactions per annual Transacting User	32.8	25.7	27.8%
	Three Months Ended		
	June 30, 2021	June 30, 2020	Year-over- year change
	<i>(in millions, except for percentages)</i>		
Gross Transaction Volume of food delivery	173,603.3	108,827.1	59.5%
Number of food delivery transactions <sup>2</sup>	3,541.4	2,228.9	58.9%
Number of domestic hotel room nights	140.8	78.0	80.5%

<sup>2</sup> Our 1P model, for which we organize and provide food delivery services, accounts for about 66.7% and 66.5% of total food delivery transactions in the second quarter of 2021 and in the same period of 2020, respectively.



To our Shareholders:

During the first half of 2021, we remained well-positioned to grow our business, upgrade our product and service qualities, and fulfill our mission that “We help people eat better, live better”, all of which were backed by the effective pandemic control from the government, as well as the sustained growth of the Chinese economy. Equipped by technology development and business innovations, we made progress in serving broader consumer base, especially those from lower-tier cities and rural areas, empowering millions of small and medium-sized merchants through digitization, and providing job opportunities, as well as steady income for delivery riders. We are very proud that common prosperity is built in the gene of Meituan, and going forward, we shall remain committed to shoulder our social responsibilities and create greater value for the society.

I am pleased to present the Group's interim results for the six months ended June 30, 2021.

### BUSINESS REVIEW

#### Company Financial Highlights

For the second quarter of 2021, Meituan continued to serve as China's leading e-commerce platform for services, providing greater value for our consumers, merchants, delivery riders, business partners, and the larger society. We continued to showcase strong growth momentum, with revenues increasing by 77% in the second quarter of 2021 to RMB43.8 billion from RMB24.7 billion for the same period of 2020. Our food delivery and in-store, hotel & travel segments maintained high growth during the quarter, realizing an aggregate operating profit by segment of RMB6.1 billion in the second quarter of 2021, an increase from RMB3.1 billion for the same period of 2020. On the other hand, operating loss for the new initiatives and others segment widened as we continue to invest in areas that will bring long-term value to the Company and provide consumers and our merchants with better products and services. As a result, both adjusted EBITDA and adjusted net loss experienced negative year-over-year growth for the second quarter of 2021 and decreased to negative RMB1.2 billion and RMB2.2 billion, respectively. Our net cash flows generated from operating activities decreased to RMB2.9 billion in the second quarter of 2021 from RMB5.6 billion for the same period of 2020. We had cash and cash equivalents of RMB71.4 billion and short-term treasury investments of RMB51.1 billion as of June 30, 2021, compared to the balances of RMB17.8 billion and RMB35.3 billion as of March 31, 2021, respectively.



## CHAIRMAN'S STATEMENT

### Company Business Highlights

#### Food delivery

In the second quarter of 2021, we continued to witness strong growth in the food delivery segment. As food delivery continued to be an essential service, we expanded our supplies with more depth and breadth to better meet the evolving demand from consumers. Furthermore, we continued to improve economies of scale and strengthen our advantages in consumer base, merchant base, and delivery network, enabling us to achieve solid growth and higher efficiency. During the second quarter of 2021, GTV of our food delivery business increased by 59.5% year-over-year to RMB173.6 billion. Daily average number of food delivery transactions increased by 58.9% year-over-year to 38.9 million. Revenue increased by 59.0% year-over-year to RMB23.1 billion. Operating profit increased 95.2% to RMB2.4 billion in the second quarter of 2021, with operating margin further improving to 10.6% from 8.6%.

As we continued to provide wider selections on our platform and offer longer distance deliveries, we were able to satisfy the increasingly diverse needs from consumers. We maintained solid growth in both transacting users and purchase frequency. Thanks to our enhancement in marketing efficiency, the effective membership program, and the stratified operations among various consumption scenarios. Moreover, we penetrated more deeply in lower-tier markets, with most of our new users coming from lower-tier cities. Order contribution from breakfast, afternoon tea, and late-night snack further increased, and long-distance orders became a more meaningful part of the total food delivery orders. The growth in our consumer base and transaction frequency not only reflects consumers' increasing preferences for food delivery, but also demonstrates their ongoing trust of our platform and services.

On the merchant side, we continued to onboard high-quality restaurants, as well as small and medium-sized merchants. We introduced a new fee structure that is more transparent and offers greater delivery flexibility to merchants, and it became widely adopted. This quarter, we also focused on helping restaurant merchants run online operations with higher efficiency. We launched a new "Food Delivery Manager" program, aiming to help small and medium-sized merchants adapt to online operations, especially in aspects such as operational diagnosis, store renovation, menu design, event planning, marketing, and so on. We are delighted to see that those who participated in the program posted visible business growth. As the industry leader, we are highly motivated to solve merchants' pain points, provide more convenience and support, help merchants embrace digitization, and improve their operational efficiency.

With respect to our delivery network, we utilized differentiated delivery solutions to cope with different consumption scenarios and different merchant types. To effectively operate the world's largest on-demand delivery network, we understand the importance of delivery riders, and we have launched several programs and measures to improve delivery riders' overall benefits. Through panel discussions with delivery riders, we collected feedback to improve our business operations and enhance the delivery riders' welfare. We also established and upgraded various charity programs that were designed to improve the well-being of delivery riders' families and children, providing them with care and support. Moreover, we helped delivery riders with long-term career development through our "Delivery Station Manager" program. Going forward, we believe there are a lot more that we can do with the help of technology. For example, the assimilation of autonomous delivery vehicles and drones into our delivery network in the future would further relieve our delivery riders and help them improve delivery efficiency.



### In-store, hotel & travel

Our in-store, hotel & travel segment continued to post steady growth, with revenue growing by 89.3% year-over-year to RMB8.6 billion in the second quarter of 2021. Operating profit increased 93.7% to RMB3.7 billion in the second quarter of 2021 from RMB1.9 billion in the same period of 2020, and with operating margin increasing to 42.6% from 41.6%.

For in-store dining, GTV growth further accelerated from that of the previous quarter. We expanded the coverage of high-quality restaurants, introduced more light-meal options on our platform, and further enhanced operational capabilities. We also upgraded our transaction-based services and advertising products, and offered differentiated solutions to merchants. We intentionally lowered the price for subscription-based services to encourage more merchants to adopt our advertising products. Meanwhile, our CPC advertising products also penetrated more deeply to a broader merchant base. As a result, consumers became increasingly willing to use the transaction products on our platform to dine out, improving transaction frequency and user stickiness for the quarter.

For other in-store services, we continued to see accelerated GTV growth. Categories such as medical aesthetics, pet care, and healthcare all achieved stellar performance. We also leveraged various festivals and campaigns, such as “Labour Day”, “Tomb Sweeping Day”, and “Dragon Boat Festival”, to connect more merchants with consumers. On the operational side, we expanded our direct sales team to cover wider consumption categories and broader lower-tier markets, which effectively increased our annual active merchants base. Nevertheless, we believe that most lower-tier markets are still underserved, with consumer demand and merchant needs yet to be met, leaving ample room for future digitization. Thus going forward, we will continue to expand our direct sales team in the appropriate markets, while improving our products and services to reach more consumers.

For hotel bookings, demand for travel continued to rise compared to the previous quarter. Our domestic room nights surpassed 140 million for the second quarter of 2021, representing a stellar 81% year-over-year growth, and a two-year CAGR of 22% from the same period of 2019. For high-star hotels, we continued to increase platform supply to meet the changing demand from consumers, and further strengthened our service quality and operational capabilities. For low-star hotels, we solidified our leading position, and continued to penetrate further into lower-tier markets, through the accelerated digitization process and offline traffic conversion.

### New initiatives and others

During the second quarter of 2021, we expanded investments in new initiatives, especially around retail, which corresponds perfectly with our “Food+Platform” strategy. Revenues from the new initiatives and others segment increased by 113.6% year-over-year to RMB12.0 billion, primarily driven by the growth in retail businesses, B2B food distribution services, and bike-sharing and moped services. Operating loss for the segment increased both year-over-year and quarter-over-quarter to RMB9.2 billion in the second quarter of 2021, while operating margin improved sequentially by 4.8 percentage points to negative 76.8%.



## CHAIRMAN'S STATEMENT

Meituan Select, our community e-commerce business, remained our largest investment area in this quarter. We further expanded our geographical footprints, and deepened our penetration into lower-tier markets. We helped hundreds of thousands of villagers to become group leaders, which effectively increased their personal income. We achieved solid user growth and further cultivated consumer behavior, and focused on providing consistently better products and experience to consumers. We also continued to make substantial investments to improve our product offerings, supply chain, and fulfillment capabilities. We built a nationwide cold chain logistics to ensure quality products and delivery of fresh produce. As our business scaled up, the operating efficiency and unit economics also improved. Going forward, we will continue to develop long-term capabilities, comply with regulations, create value for all participants in the ecosystem, and fulfill our social responsibility.

For Meituan Instashopping, we further expanded our merchant base and product coverage. By deepening our collaborations with FMCG brands directly, we help these brands reach more target customers and improve marketing efficiency. Moreover, our user growth accelerated, driving solid growth in transaction volume and GTV. With regard to category breakdown, flowers and medicine maintained high growth momentum, and continued to outperform other categories. We believe that the on-demand delivery of medicine has large potential, so we provided convenient delivery of medicine to consumers on a 24/7 basis to solve people's most urgent medical needs. As a result, our quarterly number of transactions and GTV growing north of 140% year-over-year in the second quarter of 2021.

For Meituan Grocery, we strengthened our product and service qualities to provide our consumers with a better experience. We completed our coverage expansion in existing tier-1 cities, and increased our warehouse density. We also optimized our product structure, enhanced warehousing capabilities and strengthened delivery logistics to ensure quality. Thanks to our continuous investments and optimization, we are pleased to see that our quarterly transacting users and quarterly GTV both increased.

As the industry leader, we firmly believe in our mission that “We help people eat better, live better”, and set our business goals from a long-term perspective. In the second quarter of 2021, we broadened our service scope and optimized our product and service qualities to better satisfy consumer demand, enabling us to extend touchpoints with our consumers, particularly for those from lower-tier markets. We also worked towards serving a greater number of merchants, especially small and medium-sized merchants, helping them adapt to digitization and improve daily operations. Moreover, we further enhanced our on-demand delivery network to expand delivery service from food to non-food categories, bringing more convenience and wider selections for consumers. Most significantly, we know what we have achieved today is largely attributable to the hard work of our delivery riders, and we consider their welfare to be of the utmost importance. We have not only continued to improve their benefits, but have also taken steps to care for their personal and family well-being as well as their long-term career paths. Going forward, we will continue to listen attentively to our delivery riders, value their perspectives, improve their welfare to the best of our ability, and work side by side with them to jointly promote the development of the industry. During the recent unprecedented flood in Henan Province, our delivery riders stood firmly at their posts, and played valuable role ensuring the livelihood of people from flooded areas. Some even risked their own lives to save others and help evacuate trapped people. In addition, we opened up our warehouse inventories of the retail business in Zhengzhou, and donated food and daily necessities to victims at their most dire needs. We also assisted with the allocation and distribution of emergency goods under the leadership of local governments. Moreover, our hotel business reacted quickly to coordinate a number of hotels that were able to operate during the

crisis to provide emergency refuge for the public. To express our sincere gratitude for the support that they offered, we will provide preferential terms such as special subsidies for these merchants in the future. Our Meituan Charity Foundation donated RMB100 million to provide shelter and post-disaster healthcare services to the suffering people. Our delivery riders, along with our business segments are trying our best to give back to the society for the trust in us, and take on more social responsibilities. We will never stop creating greater value for all the participants in our ecosystem and promoting “common prosperity” for the larger society.

### APPRECIATION

On behalf of the board, I would like to express my sincere appreciation for our consumers, merchants, delivery riders, business partners, and our staff and management team for their support and contribution. I would also like to thank our shareholders and stakeholders for their continuous support and trust. Going forward, we will continue to build a sustainable ecosystem, help promote common prosperity, and support the advancement of the whole society.

**Wang Xing**

*Chairman*

Hong Kong, August 30, 2021

## MANAGEMENT DISCUSSION AND ANALYSIS

### 1. THE SECOND QUARTER OF 2021 COMPARED TO THE SECOND QUARTER OF 2020

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

	Unaudited	
	Three Months Ended	
	June 30, 2021	June 30, 2020
	<i>(RMB in thousands)</i>	
<b>Revenues</b>		
Commission	26,900,050	15,911,364
Online marketing services	7,215,696	4,323,011
Interest revenue	341,468	201,730
Other services and sales	9,302,018	4,285,732
	<u>43,759,232</u>	<u>24,721,837</u>
Cost of revenues	<u>(31,245,861)</u>	<u>(16,146,879)</u>
<b>Gross profit</b>	<b>12,513,371</b>	<b>8,574,958</b>
Selling and marketing expenses	(10,848,627)	(4,172,332)
Research and development expenses	(3,900,794)	(2,376,737)
General and administrative expenses	(2,053,024)	(1,158,092)
Net provision for impairment losses on financial assets	(104,355)	(45,676)
Fair value changes on other financial investments at fair value through profit or loss	164,748	346,689
Other gains, net	976,976	1,005,835
	<u>(3,251,705)</u>	<u>2,174,645</u>
<b>Operating (loss)/profit</b>	<b>(3,251,705)</b>	<b>2,174,645</b>
Finance income	112,118	40,352
Finance costs	(263,269)	(60,731)
Share of gains of investments accounted for using the equity method	38,251	42,881
	<u>(3,364,605)</u>	<u>2,197,147</u>
<b>(Loss)/profit before income tax</b>	<b>(3,364,605)</b>	<b>2,197,147</b>
Income tax credits	8,230	13,034
	<u>(3,356,375)</u>	<u>2,210,181</u>
<b>(Loss)/profit for the period</b>	<b>(3,356,375)</b>	<b>2,210,181</b>
<b>Non-IFRS measures:</b>		
Adjusted EBITDA	(1,239,986)	2,610,255
Adjusted net (loss)/profit	(2,217,141)	2,718,478

## MANAGEMENT DISCUSSION AND ANALYSIS

### Revenues

Our revenues increased by 77.0% to RMB43.8 billion for the second quarter of 2021 from RMB24.7 billion for the same period of 2020. All business segments achieved growth on a year-over-year basis as we recovered from the COVID-19 pandemic, strengthened our food delivery and in-store, hotel & travel businesses, and strove to develop our new initiatives businesses.

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

	Unaudited			Total
	Three Months Ended June 30, 2021			
	Food delivery	In-store, hotel & travel	New initiatives and others	
	<i>(RMB in thousands)</i>			
<b>Revenues</b>				
Commission	20,353,682	4,352,601	2,193,767	26,900,050
Online marketing services	2,764,255	4,234,620	216,821	7,215,696
Other services and sales (including interest revenue)	7,147	14,958	9,621,381	9,643,486
<b>Total</b>	<b>23,125,084</b>	<b>8,602,179</b>	<b>12,031,969</b>	<b>43,759,232</b>

	Unaudited			Total
	Three Months Ended June 30, 2020			
	Food delivery	In-store, hotel & travel	New initiatives and others	
	<i>(RMB in thousands)</i>			
<b>Revenues</b>				
Commission	12,719,014	2,092,858	1,099,492	15,911,364
Online marketing services	1,795,740	2,445,305	81,966	4,323,011
Other services and sales (including interest revenue)	29,341	5,819	4,452,302	4,487,462
<b>Total</b>	<b>14,544,095</b>	<b>4,543,982</b>	<b>5,633,760</b>	<b>24,721,837</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

Recovering from the COVID-19 pandemic, we continually optimized our marketing strategy to expand our Transacting Users base and enhance their stickiness. Meanwhile, we continued to stratify and diversify our platform selections to better satisfy consumers' ever-growing demands. Our revenues from the food delivery segment increased by 59.0% to RMB23.1 billion for the second quarter of 2021 from RMB14.5 billion for the same period of 2020 as a result of the increase in order volume by 58.9% on a year-over-year basis.

Our revenues from the in-store, hotel & travel segment increased by 89.3% to RMB8.6 billion for the second quarter of 2021 from RMB4.5 billion for the same period of 2020. Commission revenue increased by 108.0% to RMB4.4 billion due to the increase in Gross Transaction Volume and number of domestic hotel room nights driven by the recovery in consumer consumption. Online marketing services revenue increased by 73.2% to RMB4.2 billion with the increase in both the number of online marketing Active Merchants and the revenue contributed by each merchant, driven by the increasing promotion willingness from our Active Merchants due to the recovery from the COVID-19 pandemic.

Our revenues from the new initiatives and others segment increased by 113.6% to RMB12.0 billion for the second quarter of 2021 from RMB5.6 billion for the same period of 2020. Driven by both the recovery from the COVID-19 pandemic and continued development in our new initiatives to satisfy consumers' growing needs, the increase in revenues was mainly from our retail businesses, B2B food distribution services, and bike-sharing and moped services.

### Costs and Expenses

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

	Unaudited		Three Months Ended		Year-over-year change
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	
	Amount	Amount	As a percentage of revenues	As a percentage of revenues	
<b>Costs and Expenses:</b>					
Cost of revenues	31,245,861	16,146,879	71.4%	65.3%	93.5%
Selling and marketing expenses	10,848,627	4,172,332	24.8%	16.9%	160.0%
Research and development expenses	3,900,794	2,376,737	8.9%	9.6%	64.1%
General and administrative expenses	2,053,024	1,158,092	4.7%	4.7%	77.3%
Net provision for impairment losses on financial assets	104,355	45,676	0.2%	0.2%	128.5%

### Cost of Revenues

Our cost of revenues increased by 93.5% to RMB31.2 billion for the second quarter of 2021 from RMB16.1 billion for the same period of 2020 and increased by 6.1 percentage points to 71.4% from 65.3% as a percentage of revenues on a year-over-year basis. The increase in both amount and as a percentage of revenues was primarily attributable to i) the increase in food delivery related costs which was in line with the increase in the food delivery order volume, and ii) the continued development and exploration in our retail businesses and other new initiatives. The food delivery related costs, which increased from RMB10.1 billion in the second quarter of 2020 to RMB15.5 billion in this quarter, represents the delivery cost of our 1P model under which we organize and provide delivery services.

### Selling and Marketing Expenses

Our selling and marketing expenses were RMB10.8 billion for the second quarter of 2021 and RMB4.2 billion for the same period of 2020 and increased by 7.9 percentage points to 24.8% from 16.9% as a percentage of revenues on a year-over-year basis. As we recovered from the COVID-19 pandemic, we spent more in promotion, advertising and user incentives. In addition, the increased number of employees due to our business expansion resulted in an increase in employee benefits expenses.

### Research and Development Expenses

Our research and development expenses increased to RMB3.9 billion for the second quarter of 2021 from RMB2.4 billion for the same period of 2020 but decreased by 0.7 percentage points to 8.9% from 9.6% as a percentage of revenues on a year-over-year basis. The increase in absolute amount was mainly driven by the increased number of employees due to our business expansion and higher average salary. The decrease as a percentage of revenues was driven by the improved operating leverage.

### General and Administrative Expenses

Our general and administrative expenses increased to RMB2.1 billion for the second quarter of 2021 from RMB1.2 billion for the same period of 2020. The increase in amount was mainly driven by the increased number of employees due to our business expansion and higher average salary.

### Net Provision for Impairment Losses on Financial Assets

Our net provision for impairment losses on financial assets increased to RMB104.4 million for the second quarter of 2021 from RMB45.7 million in the same period of 2020, which was primarily attributable to an increase in expected credit losses for financial assets.

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

Our fair value changes on other financial investments at fair value through profit or loss were a gain of RMB164.7 million for the second quarter of 2021, compared to a gain of RMB346.7 million for the same period of 2020. This was primarily due to the fair value changes in our investments in certain entities.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Other Gains, Net

Our other gains, net for the second quarter of 2021 decreased by 2.9%, or RMB28.9 million, to RMB977.0 million compared to RMB1.0 billion for the same period of 2020.

### Operating (Loss)/Profit

As a result of the foregoing, our operating loss and margin for the second quarter of 2021 was RMB3.3 billion and negative 7.4%, respectively, compared to operating profit and margin of RMB2.2 billion and 8.8% for the same period of 2020.

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

	Unaudited Three Months Ended		Unaudited Three Months Ended		Year-over- year change
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	
	As a percentage of revenues	As a percentage of revenues	As a percentage of revenues	As a percentage of revenues	
	Amount	Amount	Amount	Amount	
	<i>(RMB in thousands, except for percentages)</i>				
Food delivery	2,447,076	10.6%	1,253,421	8.6%	95.2%
In-store, hotel & travel	3,663,818	42.6%	1,891,563	41.6%	93.7%
New initiatives and others	(9,238,125)	(76.8%)	(1,459,539)	(25.9%)	NA
Unallocated items	<u>(124,474)</u>	NA	<u>489,200</u>	NA	NA
<b>Total operating (loss)/profit</b>	<b><u>(3,251,705)</u></b>	<b>(7.4%)</b>	<b><u>2,174,645</u></b>	<b>8.8%</b>	<b>NA</b>

Our operating profit from the food delivery segment was RMB2.4 billion for the second quarter of 2021, a 95.2% surge compared with RMB1.3 billion for the same period of 2020, mainly due to the expansion of order volume. Our operating margin for this segment increased by 2.0 percentage points to 10.6% from 8.6% on a year-over-year basis, primarily attributable to the improved operating efficiency.

Our operating profit from the in-store, hotel & travel segment increased by 93.7% to RMB3.7 billion for the second quarter of 2021 from RMB1.9 billion for the same period of 2020. The operating margin for this segment increased by 1.0 percentage points to 42.6% from 41.6% on a year-over-year basis. The increase in both amount and as a percentage of revenues was mainly due to the increased operating efficiency because of the recovery from the COVID-19 pandemic, partially offset by the increase of user incentives ratio.

Our operating loss from the new initiatives and others segment expanded to RMB9.2 billion for the second quarter of 2021 from RMB1.5 billion for the same period of 2020 and our operating margin for this segment decreased by 50.9 percentage points to negative 76.8% from negative 25.9% on a year-over-year basis, as we continued to expand our investments in this segment, especially the retail businesses.

### **(Loss)/Profit before Income Tax**

Primarily because of the foregoing, our loss before income tax for the second quarter of 2021 was RMB3.4 billion, compared to a profit before income tax of RMB2.2 billion for the same period of 2020.

### **Income Tax Credits**

We had income tax credits of RMB8.2 million for the second quarter of 2021, which remained stable compared to the same period of 2020.

### **(Loss)/Profit for the Period**

As a result of the foregoing, we had a loss of RMB3.4 billion for the second quarter of 2021, compared to a profit of RMB2.2 billion for the same period of 2020.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 2. THE SECOND QUARTER OF 2021 COMPARED TO THE FIRST QUARTER OF 2021

The following table sets forth the comparative figures for the second quarter of 2021 and the first quarter of 2021:

	Unaudited	
	Three Months Ended	
	June 30, 2021	March 31, 2021
	<i>(RMB in thousands)</i>	
<b>Revenues</b>		
Commission	26,900,050	23,454,460
Online marketing services	7,215,696	5,665,135
Interest revenue	341,468	175,322
Other services and sales	9,302,018	7,721,345
	<u>43,759,232</u>	<u>37,016,262</u>
Cost of revenues	<u>(31,245,861)</u>	<u>(29,816,095)</u>
<b>Gross profit</b>	12,513,371	7,200,167
Selling and marketing expenses	(10,848,627)	(7,206,408)
Research and development expenses	(3,900,794)	(3,477,290)
General and administrative expenses	(2,053,024)	(1,737,403)
Net (provision for)/reversal of impairment losses on financial assets	(104,355)	33,775
Fair value changes on other financial investments at fair value through profit or loss	164,748	42,034
Other gains, net	976,976	378,118
<b>Operating loss</b>	(3,251,705)	(4,767,007)
Finance income	112,118	77,855
Finance costs	(263,269)	(166,052)
Share of gains/(losses) of investments accounted for using the equity method	38,251	(2,013)
<b>Loss before income tax</b>	(3,364,605)	(4,857,217)
Income tax credits	8,230	10,955
<b>Loss for the period</b>	<u>(3,356,375)</u>	<u>(4,846,262)</u>
<b>Non-IFRS measures:</b>		
Adjusted EBITDA	(1,239,986)	(2,382,683)
Adjusted net loss	(2,217,141)	(3,891,717)

### Revenues

Our revenues increased by 18.2% to RMB43.8 billion for the second quarter of 2021 from RMB37.0 billion for the first quarter of 2021. The growth was primarily due to the steady increase in Gross Transaction Volume from our food delivery business, the recovery of our in-store, hotel & travel businesses due to the effective control of the COVID-19 pandemic in certain areas and seasonality, and solid revenue growth of our new initiatives business.

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

	Unaudited			Total
	Three Months Ended June 30, 2021			
	Food delivery	In-store, hotel & travel	New initiatives and others	
	<i>(RMB in thousands)</i>			
<b>Revenues</b>				
Commission	20,353,682	4,352,601	2,193,767	26,900,050
Online marketing services	2,764,255	4,234,620	216,821	7,215,696
Other services and sales (including interest revenue)	<u>7,147</u>	<u>14,958</u>	<u>9,621,381</u>	<u>9,643,486</u>
<b>Total</b>	<u><u>23,125,084</u></u>	<u><u>8,602,179</u></u>	<u><u>12,031,969</u></u>	<u><u>43,759,232</u></u>

	Unaudited			Total
	Three Months Ended March 31, 2021			
	Food delivery	In-store, hotel & travel	New initiatives and others	
	<i>(RMB in thousands)</i>			
<b>Revenues</b>				
Commission	18,370,710	3,255,587	1,828,163	23,454,460
Online marketing services	2,192,127	3,315,840	157,168	5,665,135
Other services and sales (including interest revenue)	<u>12,573</u>	<u>12,964</u>	<u>7,871,130</u>	<u>7,896,667</u>
<b>Total</b>	<u><u>20,575,410</u></u>	<u><u>6,584,391</u></u>	<u><u>9,856,461</u></u>	<u><u>37,016,262</u></u>

## MANAGEMENT DISCUSSION AND ANALYSIS

Our revenues from the food delivery segment increased by 12.4% to RMB23.1 billion for the second quarter of 2021 from RMB20.6 billion for the first quarter of 2021. Commission revenue grew by 10.8% to RMB20.4 billion primarily attributable to the increase in order volume by 22.0% because of seasonality and more marketing campaigns, partially offset by the decrease in Monetization Rate due to higher user incentives ratio. Online marketing services revenue increased by 26.1% to RMB2.8 billion because of the growth in both Active Merchants and their average online marketing spending after Spring Festival.

Our revenues from the in-store, hotel & travel segment increased by 30.6% to RMB8.6 billion for the second quarter of 2021 from RMB6.6 billion for the first quarter of 2021. Commission revenue increased by 33.7% to RMB4.4 billion, which was primarily due to the increased number of domestic hotel room nights. Online marketing service revenue increased by 27.7% to RMB4.2 billion, primarily due to the growing willingness of the merchants to acquire online traffic during the holiday season and certain promotional campaigns.

Our revenues from the new initiatives and others segment increased by 22.1% to RMB12.0 billion for the second quarter of 2021 from RMB9.9 billion for the first quarter of 2021, which was primarily due to the continued business expansion in retail businesses and the rebound of bike-sharing and moped services due to seasonality.

### 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				
	June 30, 2021		March 31, 2021		Quarter-over-quarter change
Amount	As a percentage of revenues	Amount	As a percentage of revenues		
<i>(RMB in thousands, except for percentages)</i>					
<b>Costs and Expenses:</b>					
Cost of revenues	31,245,861	71.4%	29,816,095	80.5%	4.8%
Selling and marketing expenses	10,848,627	24.8%	7,206,408	19.5%	50.5%
Research and development expenses	3,900,794	8.9%	3,477,290	9.4%	12.2%
General and administrative expenses	2,053,024	4.7%	1,737,403	4.7%	18.2%
Net provision for/(reversal of) impairment losses on financial assets	104,355	0.2%	(33,775)	(0.1%)	NA

### Cost of Revenues

Our cost of revenues increased by 4.8% to RMB31.2 billion for the second quarter of 2021 from RMB29.8 billion for the first quarter of 2021 and decreased by 9.1 percentage points to 71.4% from 80.5% as a percentage of revenues. The increase in amount was mainly attributable to continued investments in our new initiatives, especially the retail businesses. The decrease as a percentage of revenues was mainly attributable to seasonality and the improvement of the fulfillment efficiency in our new initiatives.

### Selling and Marketing Expenses

Our selling and marketing expenses increased to RMB10.8 billion for the second quarter of 2021 from RMB7.2 billion for the first quarter of 2021 and increased by 5.3 percentage points to 24.8% from 19.5% as a percentage of revenues on a quarter-over-quarter basis. The increase was primarily attributable to increased promotion, advertising and user incentives during the holiday season and certain promotional campaigns.

### Research and Development Expenses

Our research and development expenses increased to RMB3.9 billion for the second quarter of 2021 from RMB3.5 billion for the first quarter of 2021 and decreased by 0.5 percentage points to 8.9% from 9.4% as a percentage of revenues. The increase in amount was mainly driven by the increased number of employees due to our business expansion and higher average salary. The decrease as a percentage of revenues was driven by the improved operating leverage.

### General and Administrative Expenses

Our general and administrative expenses increased to RMB2.1 billion for the second quarter of 2021 from RMB1.7 billion for the first quarter of 2021. The increase in amount was mainly driven by the increased number of employees due to our business expansion and higher average salary.

### Net (Provision for)/Reversal of Impairment Losses on Financial Assets

Our net provision for impairment losses on financial assets was RMB104.4 million for the second quarter of 2021, compared to a net reversal of RMB33.8 million for the first quarter of 2021, which was primarily due to the increase in expected credit losses for financial assets.

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

Our fair value changes on other financial investments at fair value through profit or loss were a gain of RMB164.7 million for the second quarter of 2021, compared to a gain of RMB42.0 million for the first quarter of 2021. This was primarily due to the fair value changes in our investments in certain entities.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Other Gains, Net

Our other gains, net for the second quarter of 2021 increased to RMB977.0 million from RMB378.1 million for the first quarter of 2021, which was mainly attributable to the increase in tax return and preference.

### Operating Loss

As a result of the foregoing, our operating loss for the second quarter of 2021 was RMB3.3 billion, compared to a loss of RMB4.8 billion for the first quarter of 2021.

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

	Unaudited		Three Months Ended		Quarter-over-quarter change
	June 30, 2021	March 31, 2021	June 30, 2021	March 31, 2021	
	Amount	As a percentage of revenues	Amount	As a percentage of revenues	
	<i>(RMB in thousands, except for percentages)</i>				
Food delivery	2,447,076	10.6%	1,115,885	5.4%	119.3%
In-store, hotel & travel	3,663,818	42.6%	2,748,205	41.7%	33.3%
New initiatives and others	(9,238,125)	(76.8%)	(8,044,445)	(81.6%)	14.8%
Unallocated items	<u>(124,474)</u>	NA	<u>(586,652)</u>	NA	(78.8%)
<b>Total operating loss</b>	<b><u>(3,251,705)</u></b>	<b>(7.4%)</b>	<b><u>(4,767,007)</u></b>	<b>(12.9%)</b>	<b>(31.8%)</b>

Our operating profit from the food delivery segment to RMB2.4 billion for the second quarter of 2021 from RMB1.1 billion for the first quarter of 2021. The operating margin for this segment increased to 10.6% from 5.4% on a quarter-over-quarter basis. Both the increases in amount and as a percentage of revenues were mainly attributable to a decrease in temporary incentives paid to delivery riders due to seasonality, partially offset by the higher user incentives ratio.

Our operating profit from the in-store, hotel & travel segment increased to RMB3.7 billion for the second quarter of 2021 from RMB2.7 billion for the first quarter of 2021. The operating margin for this segment increased by 0.9 percentage points to 42.6% on a quarter-over-quarter basis. Both the increases in amount and as a percentage of revenues were mainly attributable to the expansion of business scale driven by seasonality and certain promotion campaigns, partially offset by the seasonal increase of user incentives ratio.

Our operating loss from the new initiatives and others segment expanded to RMB9.2 billion for the second quarter of 2021 from RMB8.0 billion for the first quarter of 2021, and the operating margin for this segment increased by 4.8 percentage points to negative 76.8% from negative 81.6% on a quarter-over-quarter basis. The increase in operating loss was primarily attributable to our continued investment in retail businesses. The improvement in operating margin was driven by the improved operating efficiency.

### **Loss before Income Tax**

Primarily because of the foregoing, our loss before income tax for the second quarter of 2021 was RMB3.4 billion, compared to a loss before income tax of RMB4.9 billion for the first quarter of 2021.

### **Income Tax Credits**

We had income tax credits of RMB8.2 million for the second quarter of 2021, which remained stable compared to the previous quarter.

### **Loss for the Period**

As a result of the foregoing, we had a loss of RMB3.4 billion for the second quarter of 2021, compared to a loss of RMB4.8 billion for the first quarter of 2021.



## MANAGEMENT DISCUSSION AND ANALYSIS

### 3. RECONCILIATION OF NON-IFRS MEASURES TO THE NEAREST IFRS MEASURES

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

The following tables set forth the reconciliations of our non-IFRS financial measures for the three months ended June 30, 2021 and 2020, the three months ended March 31, 2021, and the six months ended June 30, 2021 and 2020 to the nearest measures prepared in accordance with IFRS.



## MANAGEMENT DISCUSSION AND ANALYSIS

	Unaudited		
	Three Months Ended		
	June 30, 2021	June 30, 2020	March 31, 2021
	<i>(RMB in thousands)</i>		
(Loss)/profit for the period	(3,356,375)	2,210,181	(4,846,262)
Adjusted for:			
Share-based compensation expenses	1,140,658	705,420	937,902
Fair value gains on investments <sup>(1)</sup>	(164,748)	(347,393)	(42,034)
Losses/(gains) on disposal of investments and subsidiaries	12,799	–	(749)
Amortization of intangible assets resulting from acquisitions	125,637	160,857	125,637
Impairment and expense reversal of Mobike restructuring plan	(97)	(2,953)	(1,735)
Net reversal of impairment losses on financial assets	–	–	(55,000)
Tax effects on non-IFRS adjustments	24,985	(7,634)	(9,476)
<b>Adjusted net (loss)/profit</b>	<b>(2,217,141)</b>	<b>2,718,478</b>	<b>(3,891,717)</b>
Adjusted for:			
Income tax credits, except for tax effects on non-IFRS adjustments	(33,215)	(5,400)	(1,479)
Share of (gains)/losses of investments accounted for using the equity method	(38,251)	(42,881)	2,013
Finance income	(112,118)	(40,352)	(77,855)
Finance costs	263,269	60,731	166,052
Other gains except for losses/(gains) related to fair value change, disposal and remeasurement of investments and subsidiaries	(989,775)	(1,005,131)	(377,369)
Amortization of software and others	76,215	93,615	76,603
Depreciation on property, plant and equipment	1,811,030	831,195	1,721,069
<b>Adjusted EBITDA</b>	<b>(1,239,986)</b>	<b>2,610,255</b>	<b>(2,382,683)</b>

(1) Mainly includes fair value changes on other financial investments at fair value through profit or loss.

## MANAGEMENT DISCUSSION AND ANALYSIS

	Unaudited	
	Six Months Ended	
	June 30, 2021	June 30, 2020
	<i>(RMB in thousands)</i>	
(Loss)/profit for the period	(8,202,637)	630,903
Adjusted for:		
Share-based compensation expenses	2,078,560	1,397,096
Fair value (gains)/losses on investments <sup>(1)</sup>	(206,782)	160,868
Losses on disposal of investments and subsidiaries	12,050	–
Amortization of intangible assets resulting from acquisitions	251,274	321,714
Impairment and expense reversal of Mobike restructuring plan	(1,832)	(3,191)
Net reversal of impairment losses on financial assets	(55,000)	–
Tax effects on non-IFRS adjustments	15,509	(5,260)
<b>Adjusted net (loss)/profit</b>	<b>(6,108,858)</b>	<b>2,502,130</b>
Adjusted for:		
Income tax credits, except for tax effects on non-IFRS adjustments	(34,694)	(123,012)
Share of gains of investments accounted for using the equity method	(36,238)	(54,009)
Finance income	(189,973)	(98,282)
Finance costs	429,321	108,775
Other gains except for losses related to fair value change, disposal and remeasurement of investments and subsidiaries	(1,367,144)	(1,404,576)
Amortization of software and others	152,818	225,251
Depreciation on property, plant and equipment	3,532,099	1,495,289
<b>Adjusted EBITDA</b>	<b>(3,622,669)</b>	<b>2,651,566</b>

(1) Mainly includes fair value changes on other financial investments at fair value through profit or loss.

#### 4. LIQUIDITY AND CAPITAL RESOURCES

We had historically funded our cash requirements principally from capital contribution from shareholders and financing through issuance and sale of equity and debt securities. We had cash and cash equivalents of RMB71.4 billion and short-term treasury investments of RMB51.1 billion as of June 30, 2021.

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

	Unaudited Three Months Ended June 30, 2021	Unaudited Six Months Ended June 30, 2021
	<i>(RMB in thousands)</i>	
Net cash flows generated from/(used in) operating activities	2,880,431	(1,549,700)
Net cash flows used in investing activities	(21,166,288)	(16,429,231)
Net cash flows generated from financing activities	72,148,443	72,590,345
<b>Net increase in cash and cash equivalents</b>	<b>53,862,586</b>	<b>54,611,414</b>
Cash and cash equivalents at the beginning of the period	17,792,902	17,093,559
Exchange loss on cash and cash equivalents	(267,619)	(317,104)
<b>Cash and cash equivalents at the end of the period</b>	<b>71,387,869</b>	<b>71,387,869</b>

##### 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 loss for the second quarter of 2021, as adjusted by non-cash items and changes in working capital.

For the second quarter of 2021, net cash flows generated from operating activities was RMB2.9 billion, which was primarily attributable to our loss before income tax, as adjusted by (i) depreciation and amortization, share-based payments, and (ii) changes in working capital, which primarily consists of certain increased current liabilities in line with the business scale expansion.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Net Cash Flows Used in Investing Activities

For the second quarter of 2021, net cash flows used in investing activities was RMB21.2 billion, which was mainly attributable to net cash flows used in treasury investments, purchase of property, plant and equipment and investments in some unlisted entities.

### Net Cash Flows Generated from Financing Activities

For the second quarter of 2021, net cash flows generated from financing activities was RMB72.1 billion, which was mainly attributable to proceeds from issuance of shares upon placement, convertible bonds, and the net increase of borrowings.

### Gearing Ratio

As of June 30, 2021, our gearing ratio, calculated as total borrowings and notes payable divided by total equity attributable to equity holders of the Company, was approximately 37%.

## 5. INDEBTEDNESS

As of June 30, 2021, we had total borrowings and notes payable of RMB49.7 billion. The maturity profile of our borrowings and notes payable are disclosed in Note 28 and Note 29 to the interim financial information, respectively.

## 6. CONTINGENT LIABILITIES

In April 2021, the State Administration for Market Regulation of the People's Republic of China (the "SAMR") commenced an investigation on the Company pursuant to the Anti-Monopoly Law of the People's Republic of China. As of the date of the report, the investigation is ongoing and the Company is actively cooperating with SAMR. The Company is not able to predict the status or the results of the investigation at this stage, and the Company could be required to make changes to its business practices and/or be subject to a significant amount of fines.

## 7. CAPITAL EXPENDITURES AND LONG-TERM INVESTMENTS

	Unaudited	
	Six Months Ended	
	June 30, 2021	June 30, 2020
	<i>(RMB in thousands)</i>	
Purchase of property, plant and equipment	3,358,165	2,984,545
Purchase of intangible assets	27,982	8,447
Purchase of land use rights	2,158,629	–
Acquisition of other financial investments at fair value	1,691,595	1,190,123
Prepayment for investments	–	96,385
Total	<u>7,236,371</u>	<u>4,279,500</u>

### 8. OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of June 30, 2021, we had some capital commitments which are disclosed in Note 32 to the interim financial information.

### 9. MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the six months ended June 30, 2021, we did not have any material acquisitions or disposals of subsidiaries, associates, joint ventures and affiliated companies.

### 10. EMPLOYEE AND REMUNERATION POLICY

As of June 30, 2021, we had 90,540 full-time employees. Substantially all of our employees are based in China, primarily at our headquarters in Beijing and Shanghai, with the rest in Xiamen, Shijiazhuang, Yangzhou, Chengdu and other cities.

Our success depends on our ability to attract, retain and motivate qualified personnel. As part of our recruiting and retention strategy, we offer employees competitive salaries, performance-based cash bonuses and certain other incentives. The total remuneration expenses, for the first half of 2021 were RMB15.6 billion.

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

### 11. FOREIGN EXCHANGE RISK

The functional currency of the Company is US dollars whereas the functional currency of the subsidiaries operating in the PRC is Renminbi. As of June 30, 2021, our cash and cash equivalent balance was mainly denominated in US dollars and Renminbi. We manage foreign exchange risk by performing regular reviews of our net foreign exchange exposures and try to minimize these exposures through natural hedges, wherever possible and may enter into forward foreign exchange contracts, when necessary. We operate mainly in the PRC with most of the transactions settled in Renminbi. Management considers that the business is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities denominated in the currencies other than the respective functional currencies of our entities. As of June 30, 2021, we did not have significant foreign currency exposure from our operations.



## MANAGEMENT DISCUSSION AND ANALYSIS

### 12. THE OUTBREAK RISK OF THE NOVEL CORONAVIRUS (COVID-19)

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

Since the outbreak of COVID-19, we have adopted a number of the following positive measures to address COVID-19 epidemic as set forth in detail in the 2019 Environmental, Social and Governance Report. The positive measures have demonstrated effective control and prevention of the spread of COVID-19, provided active support and assistance to our merchants' operations and assurance to our customers. Highlight of the relevant measures and updates as follows:

On the consumer side, we (1) introduced and rolled out "contact free" delivery services; (2) ensured adequate supply and delivery service for food, medicine and daily necessities; (3) guaranteed timely refund on hotel booking cancellations without penalty; (4) provided food supply for medical staffs; (5) assisted local governments in virus transmission tracking; (6) launched various campaigns to help restore consumer confidence.

On the merchant side, we (1) established a dedicated fund to support local service merchants across the country; (2) partnered with banks to provide over RMB20 billion loans with favorable interest rates to eligible merchants; (3) for food delivery merchants, we waived commissions, refunded part of the commission for future marketing usage, and provided free traffic support and subsidies for merchants; (4) for in-store merchants, we waived commissions nationwide and extended subscription based services for eligible merchants; (5) for hotel & travel, we provided subsidies, anti-pandemic supplies and hotel management systems to eligible hotel merchants.

On the delivery rider side, we (1) implemented strict health surveillance procedures for delivery riders; (2) provided subsidies, antiseptic tools and instructions on pandemic prevention for delivery riders.

### 13. SIGNIFICANT INVESTMENT HELD

As of June 30, 2021, we had no significant investment held.

### 14. PLEDGE OF ASSETS

As of June 30, 2021, we did not pledge any asset for fund raising.

### 15. INTERIM DIVIDENDS

The Board does not recommend the distribution of an interim dividend for the six months ended June 30, 2021.

### 16. FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this report, as of June 30, 2021, we did not have other plans for material investments and capital assets.

### 17. CHARGES ON ASSETS

As of June 30, 2021, we did not have any charges on our assets.

## OTHER INFORMATION

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

As of June 30, 2021, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 of the Listing Rules were as follows:

#### Interests of Directors and Chief Executives in the Company

Name of Director or chief executive	Nature of interest <sup>(1)</sup>	Relevant company	Number and class of securities	Approximate percentage of interest in each class of Shares <sup>(7)</sup>
WANG Xing <sup>(2)</sup>	Beneficiary and founder of a Trust (L)	Trust	489,600,000 Class A Shares	72.19%
	Interest in controlled corporation (L)	Songtao Limited	489,600,000 Class A Shares	72.19%
	Interest in controlled corporation (L)	Crown Holdings	489,600,000 Class A Shares	72.19%
	Interest in controlled corporation (L)	Shared Patience	26,269,783 Class A Shares	3.87%
			318 Class B Shares	0.00%
	Interest in controlled corporation (L)	WAFO Global Inc.	421 Class B Shares	0.00%
	Interest in controlled corporation (L)	WangXing Foundation	47,964,542 Class B Shares	0.88%
MU Rongjun <sup>(3)</sup>	Beneficiary and founder of a Trust (L)	Trust	118,650,000 Class A Shares	17.49%
	Interest in controlled corporation (L)	Day One Holdings Limited	118,650,000 Class A Shares	17.49%
	Interest in controlled corporation (L)	Charmway Enterprises	118,650,000 Class A Shares	17.49%
	Interest in controlled corporation (L)	Shared Vision	7,330,000 Class A Shares	1.08%
			500,001 Class B Shares	0.01%
	Beneficial interest (L)	-	5,499,999 Class B Shares	0.10%



## OTHER INFORMATION

Name of Director or chief executive	Nature of interest <sup>(1)</sup>	Relevant company	Number and class of securities	Approximate percentage of interest in each class of Shares <sup>(7)</sup>	
WANG Huiwen <sup>(4)</sup>	Beneficiary and founder of a Trust (L)	Trust	36,400,000	5.37%	
			Class A Shares		
				2,134,660	0.04%
				Class B Shares	
	Interest in controlled corporation (L)	Aim Mars Investment Limited	36,400,000	5.37%	
			Class A Shares		
				2,134,660	0.04%
				Class B Shares	
Interest in controlled corporation (L)	Kevin Sunny	36,400,000	5.37%		
		Class A Shares			
			2,134,660	0.04%	
			Class B Shares		
Interest in controlled corporation (L)	Galileo Space Limited	5,321,335	0.10%		
		Class B Shares			
Beneficial interest (L)	–	12,822,605	0.24%		
		Class B Shares			
SHEN Nanpeng Neil <sup>(5)</sup>	Interest in controlled corporations (L)	Sequoia Capital China Funds, Sequoia Capital Global Growth Funds and Other Controlled Entities	367,269,854	6.76%	
			Class B Shares		
	Interest in controlled corporations (L)	SCEP Master Fund	858,700	0.02%	
			Class B Shares		
	Beneficial interest (L)	–	10,719,612	0.20%	
			Class B Shares		
ORR Gordon Robert Halyburton <sup>(6)</sup>	Beneficial interest (L)	–	60,000	0.00%	
			Class B Shares		
LENG Xuesong <sup>(6)</sup>	Beneficial interest (L)	–	60,000	0.00%	
			Class B Shares		
SHUM Heung Yeung Harry <sup>(6)</sup>	Beneficial interest (L)	–	60,000	0.00%	
			Class B Shares		



## OTHER INFORMATION

### Notes:

- 1) The letter “L” denotes the person’s Long Position in such Shares.
- 2) Crown Holdings is wholly owned by Songtao Limited. The entire interest in Songtao Limited is held through a trust which was established by Wang Xing (as settlor) for the benefit of Wang Xing and his family. Wang Xing is deemed to be interested in the 489,600,000 Class A Shares held by Crown Holdings under the SFO. Shared Patience and WAFO Global Inc. are wholly owned by Wang Xing. On June 3, 2021, Shared Patience Inc. converted 57,319,000 Class A Shares into Class B Shares, which were then transferred to WangXing Foundation, a foundation founded by Wang Xing as an irrevocable philanthropic foundation devoted exclusively to philanthropic purposes. On the same day, WangXing Foundation transferred 9,354,458 Class B Shares to an independent third party for philanthropic purpose.
- 3) Charmway Enterprises is wholly owned by Day One Holdings Limited. The entire interest in Day One Holdings Limited is held through a trust which was established by Mu Rongjun (as settlor) for the benefit of Mu Rongjun and his family. Mu Rongjun is deemed to be interested in the 118,650,000 Class A Shares held by Charmway Enterprises under the SFO. Shared Vision is wholly owned by Mu Rongjun. Mu Rongjun was granted RSUs equivalent to 1,000,000 Class B Shares and options with respect to 5,000,000 Class B Shares under the Pre-IPO ESOP subject to vesting/exercise. As at June 30, 2021, 500,001 Class B Shares were issued to Shared Vision with respect to the vesting of 500,001 RSUs granted to Mu Rongjun under the Pre-IPO ESOP.
- 4) Kevin Sunny is wholly owned by Aim Mars Investment Limited. The entire interest in Aim Mars Investment Limited is held through a trust established by Wang Huiwen (as settlor) for the benefit of Wang Huiwen and his family. Wang Huiwen is deemed to be interested in the 36,400,000 Class A Shares held by Aim Mars Investment Limited under the SFO. Galileo Space Limited is wholly-controlled by Wang Huiwen. Wang Huiwen was granted RSUs equivalent to 15,700,000 Class B Shares, and options with respect to 7,578,600 Class B Shares under the Pre-IPO ESOP. As at June 30, 2021, (i) 972,160 Class B Shares were issued to Kevin Sunny with respect to the exercise of 972,160 share options; and 1,162,500 Class B Shares were issued to Kevin Sunny with respect to the vesting 1,162,500 RSUs under the Pre-IPO ESOP; (ii) 1,550,500 Class B Shares were issued to Galileo Space Limited with respect to the exercise of 1,550,500 share options; and 6,770,835 Class B Shares were issued to Galileo Space Limited with respect to the vesting 6,770,835 RSUs under the Pre-IPO ESOP;
- 5) Sequoia Capital China Funds refers to Sequoia Capital China I, L.P., Sequoia Capital China Partners Fund I, L.P., Sequoia Capital China Principals Fund I, L.P., Sequoia Capital China II, L.P., Sequoia Capital China Partners Fund II, L.P., Sequoia Capital China Principals Fund II, L.P., Sequoia Capital 2010 CV Holdco, Ltd., SCC Venture V Holdco I, Ltd., SCC Venture VI Holdco, Ltd., SCC Venture VI Holdco B, Ltd., SCC Growth 2010-Top Holdco, Ltd., Sequoia Capital 2010 CGF Holdco, Ltd., SCC Growth IV Holdco A, Ltd. and Sequoia Capital China Growth Fund IV, L.P. (which hold approximately 0.72%, 0.08%, 0.11%, 2.18%, 0.05%, 0.37%, 0.56%, 0.01%, 0.03%, 0.01%, 0.84%, 0.02%, 0.02% and 0.11%, respectively, of the outstanding Shares), and Sequoia Capital Global Growth Funds refers to Sequoia Capital Global Growth Fund, L.P., Sequoia Capital Global Growth Principals Fund, L.P. and SC GGFII Holdco, Ltd. (which hold approximately 0.33%, 0.01% and 0.46%, respectively, of the outstanding Shares). The Sequoia Capital China Funds and the Sequoia Capital Global Growth Funds may act together with respect of the holding, disposal and casting of voting rights of the Shares.

The general partner of each of Sequoia Capital China I, L.P., Sequoia Capital China Partners Fund I, L.P. and Sequoia Capital China Principals Fund I, L.P. is Sequoia Capital China Management I, L.P. (“SCC Management I”). The general partner of each of Sequoia Capital China II, L.P., Sequoia Capital China Partners Fund II, L.P. and Sequoia Capital China Principals Fund II, L.P. is Sequoia Capital China Management II, L.P. (“SCC Management II”). The sole shareholder of Sequoia Capital 2010 CV Holdco, Ltd. is Sequoia Capital China Venture 2010 Fund, L.P., whose general partner is SC China Venture 2010 Management, L.P. (“SCCV 2010 Management”). The sole shareholder of SCC Venture V Holdco I, Ltd. is Sequoia Capital China Venture Fund V, L.P., whose general partner is SC China Venture V Management, L.P. (“SCCV V Management”). The sole shareholder of each of SCC Venture VI Holdco, Ltd. and SCC Venture VI Holdco B, Ltd. is

Sequoia Capital China Venture Fund VI, L.P., whose general partner is SC China Venture VI Management, L.P. (“SCCV VI Management”). The controlling shareholder of SCC Growth 2010-Top Holdco, Ltd. and the sole shareholder of Sequoia Capital 2010 CGF Holdco, Ltd. is Sequoia Capital China Growth 2010 Fund, L.P. (“China Growth Fund 2010”), whose general partner is SC China Growth 2010 Management, L.P. (“SCCGF 2010 Management”). In respect of the casting of votes held by China Growth Fund 2010 in SCC Growth 2010-Top Holdco, Ltd., China Growth Fund 2010 is accustomed to act in accordance with the instructions of Sequoia Capital China Growth Fund I, L.P, whose general partner is Sequoia Capital China Growth Fund Management I, L.P. (“SCCGF Management I”). The sole shareholder of SCC Growth IV Holdco A, Ltd. is Sequoia Capital China Growth Fund IV, L.P., whose general partner is SC China Growth IV Management, L.P. (“SCCGF IV Management” and, together with SCC Management I, SCC Management II, SCCV 2010 Management, SCCV V Management, SCCV VI Management, SCCGF 2010 Management and SCCGF Management I, collectively, the “General Partners”). The general partner of each of the General Partners is SC China Holding Limited, which is a wholly owned subsidiary of SNP China Enterprises Limited. Neil Nanpeng Shen is the sole shareholder of SNP China Enterprises Limited, and has a beneficial interest of 10,719,612 Class B Shares. Other Controlled Entities refers to URM Management Limited and N&J Investment Holdings Limited (which hold approximately 0.0013% and 0.11%, respectively, of the outstanding Shares) and are controlled by Neil Nanpeng Shen.

In view of the above, the Sequoia Capital China Funds and the Sequoia Capital Global Growth Funds are deemed to be interested in the Shares held by each other and by Neil Nanpeng Shen and Other Controlled Entities and vice versa; and is therefore each deemed to be interested in 6.20% interest in the share capital of the Company (or 6.97% of the total issued Class B Shares).

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

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

As at June 30, 2021, the Company had 6,111,601,402 issued Shares in total, comprising of 678,249,783 Class A Shares and 5,433,351,619 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 June 30, 2021.

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

None of the Directors or chief executives of the Company had interests and short positions in shares, underlying shares or debentures in associated corporations of the Company as of June 30, 2021.

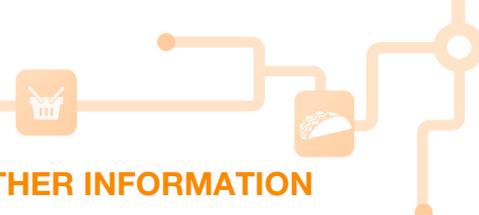
Save as disclosed above, as of June 30, 2021, none of the Directors or the chief executives of the Company had or was deemed to have any interest or short position in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## OTHER INFORMATION

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

As of June 30, 2021, to the best knowledge of the Directors, the following persons had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Substantial Shareholder	Capacity/Nature of interest	Number and class of Shares held	Approximate percentage of interest in each class of Shares <sup>(5)</sup>
<b><i>Class A Shares – Wang Xing</i></b>			
Crown Holdings <sup>(1)</sup>	Beneficial interest	489,600,000 Class A Shares	72.19%
Share Patience <sup>(1)</sup>	Beneficial interest	26,269,783 Class A Shares	3.87%
Songtao Limited <sup>(1)</sup>	Interest in controlled corporation	489,600,000 Class A Shares	72.19%
TMF (Cayman) Ltd.	Trustee	489,600,000 Class A Shares	72.19%
Wang Xing	Beneficiary of a trust <sup>(1)</sup>	489,600,000 Class A Shares	72.19%
	Founder of a trust <sup>(1)</sup>	489,600,000 Class A Shares	72.19%
	Interest in controlled corporation <sup>(1)</sup>	26,269,783 Class A Shares	3.87%
<b><i>Class A Shares – Mu Rongjun</i></b>			
Charmway Enterprises <sup>(2)</sup>	Beneficial interest	118,650,000 Class A Shares	17.49%
Shared Vision <sup>(2)</sup>	Beneficial interest	7,330,000 Class A Shares	1.08%
Day One Holdings Limited <sup>(2)</sup>	Interest in controlled corporation	118,650,000 Class A Shares	17.49%
TMF (Cayman) Ltd	Trustee	118,650,000 Class A Shares	17.49%
Mu Rongjun	Beneficiary of a trust <sup>(2)</sup>	118,650,000 Class A Shares	17.49%
	Founder of a trust <sup>(2)</sup>	118,650,000 Class A Shares	17.49%
	Interest in controlled corporation <sup>(2)</sup>	7,330,000 Class A Shares	1.08%



## OTHER INFORMATION

Name of Substantial Shareholder	Capacity/Nature of interest	Number and class of Shares held	Approximate percentage of interest in each class of Shares <sup>(6)</sup>
<b>Class B Shares – Tencent</b>			
Huai River Investment Limited <sup>(3)</sup>	Beneficial interest	623,420,905 Class B Shares	11.47%
Tencent Mobility Limited <sup>(3)</sup>	Beneficial interest	395,308,305 Class B Shares	7.28%
Morespark Limited <sup>(3)</sup>	Beneficial interest	8,850,245 Class B Shares	0.16%
Great Summer Limited <sup>(3)</sup>	Beneficial interest	25,000,000 Class B Shares	0.46%
THL A Limited	Beneficial interest	559,594 Class B Shares	0.01%
THL A25 Limited	Beneficial interest	12,912 Class B Shares	0.00%
Distribution Pool Limited	Beneficial interest	1,018,420 Class B Shares	0.02%
<b>Class B Shares – Sequoia</b>			
Sequoia Capital China Funds, Sequoia Capital Global Growth Funds and Other Controlled Entities <sup>(4)</sup>	Beneficial interest  Other	368,128,554 Class B Shares 10,719,612 Class B Shares	6.78%  0.20%

Notes:

- 1) Crown Holdings is wholly owned by Songtao Limited which is in turn wholly owned by TMF (Cayman) Ltd. The entire interest in Songtao Limited is held by TMF (Cayman) Ltd. as trustee for a trust established by Wang Xing (as settlor) for the benefit of Wang Xing and his family. Wang Xing is deemed to be interested in the 489,600,000 Class A Shares held by Crown Holdings under the SFO. Shared Patience is wholly owned by Wang Xing.
- 2) Charmway Enterprises is wholly owned by Day One Holdings Limited which is in turn wholly owned by TMF (Cayman) Ltd. The entire interest in Day One Holdings Limited is held by TMF (Cayman) Ltd. as trustee for a trust established by Mu Rongjun (as settlor) for the benefit of Mu Rongjun and his family. Mu Rongjun is deemed to be interested in the 118,650,000 Class A Shares held by Charmway Enterprises under the SFO. Shared Vision is wholly owned by Mu Rongjun.
- 3) Huai River Investment Limited, a company incorporated under the laws of the British Virgin Islands, Tencent Mobility Limited, a company incorporated under the laws of Hong Kong, Morespark Limited, a company incorporated under the laws of Hong Kong and Great Summer Limited, a company incorporated under the laws of the British Virgin Islands, are direct wholly owned subsidiaries of Tencent. THL A Limited, THL A25 Limited and Distribution Pool Limited, companies incorporated under the laws of the British Virgin Islands, are beneficially owned by Tencent.



## OTHER INFORMATION

- 4) Sequoia Capital China Funds refers to Sequoia Capital China I, L.P., Sequoia Capital China Partners Fund I, L.P., Sequoia Capital China Principals Fund I, L.P., Sequoia Capital China II, L.P., Sequoia Capital China Partners Fund II, L.P., Sequoia Capital China Principals Fund II, L.P., Sequoia Capital 2010 CV Holdco, Ltd., SCC Venture V Holdco I, Ltd., SCC Venture VI Holdco, Ltd., SCC Venture VI Holdco B, Ltd., SCC Growth 2010-Top Holdco, Ltd., Sequoia Capital 2010 CGF Holdco, Ltd., SCC Growth IV Holdco A, Ltd. and Sequoia Capital China Growth Fund IV, L.P. (which hold approximately 0.72%, 0.08%, 0.11%, 2.18%, 0.05%, 0.37%, 0.56%, 0.01%, 0.03%, 0.01%, 0.84%, 0.02%, 0.02% and 0.11%, respectively, of the outstanding Shares), and Sequoia Capital Global Growth Funds refers to Sequoia Capital Global Growth Fund, L.P., Sequoia Capital Global Growth Principals Fund, L.P. and SC GGFII Holdco, Ltd. (which hold approximately 0.33%, 0.01% and 0.46%, respectively, of the outstanding Shares). The Sequoia Capital China Funds and the Sequoia Capital Global Growth Funds may act together with respect of the holding, disposal and casting of voting rights of the Shares.

The general partner of each of Sequoia Capital China I, L.P., Sequoia Capital China Partners Fund I, L.P. and Sequoia Capital China Principals Fund I, L.P. is Sequoia Capital China Management I, L.P. (“SCC Management I”). The general partner of each of Sequoia Capital China II, L.P., Sequoia Capital China Partners Fund II, L.P. and Sequoia Capital China Principals Fund II, L.P. is Sequoia Capital China Management II, L.P. (“SCC Management II”). The sole shareholder of Sequoia Capital 2010 CV Holdco, Ltd. is Sequoia Capital China Venture 2010 Fund, L.P. (“China Venture 2010 Fund”), whose general partner is SC China Venture 2010 Management, L.P. (“SCCV 2010 Management”). The sole shareholder of SCC Venture V Holdco I, Ltd. is Sequoia Capital China Venture Fund V, L.P. (“China Venture Fund V”), whose general partner is SC China Venture V Management, L.P. (“SCCV V Management”). The sole shareholder of each of SCC Venture VI Holdco, Ltd. and SCC Venture VI Holdco B, Ltd. is Sequoia Capital China Venture Fund VI, L.P. (“China Venture Fund VI”), whose general partner is SC China Venture VI Management, L.P. (“SCCV VI Management”). The controlling shareholder of SCC Growth 2010-Top Holdco, Ltd. and the sole shareholder of Sequoia Capital 2010 CGF Holdco, Ltd. is Sequoia Capital China Growth 2010 Fund, L.P. (“China Growth Fund 2010”), whose general partner is SC China Growth 2010 Management, L.P. (“SCCGF 2010 Management”). In respect of the casting of votes held by China Growth Fund 2010 in SCC Growth 2010-Top Holdco, Ltd., China Growth Fund 2010 is accustomed to act in accordance with the instructions of Sequoia Capital China Growth Fund I, L.P. (“China Growth Fund I”), whose general partner is Sequoia Capital China Growth Fund Management I, L.P. (“SCCGF Management I”). The sole shareholder of SCC Growth IV Holdco A, Ltd. is Sequoia Capital China Growth Fund IV, L.P., whose general partner is SC China Growth IV Management, L.P. (“SCCGF IV Management”) and, together with SCC Management I, SCC Management II, SCCV 2010 Management, SCCV V Management, SCCV VI Management, SCCGF 2010 Management and SCCGF Management I, collectively, the “General Partners”). The general partner of each of the General Partners is SC China Holding Limited, which is a wholly owned subsidiary of SNP China Enterprises Limited. Neil Nanpeng Shen is the sole shareholder of SNP China Enterprises Limited, and has a beneficial interest of 10,719,612 Class B Shares. In addition, Neil Nanpeng Shen is interested in more than 33.3% limited partnership interest in Sequoia Capital China Partners Fund I, L.P. Other Controlled Entities refers to URM Management Limited and N&J Investment Holdings Limited (which hold approximately 0.0013% and 0.11%, respectively, of the outstanding Shares) and are controlled by Neil Nanpeng Shen. Therefore, each of China Venture 2010 Fund, China Venture Fund V, China Venture Fund VI, China Growth Fund I, China Growth Fund 2010, the General Partners, SC China Holding Limited, SNP China Enterprises Limited and Neil Nanpeng Shen is deemed to be interested in 6.20% interest in the share capital of the Company (or 6.97% of the total issued Class B Shares)

The general partner of Sequoia Capital Global Growth Fund, L.P. and Sequoia Capital Global Growth Principals Fund, L.P. is SCGGF Management, L.P., whose general partner is SC US (TTGP), Ltd. Therefore, each of SCGGF Management, L.P. and SC US (TTGP), Ltd. is deemed to be interested in the 0.34% interest in the share capital of the Company (or 0.38% of the total issued Class B Shares).

The controlling shareholder of SC GGFII Holdco, Ltd. is Sequoia Capital Global Growth Fund II, L.P. The general partner of Sequoia Capital Global Growth Fund II, L.P. is SC Global Growth II Management, L.P., whose general partner is SC US (TTGP), Ltd. Therefore, each of Sequoia Capital Global Growth Fund II, L.P., SC Global Growth II Management, L.P. and SC US (TTGP), Ltd. is deemed to be interested in the 0.46% interest in the share capital of the Company (or 0.52% of the total issued Class B Shares).

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

- 5) As at June 30, 2021, the Company had 6,111,601,402 issued Shares in total, comprising of 678,249,783 Class A Shares and 5,433,351,619 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 June 30, 2021.

### PRE-IPO ESOP

The Pre-IPO ESOP was approved and adopted pursuant to the written resolutions of all shareholders of the Company dated October 6, 2015 as amended from time to time. The Pre-IPO ESOP commenced on October 6, 2015 and will expire on the tenth anniversary of the commencement date. The purpose of the Pre-IPO ESOP is to promote the success and enhance the value of the Company by linking the personal interests of the Directors, employees and consultants to those of the shareholders of the Company and by providing such individuals with an incentive for outstanding performance to generate superior returns to the shareholders of the Company. The Pre-IPO ESOP is further intended to provide flexibility to the Company in its ability to motivate, attract, and retain the services of Directors, employees and consultants upon whose judgment, interest, contribution and special effort the successful conduct of the Company's operation is largely dependent.

## OTHER INFORMATION

### Outstanding Share Options Granted under the Pre-IPO ESOP

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

Name	Date of Grant	Vesting Period <sup>(1)</sup>	Exercise Price	Number of Shares underlying options outstanding as of January 1, 2021	Number of options exercised during the Reporting Period and the exercise price	Weighted average price of Class B Shares immediately before the date of exercise	Number of options lapsed during the Reporting Period	Number of options cancelled during the Reporting Period	Number of Shares underlying options outstanding as of June 30, 2021
<b>Directors</b>									
Mu Rongjun	July 1, 2017 to July 1, 2018	6 years	US\$3.86 – US\$5.18	5,000,000	0	0	0	0	5,000,000
Wang Huiwen	February 1, 2015 to July 1, 2018	4-6 years	US\$1.005 – US\$5.18	5,055,940	0	0	0	0	5,055,940
<b>Other Employees</b>	May 31, 2006 to August 1, 2018	0.5 to 6 years	US\$0.000017– US\$5.18	37,781,674	2,980,199 US\$0.000017– US\$5.18	HKD343.9827	0	524,716	34,276,759
<b>Total</b>				<u>47,837,614</u>	<u>2,980,199</u> <u>US\$0.000017–</u> <u>US\$5.18</u>	<u>HKD343.9827</u>	<u>0</u>	<u>524,716</u>	<u>44,332,699</u>

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 RSUs granted to the Directors and other employees under the Pre-IPO ESOP.

Name	Date of Grant	Vesting Period	Number of Shares underlying RSUs				Number of Shares underlying RSUs outstanding as of June 30, 2021
			outstanding as of January 1, 2021	RSUs vested during the Reporting Period	RSUs cancelled during the Reporting Period	RSUs lapsed during the Reporting Period	
<b>Directors</b>							
Mu Rongjun	July 1, 2017	6 years	499,999	0	0	0	499,999
Wang Huiwen	January 1, 2016 to July 1, 2018	4 to 6 years	7,766,665	0	0	0	7,766,665
Other Employees	December 29, 2010 to August 2, 2018	0 to 6 years	41,764,788	17,968,489	638,178	0	23,158,121
<b>Total</b>			<u>50,031,452</u>	<u>17,968,489</u>	<u>638,178</u>	<u>0</u>	<u>31,424,785</u>

### POST-IPO SHARE OPTION SCHEME

A post-IPO employee share option scheme (the "Post-IPO Share Option Scheme") was approved and adopted by all the then shareholders of the Company on August 30, 2018 as amended from time to time. The Post-IPO Share Option Scheme shall be valid and effective for a period of ten years commencing on the Listing Date. The terms of the Post-IPO Share Option Scheme are governed by Chapter 17 of the Listing Rules. The purpose of the Post-IPO Share Option Scheme is to provide selected participants with the opportunity to acquire proprietary interests in the Company and to encourage selected participants to work towards enhancing the value of our Company and its Shares for the benefit of the Company and Shareholders as a whole. The Post-IPO ESOP will provide the Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to selected participants.

## OTHER INFORMATION

### Outstanding Share Options Granted under the Post-IPO Share Option Scheme

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

Name	Date of Grant	Closing price of the Shares immediately before the date on which the options were granted	Vesting Period	Exercise Price	Number of Shares underlying options outstanding as of January 1, 2021	Number of Shares underlying options granted during the Reporting Period	Number of options exercised during the Reporting Period	Weighted Average price of Class B Shares immediately before the date of exercise	Number of options lapsed during the Reporting Period	Number of options cancelled during the Reporting Period	Number of Shares underlying options outstanding as of June 30, 2021
Other Employees	July 5, 2019	HK\$70.0	4 years <sup>(1)</sup>	HK\$69.1	710,000	0	0	HKD0.0000	0	0	710,000
Other Employees	April 24, 2020	HK\$100.0	5.2 years <sup>(2)</sup>	HK\$100.15	1,130,000	0	0	HKD0.0000	0	0	1,130,000
Other Employees	July 20, 2020	HK\$191.1	4 years <sup>(3)</sup>	HK\$195.98	1,255,316	0	3,700	HKD323.8000	0	0	1,251,616
Total					<u>3,095,316</u>	<u>0</u>	<u>3,700</u>	<u>HKD323.8000</u>	<u>0</u>	<u>0</u>	<u>3,091,616</u>

#### Notes:

- (1) The share options are exercisable in instalments from the commencement of the relevant vesting period until July 5, 2029. Subject to the terms of the Post-IPO Share Option Scheme and the share option award agreements signed by the grantees, the first 25% of the options can be exercised 1 year after the grant date, and each 25% of the total options will become exercisable in each subsequent year.
- (2) The share options are exercisable in instalments from the commencement of the relevant vesting period until April 24, 2030. Subject to the terms of the Post-IPO Share Option Scheme and the share option award agreements signed by the grantees, the first 1/6 of the options can be exercised on June 30, 2020 and each 1/6 of the total options will become exercisable in each subsequent year.
- (3) The share options are exercisable in instalments from the commencement of the relevant vesting period until July 20, 2030. Subject to the terms of the Post-IPO Share Option Scheme and the share option award agreements signed by the grantees, the first 10% of the options can be exercised on June 30, 2021, 20% of the options can be exercised on June 30, 2022, 30% of the options can be exercised on June 30, 2023, 40% of the options can be exercised on June 30, 2024.

## POST-IPO SHARE AWARD SCHEME

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

The purpose of the Post-IPO Share Award Scheme is to align the interests of an employee, director (including executive Directors, non-executive Directors and independent non-executive Directors), officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any affiliate (an “Eligible Person” and, collectively, “Eligible Persons”) with those of the Group through ownership of Class B Shares, dividends and other distributions paid on Shares and/or the increase in value of the Shares, and to encourage and retain Eligible Persons to make contributions to the long-term growth and profits of the Group.

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

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

## OTHER INFORMATION

### Outstanding RSUs Granted under the Post-IPO Share Award Scheme

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

Name	Date of Grant	Vesting Period	Number of Shares underlying RSUs outstanding as of January 1, 2020	Number of Shares underlying RSUs granted during the Reporting Period	RSUs vested during the Reporting Period	RSUs cancelled during the Reporting Period	RSUs lapsed during the Reporting Period	Number of Shares underlying RSUs outstanding as of June 30, 2020
<b>Directors</b>								
Orr Gordon Robert Halyburton	November 23, 2018	6.25% to vest in each quarter commencing from December 20, 2018 until September 20, 2022	26,250	0	7,500	0	0	18,750
Leng Xuesong	November 23, 2018	6.25% to vest in each quarter commencing from December 20, 2018 until September 20, 2022	26,250	0	7,500	0	0	18,750
Shum Heung Yeung Harry	November 23, 2018	6.25% to vest in each quarter commencing from December 20, 2018 until September 20, 2022	26,250	0	7,500	0	0	18,750
Other Employees	October 4, 2018 to June 1, 2021	4 to 6 years	76,617,626	10,482,368	13,939,846	2,542,335	0	70,617,813
<b>Total</b>			<u>76,696,376</u>	<u>10,482,368</u>	<u>13,962,346</u>	<u>2,542,335</u>	<u>0</u>	<u>70,674,063</u>

## WEIGHTED VOTING RIGHTS

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

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

As at the Date of this Interim Report, the WVR Beneficiaries are Wang Xing, Mu Rongjun and Wang Huiwen. Wang Xing beneficially owned 515,869,783 Class A Shares, representing approximately 42.2% of the voting rights in the Company with respect to Shareholders' resolutions relating to matters other than the Reserved Matters. The Class A Shares beneficially owned by Wang Xing are held by (i) Crown Holdings, a company indirectly wholly owned by a trust established by Wang Xing (as settlor) for the benefit of Wang Xing and his family; and (ii) Shared Patience, a company directly wholly owned by Wang Xing. Mu Rongjun beneficially owned 125,980,000 Class A Shares, representing approximately 10.3% of the voting rights in the Company with respect to Shareholders' resolutions relating to matters other than the Reserved Matters. The Class A Shares beneficially owned by Mu Rongjun are held by (i) Charmway Enterprises, a company indirectly wholly owned by a trust established by Mu Rongjun (as settlor) for the benefit of Mu Rongjun and his family; and (ii) Shared Vision, a company directly wholly owned by Mu Rongjun. Wang Huiwen beneficially owned 36,400,000 Class A Shares, representing approximately 3.0% of the voting rights in the Company with respect to Shareholders' resolutions relating to matters other than the Reserved Matters. The Class A Shares beneficially owned by Wang Huiwen are held by Kevin Sunny, a company indirectly wholly owned by a trust established by Wang Huiwen (as settlor) for the benefit of Wang Huiwen and his family.

Class A Shares may be converted into Class B Shares on a one to one ratio. As at the Date of this Interim Report, upon the conversion of all the issued and outstanding Class A Shares into Class B Shares, the Company will issue 678,249,783 Class B Shares, representing approximately 12.44% the total number of issued Class B Shares as at the Date of this Interim Report.

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

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



## OTHER INFORMATION

- (ii) when the Class A Shareholders have transferred to another person the beneficial ownership of, or economic interest in, all of the Class A Shares or the control over the voting rights attached to them, other than in the circumstances permitted by Listing Rule 8A.18;
- (iii) where a vehicle holding Class A Shares on behalf of a WVR Beneficiary no longer complies with Listing Rule 8A.18(2); or
- (iv) when all of the Class A Shares have been converted to Class B Shares.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

Save for code provision A.2.1, the Company has complied with all the code provisions as set out in the CG Code where applicable during the six months ended June 30, 2021. Pursuant to code provision A.2.1 of the CG Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. The Company does not have 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 Company and enables more effective and efficient overall strategic planning for the Company. 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 Company as a whole.

## COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries of all Directors, each of the Directors has confirmed that he has complied with the required standards as set out in the Model Code during the six months ended June 30, 2021.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange during the six months ended June 30, 2021.

## CHANGES OF DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Below is the changes of Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the 2020 Annual Report:

- (1) Lau Chi Ping Martin, a non-executive director of the Company, was appointed as a director of DiDi Global Inc. in February 2015 of which DiDi Global Inc. was listed on the New York Stock Exchange since June 30, 2021 (NYSE Ticker: DIDI); and
- (2) Li Auto Inc. was listed on the Stock Exchange since August 12, 2021 (HKEx Stock Code: 2015) of which Wang Xing, an executive director of the Company, was appointed as its non-executive director.

Save for the information disclosed herein, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## BIOGRAPHICAL INFORMATION OF THE DIRECTORS

During the Annual General Meeting of the Company dated June 23, 2021, Wang Huiwen was re-elected as the executive Director, and Lau Chi Ping Martin, Neil Nanpeng Shen as the non-executive Directors of the Company. For details, please refer the announcements and circular of the Company dated June 23 and May 21, 2021. Please refer to below biographical details of the directors.

### Executive Directors

**Wang Xing (王興)**, aged 42, is a Co-founder, an executive Director, the Chief Executive Officer and Chairman of the Board. Wang Xing is responsible for the overall strategic planning, business direction and management of the Company. He oversees the senior management team. Wang Xing founded meituan.com in 2010 and currently holds directorship in various subsidiaries, Consolidated Affiliated Entities and operating entities of the Company.

Wang Xing has over 10 years of managerial and operational experience in the internet industry. Prior to co-founding the Company, he co-founded xiaonei.com (校內網), China's first college social network website in December 2005 and worked there as chief executive officer from December 2005 to April 2007. xiaonei.com (校內網) was sold to China InterActive Corp in October 2006 which was later renamed as Renren Inc. (NYSE Ticker: RENN). Wang Xing also co-founded fanfou.com (飯否網), a social media company specializing in microblogging, in May 2007 and was responsible for the management and operation of this company from May 2007 to July 2009. Wang Xing has served as a director of Li Auto Inc. (NASDAQ Ticker: LI) since 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.



## OTHER INFORMATION

**Mu Rongjun (穆榮均)**, aged 41, is a Co-founder, an executive Director and a Senior Vice President of the Company. He is responsible for the financial services and corporate affairs of the Company.

Mu Rongjun has over 10 years of managerial and operational experience in the internet industry. Prior to co-founding the Company, he worked as senior software engineer and project manager in Baidu, Inc. (NASDAQ Ticker: BIDU), the leading Chinese language internet search provider, from July 2005 to May 2007. Mu Rongjun was also a co-founder and the engineering director of fanfou.com (飯否網), a social media company specializing in microblogging, from May 2007 to July 2009.

Mu Rongjun received his bachelor's degree in automation engineering from Tsinghua University in July 2002 and his master's degree in computer science and technology from Tsinghua University in July 2005.

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

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

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

### Non-executive Directors

**Lau Chi Ping Martin (劉熾平)**, aged 48, is a non-executive Director. He was appointed as Director in October 2017 and is responsible for providing advice on business and investment strategies, general market trends, and other matters subject to the Board guidance and approval.

Lau Chi Ping Martin joined Tencent (HKEx Stock Code: 700) in February 2005 as the Chief Strategy and Investment Officer. In February 2006, Lau Chi Ping Martin was promoted as the president of Tencent to manage the day-to-day operation of Tencent. In March 2007, he was appointed as an executive director of Tencent. Prior to joining Tencent, Lau Chi Ping Martin was an executive director at Goldman Sachs (Asia) L.L.C.'s investment banking division and the Chief Operating Officer of its Telecom, Media and Technology Group. Prior to that, he worked at McKinsey & Company, Inc. as a management consultant.

Lau Chi Ping Martin received a Bachelor of Science degree in Electrical Engineering from the University of Michigan in July 1994, a Master of Science degree in Electrical Engineering from Stanford University in July 1995 and an MBA degree from Kellogg Graduate School of Management, Northwestern University in June 1998.

In July 2011, Lau Chi Ping Martin was appointed as a non-executive director of Kingsoft Corporation Limited (HKEx Stock Code: 3888), an internet based software developer, distributor and software service provider listed in Hong Kong. In March 2014, Lau Chi Ping Martin was appointed as a director of JD.com, Inc. (NASDAQ Ticker: JD). In March 2014, Lau Chi Ping Martin was appointed as a director of Leju Holdings Limited (NYSE Ticker: LEJU). In July 2016, Lau Chi Ping was appointed as a director of Tencent Music Entertainment Group (formerly known as China Music Corporation) (NYSE Ticker: TME). In December 2017, Lau Chi Ping Martin was appointed as a director of Vipshop Holdings Limited (NYSE Ticker: VIPS), an online discount retailer company listed on the New York Stock Exchange. Lau Chi Ping Martin was appointed as a director of DiDi Global Inc. in February 2015 of which DiDi Global Inc. was listed on the New York Stock Exchange since June 30, 2021 (NYSE Ticker: DIDI).

**Neil Nanpeng Shen (沈南鵬)**, aged 53, is a non-executive Director. He was appointed as Director in October 2015 and is responsible for providing advice on investment and business strategies, financial discipline, and other matters subject to the Board guidance and approval.

Neil Nanpeng Shen founded Sequoia Capital China in September 2005 and has been serving as the founding managing partner since then. Prior to founding Sequoia Capital China, he co-founded Trip.com Group Ltd. (NASDAQ Ticker: TCOM; HKEx Stock Code: 9961), formerly Ctrip.com International, Ltd. (NASDAQ Ticker: CTRP), or Ctrip, a leading travel service provider in China, in 1999. Neil Nanpeng Shen served as Ctrip's president from August 2003 to October 2005 and its chief financial officer from 2000 to October 2005. Neil Nanpeng Shen also co-founded and served as non-executive Co-Chairman of Homeinns Hotel Group, a leading economy hotel chain in China, which commenced operations in July 2002.

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

Neil Nanpeng Shen has been an independent non-executive director of Trip.com Group Ltd. (NASDAQ Ticker: TCOM; HKEx Stock Code: 9961), formerly Ctrip.com International, Ltd. (NASDAQ Ticker: CTRP) since October 2008, a non-executive director of Ninebot Limited (SHSE Stock Code: 689009) since July 2015, a non-executive director of Noah Holdings Limited (NYSE Ticker: NOAH) since January 2016, a non-executive director of BTG Hotels Group Co., Ltd. (SHSE Stock Code: 600258) since January 2017 and an independent non-executive director of Pinduoduo Inc. (NASDAQ Ticker: PDD) since April 2018.

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

### **Independent Non-executive Directors**

**Orr Gordon Robert Halyburton**, aged 58, is an independent non-executive Director. He was appointed as Director in September 2018 is responsible for providing independent advice on financial and accounting affairs and corporate governance matters, and other matters subject to the Board guidance and approval.

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



## OTHER INFORMATION

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

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

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

**Leng Xuesong** (冷雪松), aged 52, is an independent non-executive Director. He was appointed as Director in September 2018 and is responsible for providing independent advice on finance, executive compensation and corporate governance matters, and other matters subject to the Board guidance and approval.

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

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

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

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

**Shum Heung Yeung Harry** (沈向洋), aged 54, is an independent non-executive Director. He was appointed as Director in September 2018 and is responsible for providing independent advice on technology innovation, the global technology and internet industry trends, and other matters subject to the Board guidance and approval.

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

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

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

### **USE OF NET PROCEEDS FROM LISTING**

The net proceeds from the IPO were approximately RMB28,516.2 million, after deducting the underwriting fees, commissions and related total expenses paid and payable by us in connection thereto (“IPO Proceeds”). As of June 30, 2021, we have utilized an amount of RMB8,187.3 million out of the IPO Proceeds in the manner set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus. As of June 30, 2021, the unutilized net proceeds was in the amount of approximately RMB20,328.9 million. The Company intends to apply them in the same manner and proportion as stated in the Prospectus.

## OTHER INFORMATION

For the six months ended June 30, 2021, the Group applied the IPO Proceeds in the following manner:

	Use of proceeds as stated in the Prospectus <i>(in RMB'000)</i> <i>(approximate)</i>	Utilization as of 31 December 2020 <i>(in RMB'000)</i> <i>(approximate)</i>	Utilization as of 30 June 2021 <i>(in RMB'000)</i> <i>(approximate)</i>	Net proceeds unutilized as of 30 June 2021 <i>(in RMB'000)</i> <i>(approximate)</i>	Expected time of use
35% to upgrade our technology and enhance our research and development capabilities	9,980,661	1,964,198	3,128,057	6,852,604	by end of 2022
35% to develop new services and products	9,980,661	1,970,090	3,439,452	6,541,209	by end of 2022
20% to selectively pursue acquisitions or investments in assets and businesses which are complementary to our business and are in line with our strategies	5,703,235	–	1,619,795	4,083,440	by end of 2022
10% for working capital and general corporate purpose	2,851,617	–	–	2,851,617	by end of 2022
	<u>28,516,174</u>	<u>3,934,288</u>	<u>8,187,304</u>	<u>20,328,870</u>	

Since we are an offshore holding company, we will need to make capital contributions and loans to our PRC subsidiaries or through loans to our Consolidated Affiliated Entities such that the IPO Proceeds can be used in the manner described above. Such capital contributions and loans are subject to a number of limitations and approval processes under PRC laws and regulations. There are no costs associated with registering loans or capital contributions with relevant PRC authorities, other than nominal processing charges. Under PRC laws and regulations, the PRC governmental authorities are required to process such approvals, filings or registrations or deny our application within a prescribed period, which are usually less than 90 days. The actual time taken, however, may be longer due to administrative delay. We cannot assure you that we can obtain the approvals from the relevant governmental authorities, or complete the registration and filing procedures required to use our the IPO Proceeds as described above, in each case on a timely basis, or at all. This is because PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the IPO Proceeds to make loans or additional capital contributions to our PRC subsidiaries or Consolidated Affiliated Entities, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

## AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

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

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended June 30, 2021. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members and the external auditor of the Company, PricewaterhouseCoopers.

The interim financial information of the Group for the six months ended June 30, 2021 has been reviewed by the Audit Committee of the Company and by the Company's external auditor in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the HKICPA.

### OTHER BOARD COMMITTEES

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

### CORPORATE GOVERNANCE COMMITTEE

The Company has established a corporate governance committee (the "Corporate Governance Committee") in compliance with Rule 8A.30 of the Listing Rules and the CG Code. The primary duties of the Corporate Governance Committee are to ensure that the Company is operated and managed for the benefit of all shareholders and to ensure the Company's compliance with the Listing Rules and safeguards relating to the weighted voting rights structure of the Company.

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

On August 25, 2021, the Corporate Governance Committee held a meeting, considered, approved and reviewed the following matters:

- (a) reviewing and monitoring the training and continuous professional development of Directors and senior management;
- (b) reviewing and monitoring the code of conduct applicable to employees and Directors;
- (c) the re-appointment of the Company's compliance advisor;
- (d) the disclosure in the Corporate Governance Report and the Company's compliance with the CG Code;
- (e) the Conflict of Interest Declaration Policy of the Company and any potential conflict of interest between the Company and the WVR beneficiaries;
- (f) all risks related to the Company's WVR Structure, including connected transactions between the Company and its subsidiary or Consolidated Affiliated Entity on the one hand and any WVR Beneficiary on the other;



## OTHER INFORMATION

- (g) the written confirmation provided by the WVR Beneficiaries that they have complied with Rules 8A.14, 8A.15, 8A.18 and 8A.24 of the Listing Rules throughout the period from the Listing Date to December 31, 2019;
- (h) reviewing the Company's various policies and practices on corporate governance; and
- (i) reviewing and monitoring the Company policies and practices on compliance with legal and regulatory requirements.

## QUALIFICATION REQUIREMENTS

### Updates in Relation to the Qualification Requirements

On December 11, 2001, the State Council promulgated the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (the "FITE Regulations"), which were amended on September 10, 2008 and February 6, 2016. According to the FITE Regulations and the existing Special Administrative Measures for Entry of Foreign Investment (Negative List) (2020 Version), which became effective on July 23, 2020, foreign investors are not allowed to hold more than 50% of the equity interests in a company providing certain categories of value-added telecommunications services, including internet content provision services. In addition, a foreign investor who invests in a value-added telecommunications business in the PRC must possess prior experience in operating value-added telecommunications businesses and a proven track record of business operations overseas (the "Qualification Requirements"). Currently none of the applicable PRC laws, regulations or rules provides clear guidance or interpretation on the Qualification Requirements. According to our consultation with the Ministry of Industry and Information Technology (the "MIIT") in May 2018, it confirms that there is no clear guidance about how a foreign investor could meet the Qualification Requirements, and it applies a relatively strict standard for identifying whether foreign investors meet the Qualification Requirements.

### Efforts and Actions Undertaken to Comply with the Qualification Requirements

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

- (a) Solid Bit Hong Kong Limited, Meituan Limited and Xigua Limited have been incorporated in Hong Kong in August 2010, November 2010 and September 2015, respectively, for the purposes of establishing and expanding the Company's operations overseas.
- (b) Xigua Limited has rented an office for the expansion of our business overseas. It has employed local employees in Hong Kong and obtained a travel agents license on November 7, 2018. It has also purchased fourth domain names outside of the PRC for display and promotion of our services since June 2015.
- (c) Solid Bit Hong Kong Limited has employed local employees in Hong Kong.

### MATERIAL LITIGATION

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

### EVENTS AFTER THE END OF REPORTING PERIOD

There were no material subsequent events during the period from June 30, 2021 to the approval date of the interim financial information by the Board on August 30, 2021.



## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Board of Directors of Meituan

*(incorporated in the Cayman Islands with limited liability)*

### INTRODUCTION

We have reviewed the interim financial information set out on pages 57 to 116, which comprises the consolidated statement of financial position of Meituan (the “Company”) and its subsidiaries (together, the “Group”) as of June 30, 2021 and the consolidated income statement, the consolidated statement of comprehensive (loss)/income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

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

### CONCLUSION

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

**PricewaterhouseCoopers**

Certified Public Accountants

Hong Kong, August 30, 2021

## CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Six months ended June 30,	
	Note	2021 RMB'000	2020 RMB'000
<b>Revenues</b>	6, 7		
Commission		50,354,510	26,711,465
Online marketing services		12,880,831	7,187,420
Interest revenue		516,790	413,875
Other services and sales		<u>17,023,363</u>	<u>7,162,964</u>
		80,775,494	41,475,724
Cost of revenues	8	<u>(61,061,956)</u>	<u>(27,704,300)</u>
<b>Gross profit</b>		19,713,538	13,771,424
Selling and marketing expenses	8	(18,055,035)	(7,371,771)
Research and development expenses	8	(7,378,084)	(4,673,195)
General and administrative expenses	8	(3,790,427)	(2,227,833)
Net provision for impairment losses on financial assets		(70,580)	(283,218)
Fair value changes on other financial investments at fair value through profit or loss	17	206,782	(161,572)
Other gains, net	9	<u>1,355,094</u>	<u>1,405,280</u>
<b>Operating (loss)/profit</b>		(8,018,712)	459,115
Finance income	10	189,973	98,282
Finance costs	10	(429,321)	(108,775)
Share of gains of investments accounted for using the equity method	11	<u>36,238</u>	<u>54,009</u>
<b>(Loss)/profit before income tax</b>		(8,221,822)	502,631
Income tax credits	12	<u>19,185</u>	<u>128,272</u>
<b>(Loss)/profit for the period</b>		<u>(8,202,637)</u>	<u>630,903</u>
<b>(Loss)/profit for the period attributable to:</b>			
Equity holders of the Company		(8,204,606)	631,411
Non-controlling interests		<u>1,969</u>	<u>(508)</u>
		<u>(8,202,637)</u>	<u>630,903</u>
<b>(Loss)/earnings per share for (loss)/profit for the period attributable to the equity holders of the Company</b>			
Basic (loss)/earnings per share (RMB)	13	<u>(1.38)</u>	<u>0.11</u>
Diluted (loss)/earnings per share (RMB)	13	<u>(1.38)</u>	<u>0.11</u>

The accompanying notes on pages 65 to 116 are an integral part of this interim financial information.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE (LOSS)/INCOME

		Unaudited	
		Six months ended June 30,	
	Note	2021 RMB'000	2020 RMB'000
<b>Other comprehensive (loss)/income:</b>			
<i>Items that may be reclassified to profit or loss</i>			
Share of other comprehensive income of investments accounted for using the equity method	11, 24	685	2,711
Changes in the fair value of debt instruments at fair value through other comprehensive income	24	23,858	–
Impairment loss on debt instruments at fair value through other comprehensive income	24	56,392	–
<i>Items that will not be reclassified to profit or loss</i>			
Currency translation differences	24	(1,085,847)	647,370
Share of other comprehensive income of investments accounted for using the equity method	11, 24	13,068	–
Changes in the fair value of other financial investments at fair value through other comprehensive loss	18, 24	(9,548)	–
<b>Other comprehensive (loss)/income for the period, net of tax</b>		<b>(1,001,392)</b>	<b>650,081</b>
<b>Total comprehensive (loss)/income for the period</b>		<b>(9,204,029)</b>	<b>1,280,984</b>
<b>Total comprehensive (loss)/income for the period is attributable to:</b>			
Equity holders of the Company		(9,205,998)	1,281,492
Non-controlling interests		1,969	(508)
		<b>(9,204,029)</b>	<b>1,280,984</b>

The accompanying notes on pages 65 to 116 are an integral part of this interim financial information.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Unaudited As of June 30, 2021 RMB'000	Audited As of December 31, 2020 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	14,609,590	13,917,165
Intangible assets	15	31,302,234	31,676,381
Deferred tax assets	16	599,441	448,670
Long-term treasury investments	19	1,321,698	612,967
Other financial investments at fair value through profit or loss	17	10,848,234	10,256,786
Investments accounted for using the equity method	11	13,105,479	13,180,943
Other financial investments at fair value through other comprehensive income	18	1,658,249	605,918
Prepayments, deposits and other assets	20	10,840,478	7,569,817
		<u>84,285,403</u>	<u>78,268,647</u>
<b>Current assets</b>			
Inventories	21	504,035	466,492
Trade receivables	22	1,445,305	1,030,948
Prepayments, deposits and other assets	20	15,948,096	12,940,125
Short-term treasury investments	19	51,121,790	43,999,364
Restricted cash		12,435,628	12,775,667
Cash and cash equivalents		71,387,869	17,093,559
		<u>152,842,723</u>	<u>88,306,155</u>
<b>Total assets</b>		<u><u>237,128,126</u></u>	<u><u>166,574,802</u></u>
<b>EQUITY</b>			
Share capital	23	410	395
Share premium	23	307,842,958	263,155,201
Shares held for shares award scheme	23	(1)	-
Other reserves	24	(5,552,372)	(6,262,066)
Accumulated losses		<u>(167,405,109)</u>	<u>(159,200,503)</u>
<b>Equity attributable to equity holders of the Company</b>		<u>134,885,886</u>	<u>97,693,027</u>
<b>Non-controlling interests</b>		<u>(56,783)</u>	<u>(58,752)</u>
<b>Total equity</b>		<u><u>134,829,103</u></u>	<u><u>97,634,275</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited As of June 30, 2021 RMB'000	Audited As of December 31, 2020 RMB'000
	Note		
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities	16	752,263	755,694
Financial liabilities at fair value through profit or loss		–	114,600
Deferred revenues	25	52,421	166,700
Borrowings	28	7,591,910	1,957,470
Notes payable	29	30,594,676	12,966,341
Lease liabilities	14	1,949,452	1,648,008
Other non-current liabilities		247,091	184,073
		<u>41,187,813</u>	<u>17,792,886</u>
<b>Current liabilities</b>			
Trade payables	26	12,114,001	11,967,026
Payables to merchants		10,198,454	9,414,936
Advances from transacting users		4,424,449	4,307,861
Deposits from transacting users		2,178,129	2,222,211
Other payables and accruals	27	13,664,740	10,557,218
Borrowings	28	11,562,939	6,395,002
Deferred revenues	25	5,477,350	5,052,830
Lease liabilities	14	1,424,446	1,089,847
Income tax liabilities		66,702	140,710
		<u>61,111,210</u>	<u>51,147,641</u>
<b>Total liabilities</b>		<u>102,299,023</u>	<u>68,940,527</u>
<b>Total equity and liabilities</b>		<u>237,128,126</u>	<u>166,574,802</u>

The accompanying notes on pages 65 to 116 are an integral part of this interim financial information.

On behalf of the Board

Wang Xing  
Director

Mu Rongjun  
Director

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited

Attributable to equity holders of the Company

Note	Share capital RMB'000	Share premium RMB'000	Shares held for shares award scheme RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Sub-total RMB'000	Non- controlling interests RMB'000	Total RMB'000
As of January 1, 2021	395	263,155,201	-	(6,262,066)	(159,200,503)	97,693,027	(58,752)	97,634,275
<b>Comprehensive loss</b>								
(Loss)/profit for the period	-	-	-	-	(8,204,606)	(8,204,606)	1,969	(8,202,637)
<b>Other comprehensive loss</b>								
Share of other comprehensive income of investments accounted for using the equity method	11, 24	-	-	13,753	-	13,753	-	13,753
Currency translation differences	24	-	-	(1,085,847)	-	(1,085,847)	-	(1,085,847)
Changes in the fair value of other financial investments at fair value through other comprehensive loss	18, 24	-	-	(9,548)	-	(9,548)	-	(9,548)
Changes in the fair value of debt instruments at fair value through other comprehensive income	24	-	-	23,858	-	23,858	-	23,858
Impairment loss on debt instruments at fair value through other comprehensive income	24	-	-	56,392	-	56,392	-	56,392
<b>Total comprehensive loss</b>				(1,001,392)	(8,204,606)	(9,205,998)	1,969	(9,204,029)
<b>Transaction with owners in their capacity as owners</b>								
Share of equity movement in an associate	11, 24	-	-	5,252	-	5,252	-	5,252
Share-based compensation expenses	24, 30	-	-	2,078,144	-	2,078,144	-	2,078,144
Shares held for shares award scheme	23	1	-	(1)	-	-	-	-
Exercise of option and RSU vesting	23, 24	2	1,993,499	-	(1,918,742)	74,759	-	74,759
Issuance of shares	23	12	42,694,258	-	-	42,694,270	-	42,694,270
Tax benefit from share-based payments	16, 24	-	-	32,494	-	32,494	-	32,494
Issuance of convertible bonds (equity component)	24, 29	-	-	1,513,938	-	1,513,938	-	1,513,938
<b>Total transaction with owners in their capacity as owners</b>		15	44,687,757	(1)	1,711,086	46,398,857	-	46,398,857
As of June 30, 2021		410	307,842,958	(1)	(5,552,372)	(167,405,109)	(56,783)	134,829,103

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Unaudited						
		Attributable to equity holders of the Company						
	Note	Share capital	Share premium	Other reserves	Accumulated losses	Sub-total	Non-controlling interests	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As of January 1, 2020		389	260,359,929	(4,447,252)	(163,800,621)	92,112,445	(58,051)	92,054,394
<b>Comprehensive income</b>								
Profit/(loss) for the period		-	-	-	631,411	631,411	(508)	630,903
<b>Other comprehensive income</b>								
Share of other comprehensive income of investments accounted for using the equity method	11, 24	-	-	2,711	-	2,711	-	2,711
Currency translation differences	24	-	-	647,370	-	647,370	-	647,370
<b>Total comprehensive income</b>		-	-	650,081	631,411	1,281,492	(508)	1,280,984
<b>Transaction with owners in their capacity as owners</b>								
Share-based compensation expenses	24, 30	-	-	1,393,787	-	1,393,787	-	1,393,787
Exercise of option and RSU vesting	23, 24	4	2,007,631	(1,733,481)	-	274,154	-	274,154
<b>Total transaction with owners in their capacity as owners</b>		4	2,007,631	(339,694)	-	1,667,941	-	1,667,941
<b>As of June 30, 2020</b>		<b>393</b>	<b>262,367,560</b>	<b>(4,136,865)</b>	<b>(163,169,210)</b>	<b>95,061,878</b>	<b>(58,559)</b>	<b>95,003,319</b>

The accompanying notes on pages 65 to 116 are an integral part of this interim financial information.

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
<b>Cash flows from operating activities</b>		
Cash (used in)/generated from operations	(1,380,021)	636,052
Income tax paid	(169,679)	(90,714)
	(1,549,700)	545,338
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(3,358,165)	(2,984,545)
Proceeds from disposals of property, plant and equipment	39,394	141,601
Purchase of intangible assets	(27,982)	(8,447)
Purchase of land use rights	(2,158,629)	-
Purchase of treasury investments	(254,715,588)	(89,623,882)
Proceeds from disposals of treasury investments	246,137,750	93,389,672
Proceeds from disposals of equity investments	67,400	295,137
Acquisition of other financial investments at fair value	(1,691,595)	(1,190,123)
Net cash outflow arising from disposal of a subsidiary	(867,327)	-
Gains received from treasury investments and other financial instruments	599,022	821,471
Dividends received	16,972	17,197
(Increase)/decrease in loans to investees and others	(470,483)	37,081
Increase in prepayment for investments	-	(96,385)
	(16,429,231)	798,777

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
<b>Cash flows from financing activities</b>		
Proceeds from borrowings, excluding asset-backed securities ("ABS")	13,630,748	2,467,000
Repayments of borrowings, excluding ABS	(2,791,956)	(2,540,000)
Repayments of ABS	–	(623,138)
Finance costs paid	(249,748)	(101,092)
Proceeds from exercise of option	89,319	220,440
Repurchase of ordinary shares	–	(90)
Lease payments	(878,633)	(377,074)
Increase in financial liabilities	791,400	40,950
Proceeds from issuance of convertible bonds, net of issuance costs	19,304,945	–
Proceeds from issuance of shares, net of issuance costs	42,694,270	–
Net cash flows generated from/(used in) financing activities	<u>72,590,345</u>	<u>(913,004)</u>
<b>Net increase in cash and cash equivalents</b>	<b>54,611,414</b>	<b>431,111</b>
Cash and cash equivalents at the beginning of the period	17,093,559	13,396,185
Exchange (loss)/gain on cash and cash equivalents	(317,104)	107,760
Cash and cash equivalents at the end of the period	<u><u>71,387,869</u></u>	<u><u>13,935,056</u></u>



## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 1 GENERAL INFORMATION

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

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

The interim condensed consolidated financial information comprises the consolidated statement of financial position as of June 30, 2021, the consolidated income statement and the consolidated statement of comprehensive (loss)/income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes (the “Interim Financial Information”). The Interim Financial Information is presented in Renminbi (“RMB”), unless otherwise stated.

### 2 BASIS OF PREPARATION

This Interim Financial Information for the six months ended June 30, 2021 has been prepared in accordance with Accounting Standard IAS 34 Interim Financial Reporting.

The Interim Financial Information does not include all the notes of the type normally included in an annual financial statements. Accordingly, it should be read in conjunction with the annual consolidated financial statements of the Group for the year ended December 31, 2020, which have been prepared in accordance with International Financial Reporting Standards, as set out in the 2020 annual report of the Group dated March 26, 2021 (the “2020 Financial Statements”).

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the Interim Financial Information are consistent with those followed in the preparation of the 2020 Financial Statements, except for the estimation of income tax (see note 12) and the adoption of new and amended standards as set out below.

#### (a) New and amended standards adopted by the Group

The Group has adopted the following new and amended standards which are relevant to the Group's operations and are mandatory for the financial year beginning on or after January 1, 2021:

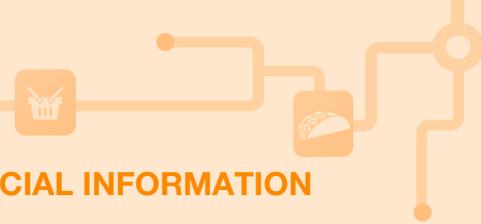
Amendment to IFRS 16	COVID-19 related rent concessions beyond June 30, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – phase 2

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

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

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

		Effective for annual periods beginning on or after
Amendments to IAS 28 and IFRS 10	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
IAS 16 (Amendments)	Property, plant and equipment: proceeds before intended use	January 1, 2022
IAS 37 (Amendments)	Onerous contract – cost of fulfilling a contract	January 1, 2022
IAS 1 (Amendments)	Classification of liabilities as current and non-current	January 1, 2023
Amendment to IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	January 1, 2023
IFRS 17	Insurance contracts	January 1, 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
Amendments to IAS 8	Definition of Accounting Estimates	January 1, 2023



## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

The Group is in the process of assessing potential impact of the above new standards and amendments to standards that is relevant to the Group upon initial application. The management of the Group plans to adopt these new standards and amendments to existing standards when they become effective.

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

In preparing the Interim Financial Information, except as disclosed below, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the 2020 Financial Statements.

#### Provisions and contingent liabilities

A provision is recognised where all the following conditions are met:

- the Group has a present obligation as a result of a past event
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation
- A reliable estimate can be made of the amount of the obligation.

The PRC government has recently enhanced its enforcement of anti-monopoly laws and regulations, including conducting investigations and levying significant fines, with respect to concentration of undertakings, cartel activity, monopoly agreements as well as abusive behaviour by companies with market dominance. The changing macro-economic environment and regulatory risks exposed the Company to uncertainties relating to the ability to operate or invest in relevant businesses. In April 2021, the State Administration for Market Regulation of the People's Republic of China (the "SAMR") commenced an investigation on the Company pursuant to the PRC Anti-monopoly Law. As of the date of the report, the investigation is ongoing and the Company is not able to predict the outcome of the investigation, and the Company could be required to make changes to its business practices and/or be subject to a significant amount of fines. In considering whether any provision should be made in this regard, significant judgment is required in assessing (i) the probability that an outflow of resources will be required, and (ii) whether a reliable estimate can be made of the amount to settle any obligation. Management considered that the Company cannot make a reliable estimate of the amount of any possible obligation at this stage.



## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 5 FINANCIAL RISK MANAGEMENT

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

#### (a) Financial risk factors

The Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's financial information as set out in the 2020 Financial Statements.

There have been no changes in the risk management policies during the six months ended June 30, 2021.

#### (b) Fair value estimation

##### (i) Fair value hierarchy

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

The table below analyzes the Group's financial instruments carried at fair value as of June 30, 2021 and December 31, 2020 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

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

5 FINANCIAL RISK MANAGEMENT (Continued)

(b) Fair value estimation (Continued)

(i) Fair value hierarchy (Continued)

The following table presents the Group's assets that are measured at fair value as of June 30, 2021.

	Unaudited			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
<b>As of June 30, 2021</b>				
<b>Financial assets</b>				
Short-term treasury investments at fair value through profit or loss (Note 19)	–	–	35,865,529	35,865,529
Short-term treasury investments at fair value through other comprehensive income (Note 19)	–	2,185,083	4,339,385	6,524,468
Long-term treasury investments at fair value through profit or loss (Note 19)	–	–	620,698	620,698
Loan receivables at fair value through other comprehensive income (Note 20)	–	–	1,503,561	1,503,561
Other financial investments at fair value through profit or loss (Note 17)	1,902,739*	–	8,945,495	10,848,234
Other financial investments at fair value through other comprehensive income (Note 18)	874,499*	–	783,750	1,658,249
	<u>2,777,238</u>	<u>2,185,083</u>	<u>52,058,418</u>	<u>57,020,739</u>

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 5 FINANCIAL RISK MANAGEMENT (Continued)

#### (b) Fair value estimation (Continued)

##### (i) Fair value hierarchy (Continued)

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

	Audited			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
<b>As of December 31, 2020</b>				
<b>Financial assets</b>				
Short-term treasury investments at fair value through profit or loss (Note 19)	–	–	32,083,979	32,083,979
Short-term treasury investments at fair value through other comprehensive income (Note 19)	–	65,442	900,111	965,553
Long-term treasury investments at fair value through profit or loss (Note 19)	–	–	612,967	612,967
Other financial investments at fair value through profit or loss (Note 17)	2,124,519*	–	8,132,267	10,256,786
Other financial investments at fair value through other comprehensive income (Note 18)	605,918*	–	–	605,918
	<u>2,730,437</u>	<u>65,442</u>	<u>41,729,324</u>	<u>44,525,203</u>
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss	–	–	114,600	114,600

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

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



## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 5 FINANCIAL RISK MANAGEMENT *(Continued)*

#### (b) Fair value estimation *(Continued)*

##### *(ii) Valuation techniques used to determine fair values*

Specific valuation techniques used to value financial instruments include:

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

There was no change to valuation techniques during the six months ended June 30, 2021.

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

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 5 FINANCIAL RISK MANAGEMENT (Continued)

#### (b) Fair value estimation (Continued)

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

The following table presents the changes in level 3 items including short-term treasury investments at fair value through profit or loss, short-term treasury investments at fair value through other comprehensive income, long-term treasury investments at fair value through profit or loss, loan receivables at fair value through other comprehensive income, investments in unlisted companies, and financial liabilities at fair value through profit or loss for the six months ended June 30, 2021 and 2020.

	Short-term treasury investments at fair value through profit or loss	Short-term treasury investments at fair value through other comprehensive income	Long-term treasury investments at fair value through profit or loss	Loan receivables at fair value through other comprehensive income	Other financial investments at fair value through profit or loss	Other financial investments at fair value through other comprehensive income	Financial liabilities at fair value through profit or loss
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As of January 1, 2021	32,083,979	900,111	612,967	-	8,132,267	-	114,600
Acquisitions	242,264,075	3,742,720	-	3,766,667	2,261,746	-	791,400
Disposals/settlements	(238,359,089)	(319,660)	(3,216)	(2,263,106)	(770,392)	-	(906,000)
Transfer	-	-	-	-	(1,068,094)	783,750	-
Change in fair value	562,578	15,661	13,781	-	428,562	-	-
Currency translation differences	(686,014)	553	(2,834)	-	(38,594)	-	-
As of June 30, 2021	<u>35,865,529</u>	<u>4,339,385</u>	<u>620,698</u>	<u>1,503,561</u>	<u>8,945,495</u>	<u>783,750</u>	<u>-</u>
Net unrealized gains for the period	144,489	19,479	14,748	-	428,562	-	-

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 5 FINANCIAL RISK MANAGEMENT *(Continued)*

#### (b) Fair value estimation *(Continued)*

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

	Unaudited		Other financial investments at fair value through profit or loss
	Short-term treasury investments at fair value through profit or loss RMB'000	Long-term treasury investments at fair value through profit or loss RMB'000	
As of January 1, 2020	23,988,182	–	5,089,127
Addition	78,870,635	620,389	1,189,947
Disposals	(71,904,239)	(6,205)	–
Change in fair value	360,431	180	(4,917)
Currency translation differences	96,298	5,861	52,190
<b>As of June 30, 2020</b>	<b>31,411,307</b>	<b>620,225</b>	<b>6,326,347</b>
Net unrealized gains/(losses) for the period	40,698	180	(4,917)

##### (iv) Valuation process, inputs and relationships to fair value

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

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

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 5 FINANCIAL RISK MANAGEMENT (Continued)

#### (b) Fair value estimation (Continued)

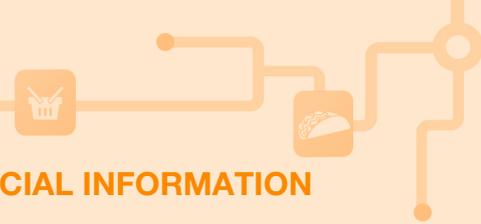
##### (iv) Valuation process, inputs and relationships to fair value (Continued)

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

Description	Fair value as of June 30, 2021 RMB'000 (Unaudited)	Fair value as of December 31, 2020 RMB'000 (Audited)	Un-observable inputs	Range of inputs		Relationship of unobservable inputs to fair value
				As of June 30, 2021	As of December 31, 2020	
Investments in unlisted companies	9,729,245	8,132,267	Expected volatility Discount for lack of marketability ("DLOM")	41.7%-49.8% 15%	40%-49.3% 20%-25%	The higher the expected volatility, the lower the fair value The higher the DLOM, the lower the fair value
Short-term treasury investments at fair value through profit or loss	35,865,529	32,083,979	Expected rate of return	0.00%-5.89%	(0.11%)-6.70%	The higher the expected rate of return, the higher the fair value
Short-term treasury investments at fair value through other comprehensive income	4,339,385	900,111	Expected rate of return	0.43%-3.20%	2.80%-3.20%	The higher the expected rate of return, the higher the fair value
Long-term treasury investments at fair value through profit or loss	620,698	612,967	Expected rate of return	0.00%-2.40%	0.00%-2.40%	The higher the expected rate of return, the higher the fair value
Loan receivables at fair value through other comprehensive income	1,503,561	-	Note a	Note a	NA	The higher the risk-adjusted discount rate, the lower the fair value
Financial liabilities at fair value through profit or loss	-	114,600	Note b	Note b	Note b	Note b

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

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



## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 5 FINANCIAL RISK MANAGEMENT *(Continued)*

#### (b) Fair value estimation *(Continued)*

##### (iv) Valuation process, inputs and relationships to fair value *(Continued)*

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

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

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

### 6 SEGMENT REPORTING

#### 6.1 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 six months ended June 30, 2021 and 2020.

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



## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 6 SEGMENT REPORTING *(Continued)*

#### 6.1 Description of segments and principal activities *(Continued)*

##### *Food delivery*

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

##### *In-store, hotel & travel*

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

##### *New initiatives and others*

Revenues from the new initiatives and others segment are primarily derived from (a) B2B food distribution services; (b) Micro-credit related services; (c) Meituan Instashopping; and (d) Bike sharing and moped services. The cost of revenues and operating expenses for the new initiatives and others segment primarily consists of (a) transaction costs; (b) employee benefits expenses; (c) other outsourcing costs; (d) promotion, advertising and user incentives; and (e) depreciation of property, plant and equipment.

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

The Group's revenue is mainly generated in China.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 6 SEGMENT REPORTING (Continued)

#### 6.1 Description of segments and principal activities (Continued)

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

	Unaudited				Total RMB'000
	Six months ended June 30, 2021				
Food delivery RMB'000	In-store, hotel & travel RMB'000	New initiatives and others RMB'000	Unallocated items (Note i) RMB'000		
Commission	38,724,392	7,608,188	4,021,930	-	50,354,510
Online marketing services	4,956,382	7,550,460	373,989	-	12,880,831
Other services and sales (including interest revenue)	19,720	27,922	17,492,511	-	17,540,153
<b>Revenues in total</b>	<b>43,700,494</b>	<b>15,186,570</b>	<b>21,888,430</b>	<b>-</b>	<b>80,775,494</b>
Cost of revenues, operating expenses and unallocated items	(40,137,533)	(8,774,547)	(39,171,000)	(711,126)	(88,794,206)
<b>Operating profit/(loss)</b>	<b>3,562,961</b>	<b>6,412,023</b>	<b>(17,282,570)</b>	<b>(711,126)</b>	<b>(8,018,712)</b>

	Unaudited				Total RMB'000
	Six months ended June 30, 2020				
Food delivery RMB'000	In-store, hotel & travel RMB'000	New initiatives and others RMB'000	Unallocated items (Note i) RMB'000		
Commission	21,282,638	3,289,856	2,138,971	-	26,711,465
Online marketing services	2,715,259	4,332,136	140,025	-	7,187,420
Other services and sales (including interest revenue)	36,621	16,968	7,523,250	-	7,576,839
<b>Revenues in total</b>	<b>24,034,518</b>	<b>7,638,960</b>	<b>9,802,246</b>	<b>-</b>	<b>41,475,724</b>
Cost of revenues, operating expenses and unallocated items	(22,851,978)	(5,067,218)	(12,625,502)	(471,911)	(41,016,609)
<b>Operating profit/(loss)</b>	<b>1,182,540</b>	<b>2,571,742</b>	<b>(2,823,256)</b>	<b>(471,911)</b>	<b>459,115</b>

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 6 SEGMENT REPORTING *(Continued)*

#### 6.1 Description of segments and principal activities *(Continued)*

- (i) Unallocated items are cost of revenues and operating expenses which could not be categorized into a segment. These items mainly include (i) share-based compensation expenses, (ii) amortization of intangible assets resulting from acquisitions, (iii) fair value changes on other financial investments at fair value through profit or loss, and (iv) other gains, net.

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 six months ended June 30, 2021 and 2020.

The reconciliation of operating (loss)/profit to (loss)/profit before income tax of respective period during the six months ended June 30, 2021 and 2020 is shown in the consolidated income statement.

#### 6.2 Segment assets

As of June 30, 2021 and December 31, 2020, substantially all of the non-current assets of the Group were located in the PRC.

### 7 REVENUES BY TYPE

	Unaudited	
	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
Commission	50,354,510	26,711,465
Online marketing services	12,880,831	7,187,420
Other services and sales (including interest revenue)	17,540,153	7,576,839
	<u>80,775,494</u>	<u>41,475,724</u>

Further disaggregation of revenues are included in Note 6.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 8 EXPENSES BY NATURE

	Unaudited	
	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
Food delivery related costs	30,837,158	17,228,393
Employee benefits expenses	15,558,485	9,329,956
Transaction costs (Note i)	11,179,691	5,294,792
Promotion, advertising and user incentives	10,337,653	3,446,272
Other outsourcing costs	9,793,263	2,396,028
Depreciation of property, plant and equipment	3,532,099	1,495,289
Amortization of intangible assets	404,092	546,965
Auditor's remuneration		
– Audit and audit-related services	25,269	27,903
– Non-audit services	3,342	460

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

### 9 OTHER GAINS, NET

	Unaudited	
	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
Subsidies and tax preference	674,722	960,875
Fair value changes of treasury investments at fair value through profit or loss	576,359	360,611
Foreign exchange gains, net	85,532	13,190
Interest income from treasury investments at amortized cost	54,639	283,451
Donation	(16,459)	(200,199)
Others	(19,699)	(12,648)
	<u>1,355,094</u>	<u>1,405,280</u>

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 10 FINANCE INCOME/(COSTS)

	Unaudited	
	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
<b>Finance income</b>		
Interest income from bank deposits	<u>189,973</u>	<u>98,282</u>
<b>Finance costs</b>		
Interest expenses on bank borrowings and notes payable	(330,890)	(63,003)
Interest in respect of lease liabilities	(80,755)	(35,845)
Bank charges and others	<u>(17,676)</u>	<u>(9,927)</u>
	<u>(429,321)</u>	<u>(108,775)</u>

### 11 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Unaudited	Audited
	As of	As of
	June 30,	December 31,
	2021	2020
	RMB'000	RMB'000
Associates (Note (a))	13,092,559	13,167,893
Joint ventures	<u>12,920</u>	<u>13,050</u>
	<u>13,105,479</u>	<u>13,180,943</u>

(a) Investments in associates using the equity method

	Unaudited	Audited
	As of	As of
	June 30,	December 31,
	2021	2020
	RMB'000	RMB'000
Investments in associates		
– listed entities	11,252,580	11,361,160
– unlisted entities	<u>1,839,979</u>	<u>1,806,733</u>
	<u>13,092,559</u>	<u>13,167,893</u>

The quoted fair value of the investments in listed entities was RMB30,063 million and RMB25,224 million as of June 30, 2021 and December 31, 2020, respectively.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 11 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(Continued)*

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

	Unaudited	
	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
At the beginning of the period	13,167,893	2,269,638
Dilution gain	–	704
Dividends from associates	(12,225)	(5,369)
Disposals	(6,651)	–
Share of gains of investments accounted for using the equity method	36,238	54,009
Other reserves	19,005	2,711
Currency translation differences	(111,701)	15,400
At the end of the period	<u>13,092,559</u>	<u>2,337,093</u>

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

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

	Unaudited	Audited
	As of	As of
	June 30,	December 31,
	2021	2020
	RMB'000	RMB'000
Aggregate carrying amount of individually immaterial associates	13,092,559	2,797,677
Aggregate amounts of the Group's share of:		
– Profit from operations	36,238	311,278
– Other comprehensive income/(loss)	13,753	(300)
Total comprehensive income	<u>49,991</u>	<u>310,978</u>

RMB11.2 billion of investments accounted for using the equity method is denominated in USD (December 31, 2020: RMB11.3 billion), and other balances are denominated in RMB.



## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 12 TAXATION

#### (a) Value Added Tax (“VAT”)

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

#### (b) Income tax

##### *Cayman Islands*

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

##### *British Virgin Islands*

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

##### *Hong Kong*

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profit for the six months ended June 30, 2021 and 2020.

##### *PRC corporate income tax (“CIT”)*

CIT provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC and was calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The general PRC CIT rate is 25% during the six months ended June 30, 2021 and 2020.

Certain subsidiaries of the Group in the PRC are subject to “high and new technology enterprises” and, accordingly, were eligible for a preferential income tax rate of 15% for the six months ended June 30, 2021 and 2020. In addition, certain PRC subsidiaries of the Group are subject to “small and thin-profit enterprises” under the CIT Law, and accordingly, were eligible for a preferential income tax rate of 20% for the six months ended June 30, 2021 and 2020.

##### *Withholding tax on undistributed dividends*

Pursuant to the CIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from China effective from January 1, 2008. The withholding tax rate may be lowered to a minimum of 5% if there is a tax arrangement between China and the jurisdiction of the foreign investors. However, the 5% withholding tax rate does not automatically apply and certain requirements must be satisfied.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 12 TAXATION (Continued)

#### (b) Income tax (Continued)

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

	Unaudited Six months ended June 30,	
	2021 RMB'000	2020 RMB'000
Current income tax	(114,426)	29,201
Deferred income tax	<u>133,611</u>	<u>99,071</u>
Total income tax credits – Net	<u>19,185</u>	<u>128,272</u>

Income tax credits are recognised based on management's best knowledge of the income tax rates that would be applicable to the full financial year.

### 13 (LOSS)/EARNINGS PER SHARE

- (a) Basic (loss)/earnings per share for the six months ended June 30, 2021 and 2020 were calculated by dividing the (loss)/profit attributable to the Company's equity holders by the weighted average number of ordinary shares in issue during the reporting period.

	Unaudited Six months ended June 30,	
	2021	2020
(Loss)/profit attributable to equity holders of the Company (RMB'000)	(8,204,606)	631,411
Weighted average number of ordinary shares in issue (thousand)	<u>5,957,039</u>	<u>5,820,039</u>
Basic (loss)/earnings per share (RMB)	<u>(1.38)</u>	<u>0.11</u>

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 13 (LOSS)/EARNINGS PER SHARE *(Continued)*

- (b) Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has three categories of dilutive potential ordinary shares: share options, RSUs and convertible bonds. As the Group incurred losses for the six months ended June 30, 2021, the dilutive potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilution. Accordingly, diluted loss per share for the six months ended June 30, 2021 were the same as basic loss per share of the same periods.

	Unaudited	
	Six months ended June 30,	
	2021	2020
(Loss)/profit attributable to equity holders of the Company (RMB'000)	(8,204,606)	631,411
Weighted average number of ordinary shares in issue (thousand)	5,957,039	5,820,039
Adjustments for share options and RSUs (thousand)	-	156,749
Weighted average number of ordinary shares used as the denominator in calculating diluted (loss)/earnings per share (thousand)	<u>5,957,039</u>	<u>5,976,788</u>
Diluted (loss)/earnings per share (RMB)	<u>(1.38)</u>	<u>0.11</u>

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 14 PROPERTY, PLANT AND EQUIPMENT

	Unaudited					Total RMB'000
	Computer equipment RMB'000	Bikes and electric mopeds RMB'000	Assets under construction RMB'000	Right-of- use assets RMB'000	Others RMB'000	
<b>As of January 1, 2021</b>						
Cost	5,644,530	11,837,828	241,703	3,756,829	1,218,979	22,699,869
Accumulated depreciation and impairment	(3,520,901)	(3,784,637)	(546)	(1,031,912)	(444,708)	(8,782,704)
Net book amount	<u>2,123,629</u>	<u>8,053,191</u>	<u>241,157</u>	<u>2,724,917</u>	<u>774,271</u>	<u>13,917,165</u>
<b>Six months ended June 30, 2021</b>						
Opening net book amount	2,123,629	8,053,191	241,157	2,724,917	774,271	13,917,165
Additions	1,458,386	117,424	1,158,125	1,498,837	136,068	4,368,840
Transfers	-	597,338	(1,007,918)	-	410,580	-
Disposal	(11,098)	(12,311)	(3,756)	(43,237)	(33,851)	(104,253)
Depreciation charge	(732,164)	(1,709,906)	-	(872,457)	(217,572)	(3,532,099)
Impairment charge	-	-	(311)	-	(39,737)	(40,048)
Currency translation differences	-	-	-	(15)	-	(15)
Closing net book amount	<u>2,838,753</u>	<u>7,045,736</u>	<u>387,297</u>	<u>3,308,045</u>	<u>1,029,759</u>	<u>14,609,590</u>
<b>As of June 30, 2021</b>						
Cost	7,074,922	12,350,551	387,926	5,005,921	1,713,509	26,532,829
Accumulated depreciation and impairment	(4,236,169)	(5,304,815)	(629)	(1,697,876)	(683,750)	(11,923,239)
Net book amount	<u>2,838,753</u>	<u>7,045,736</u>	<u>387,297</u>	<u>3,308,045</u>	<u>1,029,759</u>	<u>14,609,590</u>

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 14 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Unaudited					
	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
<b>As of January 1, 2020</b>						
Cost	4,505,983	5,781,823	141,368	2,166,794	409,348	13,005,316
Accumulated depreciation and impairment	(2,288,342)	(4,504,976)	(7,945)	(605,780)	(222,056)	(7,629,099)
Net book amount	<u>2,217,641</u>	<u>1,276,847</u>	<u>133,423</u>	<u>1,561,014</u>	<u>187,292</u>	<u>5,376,217</u>
<b>Six months ended June 30, 2020</b>						
Opening net book amount	2,217,641	1,276,847	133,423	1,561,014	187,292	5,376,217
Additions	405,316	1,865,144	895,124	487,429	22,045	3,675,058
Transfers	–	645,304	(821,992)	–	176,688	–
Disposal	(4,999)	(85,347)	–	(16,103)	(3,915)	(110,364)
Depreciation charge	(612,116)	(432,084)	–	(383,349)	(67,740)	(1,495,289)
Currency translation differences	(1)	–	–	4	–	3
Closing net book amount	<u>2,005,841</u>	<u>3,269,864</u>	<u>206,555</u>	<u>1,648,995</u>	<u>314,370</u>	<u>7,445,625</u>
<b>As of June 30, 2020</b>						
Cost	4,886,966	6,877,375	214,500	2,424,054	602,700	15,005,595
Accumulated depreciation and impairment	(2,881,125)	(3,607,511)	(7,945)	(775,059)	(288,330)	(7,559,970)
Net book amount	<u>2,005,841</u>	<u>3,269,864</u>	<u>206,555</u>	<u>1,648,995</u>	<u>314,370</u>	<u>7,445,625</u>

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 14 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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

	Unaudited	
	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
Cost of revenues	2,832,853	1,071,960
Selling and marketing expenses	348,666	225,230
Research and development expenses	183,358	125,265
General and administrative expenses	167,222	72,834
	<u>3,532,099</u>	<u>1,495,289</u>

#### (a) Leases

##### (i) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

Right-of-use assets

	Unaudited	Audited
	As of June 30, 2021 RMB'000	As of December 31, 2020 RMB'000
Offices	2,121,708	1,923,104
Others	1,186,337	801,813
Total	<u>3,308,045</u>	<u>2,724,917</u>

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 14 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

#### (a) Leases *(Continued)*

##### (i) Amounts recognised in the consolidated statement of financial position *(Continued)*

Lease liabilities

	Unaudited As of June 30, 2021 RMB'000	Audited As of December 31, 2020 RMB'000
Current	1,424,446	1,089,847
Non-current	1,949,452	1,648,008
	<u>3,373,898</u>	<u>2,737,855</u>

##### (ii) Amounts recognised in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases:

	Unaudited Six months ended June 30, 2021 RMB'000	2020 RMB'000
Depreciation charge of right-of-use assets	872,457	383,349
Interest expenses (included in finance costs)	80,755	35,845

15 INTANGIBLE ASSETS

	Unaudited			Total RMB'000
	Goodwill RMB'000	Other intangible assets arising from business combinations RMB'000	Software and others RMB'000	
<b>As of January 1, 2021</b>				
Cost	27,849,022	7,671,830	1,892,709	37,413,561
Accumulated amortization and impairment	(201,587)	(3,992,745)	(1,542,848)	(5,737,180)
Net book amount	<u>27,647,435</u>	<u>3,679,085</u>	<u>349,861</u>	<u>31,676,381</u>
<b>Six months ended June 30, 2021</b>				
Opening net book amount	27,647,435	3,679,085	349,861	31,676,381
Additions	–	–	29,945	29,945
Amortization charge	–	(251,274)	(152,818)	(404,092)
Closing net book amount	<u>27,647,435</u>	<u>3,427,811</u>	<u>226,988</u>	<u>31,302,234</u>
<b>As of June 30, 2021</b>				
Cost	27,849,022	7,671,830	1,922,654	37,443,506
Accumulated amortization and impairment	(201,587)	(4,244,019)	(1,695,666)	(6,141,272)
Net book amount	<u>27,647,435</u>	<u>3,427,811</u>	<u>226,988</u>	<u>31,302,234</u>

The Group normally performs goodwill impairment test in the fourth quarter of each year, and there is no indicator for impairment of goodwill as of June 30, 2021. For details of goodwill impairment assessment for the year ended December 31, 2020, please refer to the 2020 Financial Statements.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 15 INTANGIBLE ASSETS (Continued)

	Unaudited			Total RMB'000
	Goodwill RMB'000	Other intangible assets arising from business combinations RMB'000	Software and others RMB'000	
<b>As of January 1, 2020</b>				
Cost	27,849,022	7,671,830	1,877,633	37,398,485
Accumulated amortization and impairment	(143,421)	(3,377,167)	(1,178,322)	(4,698,910)
Net book amount	<u>27,705,601</u>	<u>4,294,663</u>	<u>699,311</u>	<u>32,699,575</u>
<b>Six months ended June 30, 2020</b>				
Opening net book amount	27,705,601	4,294,663	699,311	32,699,575
Additions	–	–	13,163	13,163
Disposal	–	–	(2,949)	(2,949)
Amortization charge	–	(321,714)	(225,251)	(546,965)
Closing net book amount	<u>27,705,601</u>	<u>3,972,949</u>	<u>484,274</u>	<u>32,162,824</u>
<b>As of June 30, 2020</b>				
Cost	27,849,022	7,671,830	1,878,149	37,399,001
Accumulated amortization and impairment	(143,421)	(3,698,881)	(1,393,875)	(5,236,177)
Net book amount	<u>27,705,601</u>	<u>3,972,949</u>	<u>484,274</u>	<u>32,162,824</u>



## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 15 INTANGIBLE ASSETS (Continued)

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

	Unaudited	
	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
Selling and marketing expenses	221,681	346,207
Cost of revenues	90,327	88,219
General and administrative expenses	87,602	109,870
Research and development expenses	4,482	2,669
	<u>404,092</u>	<u>546,965</u>

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 16 DEFERRED INCOME TAXES

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

#### (a) Deferred tax assets

	Unaudited As of June 30, 2021 RMB'000	Audited As of December 31, 2020 RMB'000
The balance comprises temporary differences attributable to:		
– Tax losses	996,479	1,009,919
– Others	412,363	314,032
Total gross deferred tax assets	<u>1,408,842</u>	<u>1,323,951</u>
Set-off of deferred tax assets	<u>(809,401)</u>	<u>(875,281)</u>
Net deferred tax assets	<u>599,441</u>	<u>448,670</u>

#### (b) Deferred tax liabilities

	Unaudited As of June 30, 2021 RMB'000	Audited As of December 31, 2020 RMB'000
The balance comprises temporary differences attributable to:		
– Investments accounted for using the equity method or at fair value	(792,267)	(804,356)
– Intangible assets arising from business combinations	(513,680)	(620,647)
– Deferred revenues	(74,809)	(50,029)
– Others	(180,908)	(155,943)
Total gross deferred tax liabilities	<u>(1,561,664)</u>	<u>(1,630,975)</u>
Set-off of deferred tax liabilities	<u>809,401</u>	<u>875,281</u>
Net deferred tax liabilities	<u>(752,263)</u>	<u>(755,694)</u>

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 16 DEFERRED INCOME TAXES (Continued)

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

	Unaudited		Total RMB'000
	Tax losses RMB'000	Others RMB'000	
As of January 1, 2021	1,009,919	314,032	1,323,951
(Charged)/credited to consolidated income statement	(45,934)	98,331	52,397
Credited to consolidated statement of changes in equity	32,494	-	32,494
<b>As of June 30, 2021</b>	<b>996,479</b>	<b>412,363</b>	<b>1,408,842</b>
As of January 1, 2020	848,365	35,820	884,185
(Charged)/credited to consolidated income statement	(164,925)	193,781	28,856
<b>As of June 30, 2020</b>	<b>683,440</b>	<b>229,601</b>	<b>913,041</b>

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

	Unaudited				Total RMB'000
	Intangible assets arising from business combinations RMB'000	Investments accounted for using the equity method or at fair value RMB'000	Deferred revenues RMB'000	Others RMB'000	
As of January 1, 2021	(620,647)	(804,356)	(50,029)	(155,943)	(1,630,975)
Credited/(charged) to consolidated income statement	106,967	5,238	(24,780)	(24,965)	62,460
Credited to other comprehensive loss	-	6,851	-	-	6,851
<b>As of June 30, 2021</b>	<b>(513,680)</b>	<b>(792,267)</b>	<b>(74,809)</b>	<b>(180,908)</b>	<b>(1,561,664)</b>
As of January 1, 2020	(750,046)	(438,363)	(469,175)	(25,016)	(1,682,600)
Credited/(charged) to consolidated income statement	68,007	(16,381)	52,039	(33,450)	70,215
Charged to other comprehensive income	-	(2,516)	-	-	(2,516)
<b>As of June 30, 2020</b>	<b>(682,039)</b>	<b>(457,260)</b>	<b>(417,136)</b>	<b>(58,466)</b>	<b>(1,614,901)</b>

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 16 DEFERRED INCOME TAXES *(Continued)*

The Group only recognises deferred tax assets for cumulative tax losses if it is probable that future taxable amounts will be available to utilize those tax losses. Management will continue to assess the recognition of deferred income tax assets in future reporting periods. As of June 30, 2021 and December 31, 2020, the Group did not recognise deferred income tax assets of RMB11.8 billion and RMB9.3 billion in respect of cumulative tax losses amounting to RMB59.2 billion and RMB43.6 billion including the tax losses arising from the excess deduction of share-based payments. These tax losses will expire from 2021 to 2025, and certain subsidiaries of the Group may extend to 2030.

The Company has undistributed earnings which, if paid out as dividends, would be subject to tax in the hands of the recipient. An assessable temporary difference exists, but no deferred tax liability has been recognised as the Company is able to control the timing of distributions from subsidiaries and is not expected to distribute these profits in the foreseeable future.

### 17 OTHER FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Unaudited	
	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
At the beginning of the period	10,256,786	7,166,122
Additions (Note i)	2,261,746	1,189,947
Change in fair value	206,782	(161,572)
Disposals	(770,392)	–
Transfer (Note ii)	(1,068,094)	–
Currency translation differences	(38,594)	52,190
At the end of the period	<u>10,848,234</u>	<u>8,246,687</u>



## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 17 OTHER FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

- (i) During the six months ended June 30, 2021, the Group's additions to other financial investments at fair value through profit or loss mainly comprised the investments in unlisted entities with the aggregate amount of RMB2,262 million.
- (ii) During the six months ended June 30, 2021, transfers mainly comprised certain investments with an aggregate amount of RMB1,068 million designated as other financial investments at fair value through other comprehensive income due to the conversion of preferred shares into ordinary shares.

	<b>Unaudited</b>	Audited
	<b>As of</b>	As of
	<b>June 30,</b>	December 31,
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
Investments in associates at fair value through profit or loss (Note i)	3,450,648	2,690,100
Other investments at fair value through profit or loss (Note ii)	<u>7,397,586</u>	<u>7,566,686</u>
	<u><b>10,848,234</b></u>	<u><b>10,256,786</b></u>

## NOTES TO THE INTERIM FINANCIAL INFORMATION

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

(i) Investments in associates at fair value through profit or loss

	Unaudited	
	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
At the beginning of the period	2,690,100	1,376,375
Additions	1,516,068	650,000
Change in fair value	90,465	(642)
Disposals	(60,000)	–
Transfer	(783,750)	–
Currency translation differences	(2,235)	3,759
At the end of the period	<u>3,450,648</u>	<u>2,029,492</u>

As of June 30, 2021 and December 31, 2020, the Group made investments in some convertible redeemable preferred shares or ordinary shares with preferential rights issued by private investee companies. The Group maintained significant influence in these companies.

(ii) Other investments at fair value through profit or loss

	Unaudited	
	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
At the beginning of the period	7,566,686	5,789,747
Additions	745,678	539,947
Change in fair value	116,317	(160,930)
Disposals	(710,392)	–
Transfer	(284,344)	–
Currency translation differences	(36,359)	48,431
At the end of the period	<u>7,397,586</u>	<u>6,217,195</u>

The Group also has interests in certain investee companies in the form of preferred and ordinary shares without significant influence, which are managed and whose performance are evaluated on a fair value basis. The Group designated these instruments as other financial investments at fair value through profit or loss.

RMB4.4 billion of other financial investments at fair value through profit or loss is denominated in USD (December 31, 2020: RMB4.0 billion), and other balances are denominated in RMB.



## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 18 OTHER FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Other financial investments at fair value through other comprehensive income comprise the following:

	Unaudited As of June 30, 2021 RMB'000	Audited As of December 31, 2020 RMB'000
<b>Non-current assets</b>		
Equity investments in listed securities	874,499	605,918
Equity investments in unlisted securities	783,750	—
	<b>1,658,249</b>	<b>605,918</b>

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

	Unaudited Six months ended June 30,	
	2021 RMB'000	2020 RMB'000
At the beginning of the period	605,918	—
Change in fair value	(9,548)	—
Transfer (Note 17)	1,068,094	—
Currency translation differences	(6,215)	—
At the end of the period	<b>1,658,249</b>	<b>—</b>

Amounts recognised in other comprehensive income:

	Unaudited As of June 30, 2021 RMB'000	Audited As of December 31, 2020 RMB'000
Gain recognised in other comprehensive income Related to equity investments (Note 24)	(9,548)	—
	<b>(9,548)</b>	<b>—</b>

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 19 TREASURY INVESTMENTS

	Unaudited As of June 30, 2021 RMB'000	Audited As of December 31, 2020 RMB'000
Long-term treasury investments at		
– Amortized cost	701,000	–
– Fair value through profit or loss	620,698	612,967
	<u>1,321,698</u>	<u>612,967</u>
Short-term treasury investments at		
– Amortized cost	8,731,793	10,949,832
– Fair value through profit or loss	35,865,529	32,083,979
– Fair value through other comprehensive income	6,524,468	965,553
	<u>51,121,790</u>	<u>43,999,364</u>

Treasury investments at amortized cost are fixed rate certificates of deposit and term deposits.

Treasury investments at fair value through profit or loss are wealth management products.

Treasury investments at fair value through other comprehensive income are large-denomination negotiable certificates of term deposit and other financial products.

Treasury investments are denominated in the following currencies:

	Unaudited As of June 30, 2021 RMB'000	Audited As of December 31, 2020 RMB'000
USD	32,880,513	31,828,437
RMB	19,562,975	12,783,894
	<u>52,443,488</u>	<u>44,612,331</u>

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 20 PREPAYMENTS, DEPOSITS AND OTHER ASSETS

	Unaudited As of June 30, 2021 RMB'000	Audited As of December 31, 2020 RMB'000
<b>Non-current</b>		
Prepayment for land use rights	6,737,539	4,578,910
Prepayments for fixed assets	2,012,014	1,356,167
Loan receivables (Note i)	827,249	466,232
Rental deposits	299,372	268,658
Prepayment for investments	297,044	297,044
Recoverable value-added tax	268,952	334,509
Others	398,308	268,297
	<u>10,840,478</u>	<u>7,569,817</u>
<b>Current</b>		
Loan receivables (Note i)	5,697,804	6,441,565
Receivables related to share options and RSUs	2,734,088	303,176
Tax prepayments	2,499,842	2,275,045
Contract assets	856,923	591,646
Prepayments to merchants	515,980	299,358
Amounts due from related parties (Note 33)	394,539	1,425,059
Deposits	243,292	156,044
Receivables from third-party payment service providers	207,563	369,744
Prepayments for channel marketing fee	79,732	123,602
Others	2,718,333	954,886
	<u>15,948,096</u>	<u>12,940,125</u>

- (i) Loan receivables are derived from micro-credit business. Loan receivables are recorded initially at fair value and subsequently measured at amortized cost using the effective interest method, less allowance for impairment, or at fair value through other comprehensive income, depending on the business models in which the loan receivable is held.

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

As of June 30, 2021 and December 31, 2020, the carrying value of prepayments, deposits and other assets was primarily denominated in RMB.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 21 INVENTORIES

	Unaudited As of June 30, 2021 RMB'000	Audited As of December 31, 2020 RMB'000
Finished goods	470,954	439,130
Raw materials	38,523	41,109
	<u>509,477</u>	<u>480,239</u>
Less: provision for impairment	(5,442)	(13,747)
	<u><u>504,035</u></u>	<u><u>466,492</u></u>

### 22 TRADE RECEIVABLES

	Unaudited As of June 30, 2021 RMB'000	Audited As of December 31, 2020 RMB'000
Trade receivables	1,620,762	1,197,518
Less: allowance for impairment	(175,457)	(166,570)
	<u><u>1,445,305</u></u>	<u><u>1,030,948</u></u>

The Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of the contract assets and trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At each reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.



## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 22 TRADE RECEIVABLES (Continued)

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

	Unaudited Six months ended June 30,	
	2021 RMB'000	2020 RMB'000
At the beginning of the period	(166,570)	(155,854)
Provision	(41,870)	(66,800)
Reversal	13,639	48,538
Receivables written off during the period as uncollectable	19,344	17,584
At the end of the period	<u>(175,457)</u>	<u>(156,532)</u>

The Group considered that the carrying amounts of the trade receivables balances approximated their fair value as of June 30, 2021 and December 31, 2020.

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

	Unaudited As of June 30, 2021 RMB'000	Audited As of December 31, 2020 RMB'000
Trade receivables		
Up to 3 months	1,287,828	889,861
3 to 6 months	122,986	94,088
6 months to 1 year	21,503	39,416
Over 1 year	12,988	7,583
	<u>1,445,305</u>	<u>1,030,948</u>

The majority of the Group's trade receivables were denominated in RMB.

The maximum exposure to credit risk as of June 30, 2021 and December 31, 2020 was the carrying value of the trade receivables. The Group did not hold any collateral as security.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 23 SHARE CAPITAL, SHARE PREMIUM AND SHARES HELD FOR SHARES AWARD SCHEME

As of June 30, 2021 and 2020, the authorized share capital of the Company comprises 10,000,000,000 ordinary shares with par value of USD0.00001 per share.

#### Issued:

	Number of ordinary shares '000	Nominal value of ordinary shares USD'000	Share capital RMB'000	Share premium RMB'000	Shares held for shares award scheme RMB'000
As of January 1, 2021	5,885,649	59	395	263,155,201	-
Issuance of shares	187,000	2	12	42,694,258	-
Exercise of option and RSU vesting	30,656	-	2	1,993,499	-
Shares held for shares award scheme	9,809	-	1	-	(1)
<b>As of June 30, 2021</b>	<b>6,113,114</b>	<b>61</b>	<b>410</b>	<b>307,842,958</b>	<b>(1)</b>
As of January 1, 2020	5,808,666	58	389	260,359,929	-
Exercise of option and RSU vesting	51,939	1	4	2,007,631	-
<b>As of June 30, 2020</b>	<b>5,860,605</b>	<b>59</b>	<b>393</b>	<b>262,367,560</b>	<b>-</b>



## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 24 OTHER RESERVES

	Capital reserve RMB'000	Share-based compensation reserve RMB'000	Currency translation differences RMB'000	Unaudited Changes in the fair value of other financial investments at fair value through other comprehensive income RMB'000	Conversion option RMB'000	Others RMB'000	Total RMB'000
As of January 1, 2021	20	4,150,291	(10,359,316)	84,387	-	(137,448)	(6,262,066)
Share-based compensation expenses	-	2,078,144	-	-	-	-	2,078,144
Exercise of option and RSU vesting	-	(1,918,742)	-	-	-	-	(1,918,742)
Share of other comprehensive income of investments accounted for using the equity method	-	-	-	-	-	13,753	13,753
Share of equity movement in an associate	-	-	-	-	-	5,252	5,252
Issuance of convertible bonds (equity component) (Note 29)	-	-	-	-	1,513,938	-	1,513,938
Changes in the fair value of other financial investments at fair value through other comprehensive income	-	-	-	(9,548)	-	-	(9,548)
Changes in the fair value of debt instruments at fair value through other comprehensive income	-	-	-	-	-	23,858	23,858
Impairment loss on debt instruments at fair value through other comprehensive income	-	-	-	-	-	56,392	56,392
Tax benefit from share-based payments	-	-	-	-	-	32,494	32,494
Currency translation differences	-	-	(1,085,847)	-	-	-	(1,085,847)
As of June 30, 2021	<u>20</u>	<u>4,309,693</u>	<u>(11,445,163)</u>	<u>74,839</u>	<u>1,513,938</u>	<u>(5,699)</u>	<u>(5,552,372)</u>

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 24 OTHER RESERVES (Continued)

	Capital reserve RMB'000	Share-based compensation reserve RMB'000	Unaudited		Total RMB'000
			Currency translation differences RMB'000	Others RMB'000	
As of January 1, 2020	20	3,161,201	(7,439,014)	(169,459)	(4,447,252)
Share-based compensation expenses	-	1,393,787	-	-	1,393,787
Exercise of option and RSU vesting	-	(1,733,481)	-	-	(1,733,481)
Share of other comprehensive income of investments accounted for using the equity method	-	-	-	2,711	2,711
Currency translation differences	-	-	647,370	-	647,370
As of June 30, 2020	<u>20</u>	<u>2,821,507</u>	<u>(6,791,644)</u>	<u>(166,748)</u>	<u>(4,136,865)</u>

### 25 DEFERRED REVENUES

	Unaudited As of June 30, 2021 RMB'000	Audited As of December 31, 2020 RMB'000
<b>Non-Current</b>		
Business cooperation agreement with Maoyan	<u>52,421</u>	<u>166,700</u>
<b>Current</b>		
Online marketing services and others	5,210,337	4,764,690
Business cooperation agreement with Maoyan	209,686	222,267
Bike-sharing and moped monthly pass	<u>57,327</u>	<u>65,873</u>
	<u><b>5,477,350</b></u>	<u><b>5,052,830</b></u>

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 25 DEFERRED REVENUES (Continued)

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward deferred revenues:

	Unaudited	
	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
Revenue recognised that was included in the deferred revenues balance at the beginning of the period		
Online marketing services and others	3,158,782	2,780,517
Business cooperation agreement with Maoyan	104,843	104,843
Bike-sharing and moped monthly pass	66,082	45,149
	<u>3,329,707</u>	<u>2,930,509</u>

### 26 TRADE PAYABLES

As of June 30, 2021 and December 31, 2020, the aging analysis of the trade payables based on invoice date were as follows:

	Unaudited	Audited
	As of	As of
	June 30,	December 31,
	2021	2020
	RMB'000	RMB'000
Trade payables		
Up to 3 months	11,589,895	11,810,659
3 to 6 months	339,360	46,688
6 months to 1 year	132,435	45,876
Over 1 year	52,311	63,803
	<u>12,114,001</u>	<u>11,967,026</u>

The majority of the Group's trade payables were denominated in RMB.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 27 OTHER PAYABLES AND ACCRUALS

	Unaudited As of June 30, 2021 RMB'000	Audited As of December 31, 2020 RMB'000
Salaries and benefits payable	4,025,082	4,124,807
Other tax payable	3,521,047	1,150,193
Deposits	3,084,903	2,680,966
Amounts collected for third parties	746,364	601,193
Accrued expenses	429,247	312,481
Advance from customers	372,220	367,960
Amounts due to related parties (Note 33)	327,800	395,785
Undue interests accrued for notes payable (Note 29)	61,119	61,732
Others	1,096,958	862,101
	<u>13,664,740</u>	<u>10,557,218</u>

### 28 BORROWINGS

	Unaudited As of June 30, 2021 RMB'000	Audited As of December 31, 2020 RMB'000
<b>Included in non-current liabilities</b>		
USD bank loans – unsecured	<u>7,591,910</u>	<u>1,957,470</u>
<b>Included in current liabilities</b>		
USD bank loans – unsecured	9,602,939	3,145,002
RMB bank loans – unsecured	<u>1,960,000</u>	<u>3,250,000</u>
	<u>11,562,939</u>	<u>6,395,002</u>

- (a) As of June 30, 2021, the effective interest rates for bank loans were 0.99%-3.60%(2020: 1.54%-3.85%).
- (b) For the six months ended June 30, 2021, the weighted average effective interest rate was 2.57% (2020: 3.21%). The floating rates of USD bank loans which were subject to London interbank offered rate would be repriced quarterly or yearly according to the contract terms.



## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 29 NOTES PAYABLE

	Unaudited As of June 30, 2021 RMB'000	Audited As of December 31, 2020 RMB'000
<b>Included in non-current liabilities:</b>		
Non-current portion of long-term USD notes payable	12,844,861	12,966,341
Non-current portion of long-term USD convertible bonds (a)	<u>17,749,815</u>	<u>–</u>
	<u>30,594,676</u>	<u>12,966,341</u>
<b>Included in current liabilities:</b>		
Undue interests accrued for notes payable (Note 27)	<u>61,119</u>	<u>61,732</u>

The aggregate principal amounts of notes payable as of June 30, 2021 were USD4,984 million (December 31, 2020: USD2,000 million), including senior notes USD2,000 million (December 31, 2020: USD2,000 million) and convertible bonds USD2,984 million (December 31, 2020: nil). Applicable interest rates of senior notes are at 2.125%-3.05% per annum, and the interests will be payable semi-annually.

The notes payable and undue interests were repayable as follows:

	Unaudited As of June 30, 2021 RMB'000	Audited As of December 31, 2020 RMB'000
Within 1 year (Note 27)	61,119	61,732
Between 2 and 5 years	22,568,376	4,863,174
More than 5 years	<u>8,026,300</u>	<u>8,103,167</u>
	<u>30,655,795</u>	<u>13,028,073</u>

All of these notes payable issued by the Group were unsecured.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 29 NOTES PAYABLE (Continued)

On October 29, 2020, the Company issued senior notes with an aggregate principal amount of USD2,000 million on the Stock Exchange of Hong Kong Limited. On April 27, 2021, the Company issued convertible bonds with an aggregate principal amount of USD2,984 million on the Stock Exchange of Hong Kong Limited. The aggregate principal amounts, applicable interest rates and due dates are as set out below.

	Amount (USD million)	Interest Rate (per annum)	Due Date
2025 senior notes	750	2.125%	October 28, 2025
2030 senior notes	1,250	3.05%	October 28, 2030
2027 convertible bonds	1,484	0.00%	April 27, 2027
2028 convertible bonds	1,500	0.00%	April 27, 2028
	<u>4,984</u>		

As of June 30, 2021 the fair value of the notes payable amounted to RMB33,714 million (2020: RMB13,515 million). The respective fair values are assessed based on the quoted market price of these notes on the reporting date.

(a) The liability and equity components of the convertible bonds are presented as follows:

	Unaudited Six months ended June 30, 2021 RMB'000
The face value of convertible bond issued on the issue date	19,370,725
Issue premium	<u>105,953</u>
Gross proceeds	19,476,678
Less: issuance costs (Note i)	<u>(184,635)</u>
Net proceeds	19,292,043
Less: equity component (Note 24)	<u>(1,513,938)</u>
Liability component on initial recognition	17,778,105
Less: Interest expense recognised (Note 10)	(65,750)
Currency translation differences	<u>37,460</u>
Liability component as of June 30, 2021	<u><u>17,749,815</u></u>

(i) Part of the issuance costs have not been paid as of June 30, 2021.



## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 30 SHARE-BASED PAYMENTS

For background of share-based payments, please refer to the 2020 Financial Statements.

On October 6, 2015, the Board of the Company approved the establishment of the Company's Pre-IPO ESOP, an equity-settled share-based compensation plan with the purpose of attracting, motivating, retaining and rewarding certain employees, consultants, and Directors. The Pre-IPO ESOP is valid and effective for 10 years from the date of approval by the Board. The Group has reserved 598,483,347 ordinary shares under the Pre-IPO ESOP, and permits the awards of options and RSUs of the Company's ordinary shares.

On April 4, 2018, the Company and Mobike entered into a strategic transaction, and the Group assumed all the outstanding incentive share awards of Mobike (the "Mobike option replacement"). The number and types of the shares issuable upon the exercise of the Mobike option replacement, and the applicable exercise price for share options were adjusted according to the same term as the Pre-IPO ESOP. After the replacement awards were issued, Mobike's original incentive plan ceased to operate.

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

As of June 30, 2021, the Group has authorised and reserved a total of 644,798,544 ordinary shares under the Pre-IPO ESOP, Post-IPO Share Option Scheme and Post-IPO Share Award Scheme for awards of options and RSUs of the Company's ordinary shares.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 30 SHARE-BASED PAYMENTS (Continued)

#### Share options

Options granted typically expire in 10 years from the respective grant dates. The options have graded vesting terms, and vest in tranches from the grant date over the vesting period, on condition that employees remain in service without any performance requirements.

The options may be exercised at any time after they have vested subject to the terms of the award agreement and are exercisable for a maximum period of 10 years after the date of grant.

Movements in the number of share options granted and their related weighted average exercise prices are as follows:

	Unaudited	Weighted average exercise price per share option (HKD)
	Number of share options	
Outstanding as of January 1, 2021	50,893,174	33.95
Granted during the period	–	–
Forfeited during the period	(517,654)	23.68
Exercised during the period	(3,072,414)	25.40
<b>Outstanding as of June 30, 2021</b>	<b>47,303,106</b>	<b>34.62</b>
Vested and exercisable as of June 30, 2021	29,290,104	25.62
Outstanding as of January 1, 2020	73,710,007	27.81
Granted during the period	1,356,000	100.15
Forfeited during the period	(3,537,717)	34.04
Exercised during the period	(12,532,358)	24.21
<b>Outstanding as of June 30, 2020</b>	<b>58,995,932</b>	<b>29.86</b>
Vested and exercisable as of June 30, 2020	31,130,114	23.69

The weighted average remaining contractual life of outstanding share options was 6 years and 6 years as of June 30, 2021 and December 31, 2020, respectively. The weighted average price of the shares at the time these options were exercised was HKD345.86 per share (equivalent to approximately RMB288.66 per share) for the six months ended June 30, 2021.

30 SHARE-BASED PAYMENTS *(Continued)*

Fair value of share options

The Group has used Black-Scholes model to determine the fair value of the share option as of the grant date. There was no option granted for the six months ended June 30, 2021. Key assumptions for the six months ended June 30, 2020 are set as below.

	Unaudited Six months ended June 30, 2020
Risk-free interest rates	0.52%
Expected term – years	6.4
Expected volatility	45%
Fair value of ordinary shares (HKD)	43.20
Exercise price (HKD)	100.15
Dividend yield	–

The weighted average fair value of granted options was HKD43.20 per share for the six months ended June 30, 2020.

RSUs

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

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 30 SHARE-BASED PAYMENTS (Continued)

#### RSUs (Continued)

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

	Unaudited	
	Number of RSUs	Weighted average grant date fair value per RSU (HKD)
Outstanding as of January 1, 2021	126,541,129	90.18
Granted during the period	10,482,368	317.34
Vested during the period	(34,193,681)	66.01
Forfeited during the period	(3,176,963)	149.42
Outstanding as of June 30, 2021	99,652,853	120.47
Outstanding as of January 1, 2020	142,875,991	47.26
Granted during the period	15,318,466	103.08
Vested during the period	(39,407,464)	43.60
Forfeited during the period	(6,690,306)	42.95
Outstanding as of June 30, 2020	112,096,687	56.25

The fair value of each RSU at the grant dates is determined by reference to the fair value of the underlying ordinary shares on the date of grant.

The total share-based compensation expenses recognised in the consolidated income statement are RMB2,079 million and RMB1,397 million for the six months ended June 30, 2021 and 2020, respectively. The following table sets forth a breakdown of the share-based compensation expenses by nature:

	Unaudited	
	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
Share options	71,494	74,121
RSUs	2,006,650	1,319,666
Others	416	3,309
	2,078,560	1,397,096



## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 31 DIVIDENDS

No dividends have been paid or declared by the Company during each of the six months ended June 30, 2021 and 2020.

### 32 CAPITAL COMMITMENTS

	Unaudited As of June 30, 2021 RMB'000	Audited As of December 31, 2020 RMB'000
Property, plant and equipment	3,205,995	2,546,586
Purchase of investments	210,681	733,447
Purchase of land use rights	—	1,962,390
	<u>3,416,676</u>	<u>5,242,423</u>

### 33 RELATED PARTY TRANSACTIONS

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

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

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 33 RELATED PARTY TRANSACTIONS (Continued)

#### (a) Names and relationships with related parties

The following companies are significant related parties of the Group that had transactions with the Group during the six months ended June 30, 2021 and 2020, and/or balances with the Group as of June 30, 2021 and December 31, 2020.

Name of related parties	Relationship
Tencent Group	One of the Company's shareholders
AsiaSea Co., Ltd.	Associate of the Group
Dalian Tongda Group	Associate of the Group
Fujian Piaofeutong Information Technology Co., Ltd	Associate of the Group
Jilin Yillion Bank Co., Ltd.	Associate of the Group
Tianjin Maoyan and its subsidiaries	Associate of the Group

#### (b) Significant transactions with related parties

	Unaudited	
	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
(i) Rendering of services		
Associate of the Group	543,901	479,447
One of the Company's shareholders	172	2,965
	<u>544,073</u>	<u>482,412</u>
(ii) Receiving of services and purchasing of goods		
One of the Company's shareholders	1,416,824	708,627
Associate of the Group	591,476	335,377
	<u>2,008,300</u>	<u>1,044,004</u>



## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 33 RELATED PARTY TRANSACTIONS (Continued)

#### (c) Balances with related parties

	Unaudited As of June 30, 2021 RMB'000	Audited As of December 31, 2020 RMB'000
(i) Due from related parties		
Associate of the Group	308,547	1,136,433
One of the Company's shareholders	85,992	288,626
	<u>394,539</u>	<u>1,425,059</u>
(ii) Due to related parties		
Associate of the Group	266,248	362,708
One of the Company's shareholders	61,552	33,077
	<u>327,800</u>	<u>395,785</u>

#### (d) Key management compensation

	Unaudited Six months ended June 30,	
	2021 RMB'000	2020 RMB'000
Share-based compensation expenses	165,525	166,718
Basic salaries	10,930	6,360
Director's fees	747	751
Pension costs and other employee benefits	387	248
Bonuses	-	6,360
Others	44	62
	<u>177,633</u>	<u>180,499</u>



## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 34 CONTINGENCIES

In April 2021, the State Administration for Market Regulation of the People's Republic of China (the "SAMR") commenced an investigation on the Company pursuant to the Anti-Monopoly Law of the People's Republic of China. As of the date of the report, the investigation is ongoing and the Company is actively cooperating with SAMR. The Company is not able to predict the status or the results of the investigation at this stage, and the Company could be required to make changes to its business practices and/or be subject to a significant amount of fines.

### 35 SUBSEQUENT EVENTS

There were no material subsequent events during the period from June 30, 2021 to the approval date of the Interim Financial Information by the Board on August 30, 2021.

### 36 RECLASSIFICATION OF COMPARATIVE FIGURES

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



## DEFINITIONS

“Articles” or “Articles of Association”	the articles of association of the Company adopted on August 30, 2018 with effect from the Listing Date, as amended from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Beijing Kuxun Interaction”	Beijing Kuxun Interaction Technology Co., Ltd. (北京酷訊互動科技有限公司), a limited liability company incorporated under the laws of the PRC on March 29, 2006 and our Consolidated Affiliated Entity
“Beijing Kuxun Technology”	Beijing Kuxun Technology Co., Ltd. (北京酷訊科技有限公司), a limited liability company incorporated under the laws of the PRC on April 27, 2006 and our indirect wholly-owned subsidiary
“Beijing Mobike”	Beijing Mobike Technology Co., Ltd. (北京摩拜科技有限公司), a limited liability company incorporated under the laws of the PRC on January 27, 2015 and our Consolidated Affiliated Entity
“Beijing Sankuai Cloud Computing”	Beijing Sankuai Cloud Computing Co., Ltd. (北京三快雲計算有限公司), a limited liability company incorporated under the laws of the PRC on June 17, 2015 and our Consolidated Affiliated Entity
“Beijing Sankuai Online”	Beijing Sankuai Online Technology Co., Ltd. (北京三快在線科技有限公司), a limited liability company incorporated under the laws of the PRC on May 6, 2011 and our indirect wholly-owned subsidiary
“Beijing Sankuai Technology”	Beijing Sankuai Technology Co., Ltd. (北京三快科技有限公司), a limited liability company incorporated under the laws of the PRC on April 10, 2007 and our Consolidated Affiliated Entity
“Beijing Xinmeida”	Beijing Xinmeida Technology Co., Ltd. (北京新美大科技有限公司), a limited liability company incorporated under the laws of the PRC on March 17, 2016 and our Consolidated Affiliated Entity
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“CG Code”	the corporate governance code as set out in Appendix 14 to the Listing Rules



## DEFINITIONS

“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. (成都美更美信息技术有限公司), a limited liability company incorporated under the laws of the PRC on July 18, 2014 and our Consolidated Affiliated Entity
“Class A Shares”	class A ordinary shares of the share capital of the Company with a par value of US\$0.00001 each, conferring weighted voting rights in the Company such that a holder of a Class A Share is entitled to ten votes per share on any resolution tabled at the Company’s general meeting, save for resolutions with respect to any Reserved Matters, in which case they shall be entitled to one vote per share
“Class B Shares”	class B ordinary shares of the share capital of the Company with a par value of US\$0.00001 each, conferring a holder of a Class B Share one vote per share on any resolution tabled at the Company’s general meeting
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”, “our Company”, “the Company”	Meituan (美团) (formerly known as Meituan Dianping), an exempted company with limited liability incorporated under the laws of the Cayman Islands on September 25, 2015, or Meituan (美团) and its subsidiaries and Consolidated Affiliated Entities, as the case may be
“connected 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)
“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



## DEFINITIONS

“Date of this Interim Report”	August 30, 2021
“Director(s)”	the director(s) of the Company
“Group”, “our Group” or “the Group”, “we”, “us”, or “our”	the Company and its subsidiaries and Consolidated Affiliated Entities from time to time
“Hong Kong dollars” or “HK dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Securities and Futures Ordinance” or “SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“IFRS”	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
“IPO”	initial public offering
“Kevin Sunny”	Kevin Sunny Holding Limited, a limited liability company incorporated under the laws of the BVI on May 22, 2018, which is wholly owned by Wang Huiwen
“Listing”	the listing of the Class B Shares on the Main Board of the Stock Exchange
“Listing Date”	September 20, 2018
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange, which is independent from and operates in parallel with the GEM of the Stock Exchange
“Meituan Finance”	Beijing Meituan Finance Technology Co., Ltd. (北京美團金融科技有限公司), a limited liability company incorporated under the laws of the PRC on August 9, 2017 and our Consolidated Affiliated Entity



## DEFINITIONS

“Memorandum” or “Memorandum of Association”	the memorandum of association of the Company adopted on August 30, 2018 with effect from the Listing Date, as amended from time to time
“Mobike”	mobike Ltd., an exempted company with limited liability incorporated under the laws of the Cayman Islands on April 2, 2015 and our direct wholly owned subsidiary
“Mobike Beijing”	Mobike (Beijing) Information Technology Co., Ltd. (摩拜(北京)信息技術有限公司), a limited liability company incorporated under the laws of the PRC on January 12, 2016 and our indirect wholly owned subsidiary
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Onshore Holdcos,” each an “Onshore Holdco”	Tianjin Antechu Technology, Shanghai Lutuan, Beijing Kuxun Interaction, Shanghai Sankuai Technology, Meituan Finance, Beijing Sankuai Cloud Computing, Beijing Xinmeida, Chengdu Meigengmei, Beijing Mobike, Beijing Sankuai Technology and Shanghai Hantao
“Post-IPO Share Award Scheme”	the post-IPO share award scheme adopted by the Company on August 30, 2018
“Post-IPO Share Option Scheme”	the post-IPO share option scheme adopted by the Company on August 30, 2018
“PRC”	the People’s Republic of China
“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 six months ended June 30, 2021
“Reserved Matters”	those matters resolutions with respect to which each Share is entitled to one vote at general meetings of the Company pursuant to the Articles of Association, being: (i) any amendment to the Memorandum or Articles, including the variation of the rights attached to any class of shares, (ii) the appointment, election or removal of any independent non-executive Director, (iii) the appointment or removal of the Company’s auditors, and (iv) the voluntary liquidation or winding-up of the Company



## DEFINITIONS

“RMB” or “Renminbi”	Renminbi, the lawful currency of China
“RSU(s)”	restricted share unit(s)
“Sankuai Cloud Online”	Sankuai Cloud Online Technology Co., Ltd. (三快雲在線(北京)科技有限公 司), a limited liability company incorporated under the laws of the PRC on November 3, 2015 and our indirect wholly-owned subsidiary
“Shanghai Hanhai”	Hanhai Information Technology (Shanghai) Co., Ltd. (漢海信息技術(上海) 有限公司), a limited liability company incorporated under the laws of the PRC on March 16, 2006 and our indirect wholly-owned subsidiary
“Shanghai Hantao”	Shanghai Hantao Information Consultancy Co., Ltd. (上海漢濤信息諮詢 有限公司), a limited liability company incorporated under the laws of the PRC on September 23, 2003 and our Consolidated Affiliated Entity
“Shanghai Juzuo”	Shanghai Juzuo Technology Co., Ltd. (上海駒座科技有限公司), a limited liability company incorporated under the laws of the PRC on April 12, 2018 and our indirect wholly-owned subsidiary
“Shanghai Lutuan”	Shanghai Lutuan Technology Co., Ltd. (上海路團科技有限公司), a limited liability company incorporated under the laws of the PRC on January 12, 2017 and our Consolidated Affiliated Entity
“Shanghai Sankuai Technology”	Shanghai Sankuai Technology Co., Ltd. (上海三快科技有限公司), a limited liability company incorporated under the laws of the PRC on September 19, 2012 and our Consolidated Affiliated Entity
“Share(s)”	the Class A Shares and Class B Shares in the share capital of the Company, as the context so requires
“Shareholder(s)”	holder(s) of the Share(s)
“Shared Patience”	Shared Patience Inc., a limited liability company incorporated under the laws of the BVI, which is wholly owned by Wang Xing
“Shared Vision”	Shared Vision Investment Limited, a limited liability company incorporated under the laws of the BVI, which is wholly owned by Mu Rongjun
“Shenzhen Sankuai Online”	Shenzhen Sankuai Online Technology Co., Ltd. (深圳三快在線科技有限公 司), a limited liability company incorporated under the laws of the PRC on November 18, 2015 and our indirect wholly-owned subsidiary
“Stock Exchange”	The Stock Exchange of Hong Kong Limited



## DEFINITIONS

“subsidiary(ies)”	has the meaning ascribed to it in section 15 of the Companies Ordinance
“substantial shareholder”	has the meaning ascribed to it in the Listing Rules
“Tianjin Antechu Technology”	Tianjin Antechu Technology Co., Ltd. (天津安特廚科技有限公司), a limited liability company incorporated under the laws of the PRC on January 17, 2018 and our Consolidated Affiliated Entity
“Tianjin Wanlong”	Tianjin Wanlong Technology Co., Ltd. (天津萬龍科技有限公司), a limited liability company incorporated under the laws of the PRC on August 18, 2015 and our indirect wholly-owned subsidiary
“Tianjin Xiaoyi Technology”	Tianjin Xiaoyi Technology Co., Ltd. (天津小蟻科技有限公司), a limited liability company incorporated under the laws of the PRC on February 13, 2018 and our indirect wholly-owned subsidiary
“Tencent”	Tencent Holdings Limited (HKEx Stock Code: 700), or Tencent Holdings Limited and/or its subsidiaries, as the case may be
“United States”, “U.S.” or “US”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US dollars”, “U.S. dollars” or “US\$”	United States dollars, the lawful currency of the United States
“weighted voting right”	has the meaning ascribed to it in the Listing Rules
“WFOEs”, each a “WFOE”	Tianjin Xiaoyi Technology, Shanghai Juzuo, Beijing Kuxun Technology, Tianjin Wanlong, Beijing Sankuai Online, Shenzhen Sankuai Online, Shanghai Hanhai, Sankuai Cloud Online and Mobike Beijing
“WVR Beneficiaries”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Wang Xing, Mu Rongjun and Wang Huiwen, being the holders of the Class A Shares, entitling each to weighted voting rights
“WVR Structure”	has the meaning ascribed to it in the Listing Rules
“%”	per cent



## DEFINITIONS

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

<b>“Active Merchant”</b>	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
<b>“Gross Transaction Volume” or “GTV”</b>	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
<b>“Monetization Rate”</b>	the revenues for the year/period divided by the Gross Transaction Volume for the year/period
<b>“Transacting User”</b>	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
<b>“transaction”</b>	the number of transactions is generally recognised based on the number of payments made. (i) With respect to our in-store business, one transaction is recognised if a user purchases multiple vouchers with a single payment; (ii) with respect to our hotel-booking business, one transaction is recognised if a user books multiple room nights with a single payment; (iii) with respect to our attraction, movie, air and train ticketing businesses, one transaction is recognised if a user purchases multiple tickets with a single payment; (iv) with respect to our bike-sharing and moped services, if a user uses a monthly pass, then one transaction is recognised only when the user purchases or claims the monthly pass, and subsequent rides are not recognised as transactions; if a user does not use a monthly pass, then one transaction is recognised for every ride